

# A NEW U.S. STRATEGY FOR THE INDO-PACIFIC

By Roger Cliff



---

## NBR Board of Directors

---

John V. Rindlaub  
(*Chairman*)  
Senior Managing Director and  
Head of Pacific Northwest Market  
East West Bank

Thomas W. Albrecht  
Partner (Ret.)  
Sidley Austin LLP

Dennis Blair  
Knott Professor of the Practice  
University of North Carolina

Maria Livanos Cattau  
Secretary General (Ret.)  
International Chamber of Commerce

George Davidson  
(*Vice Chairman*)  
Vice Chairman, M&A, Asia-Pacific (Ret.)  
HSBC Holdings plc

Norman D. Dicks  
Senior Policy Advisor  
Van Ness Feldman LLP

Richard J. Ellings  
President Emeritus and Counselor  
NBR

Kurt Glaubitz  
Global Media Relations Manager  
Chevron Corporation

Roy D. Kamphausen  
President  
NBR  
  
Ryo Kubota  
Chairman, President, and CEO  
Acucela Inc.

Quentin W. Kuhrau  
Chief Executive Officer  
Unico Properties LLC

Melody Meyer  
President  
Melody Meyer Energy LLC

Long Nguyen  
Chairman, President, and CEO  
Pragmatics, Inc.

Kenneth B. Pyle  
Professor, University of Washington  
Founding President, NBR

Jonathan Roberts  
Founder and Partner  
Ignition Partners

Tom Robertson  
Vice President and  
Deputy General Counsel  
Microsoft Corporation

Mitchell B. Waldman  
Executive Vice President, Government  
and Customer Relations  
Huntington Ingalls Industries, Inc.

### *Leave of Absence*

Mark Jones  
Co-head of Macro, Corporate &  
Investment Bank, Wells Fargo Securities  
Wells Fargo & Company

### *Honorary Directors*

Lawrence W. Clarkson  
Senior Vice President (Ret.)  
The Boeing Company

Thomas E. Fisher  
Senior Vice President (Ret.)  
Unocal Corporation

Joachim Kempin  
Senior Vice President (Ret.)  
Microsoft Corporation

Clark S. Kinlin  
President and Chief Executive Officer  
Corning Cable Systems  
Corning Incorporated

George F. Russell Jr.  
(*Chairman Emeritus*)  
Chairman Emeritus  
Russell Investments

---

## NBR Counselors

---

Charles W. Boustany Jr.  
U.S. House of Representatives (Ret.)

Norman D. Dicks  
U.S. House of Representatives (Ret.)

Richard J. Ellings  
NBR

Thomas B. Fargo  
U.S. Navy (Ret.)

Aaron L. Friedberg  
Princeton University

Slade Gorton  
U.S. Senate (Ret.)

Jonathan W. Greenert  
John M. Shalikashvili Chair in National  
Security Studies

Joseph Lieberman  
U.S. Senate (Ret.)

Ashley J. Tellis  
Carnegie Endowment for  
International Peace

---

## NBR Chairman's Council and Board of Advisors

---

Michael Armacost  
Stanford University

Rodney Bindon  
Bindon and Associates

Nicholas Eberstadt  
American Enterprise Institute

Karl Eikenberry  
Stanford University

Donald Emmerson  
Stanford University

Lee Hamilton  
Indiana University

Stephen Hanson  
College of William and Mary

Harry Harding  
University of Virginia

Donald Hellmann  
University of Washington

Robert J. Herbold  
The Herbold Group, LLC

Carla A. Hills  
Hills & Company

Robert D. Hormats  
Kissinger Associates, Inc.

David Lampton  
Stanford University

Nicholas Lardy  
Peterson Institute for International  
Economics

Richard Lawless  
New Magellan Ventures

Chae-Jin Lee  
Claremont McKenna College

Kenneth Lieberthal  
Brookings Institution

William J. Lynn, III  
DRS Technologies, Inc.

Rajan Menon  
City College of New York

Mary Minnick  
Lion Capital

Sam Nunn  
Nuclear Threat Initiative

Joseph S. Nye Jr.  
Harvard University

Stanley Palmer  
Marvin & Palmer Associates, Inc.

Dwight Perkins  
Harvard University

Thomas Pickering  
The Boeing Company (Ret.)

William Rademaker  
Flybuy Technologies

Clarine Nardi Riddle  
Kasowitz, Benson, Torres  
& Friedman LLP

Stanley Roth  
The Boeing Company

Sheldon Simon  
Arizona State University

THE NATIONAL BUREAU *of* ASIAN RESEARCH  
NBR SPECIAL REPORT #86 | JUNE 2020

# A NEW U.S. STRATEGY FOR THE INDO-PACIFIC

*Roger Cliff*

**ROGER CLIFF** conducts research on international relations in the Indo-Pacific. He has worked for the Center for Naval Analyses, Atlantic Council, Project 2049 Institute, RAND Corporation, and Office of the Secretary of Defense. He holds a PhD in international relations from Princeton University, an MA in Chinese studies from the University of California San Diego, and a BS in physics from Harvey Mudd College. He can be reached at <rcliff61@gmail.com>.

## THE NATIONAL BUREAU *of* ASIAN RESEARCH

The *NBR Special Report* provides access to current research on special topics conducted by the world's leading experts in Asian affairs. The views expressed in these reports are those of the authors and do not necessarily reflect the views of other NBR research associates or institutions that support NBR.

The National Bureau of Asian Research is a nonprofit, nonpartisan research institution dedicated to informing and strengthening policy. NBR conducts advanced independent research on strategic, political, economic, globalization, health, and energy issues affecting U.S. relations with Asia. Drawing upon an extensive network of the world's leading specialists and leveraging the latest technology, NBR bridges the academic, business, and policy arenas. The institution disseminates its research through briefings, publications, conferences, Congressional testimony, and email forums, and by collaborating with leading institutions worldwide. NBR also provides exceptional internship opportunities to graduate and undergraduate students for the purpose of attracting and training the next generation of Asia specialists. NBR was started in 1989 with a major grant from the Henry M. Jackson Foundation.

Funding for NBR's research and publications comes from foundations, corporations, individuals, the U.S. government, and from NBR itself. NBR does not conduct proprietary or classified research. The organization undertakes contract work for government and private-sector organizations only when NBR can maintain the right to publish findings from such work.

To download issues of the *NBR Special Report*, please visit the NBR website <http://www.nbr.org>.

This report may be reproduced for personal use. Otherwise, the *NBR Special Report* may not be reproduced in full without the written permission of NBR. When information from NBR publications is cited or quoted, please cite the author and The National Bureau of Asian Research.

This is the eighty-sixth *NBR Special Report*.

NBR is a tax-exempt, nonprofit corporation under I.R.C. Sec. 501(c)(3), qualified to receive tax-exempt contributions.

© 2020 by The National Bureau of Asian Research.

Front cover image: U.S. Navy photo by Mass Communication Specialist 2nd Class Jon Husman. The U.S. Navy hospital ship USNS *Mercy*, left, and the Japan Maritime Self-Defense Force Osumi-class amphibious assault ship JDS *Kunisaki*, right, participate in the Pacific Partnership exercise.

For further information about NBR, contact:

The National Bureau of Asian Research  
1414 NE 42nd Street, Suite 300  
Seattle, Washington 98105

206-632-7370 Phone  
206-632-7487 Fax  
[nbr@nbr.org](mailto:nbr@nbr.org) E-mail  
<http://www.nbr.org>

# A NEW U.S. STRATEGY FOR THE INDO-PACIFIC

## — TABLE OF CONTENTS —

v	Preface
viii	Executive Summary
1	Chapter 1: Introduction
11	Chapter 2: Long-Term Regional Trends
31	Chapter 3: The Strategies of Key Regional Actors
67	Chapter 4: Potential Major Events
97	Chapter 5: Resources Available to the United States for an Indo-Pacific Strategy
109	Chapter 6: A New U.S. Strategy for the Indo-Pacific





## — PREFACE —

The international order in the Indo-Pacific is increasingly under pressure. For more than a quarter century since the end of the Cold War, the United States' military dominance, combined with its commitment to freedom and economic openness, allowed the region to enjoy an unprecedented period of peace and economic growth. However, the rise in the military and economic power of China and the acquisition of nuclear weapons and delivery systems by North Korea, neither of whose leaders believe in freedom and economic openness, as well as other developments, now threaten this peace and economic growth. Successive U.S. administrations have recognized the increasing vulnerability of the regional order but have struggled to define a comprehensive and coherent strategy for the region. This report proposes one such strategy.

The report assesses U.S. interests in the Indo-Pacific, analyzes the strategic environment, and inventories the strategic resources available to the United States. As much as possible, it is based on empirical data, the assessments of experts on the region, and the findings of rigorous social science research. Some will no doubt disagree with its findings and recommendations. If the report at least provokes serious thinking and discussion by policymakers and opinion leaders, however, then it will have served its purpose.

It should also be acknowledged that the ongoing Covid-19 pandemic, which began as the research for this project was reaching its end, has the potential to fundamentally alter some of the assumptions and estimates in this report. If so, some elements of the strategy might need to be adjusted or rethought. Regardless of the specific long-term implications of the pandemic, however, it seems clear that the Indo-Pacific will not become less important to the United States. Indeed, as of May 2020, the primary effect of the pandemic appears to have been to accelerate the trends and challenges identified in the report. Strategies must always adjust and adapt to changing circumstances, but the main findings of this report appear likely to remain valid for some time.

The idea for this project came from Allan Song of the Smith Richardson Foundation. Originally I approached him with a proposal to design a defense strategy for the Indo-Pacific. He encouraged me to think bigger and instead design a whole-of-government, grand strategy for the region. The resulting project was significantly more challenging, but I hope it also is significantly more useful. The need for a coherent, comprehensive U.S. strategy for the Indo-Pacific, moreover, has only become more urgent since those initial conversations. I am thankful, therefore, to AI for pushing me to do a more ambitious project than I originally intended. I am grateful to him and the Smith Richardson Foundation for believing that I could produce something worthwhile and for providing the financial support for me to do so. Nonetheless, their sponsorship of this project should not be interpreted as implying endorsement of its findings.

I owe equal gratitude to the National Bureau of Asian Research (NBR) for agreeing to host the project and publish this report. I am especially grateful to Tiffany Ma, then of NBR, for handling the initial arrangements that made this partnership possible; to Brian Franchell, then of NBR, for handling the contractual formalities, overseeing the research assistance NBR provided during the initial stages of the project, and organizing the first few advisory committee meetings; and to Melissa Newcomb for taking over the organization of the advisory committee meetings after Brian left NBR, overseeing the publication process, and organizing the launch of the report.

I am grateful as well to the numerous staff members at NBR who provided research assistance and helped Brian and Melissa set up the advisory committee meetings. I am also grateful to Roy Kamphausen, president of NBR, both for supporting this project and for agreeing to be a member of the advisory committee. Finally, I am grateful to Josh Ziemkowski and his team for their superb and surprisingly painless (for me, at least) editorial and production work.

As alluded to in the preceding paragraph, at the suggestion of the Smith Richardson Foundation I recruited an advisory committee for this project consisting of recognized experts on different aspects of the Indo-Pacific region. In addition to Roy Kamphausen, these were Richard Bush of the Brookings Institution, Abraham Denmark of the Wilson Center, Michael Green of the Center for Strategic and International Studies, Satu Limaye of the East-West Center, Michael Lostumbo of the RAND Corporation, Thomas Mahnken of the Center for Strategic and Budgetary Assessments, Meredith Miller of the Albright Stonebridge Group, and Amy Searight of the Center for Strategic and International Studies. All of them gave generously of their time and expertise and received only nominal compensation, consisting mainly of prosciutto, cheese, and crackers at our evening sessions. Particular thanks are owed to Michael Lostumbo and Thomas Mahnken, who also reviewed a complete draft of the revised report and provided extremely valuable comments and criticism. None of the advisory committee members, of course, should be held responsible for the ultimate findings of the report or any errors it may contain.

In addition to the members of the advisory committee, this project also benefited from the expertise of a number of regional experts who agreed to be interviewed as part of my research. These include Elizabeth Economy of the Council on Foreign Relations; Lindsey Ford, now of the Brookings Institution; Joshua Kurlantzick of the Council on Foreign Relations; Walter Lohman of the Heritage Foundation; Laura Rosenberger of the German Marshall Fund; Richard Rossow of the Center for Strategic and International Studies; James Schoff of the Carnegie Endowment for International Peace; Adam Segal of the Council on Foreign Relations; Yun Sun of the Stimson Center; Ashley Tellis of the Carnegie Endowment for International Peace; and Joshua White of the Johns Hopkins School of Advanced International Studies. All of them provided valuable information and insights, but none should be in any way held responsible for the findings of this report.

Roger Cliff





## EXECUTIVE SUMMARY

This report describes U.S. interests in the Indo-Pacific, challenges and opportunities the U.S. will likely face in the region over the next decade, the resources available to the U.S. for protecting and advancing its interests, and a recommended strategy for doing so.

### MAIN ARGUMENT

The Indo-Pacific is a region of critical importance to the U.S., but one in which it is likely to face major challenges in coming years. China will be both the dominant economy and the dominant military power (other than the U.S.) in the region and will continue its efforts to take control over Taiwan, the South China Sea, and the Senkaku Islands. Beijing will also continue to infiltrate and subvert the political systems of countries in the Indo-Pacific and elsewhere in the world. Meanwhile, North Korea will continue to increase its capability to attack the U.S. with nuclear weapons, and state failure in North Korea is a possibility over the next decade. Other adverse events could occur as well, including interstate conflict, new internal conflicts, democracies becoming autocracies, and Islamist regimes coming to power. In addition, unusually hot weather and floods will become more frequent as a result of global climate change, and the Indo-Pacific will be a major source of environmental pollution and greenhouse gas emissions. At the same time, the Indo-Pacific presents major strategic opportunities for the U.S., which still enjoys significant strengths. The U.S. possesses more human capital than any country in the world, has the world's best technological capabilities, and has by far the world's most capable military. Perhaps its greatest asset in the region, however, is its democratic allies, particularly Japan, South Korea, and Australia. As a result, U.S. Indo-Pacific strategy should focus on strengthening ties with the democracies of the region and making those democracies stronger and more secure.

### POLICY IMPLICATIONS

To protect and advance its interests in the Indo-Pacific, the U.S. should adopt a strategy toward the region that includes the following main elements:

- Strengthening U.S. relations with democracies
- Promoting the economic growth of democracies
- Strengthening the defense capabilities of democracies
- Helping end internal conflicts in democracies
- Helping strengthen democratic institutions in all Indo-Pacific countries
- Reducing external military threats to democracies
- Strengthening the capabilities of the U.S. to defend democracies
- Promoting democracy and human rights in nondemocratic countries
- Continuing to provide humanitarian assistance and disaster relief
- Providing economic assistance to countries during crises
- Working with all Indo-Pacific nations to reduce pollution and greenhouse gas emissions

THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 1

# Introduction



The Indo-Pacific is a region of critical importance to the United States and one in which the country is likely to face major challenges in coming years. Washington has lacked a coherent strategy for the region, however, and its responses to date to the growing challenges in the region have been marginal and piecemeal. The United States needs a comprehensive strategy for the Indo-Pacific that is based on a rigorous analysis of the strategic dynamics of the region and a realistic assessment of the resources available for protecting and advancing U.S. interests. This report presents such a strategy.

This first chapter examines why a strategy for the Indo-Pacific is needed and specifies the principal interests that the strategy should be designed to protect and advance. Chapter 2 then analyzes long-term regional trends in demographics, economic growth, trade, organized conflict and other forms of violence, political change, defense spending, and environmental change. Next, the report analyzes and describes the national strategies of six key actors in the region whose actions have the potential to significantly affect U.S. interests: China, India, Japan, Indonesia, North Korea, and Taiwan. The fourth chapter then assesses the prospects for different types of major events occurring in the region in coming years, including wars and peace agreements, the emergence and resolution of internal conflicts, regime changes, financial crises, natural disasters, and refugee crises. Next, chapter 5 identifies and characterizes the tangible and intangible resources available to the United States for managing the challenges and opportunities that will likely arise in the region as a result of these trends, actors, and events. Finally, the concluding chapter describes a strategy for using those resources to protect and advance U.S. interests and identifies specific actions and policies for implementing that strategy.

## The Need for a Strategy

More than half of the world's population resides in the Indo-Pacific, including over two billion people (more than half the regional population) who are living under democracy (see **Figure 1**).<sup>1</sup> The region also generates a third of the world's economic output, more than any other region of the world. The United States has more trade with the Indo-Pacific than with any other region, and three of its most important allies (Japan, South Korea, and Australia) are located there.<sup>2</sup>

The United States will likely face severe challenges in the Indo-Pacific in coming years. China, an authoritarian country that is increasingly repressive, has an economy that is already larger than that of the United States and is expected to further increase its lead over the next decade. China spends more on its military than any country other than the United States, and its government has numerous territorial disputes in the region, including a claim that the entire independent country of Taiwan should be part of China. Moreover, Beijing asserts the right to use force to resolve these disputes. In addition to its territorial claims, China has also been covertly infiltrating the societies

<sup>1</sup> For the purposes of this project, the Indo-Pacific is defined as comprising East Asia, Southeast Asia, Oceania, and South Asia except for Pakistan and Afghanistan. This definition is consistent with the description of the region in the 2017 U.S. National Security Strategy as stretching "from the west coast of India to the western shores of the United States." White House, *National Security Strategy of the United States of America* (Washington, D.C., December 2017), 45–46, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSSFinal-12-18-2017-0905.pdf>. For a discussion of the value of conceiving of this area as a single region, see Rory Medcalf, "Indo-Pacific Visions: Giving Solidarity a Chance," *Asia Policy* 14, no. 3 (2019): 79–95.

<sup>2</sup> UN Population Division, "World Population Prospects 2019," <https://population.un.org/wpp>; International Monetary Fund (IMF), World Economic Outlook Database, October 2019, <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>; and IMF, Direction of Trade Statistics, <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85>. In 2018, Japan, South Korea, and Australia ranked fourth, fifth, and seventh, respectively, in defense spending among U.S. treaty allies. Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database, <https://www.sipri.org/databases/milex>; and "Polity IV Annual Time-Series, 1800–2018," INSCR Research Data Page, Center for Systemic Peace, <http://www.systemicpeace.org/inscrdata.html>.

and political systems of numerous countries, including the United States, in an effort to influence their policies in ways that are in China's interest.<sup>3</sup>

Another challenge that the United States will face is North Korea's acquisition of nuclear weapons and delivery systems, including intercontinental ballistic missiles (ICBMs) capable of reaching the United States. Although it would be suicidal, and is therefore unlikely, for North Korea to launch an unprovoked nuclear attack on the United States, possession of these weapons increases Pyongyang's ability to engage in other forms of aggression, which could include the

FIGURE 1 Map of the Indo-Pacific



<sup>3</sup> SIPRI estimates that China's total military expenditure in 2018 was \$250 billion. The next highest countries were Saudi Arabia, at \$68 billion; India, at \$67 billion; France, at \$64 billion; and Russia, at \$61 billion. See SIPRI Military Expenditure Database.

use of nuclear weapons against U.S. allies.<sup>4</sup> In addition, if the North Korean state, which is built around a single family, were to collapse or split into warring factions, its possession of nuclear weapons greatly increases the dangers that would result from such an event.

U.S. interests in the Indo-Pacific will be challenged in other ways. Democracy, after spreading rapidly in the region in the 1990s and the first half of the 2000s, has been in retreat in recent years. Thailand, a U.S. treaty ally, was a democracy prior to 2006 but experienced a military coup in that year and again in 2014, and democracy has not been restored since.<sup>5</sup> Similarly, Bangladesh was a democracy from 1991 to 2006, but since that time the ruling Awami League has been tightening its hold on power. After the party overwhelmingly won parliamentary elections in 2018 that were marred by violence and rigged in its favor, Bangladesh can no longer be regarded as a democracy.<sup>6</sup> Meanwhile, other countries in the region, such as the Philippines, Indonesia, and India, although they remain democracies, have been becoming increasingly illiberal.<sup>7</sup>

Major economic challenges and opportunities are arising in the Indo-Pacific as well. In January 2017 the United States withdrew from the Trans-Pacific Partnership (TPP), a free trade agreement (FTA) involving seven Indo-Pacific countries together with five countries from the Western Hemisphere that would have encompassed nearly 40% of the world's economy. Despite the U.S. withdrawal, however, in the following year the other eleven countries, representing more than \$11 trillion in economic activity, reached a similar agreement called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Meanwhile, China has been promoting a broader (albeit shallower) FTA called the Regional Comprehensive Economic Partnership (RCEP), which will include fifteen Indo-Pacific countries with a collective GDP of \$25 trillion. Like all FTAs, these arrangements will increase trade among their members and decrease trade with nonmembers. The emergence of these two agreements presents the United States with the opportunity to join one or both of them and benefit from the advantages of membership. If it chooses not to do so, it risks diminished access to the growing economies that these FTAs encompass.<sup>8</sup>

As these examples suggest, the Indo-Pacific is in danger of evolving from being a benign region that is primarily a source of benefits for the United States to one that is a source of threats to U.S. interests. It is conceivable that, over time, the region could become militarily, politically, and economically dominated by the authoritarian regime in Beijing; that key U.S. allies such as Japan, South Korea, and Australia could drift away; that the United States could no longer have free access to the most important economic region of the world; and that the region could feature an

---

<sup>4</sup> Even before North Korea acquired an operational nuclear capability, successive regimes have repeatedly demonstrated a willingness to use lower levels of lethal military force. For example, in August 2015, North Korean soldiers sneaked into the South Korean half of the Demilitarized Zone separating the two countries and planted land mines near one of the South's military guard posts, maiming two South Korean soldiers who triggered them. See Choe Sang-Hun, "South Korea Accuses the North after Land Mines Maim Two Soldiers in DMZ," *New York Times*, August 10, 2015.

<sup>5</sup> Freedom House, "Freedom in the World 2020: Thailand," 2020. Thailand held parliamentary elections in March 2019, and the current prime minister is nominally a civilian, but he was commander in chief of the Royal Thai Army at the time it overthrew the civilian government in 2014 and retired from the army only after being appointed prime minister later that year. His re-election as prime minister in 2019 came after a parliamentary election that was widely viewed as having been rigged to ensure his party's victory. See "The Leader of the Thai Junta Tortures the Rules to Remain in Power," *Economist*, June 6, 2019, <https://www.economist.com/asia/2019/06/06/the-leader-of-the-thai-junta-tortures-the-rules-to-remain-in-power>.

<sup>6</sup> Freedom House, "Freedom in the World 2019: Bangladesh," 2019; and "Polity IV Annual Time-Series, 1800–2018."

<sup>7</sup> Freedom House, "Freedom in the World 2006: Philippines," 2006; and Freedom House, "Freedom in the World 2014: Indonesia," 2014.

<sup>8</sup> See IMF, World Economic Outlook Database; "What on Earth Is the CPTPP?" *Economist*, March 12, 2018, <https://www.economist.com/the-economist-explains/2018/03/12/what-on-earth-is-the-cptpp>; Jack Caporal and Jonathan Lesh, "The CPTPP: (Almost) One Year Later," Center for Strategic and International Studies (CSIS), November 5, 2019, <https://www.csis.org/analysis/cptpp-almost-one-year-later>; and William Alan Reinsch, Jack Caporal, and Lydia Murray, "At Last, an RCEP Deal," CSIS, December 3, 2019, <https://www.csis.org/analysis/last-rcep-deal>.



unstable or fragmented government in North Korea that is in possession of nuclear ICBMs capable of reaching the United States.

Despite these transformative changes that have long been developing in the Indo-Pacific, successive U.S. administrations have struggled to define an effective strategy for the region. In 2011 the Obama administration announced a policy of rebalancing to Asia. Part of this policy was an effort to reallocate U.S. diplomatic, economic, and military resources, which had long been focused on Europe and the Middle East, so that they were consistent with the region's increased importance to the United States. In addition, the policy included measures to strengthen U.S. alliances and partnerships in the region and to increase active participation in regional institutions such as the Association of Southeast Asian Nations (ASEAN), the East Asia Summit, and the Asia-Pacific Economic Cooperation (APEC). In the economic realm, the Obama administration pushed the formation of the TPP, signing an agreement with the other eleven countries in 2016.<sup>9</sup>

Although these efforts were certainly significant, they were not accompanied by a publicly articulated vision of what specific challenges and opportunities in the region the United States was facing, much less what underlying strategy was informing them. More importantly, none was an effective response to the most critical challenges facing the region, such as the growing military and political threat from China or North Korea's acquisition of nuclear weapons and ICBMs.<sup>10</sup>

The Trump administration also lacks a compelling strategy toward the Indo-Pacific. Although it has never explicitly articulated its strategy, in late 2019 the State Department issued a report self-described as an "implementation update" on the strategy. The report summarizes U.S. efforts in five areas: engaging partners and regional institutions, enhancing economic prosperity, championing good governance, ensuring peace and security, and investing in human capital. As with the Obama administration's rebalance policy, however, what overarching strategy informs these efforts is unclear. The specific activities described in the report, moreover, do not appear to be commensurate with the severity of the challenges in the region. The only references to North Korea, for example, are a statement that the United States is increasing support to its Indo-Pacific partners in defending their computer networks and countering malicious cyberactivities by North Korea and other countries, and a statement that the United States counters North Korean proliferation activities. No mention is made of efforts to persuade Pyongyang to relinquish its nuclear weapons and ICBMs.<sup>11</sup>

Similarly, the only initiatives mentioned in the report that appear to be designed to counter China's growing power and influence are the aforementioned support to Indo-Pacific partners

<sup>9</sup> See Daniel R. Russel, "U.S. Policy Towards East Asia and the Pacific" (remarks at the Baltimore Council on Foreign Affairs, Washington, D.C., May 29, 2014), <https://2009-2017.state.gov/p/eap/rls/rm/2014/05/226887.htm>. Note that, although this speech is titled "U.S. Policy Towards East Asia and the Pacific," it includes reference to India, implying that the region toward which the policy was directed was comparable to the Indo-Pacific concept employed in this report.

<sup>10</sup> The rebalance policy was said to also entail "engaging with emerging powers," including China (although not North Korea). "Engaging with emerging powers" sounds like a description of routine diplomatic activity, however, and so cannot be considered a significant response to the growing threat from China. In a subsequent speech, Assistant Secretary Russel, moreover, cited, as examples of the results of this engagement, a commitment from President Xi Jinping "that China will not conduct or knowingly support cyber-enabled theft for commercial gain," a statement by Xi that "China has no intention of militarizing its islands in the Spratlys," and the delivery to Xi of a "loud and clear" message on the constriction of political space and human rights in China, which the Obama administration was said to "hope he [took] to heart." See Daniel R. Russel, "U.S.-Asia Policy Update" (remarks at the Asia Society, New York, November 4, 2015), <https://2009-2017.state.gov/p/eap/rls/rm/2015/11/249201.htm>. A claim that China has not knowingly conducted or supported cyber-enabled theft for commercial gain since 2015 would be implausible, and the statement that "China has no intention of militarizing its islands in the Spratlys" was demonstrated to be a lie less than three years later. See Steven Stashwick, "China Deploys Long-Range Anti-ship and Anti-air Missiles to Spratly Islands for First Time," *Diplomat*, May 5, 2018, <https://thediplomat.com/2018/05/china-deploys-long-range-anti-ship-and-anti-air-missiles-to-spratly-islands-for-first-time>. And the delivery of a "loud and clear" message, along with a hope that the message was taken to heart by the leader of an oppressive dictatorship, cannot be regarded as an example of effective action.

<sup>11</sup> U.S. Department of State, *A Free and Open Indo-Pacific: Advancing a Shared Vision* (Washington, D.C., November 2019), 22–23, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

in defending their computer networks and countering malicious cyberactivities; the approval of weapons sales to Taiwan; programs to provide maritime security training, equipment, and advice to countries in the region; and verbal admonishments directed at China. The latter include repeatedly expressing concern over Beijing's actions to bully Taiwan, publicly calling on China to halt its repression of Muslim minorities, urging the Communist Party of China to refrain from interfering in the selection of religious leaders by the Tibetan community, and cautioning Beijing that it must uphold its commitments to maintaining Hong Kong's autonomy and civil liberties.<sup>12</sup>

The changes underway in the Indo-Pacific require a more comprehensive and effective response than these minimal, piecemeal efforts. The United States needs a strategy for the region that identifies the emerging challenges and opportunities for U.S. interests, assesses the resources available for protecting and advancing these interests, and then describes a set of concrete actions for the United States to take.

## U.S. Interests in the Indo-Pacific<sup>13</sup>

To have a coherent strategy for the Indo-Pacific, the United States must first identify its interests in the region. As with any part of the world, the number of U.S. interests in the Indo-Pacific is large. An effective strategy should focus on a limited number of the most important interests. This report asserts that the primary U.S. interests in the region are (in rough order of importance): protection of the United States against direct threats; maintenance of the security and strength of U.S. allies; continued access to an economically dynamic region; regional peace and stability; prevention of the spread of nuclear, biological, and chemical weapons; human rights, freedom, and democracy; and a healthy natural environment.

*Protection of the United States against direct threats originating from the Indo-Pacific.* A primary responsibility of any national government is protecting its people from foreign attack. Given the distance between the United States and the countries of the Indo-Pacific, no nation in the region poses a plausible threat to actually invade the United States or its territories.<sup>14</sup> However, China and now North Korea possess missiles capable of reaching U.S. territories in the Pacific as well as the U.S. mainland.<sup>15</sup> In addition, Indo-Pacific countries or nonstate actors could covertly dispatch personnel or induce U.S. residents to carry out attacks on U.S. territory or target U.S. citizens living or traveling in the region.<sup>16</sup>

Of particular concern would be attacks employing nuclear, biological, or chemical weapons, because of the much greater number of deaths and injuries that could result from such attacks,

---

<sup>12</sup> U.S. Department of State, *A Free and Open Indo-Pacific*, 8, 10, 22, 23.

<sup>13</sup> This section draws in part on the Commission on America's National Interests, "America's National Interests," July 2000, available at <https://www.belfercenter.org/sites/default/files/legacy/files/amernatinter.doc>; U.S.-China Economic and Security Review Commission, "2016 Annual Report to Congress," November 2016, 475–77, [https://www.uscc.gov/Annual\\_Reports/2016-annual-report-congress](https://www.uscc.gov/Annual_Reports/2016-annual-report-congress); Robert D. Blackwill, "Defending Vital U.S. Interests: Policy Prescriptions for Trump," *Foreign Policy*, January 25, 2017, <http://foreignpolicy.com/2017/01/25/defending-vital-u-s-interests-policy-prescriptions-for-trump>; and Charles Boustany and Richard J. Ellings, "China and the Strategic Imperative for the United States," *Asia Policy* 13, no. 1 (2018): 47–67.

<sup>14</sup> The Indo-Pacific nation whose territory is closest to U.S. territory appears to be Samoa, approximately 45 miles by sea from American Samoa. Samoa has no military forces, however. See Central Intelligence Agency, *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook>.

<sup>15</sup> In addition to the states of Alaska (including the Aleutian Islands) and Hawaii, U.S. territories in the Pacific with permanent populations are Guam, the Northern Mariana Islands, and American Samoa. The United States also controls eight Pacific islands and atolls that lack permanent populations. See "Definitions of Insular Area Political Organizations," Office of Insular Affairs, U.S. Department of the Interior, <https://www.doi.gov/oia/islands/politicatypes>.

<sup>16</sup> Estimates of the number of U.S. citizens living or traveling in the Indo-Pacific at any given time were not found.

the long-term contamination they would cause, and the taboo they would break.<sup>17</sup> Nuclear and biological weapons are not known to have been used in warfare since World War II.<sup>18</sup> Any use of these weapons, therefore, would significantly weaken the global norm against their use, increasing the likelihood that they would be used again in the future. Chemical weapons are generally less lethal than nuclear or biological weapons and have been used on multiple occasions since World War II.<sup>19</sup> Nonetheless, almost all nations have acceded to the Chemical Weapons Convention, which outlaws the production, stockpiling, and use of chemical weapons.<sup>20</sup> Chemical weapons attacks on the United States (or any other country) would further weaken the taboo against their use as well.

Threats to the United States emanating from the Indo-Pacific region could also be nonphysical. Cyberattacks could cause severe damage to the U.S. economy or infrastructure. In addition, countries in the Indo-Pacific could commit political aggression against the United States by attempting to undermine Americans' confidence in democracy or subvert the U.S. political system.<sup>21</sup>

*Maintenance of the security and strength of U.S. allies in the Indo-Pacific.* The security of the United States depends not just on its own strength but also on that of its allies around the world. As measured by annual defense spending, three of the United States' seven most important treaty allies—Japan, South Korea, and Australia—are located in the Indo-Pacific. The combined defense spending of U.S. allies in the region, moreover, represents roughly a third of the total defense spending of all U.S. allies throughout the world.<sup>22</sup> In addition, the Indo-Pacific is home to several democracies, such as India, Indonesia, and Taiwan, that are not formal treaty allies but share interests with the United States and are potential informal allies or coalition partners.

*Continued access to an economically dynamic Indo-Pacific.* One-third of world economic output is generated in the Indo-Pacific, which has been by far the fastest-growing economic region of the world in recent decades. Between 1990 and 2018, for example, the “emerging economies” of the Indo-Pacific (i.e., the Indo-Pacific countries excluding Japan, South Korea, Taiwan, Australia, Hong Kong, New Zealand, Singapore, and Macao) grew by 773%, compared with 66% for the European Union, 65% for emerging and developing Europe, 116% for Latin America and the Caribbean, 210% for the Middle East and Central Asia, and 205% for Sub-Saharan Africa.<sup>23</sup> More than one-third of U.S. foreign trade is currently with the Indo-Pacific, with combined U.S. imports and exports to and from the region representing more than \$1.6 trillion annually, around 8% of

<sup>17</sup> China possesses nuclear weapons but is not believed to currently possess operational biological or chemical weapons. See “China,” Nuclear Threat Initiative, updated May 2019, <https://www.nti.org/learn/countries/china>. North Korea is believed to possess all three types of weapons. See “North Korea,” Nuclear Threat Initiative, updated August 2019, <https://www.nti.org/learn/countries/north-korea>.

<sup>18</sup> See Friedrich Frischknecht, “The History of Biological Warfare,” *EMBO Reports* 4, no. S1 (2003): S47–52, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1326439>.

<sup>19</sup> Aisha Majid, “A ‘100 Year Taboo’? One Graphic That Shows How Chemical Weapons Have Been Used over Time,” *Telegraph*, March 21, 2018, <https://www.telegraph.co.uk/news/0/one-hundred-year-taboo-one-graphic-shows-chemical-weapons-have>.

<sup>20</sup> “Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction,” available from UN Treaty Collection, [https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtmsg\\_no=XXVI-3&chapter=26&lang=en](https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtmsg_no=XXVI-3&chapter=26&lang=en). North Korea is one of three nations that have not ratified the convention.

<sup>21</sup> As the coronavirus pandemic shows, infectious diseases emerging from the Indo-Pacific can also be a threat to the health of Americans. If an epidemic or pandemic were the result of intentional human action, it would be considered a biological weapon attack. Otherwise, although such diseases may be more likely to emerge in the Indo-Pacific than in other parts of the world, this report regards preventing and combating them to properly be an element of a global U.S. strategy, not a specific strategy for the Indo-Pacific region.

<sup>22</sup> SIPRI Military Expenditure Database. Aside from the defense treaties with Japan, South Korea, and Australia, other U.S. defense treaties include the North Atlantic Treaty Organization (NATO), the U.S.-Philippine Mutual Defense Treaty, and the 1954 Manila Pact to which the United States and Thailand are signatories, along with Australia, France, New Zealand, the Philippines, and Britain. See “U.S. Collective Defense Arrangements,” U.S. Department of State, <https://2009-2017.state.gov/s/l/treaty/collectivedefense/index.htm>.

<sup>23</sup> See IMF, World Economic Outlook Database.

U.S. GDP. U.S. companies also have roughly a trillion dollars in direct investment in the region.<sup>24</sup> In addition, many goods produced in the United States are dependent on inputs that are produced in the Indo-Pacific. As the region further grows and develops economically and technologically, it has the potential to be an increasing source of material prosperity for the United States.<sup>25</sup> Thus, the United States has an interest in the continued economic growth and development of the Indo-Pacific, provided the United States remains able to access that growth and development through trade, investment, and the exchange of technology.

*Regional peace and stability.* The United States has an interest in peace and stability in the Indo-Pacific. A lack of peace and stability could negatively affect U.S. interests in multiple ways. If a conflict were to involve a U.S. ally, it could result in the weakening or even loss of that ally. Even if the ally ultimately recovered from the conflict or instability, its capabilities would be unavailable to the United States while it was affected. Even turmoil that does not directly involve U.S. allies, moreover, could disrupt overall economic growth and commerce, cause population displacement, and spill over into other countries, none of which are in the interests of the United States.

*Prevention of the spread of nuclear, biological, and chemical weapons.* Three countries in the Indo-Pacific are known to possess nuclear weapons: China, India, and North Korea, and one of them—North Korea—is also believed to possess biological and chemical weapons.<sup>26</sup> Everything else being equal, the fewer countries that possess such weapons, the less likely they are to be used, intentionally or accidentally, and the less likely they are to fall into the hands of nations or nonstate actors that might use them against the United States or its allies. Thus, the United States has an interest in preventing additional countries in the Indo-Pacific from acquiring nuclear, biological, and chemical weapons and in preventing those countries that already possess them from transferring such weapons, or the equipment or knowledge needed to manufacture them, to other countries. In addition, given North Korea's demonstrated proclivity to conduct attacks on other nations, and the possibility that its government could fail at some point in the future, the United States has an interest in North Korea, in particular, relinquishing these weapons.

*Human rights, freedom, and democracy.* The United States has both a normative and a material interest in human rights, freedom, and democracy. In the normative realm, the United States is a nation that is founded on the belief that all the people of the world are entitled to human rights, freedom, and democracy. Their spread, however, is also in the material interest of the United States. In particular, a robust body of research indicates that mature democracies (that is, countries that do not simply hold periodic elections but in which freedom and human rights are widely enjoyed and protected) almost always resolve their disputes peacefully and rarely, if ever, go to war with each other.<sup>27</sup> In addition, such countries generally tend to support and strengthen democracy in each other, while authoritarian countries often seek to undermine democracy in other countries. Thus, a world in which more countries are democracies is in the direct interest of the United States.

---

<sup>24</sup> IMF, World Economic Outlook Database; U.S. Census Bureau, "Monthly U.S. International Trade in Goods and Services, December 2019," Press Release, [https://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/index.html](https://www.census.gov/foreign-trade/Press-Release/current_press_release/index.html); and U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data," <https://www.bea.gov/international/di1usdbal.htm>. Figures on trade in goods and services are based on exports and imports with seven major Indo-Pacific trading partners: China, Japan, South Korea, India, Taiwan, Singapore, and Hong Kong.

<sup>25</sup> This trade data includes trade in both goods and services. IMF, World Economic Outlook Database; and IMF, Direction of Trade Statistics.

<sup>26</sup> "Country Profiles," Nuclear Threat Initiative, <https://www.nti.org/learn/countries>.

<sup>27</sup> See, for example, Daniel S. Geller and J. David Singer, *Nations at War: A Scientific Study of International Conflict* (Cambridge: Cambridge University Press, 1998), 85–87.

*A healthy natural environment in the Indo-Pacific.* The quality of the Indo-Pacific's natural environment indirectly affects the interests of the United States through its impact on the health of the people and economies of the region. It also affects the United States more directly. Based on the estimates of an international group of researchers, for example, Indo-Pacific countries will contribute approximately 30% to the global rise in temperature by the year 2100.<sup>28</sup> Similarly, a 2015 study estimated that, of the world's oceanic plastic waste (a major type of pollution in the oceans), approximately two-thirds originates in the region.<sup>29</sup> The Indo-Pacific is also a significant source of air pollution, not just in Asia but elsewhere in the world as well. In the western United States, for example, according to one study, springtime levels of ground-level ozone, which is one of the two most important types of air pollution (the other being particulate matter), have actually increased since 1990, despite the fact that U.S. emissions of nitrogen oxides, the primary cause of ground-level ozone, were reduced by half over that period. This is because the decrease in U.S. emissions of nitrogen oxides has been more than offset by an increase in Asian emissions that are carried through the stratosphere to the western United States.<sup>30</sup>

---

<sup>28</sup> Data is from the website of the Ad Hoc Group for the Modelling and Assessment of Contributions of Climate Change (MATCH), <http://www.match-info.net>. Data includes estimates of the effects of carbon dioxide, methane, and nitrogen oxides produced by the energy, industry, agriculture, and waste sectors and as a result of land-use change and forestry. It does not include estimates of the effects of hydrofluorocarbons, perfluorocarbons, or sulfur hexafluoride, whose total cumulative historical emissions amount to about 0.5% of total cumulative historical emissions of carbon dioxide, methane, and nitrogen oxides in terms of their effect on global climate change, or of sulfate aerosols, which have a significant cooling, rather than warming, effect. See Niklas Höhne et al., "Contributions of Individual Countries' Emissions to Climate Change and Their Uncertainty," *Climatic Change* 106 (2011): 359–91; and H. Damon Matthews et al., "National Contributions to Observed Global Warming," *Environmental Research Letters* 9, no. 1 (2014).

<sup>29</sup> An estimated 4.8 to 12.7 million metric tons of plastic waste enter the oceans each year. Eleven Indo-Pacific nations are estimated to contribute a total of 3.22 to 8.57 million metric tons. See Jenna R. Jambeck et al., "Plastic Waste Inputs from Land into the Ocean," *Science* 347, no. 6223 (2015): 768–71.

<sup>30</sup> Bill Chappell, "Smog in Western U.S. Starts Out as Pollution in Asia, Researchers Say," NPR, March 3, 2017, <https://www.npr.org/sections/thetwo-way/2017/03/03/518323094/rise-in-smog-in-western-u-s-is-blamed-on-asias-air-pollution>; and Meiyun Lin et al., "U.S. Surface Ozone Trends and Extremes from 1980 to 2014: Quantifying the Roles of Rising Asian Emissions, Domestic Controls, Wildfires, and Climate," *Atmospheric Chemistry and Physics* 17 (2017): 2943–70, <https://www.atmos-chem-phys.net/17/2943/2017/acp-17-2943-2017.pdf>.

THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 2

# Long-Term Regional Trends





While the complexity and indeterminacy of human behavior mean that the future is impossible to predict with any precision, a strategy for the Indo-Pacific should account for overall conditions and potential developments in the region in coming years. This includes regional demographic, economic, political, military, and environmental trends. It also includes the behavior of key actors and significant events that could occur. This chapter examines regional trends, while the subsequent two chapters will examine the behavior of key actors and significant potential events.

## Regional Trends

The subsections that follow describe recent and projected future trends in the region in demographics, economic growth, trade, conflict and violence, political change, defense spending, and the environment.

### *Demographics*

The UN Population Division projects that, assuming current demographic trends continue, the total population of the Indo-Pacific region will grow by approximately 10% between 2020 and 2050—from just under 4.0 billion to about 4.4 billion—with the population peaking around 2047 and beginning to fall thereafter (see **Figure 1**).<sup>1</sup> The Indo-Pacific will remain the most populous region in the world throughout this period, although as a percentage of the total world population it will decline from approximately 51% in 2020 to roughly 45% in 2050.

Within the region there will be a shift in the relative population sizes of the two most populous subregions. Currently, East Asia (comprising China, Japan, North and South Korea, Taiwan, and Mongolia) is the most populous subregion, with 42% of the region's total population. By around 2027, however, South Asia will surpass it. The total population of East Asia will increase by only about 1% between 2020 and 2030, whereas the populations of South Asia and Southeast Asia will grow by about 9%. In particular, China's population is projected to peak at 1.46 billion around 2031 and decline thereafter, whereas India's population is projected to surpass China's in 2027 and reach 1.64 billion in 2050 (see **Figure 2**).

The populations of the other large countries in the region are generally expected to grow during 2020–30. For example, Indonesia, the third most populous country in the region, is expected to grow by roughly 9%, from approximately 275 million in 2020 to 300 million in 2030. The populations of Bangladesh, the Philippines, and Vietnam are expected to grow significantly as well. An exception is Japan, currently the fifth most populous regional country (after China, India, Indonesia, and Bangladesh), whose population is projected to decline by approximately 5% between 2020 and 2030.

### *Economic Growth*

If measured in a way that accounts for the differences in prices of comparable goods in different countries (known as “purchasing power parity,” or PPP), the economies of the Indo-Pacific region collectively grew by more than 300% over the 25 years between 1993 and 2018, an average annual

---

<sup>1</sup> The demographic data in this section is from UN Population Division, “World Population Prospects 2019,” <https://population.un.org/wpp>. The discussion in this section is based on the “medium variant” projection for each country.

FIGURE 1 Projected total population of the Indo-Pacific (2020–50)

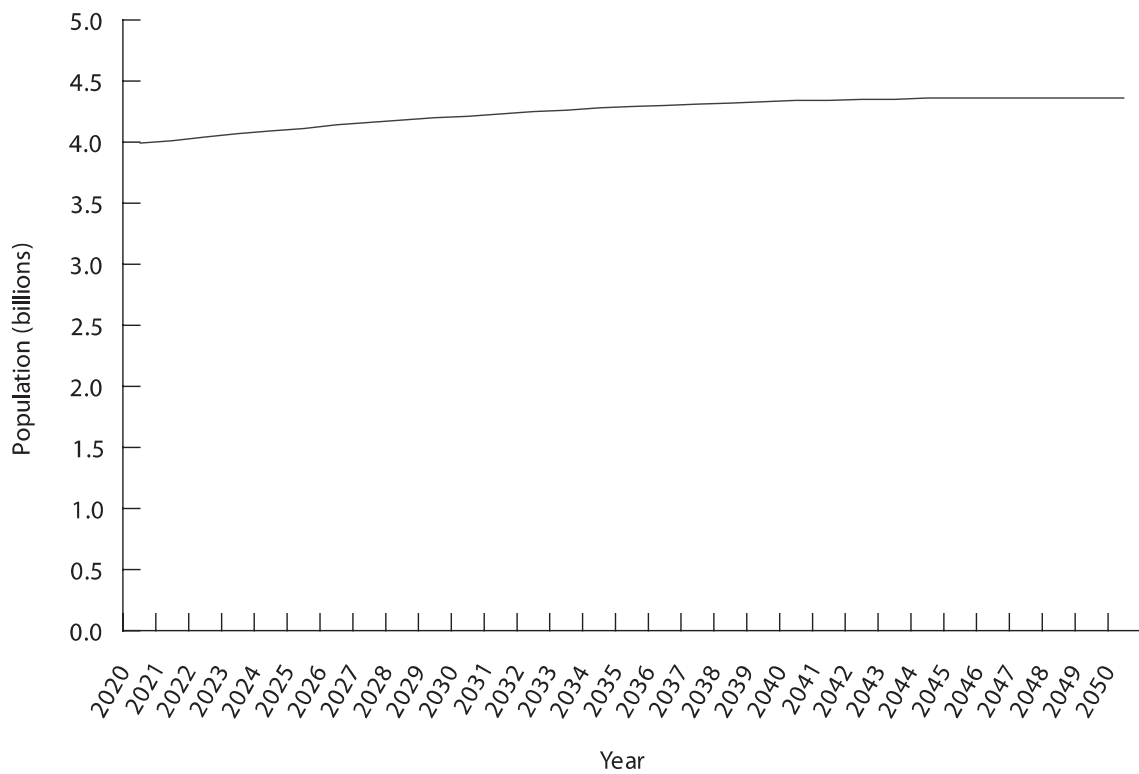
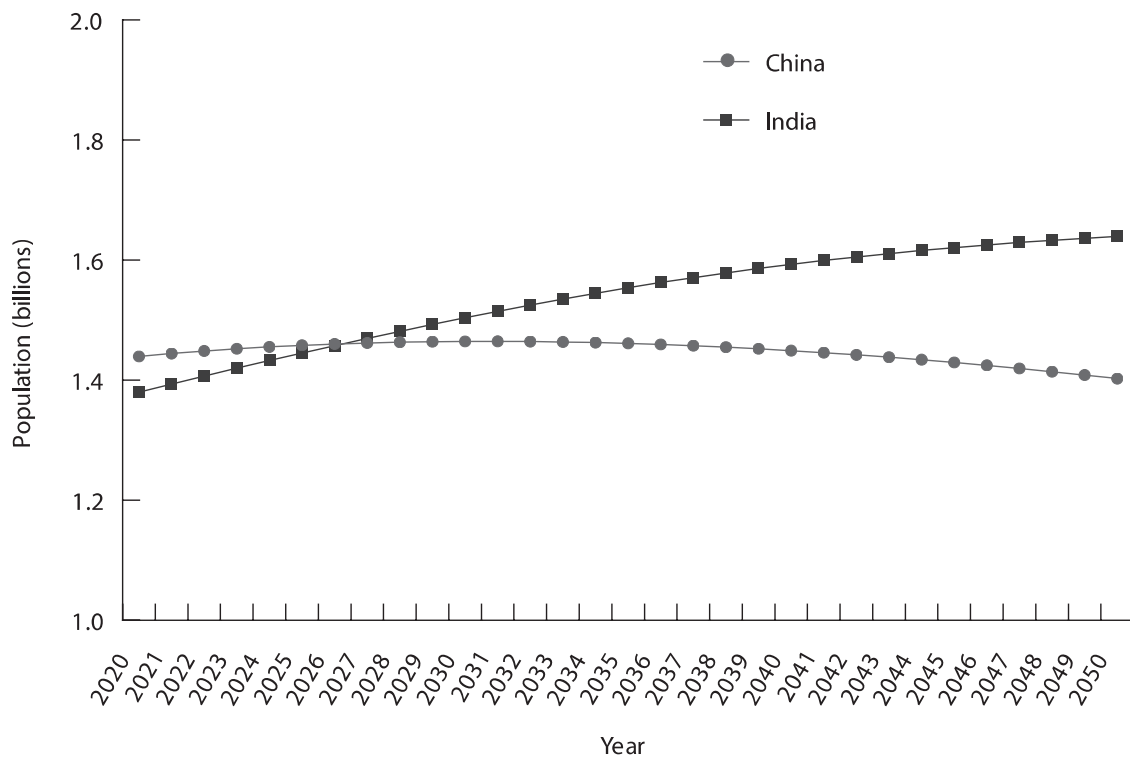


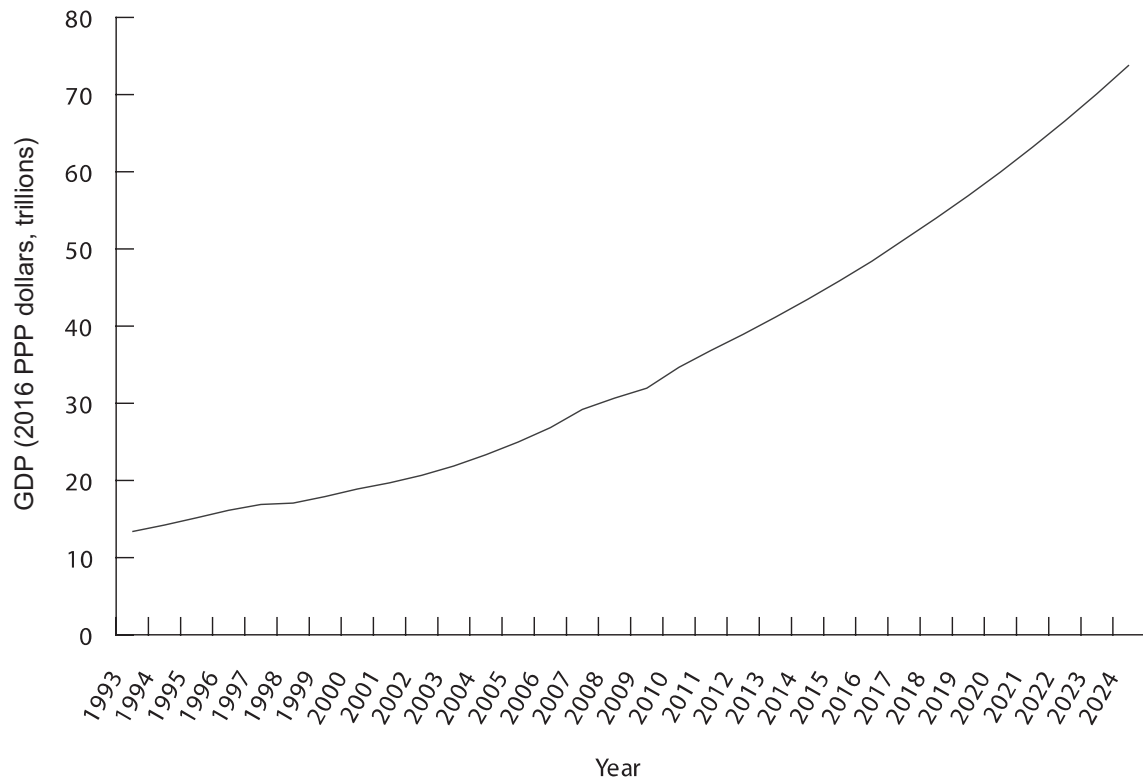
FIGURE 2 Population projections for China and India (2020–50)



rate of 5.7%.<sup>2</sup> In 2019 the International Monetary Fund forecast that they will grow at an only slightly lower average rate of 5.4% per year between 2018 and 2024 (see **Figure 3**).<sup>3</sup>

The economy of the Indo-Pacific is dominated by China. **Figure 4** shows the ten largest economies in the region as measured in PPP in 2018. As the figure shows, China's economy was larger than the economies of the next seven countries combined.<sup>4</sup> This dominance is expected to continue well into the future. **Figure 5** shows estimates of the sizes of the ten largest economies in the Indo-Pacific region in 2030. As can be seen, although India's economy is projected to grow more quickly than China's, at the end of the decade the Chinese economy will still be by far the largest in the region, nearly twice the size of India's and larger than the next six largest economies combined.<sup>5</sup>

**FIGURE 3** Total GDP growth of the Indo-Pacific (1993–2024)



<sup>2</sup> This report uses PPP when measuring and comparing the sizes of national economies. By taking into account that many goods and services in developing countries are less expensive than comparable goods and services (e.g., a bowl of rice) in economically advanced countries, PPP enables more accurate comparisons of standards of living and the overall sizes of economies. See "Fundamentals of Purchasing Power Parities," International Comparison Program, World Bank, <http://pubdocs.worldbank.org/en/332341517441011666/PPP-brochure-2017-webformat-rev.pdf>.

<sup>3</sup> International Monetary Fund (IMF), World Economic Outlook Database, April 2019, <https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx>.

<sup>4</sup> Ibid..

<sup>5</sup> John Hawksorth, Hannah Audino, and Rob Clarry, "The Long View: How Will the Global Economic Order Change by 2050?" PwC, 2017, <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>.

FIGURE 4 Ten largest economies of the Indo-Pacific in 2018

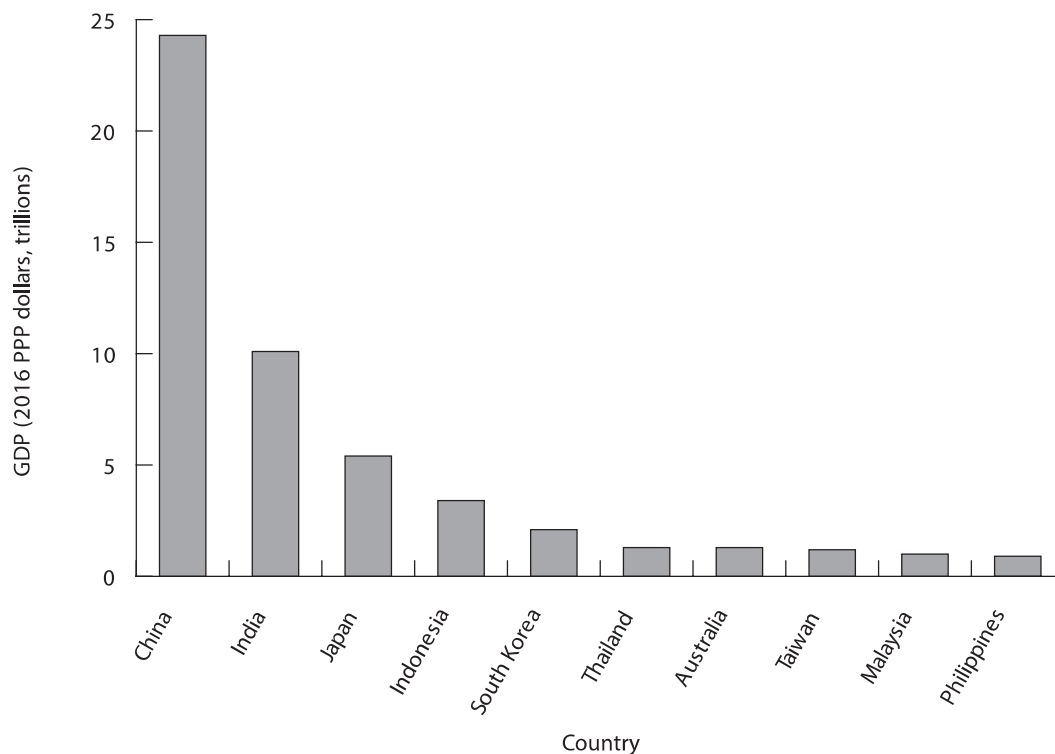
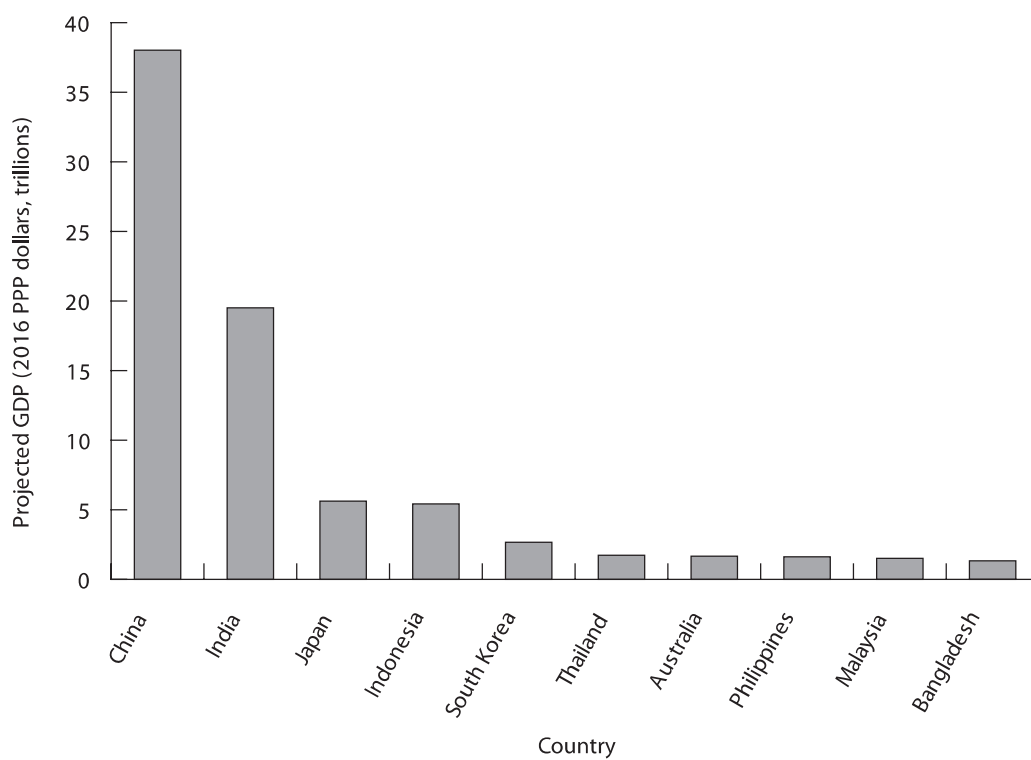


FIGURE 5 Projected ten largest economies in the Indo-Pacific in 2030



## Trade

Trade in the Indo-Pacific grew even more rapidly than the regional economies did during 1993–2008. After adjusting for inflation and fluctuations in the exchange rate, trade increased by an average of 5.85% per year (see **Figure 6**).<sup>6</sup> As can be seen, the rate at which trade has been growing appears to have slowed over the past decade, even as the region's economies have been expanding steadily.<sup>7</sup> This is to be expected, however. When a country's economy grows, opportunities for internal trade increase compared to opportunities for trade with the outside world. As a result, as countries' economies grow, their external trade tends to grow less rapidly.

**FIGURE 6** Total international trade of the Indo-Pacific (1993–2018)



## Conflict and Violence

Only three interstate conflicts in the Indo-Pacific in the past quarter century have resulted in more than 25 battle-related deaths in a single year. By far the most significant is the ongoing India-Pakistan conflict, which has resulted in at least 1,600 deaths since 1993. A series of intermittent border clashes between Thai and Cambodian government forces that occurred from

<sup>6</sup> IMF, "Direction of Trade Statistics," July 7, 2019, <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85>; and IMF, World Economic Outlook Database, April 2019, <https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx>. Adjustments for currency fluctuations were made using the Trade Weighted U.S. Dollar Index found at "FRED Economic Data," Federal Reserve Bank of St. Louis, July 8, 2019, <https://fred.stlouisfed.org/series/DTWEXM>.

<sup>7</sup> If trade grew by a constant annual percentage, the graph would take the form of an exponential growth curve, like the graph of regional GDP growth in Figure 3. Instead the graph is roughly linear, suggesting that, on average, year-on-year growth is gradually diminishing on a percentage basis.

1995 to 2011 resulted in a total of 52 deaths. Lethal clashes between North and South Korea have also occurred over the years. The most serious incident since 1993 occurred in March 2010 when a South Korean naval vessel was sunk by a North Korean torpedo, resulting in the deaths of 46 South Korean sailors.<sup>8</sup>

Internal conflicts have been a much greater cause of fatalities in the region than interstate conflict over the past quarter century. From 1993 to 2018, at least 140,000 people died as a direct result of organized or communal violence internal to countries in the region. Most of these deaths were associated with insurgencies and separatist movements. Several major insurgencies have ended since 1993, however, including the Punjab insurgency in India (1993); the Khmer Rouge insurgency in Cambodia (1999); the separatist movement in Aceh, Indonesia (2005); the Maoist insurgency in Nepal (2006); the Tamil insurgency in Sri Lanka (2009); and the Moro Islamic Liberation Front insurgency in the Philippines (2012). Largely as a result, although new insurgencies have arisen in the region over the past quarter century, notably the Pattani insurgency in southern Thailand and the Islamic State in the Philippines and Bangladesh, fatalities due to internal conflict, which averaged more than 7,000 per year from 1993 to 2010, have averaged only 2,600 per year since then (see **Figure 7**). Since 2009, moreover, fatalities due to internal conflict have occurred almost exclusively in four countries: India, Myanmar, the Philippines, and Thailand.<sup>9</sup>

By contrast, annual deaths due to terrorism in the region do not appear to have significantly changed over the past quarter century. From 1994 through 2017, an average of 1,360 people were reported to have been killed each year by terrorist attacks, with no discernable trend over time (see **Figure 8**). From 2010 to 2017, however, three-quarters of these fatalities were concentrated in just three countries: India (36%), the Philippines (26%), and Thailand (12%).<sup>10</sup>

### *Political Change*

There has been significant political change in the Indo-Pacific over the past quarter century. Of the 25 countries in the region with populations of at least 500,000 in 1994, 9 had changed their form of government at least once by 2019. One entirely new country (Timor-Leste) has also been created. In 1994 there were seventeen countries in the region with populations greater than 500,000 that were assessed as being democracies by the Center for Systemic Peace's Polity IV Project. By 2017, three additional countries had become democracies: Indonesia, Bhutan, and Myanmar. In addition, a new democracy was created in 2002 when Timor-Leste became independent from Indonesia.<sup>11</sup>

<sup>8</sup> "UCDP Georeferenced Event Dataset (GED) Global Version 19.1," Uppsala Conflict Data Program (UCDP), Uppsala University, <https://ucdp.uu.se/downloads/#d>; Ralph Sundberg and Erik Melander, "Introducing the UCDP Georeferenced Event Dataset," *Journal of Peace Research* 50, no. 4 (2013): 523–32; Stina Högladh, "UCDP GED Codebook Version 19.1," UCDP, Uppsala University, 2019, <https://ucdp.uu.se/downloads/ged/ged191.pdf>; and Peter Foster and Malcolm Moore, "North Korea Condemned by World Powers over Torpedo Attack," *Telegraph*, May 20, 2010, <https://www.telegraph.co.uk/news/worldnews/asia/northkorea/7743830/North-Korea-condemned-by-world-powers-over-torpedo-attack.html>. The UCDP defines "battle-related deaths" as "those deaths caused by the warring parties that can be directly related to combat." It does not include indirect deaths due to disease and starvation or criminality that result from conflict, nor does it include attacks deliberately directed against civilians. For further information, see Therese Pettersson, "UCDP Battle-Related Deaths Dataset Codebook v 19.1," UCDP, Uppsala University, <https://ucdp.uu.se/downloads/#d8>.

<sup>9</sup> Fatalities due to internal conflicts were calculated based on the best estimate of the number of fatalities associated with each incident in the UCDP's Georeferenced Event Dataset Global Version 19.1. This dataset tracks all recorded incidents of organized violence since 1989 associated with conflicts that resulted in at least 25 fatalities in a single year between 1989 and 2018. This includes conflicts in which both sides or one side is a national government or armed nongovernmental group, as well as conflicts between differing ethnic or religious groups. For more information, see Sundberg and Melander, "Introducing the UCDP Georeferenced Event Dataset"; and Högladh, "UCDP GED Codebook Version 19.1."

<sup>10</sup> National Consortium for the Study of Terrorism and Responses to Terrorism, Global Terrorism Database, <https://www.start.umd.edu/gtd>. The Global Terrorism Database has no data for the year 1993 or after 2017.

<sup>11</sup> "Polity IV Time-Series," Center for Systemic Peace. Eight small Pacific Island states with populations less than 500,000—Kiribati, the Marshall Islands, Micronesia, Nauru, Palau, Samoa, Tuvalu, and Vanuatu—were also democracies in 1994, and Tonga, formerly a monarchy, has since become a democracy as well.

FIGURE 7 Fatalities due to internal conflict in the Indo-Pacific (1993–2018)



FIGURE 8 Fatalities due to terrorist attacks in the Indo-Pacific (1994–2017)





On the other hand, three Indo-Pacific countries that were democracies in 1994 have since reverted to autocracy. Thailand experienced coups in 2006 and, after holding democratic elections in 2008, again in 2014. Although elections were held in 2019, they were rigged in favor of the party of the general who was commander of the Thai army at the time of the 2014 coup. Cambodia held free elections in 1993 under UN supervision, but political power has been monopolized by strongman Hun Sen since then. Bangladesh was a parliamentary democracy from 1991 to 2007, but the party that won the 2008 elections, the Awami League, subsequently tightened its hold on power through harassment of opposition parties and repression of critical voices in the media and civil society. In 2018 the Awami League overwhelmingly won parliamentary elections that were marred by violence and rigged in its favor. As a result, Bangladesh can no longer be considered to be a democracy.<sup>12</sup>

Three countries that were democracies in 1994 experienced periods of autocracy or internal chaos—Nepal, Fiji, and the Solomon Islands—but are again considered democracies today. Nepal was a parliamentary democracy from 1991, but in 2002, as conflict with a Maoist insurgency worsened, its king dissolved the parliament, dismissed the prime minister, and assumed executive powers for himself. In 2006, however, in response to widespread demonstrations and a general strike, the king relinquished his executive powers and allowed for the parliament to be restored.<sup>13</sup>

The majority of countries in the region have not experienced fundamental political change over the past quarter century. India, Japan, the Philippines, South Korea, Malaysia, Australia, Taiwan, Sri Lanka, Papua New Guinea, New Zealand, and Mongolia have remained democracies throughout this period.<sup>14</sup> At the other end of the spectrum, China, Vietnam, North Korea, Laos, and Singapore have remained one-party autocracies.<sup>15</sup>

**Table 1** groups the countries of the Indo-Pacific region with populations greater than 500,000 into five categories of political change over the past 25 years: (1) stable democracies (countries that have remained democracies throughout the period), (2) unstable democracies (countries that have fluctuated between democracy and authoritarian forms of government over the past 25 years), (3) new democracies (countries that have become democracies during this time), (4) new autocracies (countries that have gone from democratic to authoritarian over the time period), and (5) stable autocracies (countries that have been under authoritarian governments for the entire period). As the table illustrates, only a quarter of these countries have undergone fundamental political change over the past 25 years. Most countries that were democratic in the early 1990s are still democracies today, and most countries that were authoritarian then are still authoritarian today. Of the 26 countries in the table, three have gone from authoritarian to democratic, one new democratic country has appeared, and three have gone from democratic to authoritarian. The others have remained democratic or authoritarian or have fluctuated between the two categories. Extrapolating from these past trends, therefore, it appears that the most likely outcome over the next quarter century will be that the form of government in most countries will remain unchanged,

<sup>12</sup> “Thailand,” Freedom House, <https://freedomhouse.org/country/thailand>; “Cambodia,” Freedom House, <https://freedomhouse.org/country/cambodia>; and “Bangladesh,” Freedom House, <https://freedomhouse.org/country/bangladesh>.

<sup>13</sup> “Nepal,” Freedom House, <https://freedomhouse.org/country/nepal>.

<sup>14</sup> The eight small Pacific Island states—Kiribati, the Marshall Islands, Micronesia, Nauru, Palau, Samoa, Tuvalu, and Vanuatu—that were democracies in 1993 have also remained democracies.

<sup>15</sup> The Indian Ocean island country of Maldives, with a population of less than 500,000, has also been an autocracy for most of the past quarter century, although it has been moving in the direction of democracy in recent years. In 2008, Maldives held its first truly free presidential election, but the winning candidate was ousted in a coup four years later. The dictator who assumed power, however, was himself defeated in new democratic elections held in 2018. See “Maldives,” Freedom House, <https://freedomhouse.org/country/maldives>; and “The Other Contagion,” *Economist*, March 21, 2020.

TABLE 1 Political trends in the Indo-Pacific (1993–2017)

Stable democracies	Unstable democracies	New democracies	New autocracies	Stable autocracies
Australia	Fiji	Bhutan	Bangladesh	China
India	Nepal	Indonesia	Cambodia	North Korea
Japan	Solomon Islands	Myanmar	Thailand	Laos
Malaysia	–	Timor-Leste	–	Singapore
Mongolia	–	–	–	Vietnam
New Zealand	–	–	–	–
Papua New Guinea	–	–	–	–
Philippines	–	–	–	–
South Korea	–	–	–	–
Sri Lanka	–	–	–	–
Taiwan	–	–	–	–

but some authoritarian countries will become democratic, some democratic countries will become authoritarian, and some countries will fluctuate between the two categories.<sup>16</sup>

### *Defense Spending*

According to the SIPRI Military Expenditure Database, overall defense spending in the Indo-Pacific has tripled in real terms over the past quarter century (see **Figure 9**).<sup>17</sup> This represents an annual rate of increase of only 4.6%, however, which is less than the rate at which the economies of the region grew over this time period. Most of the increase, moreover, is due to a single country: China. As shown in **Figure 10**, prior to 2001, China was merely one of the larger defense spenders in the region. Over the period from 1993 to 2000, for example, its estimated expenditure on defense was less than 70% of Japan's. By 2001, however, China's annual defense expenditure had surpassed Japan's. Since then, China has rapidly left the rest of the region behind, to the point that in 2018 its defense expenditure was nearly four times that of the second-highest spender in the region (which is now India). Indeed, in 2018, China's defense expenditure was approximately equal to that of all the other countries in the region combined. Overall, it grew by more than 800% between 1993 and 2018, while defense spending by the other countries in the region grew at an average annual rate of just 2.5% over the same period.

**Figure 11** shows regional defense spending in 2030 if defense expenditures are assumed to increase from 2018 to 2030 at the same rates as what is projected for Indo-Pacific economies as a whole. Under this scenario, in 2030, China will still be spending three times as much on defense as

<sup>16</sup> Chapter 4 assesses which democracies are most at risk of becoming authoritarian and which autocracies are most likely to become democratic.

<sup>17</sup> Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database, <https://www.sipri.org/databases/milex>. North Korean defense spending is not included because SIPRI does not produce estimates for North Korea.

FIGURE 9 Aggregate defense spending in the Indo-Pacific (1993–2018)

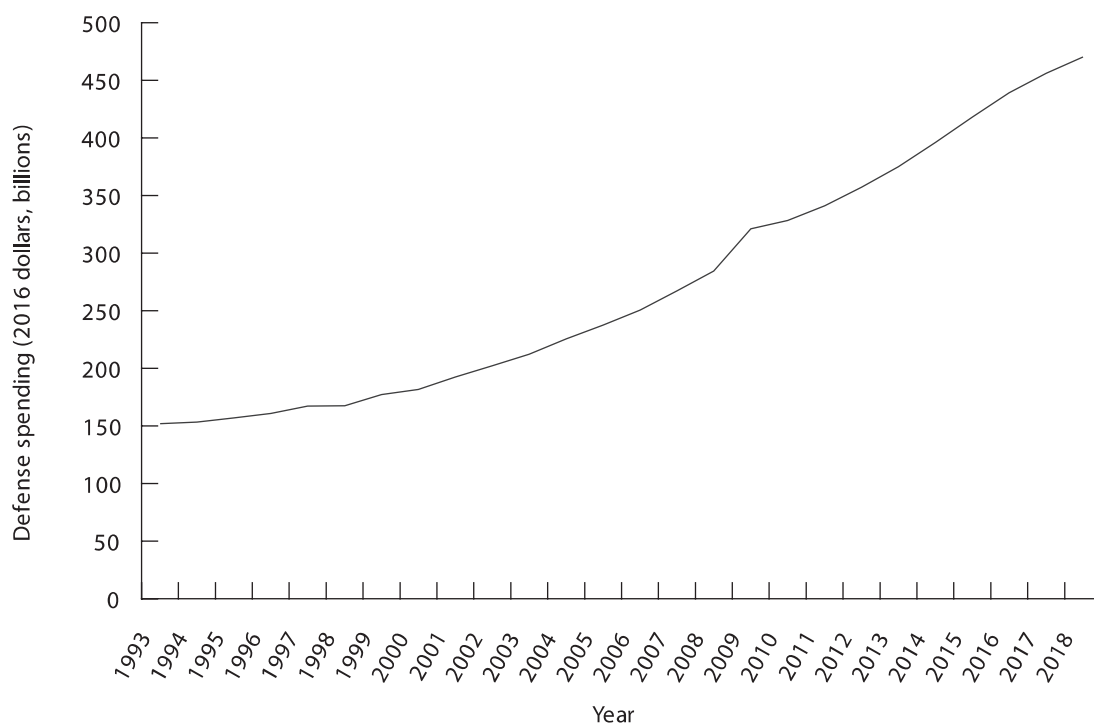


FIGURE 10 Top seven defense spenders among Indo-Pacific countries (1993–2018)

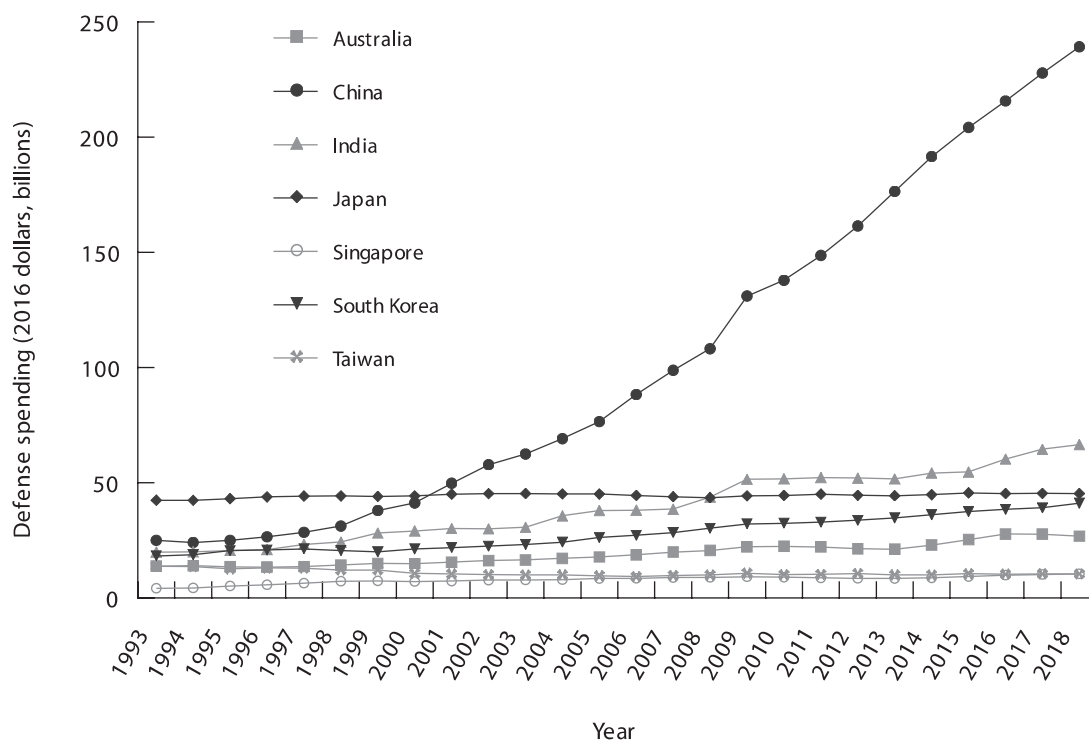
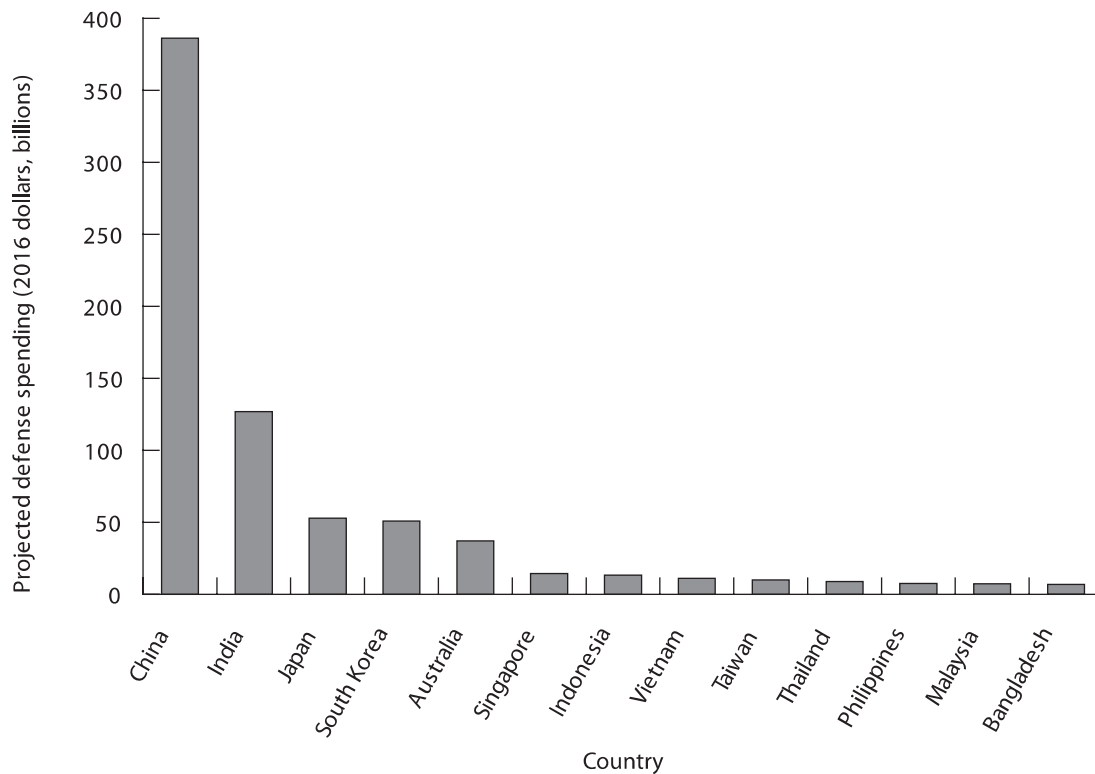


FIGURE 11 Projected defense expenditures in 2030



the next Indo-Pacific country (India), and its defense expenditure will still be greater than the next ten countries combined.<sup>18</sup>

### Environmental Changes

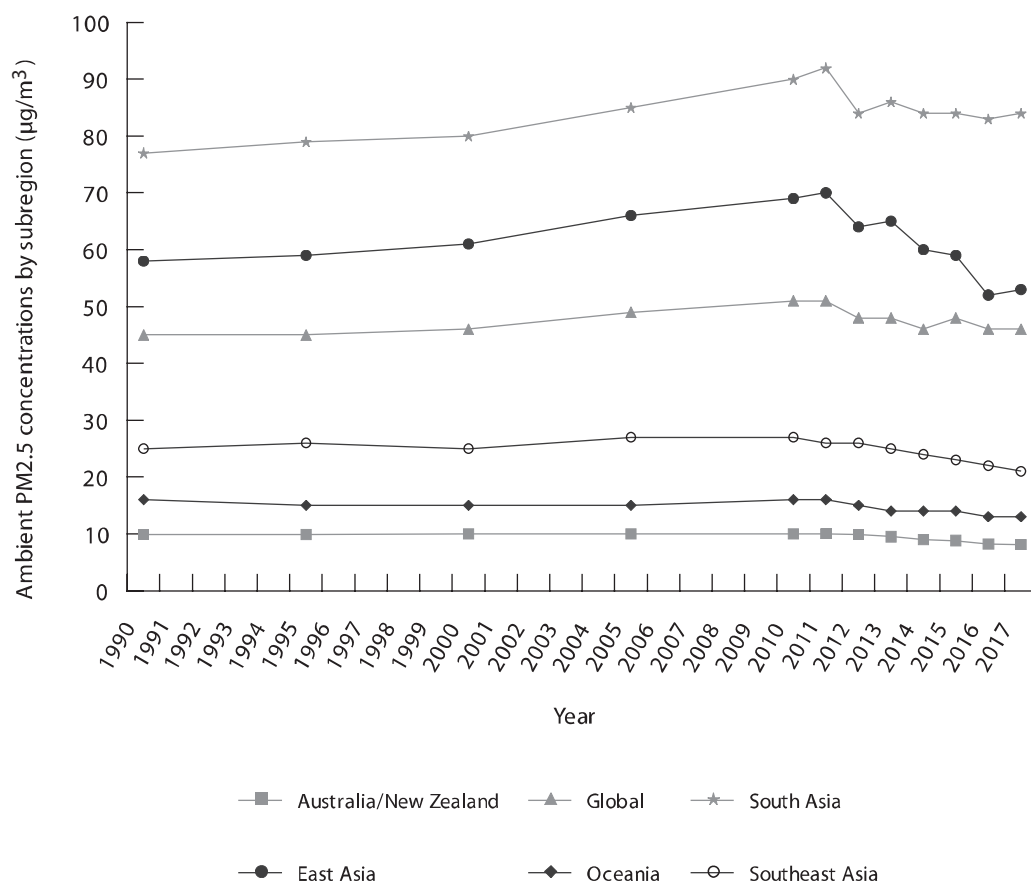
The principal types of pollution that affect human and environmental health are air pollution (including emissions of greenhouse gases), water pollution, and soil contamination. As mentioned in chapter 1, the two types of air pollution with the most significant direct impact on human health are particulate matter (especially that measuring less than 2.5µm in diameter, referred to as PM2.5) and ozone. Particulate matter, in turn, can be divided into two types: (1) ambient (outdoor) particle air pollution from vehicle emissions, coal-burning power plants, industrial emissions, household energy use, windblown dust, and other sources, and (2) household air pollution that results from burning solid fuels such as coal, wood, charcoal, dung, and other forms of biomass to cook food and to heat and light homes.<sup>19</sup>

As **Figure 12** shows, population-weighted averages of ambient particulate matter concentrations in South Asia and East Asia are higher than the global average (by more than 80%

<sup>18</sup> SIPRI Military Expenditure Database; and Hawksworth, Audino and Clarry, “The Long View.” PwC did not provide a projection for Singapore’s GDP in 2030. This was estimated using the IMF’s projection for Singapore’s GDP in 2024 and assuming that it will continue to grow at the 2023–24 rate (2.57%) for the following six years. Taiwan’s defense expenditure in 2030 is assumed to be the same as in 2016, as Taiwan’s annual defense expenditure has been essentially constant since 2000. IMF, World Economic Outlook Database.

<sup>19</sup> “How Clean Is Your Air?” State of Global Air, <https://www.stateofglobalair.org/air>.

FIGURE 12 Ambient particulate matter concentrations in the Indo-Pacific (1990–2017)



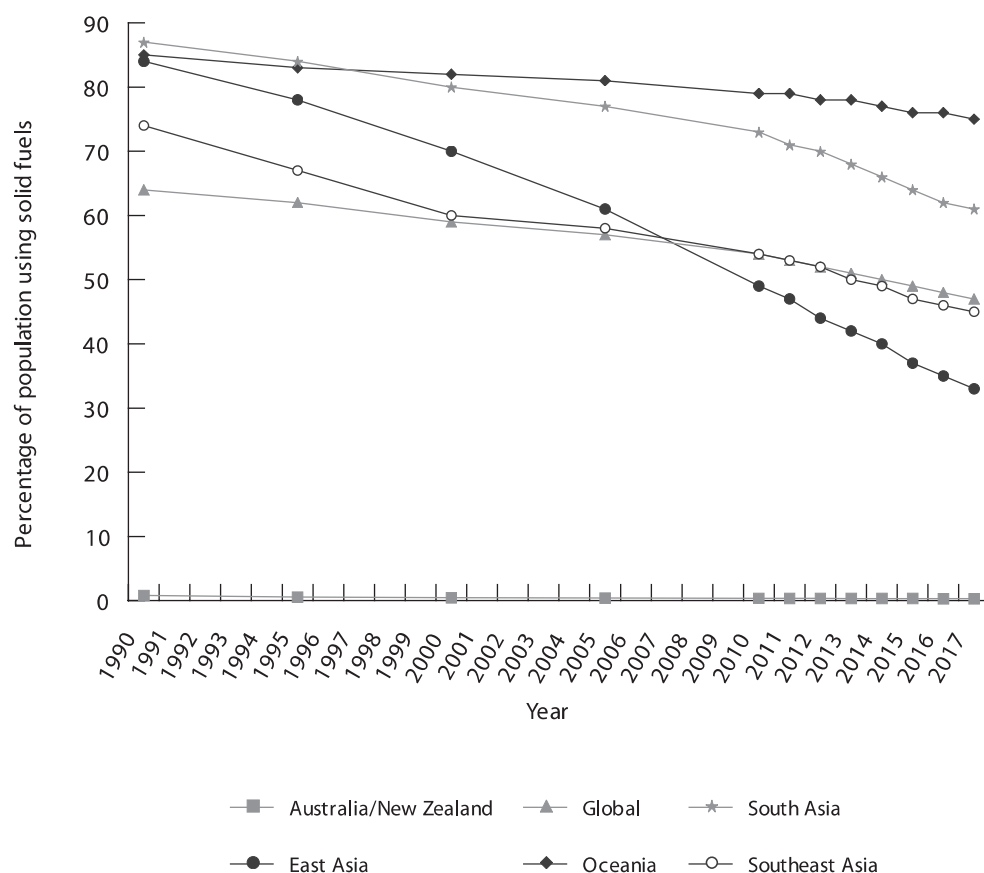
in 2017 in the case of South Asia).<sup>20</sup> After steadily worsening between 1990 and 2011, however, average ambient particulate matter levels in both regions have improved since 2011. Between 2011 and 2017, levels in East Asia declined by nearly 25% and are now lower than in 1990. Levels in South Asia, though still higher than in 1990, fell by around 9% over this time period. Average ambient particulate matter concentrations in Southeast Asia and Oceania have been significantly lower than the global average throughout the past quarter century and have declined further in recent years. They are currently roughly 20% lower than they were in 1990. Despite these positive trends, ambient particulate matter is estimated to have caused 1.8 million premature deaths in the Indo-Pacific region in 2017 alone.

As shown in **Figure 13**, the proportion of the population in the region that lives in households that burn solid fuels has fallen steadily, particularly in East Asia, over the past quarter century. In 1990, this was the leading cause of premature death from air pollution in the Indo-Pacific. Nonetheless, the proportion of the population burning solid fuels in South Asia and Oceania remains significantly higher than the global average. Household air pollution is estimated to have caused another 1.1 million premature deaths in the Indo-Pacific in 2017.<sup>21</sup>

<sup>20</sup> Health Effects Institute, “State of Global Air 2019,” 2019, <https://www.stateofglobalair.org/data>. This analysis draws on data from the Institute for Health Metrics and Evaluation, which separates Australia and New Zealand from the rest of Oceania.

<sup>21</sup> Ibid.

FIGURE 13 Percentage of population living in households using solid fuels (1990–2017)



As shown in **Figure 14**, average ozone levels in East and South Asia are higher than the global average. They are highest in East Asia and have not improved since 1990 (though the global average also has not improved). Ozone levels in Southeast Asia and Oceania are significantly better than the global average but have actually worsened during this period. Ambient ozone is estimated to have caused 370,000 premature deaths in the Indo-Pacific region in 2017.<sup>22</sup>

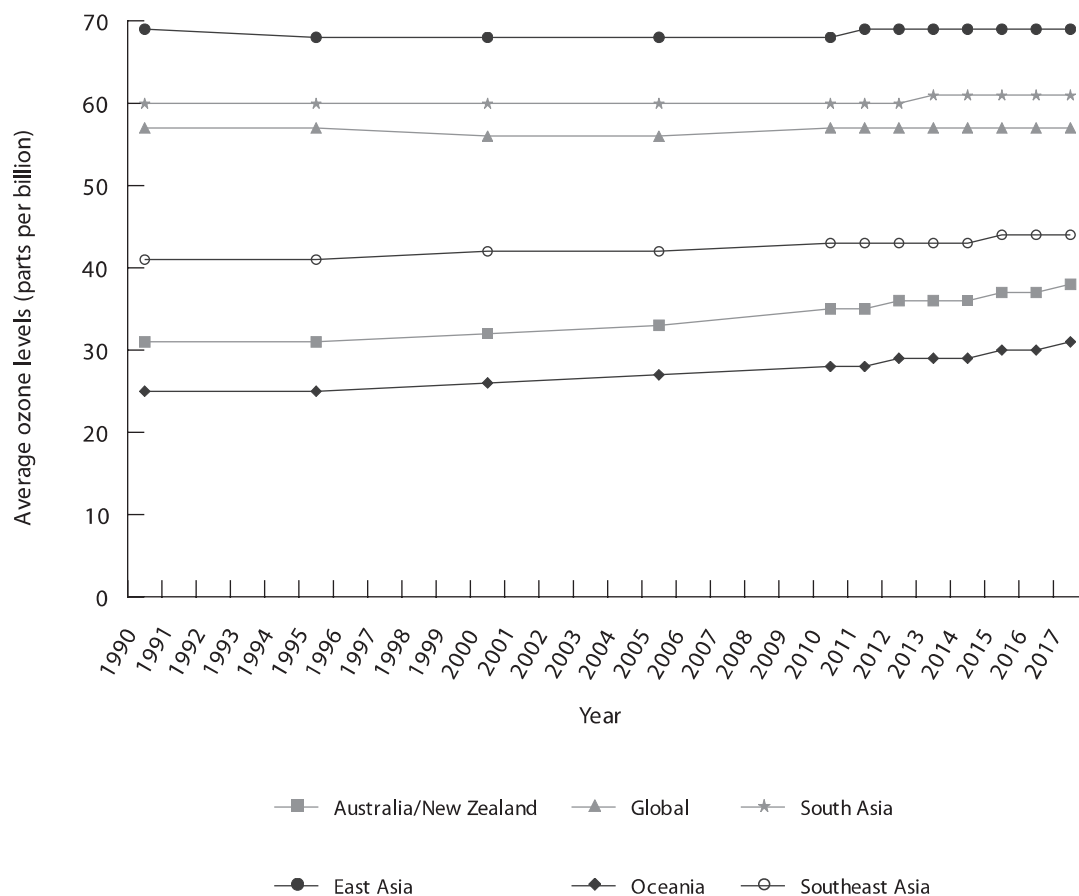
Collectively, these types of air pollution are estimated to have cost the inhabitants of the region about 85 million years of their lives due to early death or disability in 2017. This represented a significant improvement from 1990, however. In that year, air pollution is estimated to have cost the inhabitants of the region about 120 million years of their lives, even though the population of the region was 26% smaller than in 2017 (see **Figure 15**). This positive trend is primarily due to the reduction in the prevalence of the use of solid fuels in homes, which caused an estimated 83 million life years to be lost in 1990 but only 32 million in 2017. Life years lost due to outdoor air pollution actually increased over this time span, from 36 million in 1990 to 52 million in 2017.<sup>23</sup>

The Indo-Pacific is also both a significant contributor to global climate change and one of the regions likely to be significantly affected by it. As noted in chapter 1, regional countries are

<sup>22</sup> Health Effects Institute, “State of Global Air 2019.”

<sup>23</sup> Ibid.

FIGURE 14 Ambient ozone levels in the Indo-Pacific (1990–2017)



expected to contribute approximately 30% to the global rise in temperature by the year 2100. Emissions of carbon dioxide (CO<sub>2</sub>), which is the primary cause of global climate change, over the past 25 years are shown in **Figure 16**. As can be seen, CO<sub>2</sub> emissions from the region nearly tripled between 1992 and 2017, although this trend appears to have slowed since 2011. Total CO<sub>2</sub> emissions grew by only 8% between 2011 and 2017—largely because the growth in China’s emissions, which constitute nearly 60% of all emissions by the region, slowed significantly during this period.<sup>24</sup>

Estimates of the effects of climate change on specific regions of the world are less certain than estimates of its global effects. However, even if the average global surface temperature rises by only 1.5–2.0 degrees Celsius over preindustrial levels (which was the goal of the 2016 Paris Agreement and is widely considered to be an optimistic outcome), tropical regions are expected to see an increase in the frequency of periods of unusually hot weather. In addition, the frequency, intensity, and/or number of periods of heavy precipitation are expected to increase in South and Southeast Asia, putting those regions at greater risk of flooding.<sup>25</sup>

<sup>24</sup> “Global Carbon Atlas,” Global Carbon Project, <http://www.globalcarbonatlas.org/en/CO2-emissions>.

<sup>25</sup> Intergovernmental Panel on Climate Change, “Global Warming of 1.5°C,” 189–204, <http://www.ipcc.ch/report/sr15>.

FIGURE 15 Life years lost due to air pollution in the Indo-Pacific (1990–2017)

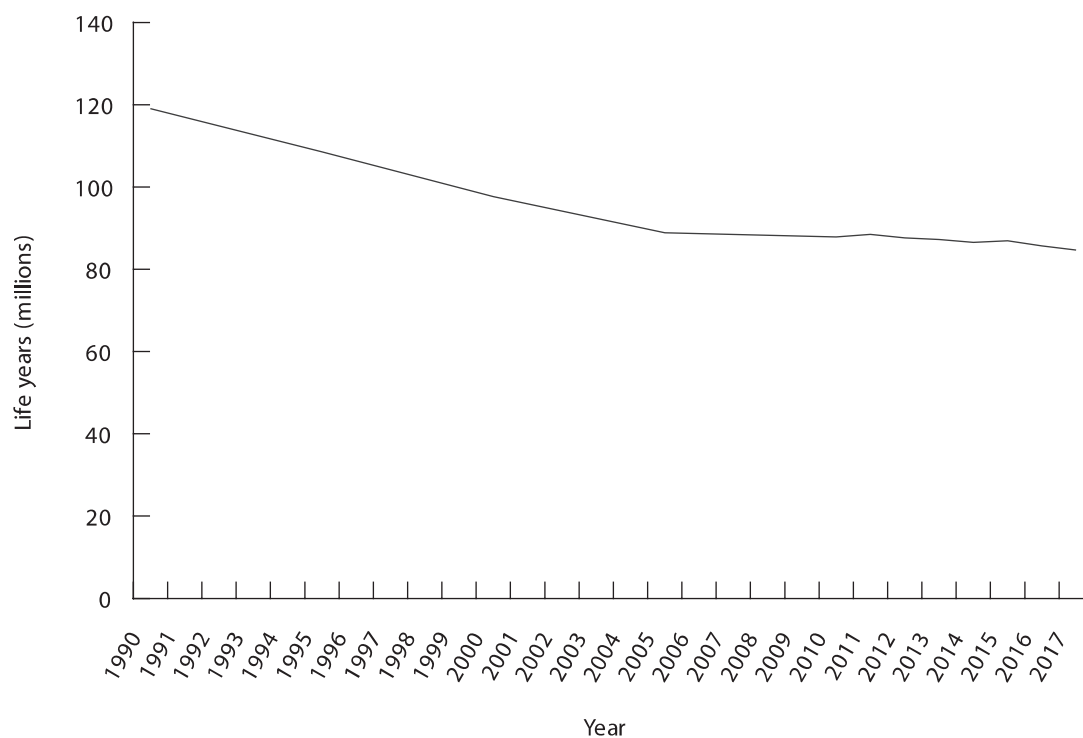
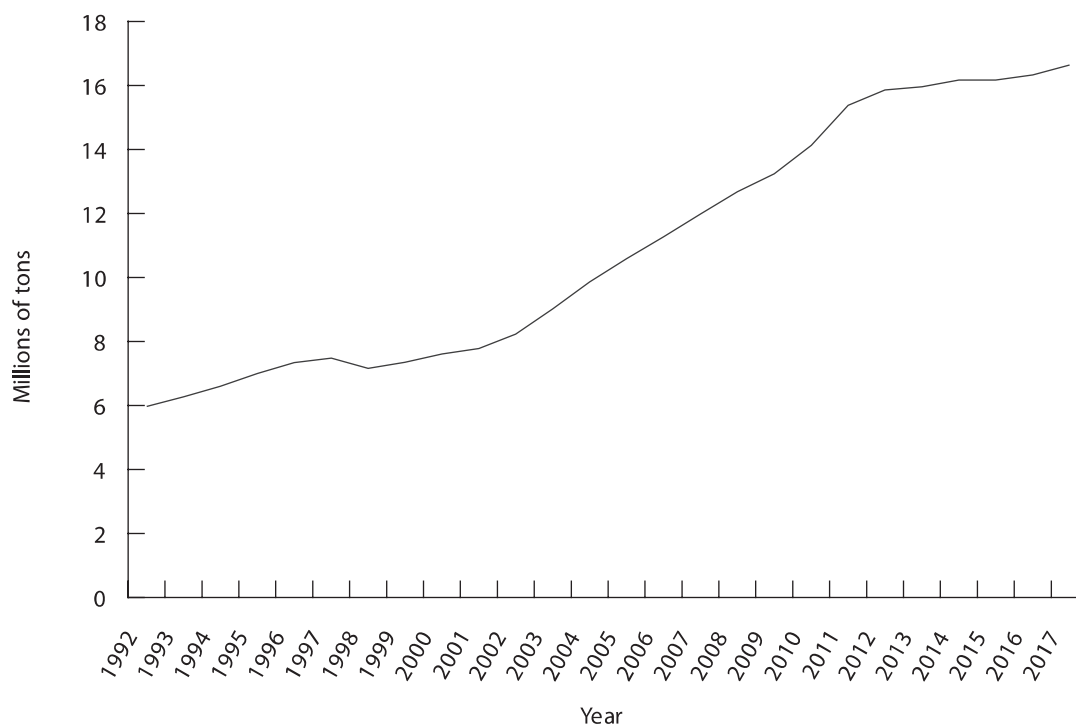


FIGURE 16 CO<sub>2</sub> emissions of the Indo-Pacific (1992–2017)





Most estimates of the effects of anthropogenic climate change on sea levels conclude that the average sea level will increase by one to three feet by 2100.<sup>26</sup> A 2007 World Bank study of the impact of different degrees of sea-level rise on 84 developing countries found that a one-meter rise would inundate land occupied by approximately 2% of the population in East Asia and 0.5% of the population in South Asia. Although this overall impact seems moderate, it could be significantly more severe for individual countries. In particular, land occupied by approximately 11% of Vietnam's population would be inundated.<sup>27</sup>

No systematic data on soil contamination in the region was found. There are also currently no standardized measures of water quality by which cross-country comparisons can be made or trends over time can be assessed.<sup>28</sup> Consequently, no overall assessments about water pollution trends in Asia can be made. With specific regard to oceanic plastic waste, the Indo-Pacific accounts for two-thirds of all plastic waste entering the oceans. A 2015 study published in *Science* projected that, assuming there are no improvements in waste collection, economic development and population growth will cause this figure to more than double by 2025.<sup>29</sup>

## Strategic Implications

The trends analyzed above have a number of implications regarding the strategic environment in the Indo-Pacific in coming years. First, population growth is not likely to be a major source of stress on resources or governance. Population growth in the region is slowing, particularly in East Asia, which is currently the most populous part of the region. Between 2020 and 2030, the population of East Asia is projected to grow by just 1%. The populations of South Asia and Southeast Asia are projected to grow more rapidly, but even they will increase by only around 9% by 2030.

Second, China will remain the dominant economy of the region. Although China's rate of growth is slowing, prior to the coronavirus crisis its economy was still projected to increase by more than 50% in real terms between 2018 and 2030. India's economy was projected to grow more rapidly than that of China but to still only be about half the size of China's in 2030. Meanwhile Japan's economy is expected to stagnate as a result of the country's shrinking population and to be less than a sixth of the size of China's in 2030, although it is projected to still be the third-largest in the region. Indonesia's economy, the fourth-largest in the region, is projected to grow steadily but still be smaller than Japan's in 2030. International trade by the countries in the region will also continue to grow, although at a slower overall rate than their economies.

A third implication of these trends is that interstate war will be rare, but not unheard of in the Indo-Pacific region. The India-Pakistan conflict continues, and other, albeit minor, interstate conflicts have occurred over the past quarter century. The Indo-Pacific will continue to suffer from

<sup>26</sup> See, for example, Intergovernmental Panel on Climate Change, "Global Warming of 1.5°C," 206–7.

<sup>27</sup> See Susmita Dasgupta et al., "The Impact of Sea Level Rise on Developing Countries: A Comparative Analysis," World Bank, Policy Research Working Paper, February 2007, <http://documents.worldbank.org/curated/en/156401468136816684/pdf/wps4136.pdf>. This study did not assess the impact of sea-level rises on small island nations. Somewhat surprisingly, in Bangladesh, a country often cited as among the most vulnerable to rising sea levels, less than 1% of the population would be directly affected by a one-meter increase.

<sup>28</sup> Some candidate measures have been proposed, however. For context, see UN Environment Programme, *Global Drinking Water Quality Index Development and Sensitivity Analysis Report* (Burlington, Ontario: UN Environment Programme Global Environment Monitoring System/Water Programme, 2007), [http://www.un.org/waterforlifedecade/pdf/global\\_drinking\\_water\\_quality\\_index.pdf](http://www.un.org/waterforlifedecade/pdf/global_drinking_water_quality_index.pdf); and Tanja Srebotnjak et al., "A Global Water Quality Index and Hot-Deck Imputation of Missing Data," *Ecological Indicators* 17 (2012): 108–19.

<sup>29</sup> Jambeck et al., "Plastic Waste Inputs from Land into the Ocean," *Science* 347, no. 623 (2015): 768–71.

internal conflicts, moreover. From 2011 to 2018, an average of 2,600 people in the region died each year as a direct result of organized or communal violence, primarily in four countries: India, Myanmar, the Philippines, and Thailand. The prevalence of terrorism is also unlikely to diminish in the near term, with an average of more than 1,000 people still killed each year by terrorist attacks, with most fatalities occurring in five countries: India, the Philippines, Thailand, China, and Myanmar.

Based on the pattern of the past quarter century, it seems likely that regime changes will continue to occur in the region in coming years, with some authoritarian countries becoming democratic, some democratic countries becoming authoritarian, and some fluctuating between the two. The majority of authoritarian countries will likely remain authoritarian, however, and the majority of democracies will remain democracies..

Another implication is that China will remain the dominant military power of the region aside from the United States. If defense expenditures for Indo-Pacific countries increase at the same rates that are projected for their economies as a whole, in 2030 China will be spending three times as much on defense as the country with the next highest defense spending (India) and more than the next ten countries combined.

Finally, the Indo-Pacific will remain both a major source and a major victim of environmental pollution. Outdoor air pollution levels, which affect people not just in the Indo-Pacific but throughout the world, will improve but likely remain significantly worse than the global average. The Indo-Pacific will also be both a major contributor to global climate change and one of the regions likely to be significantly affected by it. Climate change is expected to cause more frequent periods of unusually hot weather in tropical areas, and South and Southeast Asia are expected to see an increase in the frequency, intensity, and number of periods of heavy precipitation and floods. Many countries will also be affected by rising sea levels resulting from global warming. Also, without dramatic improvements in waste collection, the Indo-Pacific will remain the primary and growing source of oceanic plastic waste.



THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 3

# The Strategies of Key Regional Actors



An effective U.S. strategy toward the Indo-Pacific region must take account of the likely actions of the other important actors in the region. This chapter, therefore, provides descriptions of the primary goals that the leaders of key countries in the region are trying to accomplish and the main elements of their strategies for pursuing those goals. These descriptions are not intended to be exhaustive analyses of the grand strategies of each country but rather to be summaries of the most salient features, as manifested in their external behavior in recent years. It is of course difficult to predict a country's future behavior, especially since most of these countries will experience changes in leadership over the next decade. Nonetheless, any U.S. strategy toward the region must be based on an estimate of what the other key actors are themselves seeking to accomplish and the actions that they might take in pursuit of those goals that would significantly affect U.S. interests.

The countries examined in this chapter are those whose strategic choices appear to have the greatest potential to have a major impact on U.S. interests in the region. This includes the two giants, China and India, which have the largest populations, economies, militaries, and defense budgets. It also includes Japan and Indonesia. Japan is projected to have the third-largest economy and third-largest defense budget in the region through 2030, and thus will continue to be a major economic and military power. Indonesia will continue to be the third most populous country in the region, and its economy is projected to be nearly as large as Japan's by 2030. Thus, Indonesia has the potential to become a major regional power.

Two other countries, North Korea and Taiwan, are discussed in this chapter, not because they are major powers but because their actions have the potential to profoundly affect U.S. interests. In the case of North Korea, this could come in the form of a large-scale conflict that involves the United States. But it could also take the form of a decision by the Kim regime to give up its nuclear weapons or a peaceful resolution of the inter-Korean conflict, including an agreement on Korean unification. Any of these scenarios would fundamentally alter the strategic landscape in Northeast Asia. Similarly, Taiwan has the potential to take actions that could, on the one hand, provoke a large-scale conflict or, on the other hand, result in a permanent and peaceful resolution of its status. Either outcome would have a major impact on U.S. interests.

The focus on these six countries does not imply that all the other regional states are inconsequential. South Korea, for example, is projected to have the fifth-largest economy and fourth-largest defense budget through 2030. South Korea is also a major U.S. treaty ally that hosts significant U.S. forces while at the same time being highly dependent on trade with China. South Korea, moreover, is currently led by a president who appears to be eager to reach a peace agreement with North Korea, despite U.S. concerns about the Kim regime's nuclear weapons program. Thus, it appears possible that South Korea could change its national strategy in ways that would have a major impact on U.S. interests. Nonetheless, President Moon Jae-in has declared that South Korea will cooperate with the current U.S. administration's Indo-Pacific strategy, even though that strategy is widely seen as aimed at containing China; Seoul has not moved forward on a peace agreement with the North because of the lack of progress in negotiations between Washington and Pyongyang.<sup>1</sup> Thus, it appears that a fundamental shift in South Korea's national strategy

---

<sup>1</sup> Ramon Pacheco Pardo, "South Korea's Strategy Is Engagement," *Diplomat*, April 28, 2018, <https://thediplomat.com/2018/04/south-koreas-strategy-is-engagement>; Richard C. Bush, "Working at Cross Purposes? New Challenge to the Alliance in Negotiating with North Korea" (paper presented at the KRINS-Brookings Joint Conference, Seoul, January 16, 2019), <https://www.brookings.edu/wp-content/uploads/2019/01/KRINS-Paper-2019-Working-at-Cross-Purposes-Richard-C.-Bush.pdf>; and Lee Jeong-ho, "South Korea's U.S.-China Dilemma Deepens with Support for America's Indo-Pacific Strategy," *South China Morning Post*, July 7, 2019, <https://www.scmp.com/news/china/diplomacy/article/3017509/south-koreas-us-china-dilemma-deepens-support-americas-indo>.

would likely occur only in response to fundamental changes in North Korea, such as a decision by Pyongyang to give up its nuclear weapons or a collapse of the North Korean state.

Similarly, Australia is another important U.S. ally and is projected to have the seventh-largest economy and fifth-largest defense budget through 2030. Compared to countries like China, India, Japan, and Indonesia, however, its power potential is circumscribed by a relatively small population (which is less than Malaysia's population). In addition, Australia appears to be unlikely to dramatically alter its strategy of maintaining a close alliance relationship with the United States, even as it attempts to maintain good relations with China as well.<sup>2</sup>

Other countries in the region, such as Thailand, the Philippines, and Singapore, could potentially take actions that would affect U.S. interests. In February 2020, for example, the Philippines threatened to terminate its visiting forces agreement with the United States, which provides a legal basis for U.S. troops to be temporarily deployed to the Philippines for military exercises and humanitarian assistance operations.<sup>3</sup> Some observers, moreover, believe that this may be a step toward an ultimate severing of the Philippines' alliance relationship with the United States.<sup>4</sup> This chapter, however, focuses on those countries most likely to take actions that would have the greatest impact on U.S. interests.

## China

The overall national goals of China's leadership appear to have remained stable over the past four decades. The most fundamental of these has been maintaining the control of the Chinese Communist Party (CCP). The CCP's response to the popular protests of 1989 clearly demonstrated that it is willing to use whatever means it sees as necessary to maintain this hold on power. Over the long term, however, the CCP's primary means for maintaining its hold on power has been to bolster its legitimacy by ensuring that the material quality of life of the Chinese people is continuously improving. Since the late 1970s the principal policy for accomplishing this has been the reform and opening program of economic development, although in recent years increasing attention has been given to other quality-of-life issues, such as environmental protection.<sup>5</sup>

China's economic development has also supported the CCP's efforts to secure a second important source of legitimacy: restoring the country to what Chinese elites believe to be its rightful place as one of the most advanced and powerful nations in the world. Achieving this goal requires that China not only be economically wealthy but also have military capabilities commensurate with its economic might and be among the most scientifically and technologically advanced countries in the world. It also implies recovering territories, such as Taiwan and islands

---

<sup>2</sup> For Australia's current official national strategy, see Australian Government, *2017 Foreign Policy White Paper* (Canberra, November 2017), <https://www.fpwwhitepaper.gov.au>. For one Australian organization's recommendations regarding future strategy, see Ashley Townshend, Brendan Thomas-Noone, and Matilda Steward, "Averting Crisis: American Strategy, Military Spending and Collective Defence in the Indo-Pacific," University of Sydney, United States Studies Centre, August 2019, <https://www.usssc.edu.au/analysis/averting-crisis-american-strategy-military-spending-and-collective-defence-in-the-indo-pacific>.

<sup>3</sup> Darryl John Esguerra, "Philippines Officially Terminates VFA with U.S.," *Inquirer.net*, February 11, 2020, <https://globalnation.inquirer.net/185186/fwd-breaking-philippines-officially-terminates-vfa-with-us>. Specifically, the agreement allows the U.S. government to retain jurisdiction over U.S. military personnel accused of committing crimes in the Philippines.

<sup>4</sup> Joshua Kurlantzick, "Is Duterte Trying to End the U.S.-Philippines Alliance?" *World Politics Review*, February 21, 2020, <https://www.worldpoliticsreview.com/articles/28549/us-philippines-relations-take-a-hit-as-duterte-axes-a-key-military-pact>.

<sup>5</sup> See, for example, Zhong Feiteng, "China's Grand Strategy in a New Era," *East Asia Forum*, March 5, 2018, <https://www.eastasiaforum.org/2018/03/05/chinas-grand-strategy-in-a-new-era>.

in the South and East China Seas, that are viewed as being rightfully part of China but that were lost during China's period of weakness in the nineteenth and early twentieth centuries.<sup>6</sup>

Although these goals have not changed over the past 40 years, the strategy for accomplishing them has evolved with the changes in China's leadership, capabilities, and international environment. In particular, most observers agree that the foreign policy that Xi Jinping has pursued since taking over as China's top leader in 2012–13 has been distinct from that of his predecessors.<sup>7</sup> Having arranged in 2018 for the abolishment of the previous ten-year term limit for president, moreover, it appears likely that Xi will continue to lead the country long after he normally would have been expected to step down in 2022–23.<sup>8</sup> Thus, China's national strategy may well remain largely consistent over the next decade.

Based on China's external behavior since 2012, the current national strategy appears to contain the following main elements: relative economic openness, the transformation of the country into a global technological leader, the Belt and Road Initiative (BRI), military modernization, efforts to recover lost territories, the maintenance of stability on the Korean Peninsula, increased influence over the policies of other countries, and efforts to reshape international norms and institutions.

### *Continuing Relative Economic Openness*

The Chinese government asserts that the further opening up of China's economy remains central to achieving its economic growth objectives.<sup>9</sup> There has been relatively little movement toward increased economic openness under Xi Jinping, however. Numerous sectors of China's economy remain closed to foreign investment, and state-owned enterprises continue to enjoy preferential access to capital compared to private domestic companies. This is presumably due to a combination of concerns about national security (e.g., from allowing foreign firms to operate telecommunications networks), efforts to nurture China's domestic technology (see the next section), a belief that government guidance is needed to ensure China's continued economic development, and the inevitable results of the government controlling most of China's banks and many of its commercial enterprises.<sup>10</sup>

### *Transforming China into a Global Technology Leader*

The leadership argues that China's future prosperity and security depend on it becoming a global technology leader. Chinese leaders appear to believe that China will only move into higher value-added areas of production and avoid the "middle-income trap"—whereby economic growth

<sup>6</sup> See, for instance, John W. Garver, *Foreign Relations of the People's Republic of China* (Englewood Cliffs: Prentice Hall, 1993), 2–28.

<sup>7</sup> For more information on these shifts in Chinese foreign policy, see Michael D. Swaine, "Chinese Views of Foreign Policy in the 19th Party Congress," Hoover Institution, China Leadership Monitor, January 23, 2018, <https://www.hoover.org/research/chinese-views-foreign-policy-19th-party-congress>; Kevin Rudd, "Xi Jinping, China and the Global Order: The Significance of China's 2018 Central Foreign Policy Work Conference" (address to the Lee Kuan Yew School of Public Policy, Singapore, June 26, 2018), <https://asiasociety.org/policy-institute/kevin-rudd-xi-jinping-china-and-global-order>; and Flynt Leverett and Wu Bingbing, "The New Silk Road and China's Evolving Grand Strategy," *China Journal*, no. 77 (2017): 110–32.

<sup>8</sup> James Doubek, "China Removes Presidential Term Limits, Enabling Xi Jinping to Rule Indefinitely," NPR, March 11, 2018, <https://www.npr.org/sections/thetwo-way/2018/03/11/592694991/china-removes-presidential-term-limits-enabling-xi-jinping-to-rule-indefinitely>. China's presidency is largely a symbolic position. Xi's power within China is reflected primarily by his status as secretary-general of the CCP and chairman of the Central Military Commission. Neither position has ever been subject to formal term limits, but Xi's two predecessors both stepped down as secretary-general of the CCP after completing their second full term. Abolition of the term limit on the presidency, therefore, is a strong indicator that Xi intends to continue to wield power after 2023.

<sup>9</sup> Noah Barkin and Elizabeth Piper, "In Davos, Xi Makes Case for Chinese Leadership Role," Reuters, January 17, 2017, <https://www.reuters.com/article/us-davos-meeting-china/in-davos-xi-makes-case-for-chinese-leadership-role-idUSKBN15118V>; Dingding Chen, "China Has a New Grand Strategy and the West Should Be Ready," *Diplomat*, October 31, 2017; and Swaine, "Chinese Views of Foreign Policy."

<sup>10</sup> For more information, see Elizabeth Economy, "The Problem with Xi's China Model," *Foreign Affairs*, March 6, 2019, <https://www.foreignaffairs.com/articles/china/2019-03-06/problem-xis-china-model>.



is said to dramatically slow when per capita income reaches approximately \$10,000 in purchasing power parity—by upgrading its technological capabilities.<sup>11</sup> They also appear to be concerned about dependence on technology that is controlled by foreigners, a concern supported by the U.S. government's recent actions to prevent U.S. companies from providing components to Chinese telecommunications companies. Accordingly, in 2016 the Chinese government announced an “innovation-driven development strategy” that seeks to put China “in the front ranks of innovative nations” by 2030 and make China “a world power in scientific and technological innovation” by 2050.<sup>12</sup>

One prominent element of this strategy is the Made in China 2025 program, which aims to make China a world leader in ten major manufacturing sectors by 2025.<sup>13</sup> The Chinese government's long-term goal appears to be to make the country self-sufficient in the production of virtually all advanced products, from airliners to integrated circuits.<sup>14</sup> The means employed to accomplish this goal include investment in domestic R&D, technology transfers as a condition for foreign companies to access China's market, and espionage. Part of the strategy, however, also appears to be to progressively restrict foreign access to the Chinese market in these areas.<sup>15</sup> Thus, although China will continue to remain relatively open to external trade and investment, these policies will likely gradually diminish the degree of openness of the Chinese economy, even though they are intended to improve the country's long-term growth prospects.

### *Promoting the Belt and Road Initiative*

First announced in 2013 as the One Belt, One Road initiative, BRI is an effort to strengthen China's economic linkages with the rest of Asia, Europe, Africa, and Oceania. Although most attention has been given to infrastructure projects in areas such as transportation, energy, and telecommunications, the initiative also entails free trade agreements (FTAs), currency-swap agreements, policy coordination, and people-to-people exchanges with the participating countries, which now include more than half of the nations of the world. Banks controlled by the Chinese government have pledged nearly \$1 trillion in loans for BRI projects.<sup>16</sup>

The initiative seeks to fulfill several aims. One is to support China's continued economic development. China's growth in recent decades has been driven in part by a growth in exports

<sup>11</sup> On the middle-income trap, see Barry Eichengreen, Donghyun Park, and Kwanho Shin, “Growth Slowdowns Redux: New Evidence on the Middle-Income Trap,” National Bureau of Economic Research, Working Paper, January 2013, <http://www.nber.org/papers/w18673>. Many economists, however, question whether the middle-income trap actually exists. For further discussion, see Greg Larson, Norman Loayza, and Michael Woolcock, “The Middle-Income Trap: Myth or Reality?” World Bank, Research and Policy Briefs, March 2016, <http://documents.worldbank.org/curated/en/965511468194956837/pdf/104230-BRI-Policy-1.pdf>.

<sup>12</sup> State Council Information Office of the People's Republic of China (PRC), “China Unveils Strategy for Innovation-Driven Development,” May 20, 2016, <https://www.scio.gov.cn/32618/Document/1478253/1478253.htm>; and State Council Information Office (PRC), “Guojia chuangxin qudong fazhan zhanlue gangyao zhengce jiedu” [Policy Interpretation of National Innovation-Driven Development Strategy Guidelines], May 24, 2016, <https://www.scio.gov.cn/34473/34515/Document/1478593/1478593.htm>.

<sup>13</sup> State Council Information Office (PRC), “Guowuyuan guanyu yinfa ‘Zhongguo zhizao 2025’ de tongzhi” [State Council Notification Regarding the Publication of “Made in China 2025”], May 8, 2015, [http://www.gov.cn/zhengce/content/2015-05/19/content\\_9784.htm](http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm); U.S. Chamber of Commerce, “Made in China 2025: Global Ambitions Built on Local Protections,” 2017, [https://www.uschamber.com/sites/default/files/final\\_made\\_in\\_china\\_2025\\_report\\_full.pdf](https://www.uschamber.com/sites/default/files/final_made_in_china_2025_report_full.pdf); and Jung Jihyun, “China's Innovation-Driven Development Strategy and Prospects,” Korea Institute for Economic Policy, December 15, 2016, <http://www.kiep.go.kr/eng/sub/view.do?bbsId=kiepOpi&nttlId=191936>. This dependence was dramatically illustrated in 2018, when a temporary U.S. ban on supplying U.S.-made components to the Chinese telecommunications giant ZTE nearly caused the company's bankruptcy. For context, see Cary Huang, “U.S. Tech Ban on ZTE Has Exposed China's Achilles' Heel,” *South China Morning Post*, April 29, 2018, <https://www.scmp.com/week-asia/opinion/article/2143534/us-tech-ban-zte-has-exposed-chinas-achilles-heel>.

<sup>14</sup> Jackie Northam, “U.S. Aims to Stall China's Efforts to Be the Global Leader in the Race for 5G,” NPR, December 19, 2018, <https://www.npr.org/2018/12/19/678089584/u-s-aims-to-stall-chinas-efforts-to-be-the-global-leader-in-the-race-for-5g>.

<sup>15</sup> U.S. Chamber of Commerce, “Made in China 2025,” 6–8.

<sup>16</sup> Nadège Rolland, “A Concise Guide to the Belt and Road Initiative,” National Bureau of Asian Research (NBR), April 11, 2019, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative>.

and investment in infrastructure. The contributions of these two sources of growth, however, have diminished in recent years. The value of China's exports in 2018 was only 5% greater than in 2013 in real terms, and China's need for domestic infrastructure is regarded as largely satiated for now. BRI is intended to boost China's exports by contributing to the economic growth of countries in Asia and Africa, providing new sources of revenue for China's construction companies and the industries that support them, and facilitating trade with Asia, Africa, and Europe.<sup>17</sup>

A second goal of BRI is to increase China's economic security by diversifying the routes by which the country receives energy supplies. China is heavily dependent on imports of oil and gas that pass through the Strait of Malacca, which Chinese leaders have long seen as a point of vulnerability. BRI will expand the infrastructure linking China to Russia and Central Asia, enabling it to import more oil and gas via overland routes from the Caspian Basin. Similarly, improvements to the infrastructures of Pakistan and Myanmar will enable China to receive energy supplies from the Persian Gulf without their having to pass through the Strait of Malacca.<sup>18</sup>

A third and related goal is to accelerate the development of western China. China's economic growth over the past four decades has disproportionately benefited its eastern coastal areas. In recent years, therefore, the government has adopted measures intended to stimulate economic growth in inland regions, particularly the western parts of the country. This is accorded particular importance because Chinese leaders see economic development as key to reducing unrest among minority ethnicities, which tend to be concentrated in these areas. BRI is expected to contribute to this effort by improving the internal infrastructure of China's western regions and providing them with better access to markets and resources in countries to the west and south.<sup>19</sup>

A fourth goal of BRI is to increase China's political and diplomatic influence in participating countries. Large-scale investment is expected to give China the ability to favorably affect the policies of these countries, both regarding their openness to trade and investment with China and on other issues (such as China's treatment of its Muslim minorities).<sup>20</sup>

### *Continuing Military Modernization*

When China launched its reform and opening economic development program in the late 1970s, the military was initially neglected in order to reduce the burden of defense spending on government finances. Since the mid-1990s, however, the Chinese leadership has supported a sustained effort to modernize China's armed forces. This has been reflected in a large increase in the amount of resources devoted to the military. Official defense expenditures grew by nearly 400% in real terms between 1996 and 2009, an average annual rate of increase of 13%. Although the growth in China's defense spending has slowed since 2009, defense expenditures have continued to increase at more than 5% a year in real terms, and China's annual defense expenditures now

---

<sup>17</sup> International Monetary Fund (IMF), World Economic Outlook Database, October 2019, <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>; and Nadège Rolland, *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative* (Seattle: NBR, 2017), 98.

<sup>18</sup> Ian Storey, "China's 'Malacca Dilemma,'" Jamestown Foundation, China Brief, April 12, 2006, <https://jamestown.org/program/chinas-malacca-dilemma>; Rolland, *China's Eurasian Century?* 111–13; and Leverett and Wu, "The New Silk Road and China's Evolving Grand Strategy," 127.

<sup>19</sup> Leverett and Wu, "The New Silk Road and China's Evolving Grand Strategy," 126–27; Rolland, "A Concise Guide to the Belt and Road Initiative"; and Rolland, *China's Eurasian Century?* 110–11.

<sup>20</sup> Rolland, "A Concise Guide to the Belt and Road Initiative"; Leverett and Wu, "The New Silk Road and China's Evolving Grand Strategy," 127–30; and Rolland, *China's Eurasian Century?* 114–16. On the response of Muslim countries to China's treatment of its Muslim minorities, see Anna Fifield and Kareem Fahim, "China Wages Relentless Crackdowns on Its Muslims. But Saudi Arabia Stays Quiet as It Bolsters Ties with Beijing," *Washington Post*, May 27, 2019.

far exceed those of any other country except the United States.<sup>21</sup> These increases in defense expenditures have enabled improvements in the equipment, training, and personnel of China's armed forces and been accompanied by efforts to modernize the doctrine and organization of the armed forces as well.<sup>22</sup> The drive to increase China's military capabilities, moreover, appears likely to continue for the foreseeable future. At the 19th Party Congress in 2017, for example, Xi Jinping declared that the CCP leadership's goals were to ensure that by 2035 the modernization of the armed forces would be "basically completed" and that by the middle of the century China would be a "world-class" military power.<sup>23</sup>

### *Recovering Lost Territories*

As noted above, recovering territories that are viewed as parts of China that were lost during its period of weakness in the nineteenth and early twentieth centuries is an important element of the CCP's drive to restore China to its "rightful" place in the world. With a population of 24 million and occupying a strategic position off of China's coast, Taiwan is by far the most important territory in this regard. Consequently, Beijing will continue its efforts to persuade Taiwan to reunify with the mainland, using a combination of diplomatic and economic pressure and inducements, coupled with a threat to use force if Taiwan formally declares independence or refuses for an extended period of time to agree to unification.<sup>24</sup> Consistent with this stance, Beijing has increased its diplomatic and economic pressure since the election in 2016 of a president and legislative majority from Taiwan's pro-independence parties.<sup>25</sup> This has included inducing 7 of the just 22 countries that still maintained official diplomatic relations with Taiwan in 2016 to sever ties with the island, preventing Taiwan from participating as an observer in meetings of international organizations such as the World Health Assembly and International Civil Aviation Organization, increasing the frequency and scale of military exercises and patrols around the island, limiting the number of Chinese tourists traveling to Taiwan, and cutting off direct communications with Taiwan's government.<sup>26</sup> Tsai Ing-wen was re-elected as president and her party retained control of Taiwan's legislature in January 2020, suggesting that this pressure

<sup>21</sup> National Bureau of Statistics of China, *China Statistical Yearbook 2007* (Beijing, 2007), <http://www.stats.gov.cn/tjsj/ndsj/2007/indexeh.htm>; National Bureau of Statistics of China, *China Statistical Yearbook 2010* (Beijing, 2010), <http://www.stats.gov.cn/tjsj/ndsj/2010/indexeh.htm>; National Bureau of Statistics of China, *China Statistical Yearbook 2018* (Beijing, 2018), <http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm>; and Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database. China's actual defense expenditures are believed to exceed the officially acknowledged amount, but the rate of growth of actual defense expenditures is assumed to be roughly the same as the rate of growth of official expenditures.

<sup>22</sup> On developments in the Chinese military, see Roger Cliff, *China's Military Power: Assessing Current and Future Capabilities* (New York: Cambridge University Press, 2015); and State Council Information Office (PRC), *China's National Defense in the New Era* (Beijing, July 2019), available at [http://www.xinhuanet.com/english/2019-07/24/c\\_138253389.htm](http://www.xinhuanet.com/english/2019-07/24/c_138253389.htm).

<sup>23</sup> Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era" (speech delivered at the 19th National Congress of the Communist Party of China, Beijing, October 18, 2017), available at [http://www.xinhuanet.com/english/download/Xi\\_Jinping's\\_report\\_at\\_19th\\_CPC\\_National\\_Congress.pdf](http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf).

<sup>24</sup> Teddy Ng and Lawrence Chung, "Chinese President Xi Jinping Urges Taiwan to Follow Hong Kong Model for Unification," *South China Morning Post*, January 2, 2019, <https://www.scmp.com/news/china/politics/article/2180391/chinese-president-xi-jinping-urges-taiwan-follow-hong-kong-model>; "Anti-Secession Law (Full text) (03/15/05)," China's Embassy to the United States, <http://www.china-embassy.org/eng/zt/999999999/t187406.htm>; and State Council Information Office (PRC), *The One-China Principle and the Taiwan Issue* (Beijing, February 21, 2000), <http://en.people.cn/features/taiwanpaper/taiwan.html>.

<sup>25</sup> The terms "pro-independence" and "pro-unification" are used here to contrast those who see Taiwan as an independent nation that should always be politically separate from mainland China with those who see Taiwan as part of a greater Chinese nation that should eventually be reunited. Only a small percentage of Taiwan's population actually desires unification with the mainland under the current Chinese government.

<sup>26</sup> Ralph Jennings, "Kiribati Cuts Ties with Taiwan, Presaging Switch to China," Associated Press, September 20, 2019, <https://apnews.com/90e8938980404130a63641162d125db2>; and Abraham Denmark, "China's Increasing Pressure on Taiwan," Wilson International Center for Scholars, January 30, 2018, <https://www.wilsoncenter.org/blog-post/chinas-increasing-pressure-taiwan>.

campaign is not succeeding, but Beijing has declared that its policy toward Taiwan will remain unchanged.<sup>27</sup> In addition, China appears to have increased its military operations near Taiwan in the first few months of 2020.<sup>28</sup>

In the South and East China Seas, China appears to be employing a similar approach of seeking to take control of the territory it claims without overtly using force. In the case of the South China Sea, this has included expanding and building military facilities on the features that China already occupies; increasing patrols in the area by Chinese naval, coast guard, and maritime militia vessels; fishing and exploring for oil and gas in the disputed areas, while blocking other claimants from doing the same; and harassing foreign military vessels that are conducting innocent passage through the territorial waters of islands in the South China Sea or exercising or conducting surveillance operations in the South China Sea more generally, even outside the twelve-mile territorial waters of the features claimed by China.<sup>29</sup> The long-term goal of these activities appears to be to secure virtually exclusive economic and military access to the areas China claims while denying it to other countries. If successful, this approach would result in China exercising effective control over the entire South China Sea without ever actually using force to expel the other claimants from any of the features they currently occupy.<sup>30</sup>

In the case of the East China Sea the dispute is focused primarily on the Senkaku/Diaoyu Islands, which are claimed by both China and Japan.<sup>31</sup> Japan first laid claim to the islands in 1895 during the First Sino-Japanese War. The United States took control of them after World War II but transferred ownership to Japan in 1972 when it returned Okinawa and the other Ryukyu Islands. Beijing, however, asserts that the islands were originally Chinese territory and has verbally protested Japan's control over them since the 1970s. In 2012, when the Japanese government purchased three of the islands from their private owner, China began sending coast guard vessels into the territorial waters of the islands, effectively contesting Japan's control over them. These intrusions are frequent enough that they tax the ability of Japan's coast guard and naval forces to respond.<sup>32</sup> In 2013, moreover, Beijing announced an air defense identification zone (ADIZ) covering the portion of the East China Sea that includes the Senkaku Islands and declared that

---

<sup>27</sup> Elaine Kurtenbach and Johnson Lai, "Taiwan's Leader Reelected as Voters Back Tough China Stance," Associated Press, January 11, 2020, <https://apnews.com/623049bbc54ad3601f660acaf962d8d6>; and Ben Blanchard and Yimou Lee, "China Says Will Not Change Position on Taiwan after Landslide Election," Reuters, January 11, 2020, <https://www.reuters.com/article/us-taiwan-election/china-says-will-not-change-position-on-taiwan-after-landslide-election-idUSKBN1ZB018>.

<sup>28</sup> John Dotson, "Military Activity and Political Signaling in the Taiwan Strait in Early 2020," Jamestown Foundation, China Brief, April 1, 2020, [https://jamestown.org/program/military-activity-and-political-signaling-in-the-taiwan-strait-in-early-2020/?mc\\_cid=dac521917c&mc\\_eid=1d158acb0b](https://jamestown.org/program/military-activity-and-political-signaling-in-the-taiwan-strait-in-early-2020/?mc_cid=dac521917c&mc_eid=1d158acb0b).

<sup>29</sup> For more information on China's actions in the South China Sea, see Ronald O'Rourke, "China's Actions in South and East China Seas: Implications for U.S. Interests—Background and Issues for Congress," Congressional Research Service, CRS Report for Congress, R42784, August 1, 2018, <https://fas.org/sgp/crs/row/R42784.pdf>.

<sup>30</sup> In March 2014, Chinese coast guard vessels prevented the Philippines from delivering supplies to a Philippine outpost at Second Thomas Shoal. A subsequent resupply effort was successful, however, and China does not appear to have attempted to prevent subsequent deliveries. For a description of the incident and its implications, see Michael Green et al., "Counter-Coercion Series: Second Thomas Shoal Incident," Center for Strategic and International Studies (CSIS), Asia Maritime Transparency Initiative, June 9, 2017, <https://amti.csis.org/counter-co-2nd-thomas-shoal>.

<sup>31</sup> China and Japan also have a dispute over the location of the boundary between their respective exclusive economic zones and continental shelves in the East China Sea.

<sup>32</sup> Zack Cooper, "Flashpoint East China Sea: Potential Shocks," CSIS, Asia Maritime Transparency Initiative, April 27, 2018, <https://amti.csis.org/flashpoint-east-china-sea-potential-shocks>.

aircraft flying in the ADIZ should report their flight plans to the Chinese government and follow the instructions of the Ministry of Defense while in the zone.<sup>33</sup>

Beijing's strategy in the East China Sea thus appears to be to call into question whether the Senkaku Islands are in fact controlled by Japan while avoiding a direct confrontation over them. Its actions could have the effect of casting doubt on whether the United States would come to Japan's aid in the event of a conflict between Japan and China over the islands. Although the United States has stated that the Senkaku Islands are covered by the U.S.-Japan Security Treaty, this statement is predicated on a recognition that Japan exerts administrative control of the islands rather than on an acceptance of Japan's claim to sovereignty over them.<sup>34</sup> If it were no longer clear that Japan actually controlled the islands, the United States might then conclude that it was no longer obligated to come to Japan's aid in the event of a conflict. A withdrawal of U.S. military protection, in turn, might cause Japan to eventually relinquish its claim to the islands in the face of an increasingly powerful Chinese military. As in the South China Sea, moreover, this change in the status quo could be accomplished without China ever resorting to the overt use of force.

### *Maintaining Stability on the Korean Peninsula*

The Korean Peninsula is a potential source of significant threats to China's security and prosperity. Beijing's overriding goal, therefore, is to ensure stability on the peninsula. Most fundamentally, this requires ensuring the continued existence of a functioning government in North Korea. A breakdown of governance in North Korea, due to a succession crisis or coup attempt, for example, could result in hundreds of thousands of North Koreans fleeing into China. Probably even more concerning to the Chinese leadership, this scenario could also lead to the occupation of North Korea by South Korean and U.S. forces, resulting in a Korean Peninsula unified under the Republic of Korea (ROK) government and allied to the United States.

Instability on the Korean Peninsula could come in other forms as well. North Korean behavior that provokes a U.S. attack on the North, for example, would also not be in China's interests, as it would almost certainly bring about an increased U.S. military presence in Northeast Asia. This situation could also cause North Korean refugees to flee to China, lead to an invasion of North Korea by South Korean and U.S. forces, or even result in China being drawn into conflict with the United States.<sup>35</sup>

Instability could also come in the form of peaceful unification of the Korean Peninsula, which Beijing would not like to see either, as the most plausible scenario would be a Korea unified under the ROK government. Even if this were to result in withdrawal of U.S. forces from the peninsula and termination of the U.S.-ROK mutual defense treaty, China would now have a powerful, unified

---

<sup>33</sup> "Announcement of the Aircraft Identification Rules for the East China Sea Air Defense Identification Zone of the PRC," Xinhua, November 23, 2013, [http://www.china.org.cn/china/2013-11/23/content\\_30683623.htm](http://www.china.org.cn/china/2013-11/23/content_30683623.htm). In practice, however, China does not appear to be enforcing its regulations for the ADIZ. See Edmund J. Burke and Astrid Stuth Cevallos, *In Line or Out of Order? China's Approach to ADIZ in Theory and Practice* (Santa Monica: RAND Corporation, 2017), 12–13; and Cooper, "Flashpoint East China Sea."

<sup>34</sup> "Tensions in the East China Sea," Council on Foreign Relations (CFR), Global Conflict Tracker, January 23, 2019, <https://www.cfr.org/interactive/global-conflict-tracker/conflict/tensions-east-china-sea>.

<sup>35</sup> Taisuke Mibae, "The United States and Its Allies Need to Understand China's North Korea Policy," Atlantic Council, December 17, 2018, <https://www.atlanticcouncil.org/blogs/new-atlanticist/the-united-states-and-its-allies-need-to-understand-china-s-north-korea-policy>; Leif-Eric Easley, "Why China Takes a Middle-of-the-Road Policy toward North Korea," *Washington Post*, February 28, 2019, [https://www.washingtonpost.com/politics/2019/02/28/why-china-takes-middle-of-the-road-policy-toward-north-korea/?utm\\_term=.5358e567701e](https://www.washingtonpost.com/politics/2019/02/28/why-china-takes-middle-of-the-road-policy-toward-north-korea/?utm_term=.5358e567701e); and Eleanor Albert, "The China–North Korea Relationship," CFR, March 28, 2018, <https://www.cfr.org/backgrounder/china-north-korea-relationship>.



democracy on its northeastern border. Thus, the Chinese leadership's preference is for North Korea to continue to exist as a separate entity (although not necessarily under the current regime).<sup>36</sup>

The goal of ensuring stability on the Korean Peninsula means that Beijing has, on the one hand, refrained from imposing economic pressure on North Korea sufficient to force Pyongyang to give up its nuclear weapons program. Chinese leaders and analysts appear to believe that the current regime will never do so voluntarily and thus that the only possible result of severe economic pressure on North Korea would be regime collapse. On the other hand, when North Korea's nuclear and missile tests in 2016 and 2017 appeared to be causing the United States to contemplate launching a preemptive strike, China began more strictly implementing UN Security Council sanctions against North Korea. Chinese leaders apparently calculated that the risk of regime collapse as a result of increased economic pressure was less than the risk of a U.S. attack if North Korea continued with its weapons development. After Kim Jong-un announced the suspension of nuclear and missile tests and held a summit with Donald Trump in April 2018, however, China eased its economic pressure on the country.<sup>37</sup>

China is likely to continue this approach in the future: acquiescing to international sanctions to avoid the appearance of abetting North Korea's nuclear weapons development and denying the United States a pretext for launching an attack on North Korea, but refraining from exerting so much pressure as to bring about regime collapse. In the meantime, Beijing will continue to urge Pyongyang to implement Chinese-style economic reforms, in the belief that economic development will increase North Korea's chances of survival over the long term.

### *Increasing Influence over the Policies of Other Countries*

China's leadership perceives the nation as surrounded by potential adversaries, particularly the United States and its allies. In addition, it is concerned that Islamic fundamentalism and insurgent movements in Central Asia could spread into China.<sup>38</sup> As a result, Beijing seeks to increase its influence over countries on China's periphery as well as key countries elsewhere in the world. The means employed for doing so range from the traditional tools of diplomacy to more surreptitious methods.

The most obvious means employed are overt efforts to use public diplomacy and propaganda to shape the perceptions of the leaders and populations of other countries in ways favorable to China. This includes efforts to present a positive image of China through diplomacy in various forums and through sponsoring cultural activities abroad such as festivals, performances, and exhibitions of traditional Chinese art. In addition, China makes its official media—such as China Global Television Network, China Radio International, and the newspaper *China Daily*—widely

---

<sup>36</sup> According to experts on China's foreign policy who were interviewed for this project, however, China's leadership regards the unification of the peninsula as ultimately inevitable. When it appears that unification is imminent, therefore, China's leadership will most likely push for the creation of a neutral Korea and the withdrawal of U.S. forces from the peninsula.

<sup>37</sup> Mibae, "The United States and Its Allies"; Easley, "Why China Takes a Middle-of-the-Road Policy toward North Korea"; Albert, "The China–North Korea Relationship"; Uri Friedman, "Can America Live with a Nuclear North Korea?" *Atlantic*, September 14, 2017; James Schoff and Feng Lin, "Making Sense of UN Sanctions on North Korea," Carnegie Endowment for International Peace, <https://carnegieendowment.org/publications/interactive/north-korea-sanctions>; Choe Sang-Hun, "'We No Longer Need' Nuclear or Missile Tests, North Korean Leader Says," *New York Times*, April 20, 2018, <https://www.nytimes.com/2018/04/20/world/asia/kim-jong-un-hotline-korea.html>; and Ruediger Frank, "North Korea's Economic Policy in 2018 and Beyond: Reforms Inevitable, Delays Possible," *38 North*, August 8, 2018 <https://www.38north.org/2018/08/rfrank080818/>.

<sup>38</sup> Rolland, *China's Eurasian Century?* 110–11.

available abroad, in either English or the language of the recipient country, often for free or at subsidized rates.<sup>39</sup>

The Chinese government also uses economic leverage to influence the decision-making and even the perceptions of foreign leaders and populations on issues of importance to China. In the past this approach primarily involved denying, or threatening to deny, access to the Chinese market to countries or organizations that took—or were contemplating taking—actions objectionable to the Chinese government, such as criticizing China’s human rights record or selling arms to Taiwan. In addition, China has also long provided relatively modest amounts of development assistance to other developing countries. As China’s economy has grown, outbound investment by Chinese companies, often financed by loans from Chinese banks, has also become an increasingly effective tool for promoting a positive image of China and rewarding countries for adopting favorable policies and attitudes. For example, as noted above, increasing China’s influence over other countries has been an important goal of BRI. Finally, the Chinese government has increasingly taken advantage of the legal systems in democratic countries to threaten lawsuits against publishers of unfavorable descriptions of China.<sup>40</sup>

Other means that Beijing employs for influencing the policies of other countries are less overt. One well-known example is the Confucius Institutes and Confucius Classrooms that the government has set up at universities and secondary schools throughout the world. These institutes provide classes in Mandarin Chinese as well as organize Chinese cultural exhibitions and other events. The Chinese government provides an administrator, teachers, teaching materials, and funding, making the institutes highly attractive to schools that wish to provide Chinese-language instruction without incurring the costs that would be associated with supporting such a program. The teaching materials used in these institutes, however, present the Chinese government’s preferred perspective on issues relating to China, and students are reportedly prohibited from discussing issues such as Tibet, Taiwan, China’s maritime claims, or the banned Falun Gong religious sect.<sup>41</sup>

The Chinese government also attempts to influence academic discourse about China in other ways, such as by lodging protests about invited speakers or events (e.g., those addressing Taiwan’s status or human rights in China) and, in retaliation for foreign universities hosting such speakers or events, preventing them from cooperating with partner institutions in China. Chinese students at foreign universities have also taken actions such as demanding the removal of research or decorative materials (e.g., Taiwan’s flag) from a university, demanding that university faculty alter teaching materials on sensitive topics, and protesting controversial speakers or activities on campus related to China. Although in some cases Chinese students may be acting on their own

---

<sup>39</sup> For more information, see Anne-Marie Brady, “Magic Weapons: China’s Political Influence Activities under Xi Jinping” (paper presented at the conference “The Corrosion of Democracy Under China’s Global Influence,” Arlington, September 16–17, 2017), 5–7, 9–10, <https://www.wilsoncenter.org/sites/default/files/magicweaponsannemariebradyseptember162017.pdf>; Philippe Le Corre, “China’s Rise as a Geoeconomic Influencer: Four European Case Studies,” Carnegie Endowment for International Peace, October 2018, 3–6, <https://carnegieendowment.org/2018/10/15/china-s-rise-as-geoeconomic-influencer-four-european-case-studies-pub-77462>; and Samantha Custer et al., “Ties that Bind: Quantifying China’s Public Diplomacy and Its ‘Good Neighbor’ Effect,” AidData, June 27, 2018, 7–16, <https://www.aiddata.org/publications/ties-that-bind>.

<sup>40</sup> See, for example, Jacqueline Williams, “Australian Furor over Chinese Influence Follows Book’s Delay,” *New York Times*, November 20, 2017, <https://www.nytimes.com/2017/11/20/world/australia/china-australia-book-influence.html>; Harry Krejsa, “Under Pressure: The Growing Reach of Chinese Influence Campaigns in Democratic Societies,” Center for a New American Security, April 27, 2018, <https://www.cnas.org/publications/reports/under-pressure>; Bilahari Kausikan, “Manipulation, Chinese Style,” *Nikkei Asian Review*, August 22, 2018, <https://asia.nikkei.com/Opinion/Manipulation-Chinese-style>; Le Corre, “China’s Rise as a Geoeconomic Influencer”; Custer et al., “Ties That Bind,” 13–14; and Rolland, *China’s Eurasian Century?* 114–16.

<sup>41</sup> Custer et al., “Ties That Bind,” 9–12; and Krejsa, “Under Pressure.”

initiative, in other cases they are specifically organized or supported by the Chinese embassy in the country.<sup>42</sup>

Chinese students and academics studying or living abroad are themselves also targets of the Chinese government's efforts to control the discourse about China overseas. The Chinese Students and Scholars Associations on campuses receive funding and instructions from the Chinese embassy to organize activities such as lining the streets to welcome Chinese leaders arriving for state visits or posting articles and organizing study sessions regarding the Chinese government's goals and policies. On the other hand, Chinese students and academics who are involved in democracy movements or other activities seen as a threat to the CCP may be harassed or have their families in China threatened.<sup>43</sup>

The Chinese government also attempts to use ethnic Chinese communities abroad as a vehicle for influencing the governments of their countries. In some cases it appeals to the nationalism or ethnic pride of those communities by sponsoring cultural activities and visits to ancestral villages in China. In return, these communities are expected to support the Chinese government's position on issues such as China's territorial claims in the South China Sea or speeches by the Dalai Lama. The Chinese government has also taken financial control of many Chinese-language media outlets abroad that had been independent sources of news. In many cases, outlets that resist Chinese buyouts have seen their advertisers withdraw support under pressure from Beijing.<sup>44</sup>

Another means of influencing countries is the cultivation of key individuals in those countries. This can take the form of providing public figures, academics, and journalists who are seen as holding relatively benign views toward China with preferential access to Chinese officials or inviting such individuals to participate in all-expenses-paid conferences and tours in China.<sup>45</sup> The cultivation of key individuals in foreign countries can also involve more direct efforts. In 2017 an Australian senator was forced to resign when it was revealed that a Chinese property developer had given him A\$40,000 (about US\$27,000) to help pay personal debts. After receiving the payment, the senator publicly called for Australia to respect China's territorial claims in the South China Sea, in contradiction to his own party's position on the issue. He also allegedly warned an executive at the property developer that the executive's phone was being tapped by Australian intelligence.

---

<sup>42</sup> Anastasya Lloyd-Damjanovic, "A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education," Woodrow Wilson International Center for Scholars, <https://www.wilsoncenter.org/publication/preliminary-study-prc-political-influence-and-interference-activities-american-higher>; Alexander Bowe, "China's Overseas United Front Work: Background and Implications for the United States," U.S.-China Economic and Security Review Commission, Staff Research Report, August 24, 2018, <https://www.uscc.gov/Research/china%E2%80%99s-overseas-united-front-work-background-and-implications-united-states>; Vicky Xiuzhong Xu, "Chinese Nationalism Jostles with Academic Freedom in Australia," *New York Times*, November 15, 2017, <https://www.nytimes.com/2017/11/15/world/australia/china-students-censorship.html>; Nick McKenzie et al., "The Chinese Communist Party's Power and Influence in Australia," Australian Broadcasting Corporation (ABC), June 3, 2017, <https://www.abc.net.au/news/2017-06-04/the-chinese-communist-partys-power-and-influence-in-australia/8584270>; A. Odysseus Patrick and Emanuel Stoakes, "China's Sway Chills Campus Speech in 2 Pacific Nations," *Washington Post*, August 12, 2019; and Krejsa, "Under Pressure."

<sup>43</sup> Xu, "Chinese Nationalism Jostles with Academic Freedom in Australia"; McKenzie et al., "The Chinese Communist Party's Power and Influence in Australia"; and Bethany Allen-Ebrahimian, "China's Long Arm Reaches into American Campuses," *Foreign Policy*, March 7, 2018, <https://foreignpolicy.com/2018/03/07/chinas-long-arm-reaches-into-american-campuses-chinese-students-scholars-association-university-communist-party>.

<sup>44</sup> Kausikan, "Manipulation, Chinese Style"; Amy Qin, "Worries Grow in Singapore Over China's Calls to Help 'Motherland,'" *New York Times*, August 5, 2018, <https://www.nytimes.com/2018/08/05/world/asia/singapore-china.html>; Eleanor Ainge Roy, "Chinese Interference in New Zealand at 'Critical' Stage, Says Canada Spy Report," *Guardian*, May 31, 2018, <https://www.theguardian.com/world/2018/jun/01/chinese-interference-in-new-zealand-at-critical-stage-says-canada-spy-report>; McKenzie et al., "The Chinese Communist Party's Power and Influence in Australia"; Joseph S. Nye, "China's Soft and Sharp Power," Project Syndicate, January 4, 2018; and Krejsa, "Under Pressure."

<sup>45</sup> Brady, "Magic Weapons," 8–9; Williams, "Australian Furor over Chinese Influence Follows Book's Delay"; and Allen-Ebrahimian, "China's Long Arm Reaches into American Campuses."



More broadly, Australian political parties were found to have accepted at least A\$6.7 million in donations from companies believed to have links with the Chinese government.<sup>46</sup>

In New Zealand, a member of parliament who belonged to the Foreign Affairs, Defence and Trade Committee was discovered to have once been an instructor at Chinese military academies (although it has not been proved that he was continuing to work for the Chinese government while in parliament). In Singapore, a Chinese-born academic was expelled for alleged covert efforts to influence Singapore's foreign policy on behalf of a foreign government that was unnamed but presumed to be China. In Malaysia, senior Chinese officials reportedly offered to bail out a government-managed investment fund, from which the prime minister and his allies were accused of embezzling several hundred million dollars, in return for preferential deals for Chinese companies to develop Malaysia's infrastructure.<sup>47</sup> Regional experts interviewed for this report suggested that the Chinese government has taken advantage of corruption in many other Indo-Pacific countries, particularly in Southeast Asia, to gain influence over officials.

Experts disagree about whether Beijing is actively attempting to export its authoritarian political system. In 2017, Xi Jinping stated that China's political system offers a "new option for other countries and nations who want to speed up their development while preserving their independence," and some experts note that Beijing finds it easier to work with authoritarian governments than democratic ones.<sup>48</sup> Others, however, argue that China has shown that it can cooperate with any type of government. Regardless, there is little question that China's efforts to covertly influence or take advantage of corruption in immature democracies have the effect of undermining democratic norms and institutions within those countries.

### *Reshaping International Norms and Institutions*

Since the 1980s, China has increasingly complied with accepted norms of international behavior and been an active participant in international institutions. There are important exceptions to this trend, however, and in some areas Beijing has sought to reshape or replace existing international norms and institutions with its preferred alternatives. Areas in which China has adhered to international norms or participated actively in international institutions include economics, social development, nonaggression, health, disaster relief, refugees, nonproliferation, counterterrorism, and counterpiracy. Even in these areas, however, it is often seen as complying with the letter but not the spirit of norms and institutions. For example, China has repeatedly asserted its support for the principle of nonaggression but has nonetheless behaved in ways that are assertive and coercive in the East and South China Seas, even if its actions have fallen short of overt aggression. Similarly, while China has not blatantly flouted the rules of the World Trade Organization, its compliance with those rules is regarded as uneven and inconsistent.<sup>49</sup>

<sup>46</sup> McKenzie et al., "The Chinese Communist Party's Power and Influence in Australia"; Krejsa, "Under Pressure"; and Jamie Smyth, "Australian MP Quits in Chinese Influence Scandal," *Financial Times*, December 11, 2017, <https://www.ft.com/content/7ac14e70-ded8-11e7-a8a4-0a1e63a52f9c>.

<sup>47</sup> Roy, "Chinese Interference in New Zealand"; and Tom Wright and Bradley Hope, "WSJ Investigation: China Offered to Bail Out Troubled Malaysian Fund in Return for Deals," *Wall Street Journal*, January 7, 2019, <https://www.wsj.com/articles/how-china-flexes-its-political-muscle-to-expand-power-overseas-11546890449>.

<sup>48</sup> Le Corre, "China's Rise as a Geopolitical Influencer," 3–4; and Simon Denyer, "Move Over, America. China Now Presents Itself as the Model 'Blazing a New Trail' for the World," *Washington Post*, October 19, 2017, [https://www.washingtonpost.com/news/worldviews/wp/2017/10/19/move-over-america-china-now-presents-itself-as-the-model-blazing-a-new-trail-for-the-world/?utm\\_term=.bc9c99540057](https://www.washingtonpost.com/news/worldviews/wp/2017/10/19/move-over-america-china-now-presents-itself-as-the-model-blazing-a-new-trail-for-the-world/?utm_term=.bc9c99540057).

<sup>49</sup> Michael J. Mazarr, Timothy R. Heath, and Astrid Stuth Cevallos, *China and the International Order* (Santa Monica: RAND Corporation, 2018), 33–67; and "China and Global Norms," S. Rajaratnam School of International Studies (RSIS), November 2017.

Moreover, even as it technically complies with international norms and institutions, Beijing strives to reshape or replace some of them. One means by which this is accomplished is by placing Chinese nationals in key positions in international organizations. Although most officials in such organizations tend to act as international civil servants who advance the interests of their organizations, not their countries of origin, Beijing expects Chinese nationals employed by these organizations to advance China's interests. In other cases, Beijing works to alter or rewrite rules and norms. For example, contrary to the standard interpretations of the United Nations Convention on the Law of the Sea, China asserts that military vessels should first receive authorization from a coastal nation's government before conducting "innocent passage" through another country's territorial waters, and that conducting military surveillance activities while in the exclusive economic zone of another country should be prohibited. Another example is internet governance, where China has promoted the concept of "cyber sovereignty," which asserts that governments have the right to control the content of the internet within their borders.<sup>50</sup>

In still other cases, China has created new international institutions as alternatives to existing ones. Well-known examples include the Shanghai Cooperation Organisation (SCO), the New Development Bank (known as the BRICS bank), and the Asian Infrastructure Investment Bank (AIIB). The SCO consists of China, Russia, four Central Asian countries, and, since 2017, India and Pakistan. It focuses primarily on cooperation in security matters, including confidence building, counterterrorism, and joint military exercises. The New Development Bank and the accompanying Contingency Reserve Arrangement were created in 2014 to finance infrastructure and sustainable development projects in the BRICS countries (Brazil, Russia, India, China, and South Africa) and to provide liquidity protection to member countries during balance-of-payments crises. China pursued this option primarily because its influence at the World Bank and the International Monetary Fund (IMF), which normally play those roles, was no longer proportionate to its economic power. Similarly, the AIIB was established in 2015 to invest in infrastructure and development projects because China's leadership felt that its influence at both the World Bank and the Asian Development Bank was not commensurate with the country's economic weight. Other than giving China a greater role in their governance, however, these new institutions have so far largely followed the standards employed by existing organizations such as the World Bank, IMF, and Asian Development Bank.<sup>51</sup>

The area in which China has attempted to reshape international norms and institutions to the greatest extent is human rights. Although it has ratified most international human rights conventions and participates in intergovernmental human rights organizations, the Chinese government has sought to weaken the enforcement of those conventions and organizations. It also helped facilitate the replacement of the UN Commission on Human Rights with the UN Human Rights Council and the institution of the Universal Periodic Review of human rights. The United

<sup>50</sup> Mazarr, Heath, and Cevallos, *China and the International Order*, 34–9; Tim Rühlig, "A 'New' Chinese Foreign Policy under Xi Jinping?" Institute for Security and Development Policy, March 2018; Sebastien Colin, "China, the U.S., and the Law of the Sea," *China Perspectives*, no. 2 (2016): 57–62; and Elliott Zaagman, "Cyber Sovereignty and the PRC's Vision for Global Internet Governance," Jamestown Foundation, China Brief, June 5, 2018. For an analysis of China's efforts to reshape organs and functions of the United Nations, see Kristine Lee and Alexander Sullivan, "People's Republic of the United Nations: China's Emerging Revisionism in International Organizations," Center for a New American Security, May 2019, <https://www.cnas.org/publications/reports/peoples-republic-of-the-united-nations>.

<sup>51</sup> Eleanor Albert, "The Shanghai Cooperation Organization," CFR, October 14, 2015, <https://www.cfr.org/background/shanghai-cooperation-organization>; "The Shanghai Cooperation Organisation," SCO, January 9, 2017, [http://eng.sectsc.org/about\\_sco](http://eng.sectsc.org/about_sco); Enda Curren, "The AIIB: China's World Bank," Bloomberg, August 6, 2018, <https://www.bloomberg.com/quicktake/chinas-world-bank>; Raj M. Desai and James Vreeland, "What the New Bank of BRICS Is All About," Brookings Institution, July 17, 2014, <https://www.brookings.edu/opinions/what-the-new-bank-of-brics-is-all-about>; and Rühlig, "A 'New' Chinese Foreign Policy under Xi Jinping?"

Nations now reviews the human rights situation in all members every five years rather than producing individual reports on human rights in specific countries (such as China).<sup>52</sup>

## India

Unlike China, India is a democracy, and the party in power periodically changes. Thus, India's external strategy is more likely to change over the next decade than is China's. Regardless of which party is in power at a given time, however, all Indian governments share certain fundamental goals for the nation. One is providing security, which consists of preserving India's territorial integrity and ensuring public safety. Aside from ordinary crime, the primary security threats in India on a day-to-day basis come from terrorism and internal conflict. Over the past two decades, more than 30,000 people have died from these causes in India. In addition, two external powers—Pakistan and China—claim territory that the Indian government regards as belonging to India. Pakistan claims most of the territory of the former princely state of Jammu and Kashmir, which has a total population of approximately 20 million people and an area of roughly 86,000 square miles. Pakistan occupies approximately 33,000 square miles of this territory with a population of approximately 6 million. China claims and occupies another 14,500 square miles, with an estimated population of less than 10,000. China also claims, but does not occupy, the state of Arunachal Pradesh in northeastern India, which has an area of 33,000 square miles and a population of approximately 1.7 million. The dispute between India and Pakistan has frequently erupted in conflict between the security forces of the two countries, killing more than 1,600 people on both sides over the past 25 years (not including those who have died in Pakistani-sponsored terrorist attacks within Indian territory). The territorial dispute with China has been less deadly in recent years, but the 1962 border conflict resulted in more than 9,000 dead or wounded. Both Pakistan and China also possess nuclear weapons, moreover, meaning that a conflict with either country has the potential to escalate to a level that could result in enormous casualties and destruction.<sup>53</sup>

An additional security concern is the more than 27 million people of Indian origin living outside India, in whose well-being the Indian government takes an increasingly active interest. In 2015, for example, India imposed an unpublicized blockade of Nepal in response to what was perceived as unfair treatment of Nepalese of Indian ancestry in the new constitution promulgated that year.<sup>54</sup>

<sup>52</sup> Mazarr, Heath, and Cevallos, *China and the International Order*, 40–41; *The Costs of International Advocacy: China's Interference in United Nations Human Rights Mechanisms* (New York: Human Rights Watch, 2017), <https://www.hrw.org/report/2017/09/05/costs-international-advocacy/chinas-interference-united-nations-human-rights>; "China and Global Norms"; and Lee and Sullivan, "People's Republic of the United Nations," 8–9.

<sup>53</sup> Sunil Khilnani et al., "Nonalignment 2.0: A Foreign and Strategic Policy for India in the Twenty First Century," Centre for Policy Research, 2012, 38, <https://www.cprindia.org/research/reports/nonalignment-20-foreign-and-strategic-policy-india-twenty-first-century>; Dhruva Jaishankar, "Indian Strategy in a Non-strategic Age," in *India Now and in Transition*, ed. Atul K. Thaka (New Delhi: Niyogi Books, 2017), 280–281; Alyssa Ayers, *Our Time Has Come: How India Is Making Its Place in the World* (New York: Oxford University Press, 2018), 126–33; "Kashmir," *Encyclopedia Britannica*, updated February 28, 2019, <https://www.britannica.com/place/Kashmir-region-Indian-subcontinent>; "Population of Jammu and Kashmir 2018," India Population 2018, <http://indiapopulation2018.in/population-of-jammu-and-kashmir-2018.html>; "Population of Arunachal Pradesh 2018," India Population 2018, <http://indiapopulation2018.in/population-of-arunachal-pradesh-2018.html>; "UCDP Georeferenced Event Dataset (GED) Global version 19.1," Department of Peace and Conflict Research, Uppsala University; and Xiaobing Li, *A History of the Modern Chinese Army* (Lexington: University Press of Kentucky, 2007), 202, 351. Li notes that, according to Chinese sources, 4,800 Indian personnel were killed and 2,400 Chinese soldiers were killed or wounded, while Indian sources list total Indian casualties as 7,000. Thus, the conflict appears to have produced approximately 9,400 casualties, although the number of deaths is unclear.

<sup>54</sup> Aparna Pande, *From Chanakya to Modi: The Evolution of India's Foreign Policy* (Noida: HarperCollins, 2017), 114–18; and Abhijnan Rej, "Modi's Victory in the Indian Elections: What This Means for Asia and Beyond," NBR, May 2019, [https://www.nbr.org/wp-content/uploads/pdfs/publications/indiacaucus\\_may2019.pdf](https://www.nbr.org/wp-content/uploads/pdfs/publications/indiacaucus_may2019.pdf).

Aside from providing security, all Indian governments seek to improve the standard of living for Indian citizens through economic development as well as other improvements to the quality of life. Both the government of current prime minister Narendra Modi, who has been in power since 2014, and those of his recent predecessors have emphasized macroeconomic growth, which has averaged more than 7% a year since 2002, according to official figures. Modi, however, has differed from his immediate predecessor, Manmohan Singh, in his approach to development. Whereas Singh emphasized “inclusive growth,” meaning economic growth that improved the standard of living of all social classes, the Modi government has focused on deregulation and market-based reforms.<sup>55</sup>

A third important goal for Indian leaders has been increasing India’s international stature. Many in India believe that the country, as one of the major civilizations, the second most populous nation, and a large and growing economy, should be regarded as one of the leading powers of the world. As a result, an important goal for Indian leaders is to seek such recognition for the nation.<sup>56</sup>

A final major imperative for all Indian leaders is ensuring India’s autonomy and independence. Particularly because of the country’s history of colonization by Britain, this has been an important priority for all governments since independence in 1947. In the decades immediately after independence, this was manifested in an official policy of nonalignment. During the Cold War, India sided neither with the Soviet bloc nor with the West. Although nonalignment is less frequently invoked these days, the tradition lives on and constrains the types of relationships that India is willing to enter into with other countries as well as its willingness to participate in certain international agreements and regimes, even when doing so might be in its overall interest.<sup>57</sup>

India’s current national strategy is a product of the Modi government. Modi is from the Hindu nationalist Bharatiya Janata Party (BJP), and India’s external behavior under Modi has been more assertive than under Singh, who belonged to the more internationalist Indian National Congress party. Nonetheless, the fact that the national goals described above have been shared by all Indian leaders since the early 1990s suggests that if Modi is replaced by another leader in the future, India’s strategy toward the world will probably not radically change. That strategy currently appears to contain the following main elements: pursuing market-driven economic growth but limiting India’s openness to external trade and investment, countering threats from Pakistan, countering China’s growing power and influence, increasing India’s influence in the Indian Ocean region, increasing its influence in international organizations, and promoting Indian culture.

<sup>55</sup> Jaishankar, “Indian Strategy,” 280; IMF, World Economic Outlook Database; Sadanand Dhume, “Out with a Whimper,” *Foreign Policy*, January 13, 2014, <https://foreignpolicy.com/2014/01/13/out-with-a-whimper-2>; Ayers, *Our Time Has Come*, 77; and PR Sanjai, “World’s Biggest Toilet-Building Spree Is Under Way in India,” *Economic Times*, July 31, 2018, <https://economictimes.indiatimes.com/news/politics-and-nation/worlds-biggest-toilet-building-spree-is-under-way-in-india/articleshow/65206911.cms>. Note that India’s former chief economic adviser has argued that, due to a change in India’s data sources and methodology for estimating GDP for the period since 2011–12, the officially estimated economic growth rate for the years between 2011–12 and 2016–17 is inaccurate, and the actual growth rate for this period was between 3.5% and 5.5%. See Arvind Subramanian, “India’s GDP Mis-estimation: Likelihood, Magnitudes, Mechanisms, and Implications,” Center for International Development, Harvard University, Working Paper, June 2019, <https://www.hks.harvard.edu/centers/cid/publications/faculty-working-papers/india-gdp-overestimate>.

<sup>56</sup> Khilnani et al., “Nonalignment 2.0,” 7; Jaishankar, “Indian Strategy,” 280, 284; Ayers, *Our Time Has Come*, 95–96, 163, 176; Harsh V. Pant, *Indian Foreign Policy: An Overview* (Manchester: Manchester University Press, 2016), 4–8; and Pande, *From Chanakya to Modi*, 15.

<sup>57</sup> Ayers, *Our Time Has Come*, 46–48, 59–62, 109–13, 118–21, 125, 164–66; Pande, *From Chanakya to Modi*, 4, 16–17, 95–100; Pant, *Indian Foreign Policy*, 8; C. Raja Mohan, “India’s Changing Geopolitics and the New Humanitarianism,” in *Shifting Power and Human Rights Diplomacy: India*, ed. Doukje Lettinga and Lars van Troost (Netherlands: Amnesty International, 2015), 24; and Khilnani et al., “Nonalignment 2.0,” 14.

## *Pursuing Market-Driven Economic Growth While Limiting India's Openness to External Trade and Investment*

Economic growth, in addition to being an end in itself, is seen as a fundamental prerequisite for India's ability to pursue its other interests in the world. The economic reforms initiated under Prime Minister P. V. Narasimha Rao in 1991 have resulted in growth that has averaged nearly 7% a year since that time, and India now has the world's third-largest economy (after China and the United States) as measured in purchasing power parity. Although the pace of economic reform appears to have slowed in recent years, a future government is unlikely to attempt to return to the closed economy that existed prior to 1991. Conversely, however, the goal of ensuring India's continued autonomy and independence means that there are limits on the degree to which Indian leaders are willing to open the economy to external trade and investment. Allowing increased imports is seen as potentially making India dependent on foreign countries for food and other critical commodities, while allowing multinational companies to freely invest in India is seen as ceding control over key sectors of the economy to foreigners. As a consequence, India has impeded progress toward greater liberalization in multilateral trade regimes in which it is involved, such as the World Trade Organization and the proposed Regional Comprehensive Economic Partnership (RCEP).<sup>58</sup>

## *Countering Threats from Pakistan*

Pakistan continues to represent a military threat and source of terrorist attacks carried out within India. Attempts by Pakistani soldiers to infiltrate Indian-held territory near the town of Kargil resulted in a significant border conflict in 1999, and terrorist groups based in Pakistan (and believed to be supported by the country's security forces) frequently conduct attacks inside India. As a result, India maintains significant military forces along the India-Pakistan border.

In the past, the Indian government's emphasis was on engaging with Pakistan diplomatically and economically. Under Modi, however, India has responded more forcefully to provocations and attacks from Pakistan. After multiple cross-border terrorist attacks in September 2016, one of which killed 19 Indian soldiers, India claimed that its ground forces crossed the Line of Control into Pakistan-controlled Kashmir and destroyed terrorist camps. After Pakistan-based terrorists killed 40 Indian paramilitary police in Kashmir in February 2019, India terminated Pakistan's most-favored-nation trade status and sent military aircraft to bomb Pakistani territory. The goal of these more forceful responses is presumably to convince the Pakistani government to reduce the frequency and scale of attacks on India by terrorist organizations based in Pakistan. Whether this approach will be effective is not clear, but it is likely to continue as long as Modi remains in power.<sup>59</sup>

<sup>58</sup> IMF, World Economic Outlook Database; Pant, *Indian Foreign Policy*, 228–31; Jaishankar, "Indian Strategy," 284; Pande, *From Chanakya to Modi*, 16, 106–11; Ayers, *Our Time Has Come*, 29, 67–91, 96, 108–13, 176; Rej, "Modi's Victory," 4; "Haunted by Gandhi," *Economist*, November 9, 2019; and Shotaro Tani, "India Stays Away from RCEP Talks in Bali," *Nikkei Asian Review*, February 4, 2020, <https://asia.nikkei.com/Economy/Trade/India-stays-away-from-RCEP-talks-in-Bali>.

<sup>59</sup> Pant, *Indian Foreign Policy*, 91–92; Ayers, *Our Time Has Come*, 129–33; Ellen Barry and Salman Masood, "India Claims 'Surgical Strikes' across Line of Control in Kashmir," *New York Times*, September 29, 2016, <https://www.nytimes.com/2016/09/30/world/asia/kashmir-india-pakistan.html>; Rej, "Modi's Victory," 3; Kirtika Suneja, "Pakistan's Most-Favoured Nation Status Scrapped," *Economic Times*, February 16, 2019, <https://economictimes.indiatimes.com/news/politics-and-nation/pakistans-most-favoured-nation-status-scrapped/articleshow/68018002.cms>; and Joanna Slater, "India Strikes Pakistan in Severe Escalation of Tensions between Nuclear Rivals," *Washington Post*, February 26, 2019, [https://www.washingtonpost.com/world/pakistan-says-indian-fighter-jets-crossed-into-its-territory-and-carried-out-limited-airstrike/2019/02/25/901f3000-3979-11e9-a06c-3ec8ed509d15\\_story.html](https://www.washingtonpost.com/world/pakistan-says-indian-fighter-jets-crossed-into-its-territory-and-carried-out-limited-airstrike/2019/02/25/901f3000-3979-11e9-a06c-3ec8ed509d15_story.html).



## *Counterbalancing China's Growing Power and Influence*

China's emergence as a military superpower on India's northern border and its close relations with several of India's neighbors in South Asia have caused concern in New Delhi. India's response has included several elements. One has been to strengthen the military infrastructure along the border with China so as to deter Beijing from taking advantage of China's growing military capabilities to conduct cross-border incursions or seize Indian-controlled territory. A second element has been to strengthen defense ties with other Indo-Pacific powers, especially the United States but also Japan, Australia, Indonesia, and Vietnam. Stronger defense ties serve both to increase India's actual and perceived military capabilities and to force China to devote more strategic attention to those other Indo-Pacific nations. A third element has been efforts to improve India's capability to conduct military operations in the Indian Ocean. Indian strategists recognize that China is dependent on sea lines of communication that pass through the Indian Ocean and that this is an area where India enjoys the advantage of proximity. As a result, India has been increasing its naval capabilities and upgrading its bases in the Andaman and Nicobar Islands. It also acquired economic and military access to the Indonesian island of Sabang off the northern tip of Sumatra in return for investing in Sabang's port and economic zone and building a hospital.

These counterbalancing efforts have not precluded India from cooperating with China in other areas, however. India has coordinated efforts with China on issues such as climate change, trade negotiations, and energy. China has become India's largest trade partner, although the Indian government complains about the significant trade imbalance in favor of China. Moreover, as is described further below, India has willingly joined several new international organizations that China has created, including the SCO, AIIB, and New Development Bank.<sup>60</sup>

## *Increasing India's Influence in the Indian Ocean Region*

The Indian government has also sought to increase India's overall influence in Asian and African countries bordering the Indian Ocean, with particular focus on its immediate neighborhood in South Asia. One aspect of this strategy has been the creation of organizations and dialogues such as the Indian Ocean Rim Association and the Indian Ocean Naval Symposium. Another aspect has been efforts to improve the trade and infrastructure linkages with India's neighbors. Other initiatives to improve relations with South Asian and African countries have included reaching an agreement with Bangladesh on their shared border, providing significant development assistance to Bhutan, providing maritime security aid to Mauritius, and convening a series of India-Africa Forum Summits. India has also sought to strengthen relations with other parts of Asia, particularly Southeast Asian countries and Japan, through participation in forums and groupings such as the Conference on Interaction and Confidence Building Measures in Asia, SCO, Association of Southeast Asian Nations (ASEAN) Regional Forum, and East Asia Summit.<sup>61</sup>

<sup>60</sup> Khilnani et al., "Nonalignment 2.0," 13–15, 40–42; Pant, *Indian Foreign Policy*, 13–15, 38–47, 228–29; Ayers, *Our Time Has Come*, 101–8, 126–29; Rej, "Modi's Victory," 4; and Primit Pal Chaudhuri, "Indonesia Gives India Access to Strategic Port of Sabang," *Hindustan Times*, May 17, 2018, <https://www.hindustantimes.com/india-news/indonesia-gives-india-access-to-strategic-port-of-sabang/story-KPXWKy7PGAHFU0jCL26yJ.html>.

<sup>61</sup> Khilnani et al., "Nonalignment 2.0," 12–13, 15–17, 23, 38; Mohan, "India's Changing Geopolitics," 25; Pant, *Indian Foreign Policy*, 94–189; Jaishankar, "Indian Strategy," 284; Pande, *From Chanakya to Modi*, 5–6, 9–10, 14–15, 103–6; Ayers, *Our Time Has Come*, 102, 108; 172–78; Rej, "Modi's Victory," 2, 3; and "Act East Policy," Ministry of Foreign Affairs (India), Press Release, December 23, 2015, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=133837>.

### *Increasing Its Influence through New and Existing International Organizations*

Consistent with the belief that India should be regarded as one of the leading powers of the world, Indian leaders have pushed for the country to play a leading role in international organizations. They would particularly like for India to become a permanent member of the UN Security Council but also have sought a greater voice in organizations such as the World Bank and the IMF as well as membership in major arms control organizations such as the Missile Technology Control Regime, Nuclear Suppliers Group, Wassenaar Arrangement, and Australia Group.<sup>62</sup>

Although Indian leaders view China with suspicion, India has willingly joined many international organizations that China has initiated, such as the SCO, AIIB, and New Development Bank. It has done so for the same reason that China created them: the opportunity to participate in international organizations in which it has a greater voice than it does in older organizations that are still dominated by North America, Europe, and Japan. India has also been instrumental in the creation of other new organizations and dialogues, such as the BRICS summits, East Asia Summit, Indian Ocean Naval Symposium, and Indian Ocean Rim Association.<sup>63</sup>

### *Increasing India's International Prestige*

The Indian government has sought to increase India's international prestige in part by promoting its cultural and political contributions to the world. For example, in 2014 India convinced the United Nations to declare June 21 the International Day of Yoga, and in 2016 it hosted the first World Sufi Forum in New Delhi in an effort to highlight India's role in the development of Islamic culture. Its movie industry and status as a democracy are also considered sources of prestige and influence.<sup>64</sup>

India's reputation for democracy has been damaged by recent actions by the Modi government, however. In August 2019, it formally denied citizenship to nearly two million mostly Muslim residents of the eastern state of Assam who were unable to prove that they had immigrated from Bangladesh prior to Bangladesh's independence from Pakistan in 1974. In October 2019 the Indian government revoked the autonomous status of the former state of Jammu and Kashmir, India's only Muslim-majority state. And in December 2019, India's parliament passed the Citizenship Amendment Act, which provides citizenship to non-Muslim refugees from Pakistan, Bangladesh, and Afghanistan but not to Muslim refugees from those or any other countries.<sup>65</sup>

## Japan

Like India, Japan is a democracy in which the ruling party is subject to change, and thus its external strategy is subject to change as well. The last change of ruling party in Japan occurred in December 2012, when the Liberal Democratic Party took back control of the lower house of Japan's parliament from the Democratic Party of Japan, which had held power since 2009. Despite these

---

<sup>62</sup> Pant, *Indian Foreign Policy*, 212–28; Pande, *From Chanakya to Modi*, 7–8, 107, 111–13; and Ayers, *Our Time Has Come*, 97–101, 163–68.

<sup>63</sup> Pant, *Indian Foreign Policy*, 75–7; Pande, *From Chanakya to Modi*, 113–14; and Ayers, *Our Time Has Come*, 101, 164, 168–76.

<sup>64</sup> Khilnani et al., “Nonalignment 2.0,” 13; Jaishankar, “Indian Strategy,” 279; Pande, *From Chanakya to Modi*, ix–x, 7, 15, 100–103; Ayers, *Our Time Has Come*, 62–65, 121–24; and Rej, “Modi's Victory,” 2.

<sup>65</sup> “Assam NRC: What Next for 1.9 Million ‘Stateless’ Indians?” BBC News, August 31, 2019, <https://www.bbc.com/news/world-asia-india-49520593>; Hannah Ellis-Petersen and a reporter in Srinagar, “India Strips Kashmir of Special Status and Divides It in Two,” *Guardian*, October 31, 2019, <https://www.theguardian.com/world/2019/oct/31/india-strips-kashmir-of-special-status-and-divides-it-in-two>; and “Citizenship Amendment Bill: India's New ‘Anti-Muslim’ Law Explained,” BBC News, December 11, 2019, <https://www.bbc.com/news/world-asia-india-50670393>.

changes of ruling party, however, Japan's foreign policy has been largely consistent over this time period. It seems likely that this consistency will continue after current prime minister Shinzo Abe steps down in 2021, regardless of which party or faction takes power at that point.<sup>66</sup>

Over the next decade, any government is likely to perceive a similar set of interests for Japan. As with most countries, chief among these will be national security. Although there currently does not appear to be any threat to Japan's existence as a sovereign, independent state, security includes several other elements for Japan. One is maintaining territorial integrity. Several countries claim territory that Tokyo regards as belonging to Japan. Specifically, Russia still holds four islands off of Japan's northeastern coast that it claims are part of Russia's Kuril Islands, but which Tokyo asserts are Japanese territory and calls the Northern Territories. The Soviet Union seized the islands from Japan at the end of World War II, at which time they had a population of approximately 17,000 Japanese citizens (who were subsequently deported to Japan). Similarly, North and South Korea both claim, and South Korea controls, the uninhabited Dokdo in the Sea of Japan, which Tokyo also regards as Japanese territory and calls the Takeshima. Most significantly, China and Taiwan claim, although Japan currently controls, the currently uninhabited Senkaku Islands, which Beijing and Taipei call the Diaoyu Islands. In addition, Chinese government researchers have argued that Japan's southwestern Ryukyu Islands, which include Okinawa, were historically a Chinese vassal state, implying that they should now be either an independent nation or else part of China.<sup>67</sup>

Another element of Japan's security interests is protecting the physical safety of its nationals and their property. Although no country currently appears to have the intention to invade Japan, North Korea's ballistic missiles and nuclear, biological, and chemical weapons are threats to the lives and property of people living in Japan. In addition, Japanese nationals could be victims of terrorist attacks, either within Japan or abroad.<sup>68</sup>

A final aspect of Japan's security interests is preserving the country's democracy, culture, and values. The Abe administration's official National Security Strategy explicitly identifies Japan's national interests as including maintaining the country's freedom and democracy and preserving its "rich culture and tradition." Similarly, an essay on Japan's grand strategy by Nobukatsu Kanehara, until recently deputy secretary general of the National Security Secretariat, states that the country's national interests encompass "the value system that the state and its people uphold," including a love of humanity, the rule of law, democracy, and a market economy and free trade.<sup>69</sup>

A second important national interest for Japan is prosperity. According to Kanehara and the Japanese government, this depends on the continuance of an open free-trade system; a stable,

---

<sup>66</sup> Richard Samuels, "Evolution of Japan's Grand Strategy," East Asia Forum, June 4, 2013, <https://www.eastasiaforum.org/2013/06/04/evolution-of-japans-grand-strategy/>; and "Abe Rules Out Fourth Term as Head of Japan's LDP amid Talk of Tweaking Rules to Allow Another Run," *Japan Times*, March 14, 2019, <https://www.japantimes.co.jp/news/2019/03/14/national/politics-diplomacy/abe-rules-fourth-term-head-japans-ldp-amid-talk-tweaking-rules-allow-another-run/#.XJ6OuqR7mU1>.

<sup>67</sup> "Kuril Islands Dispute between Russia and Japan," BBC News, April 29, 2013, <https://www.bbc.com/news/world-asia-pacific-11664434>; Prime Minister of Japan and His Cabinet, *National Security Strategy* (Tokyo, December 2013), 4, [http://japan.kantei.go.jp/96\\_abe/documents/2013/\\_icsFiles/afiedfile/2013/12/17/NSS.pdf](http://japan.kantei.go.jp/96_abe/documents/2013/_icsFiles/afiedfile/2013/12/17/NSS.pdf); Nobukatsu Kanehara, "Japan's Grand Strategy—State, National Interests and Values," Japan Institute of International Affairs, 2011, 3–4, [https://www2.jiia.or.jp/en/pdf/digital\\_library/japan\\_s\\_diplomacy/160325\\_Nobukatsu\\_Kanehara.pdf](https://www2.jiia.or.jp/en/pdf/digital_library/japan_s_diplomacy/160325_Nobukatsu_Kanehara.pdf); "Profile: Dokdo/Takeshima Islands," BBC News, August 10, 2012, <https://www.bbc.com/news/world-asia-19207086>; Tim Liao, "Why China, Japan and Korea Fuss over Tiny Islands—4 Things to Know," *Washington Post*, April 17, 2018, <https://www.washingtonpost.com/news/monkey-cage/wp/2018/04/17/why-japan-is-making-a-big-fuss-over-tiny-islands-4-things-to-know/>; and Frank Ching, "Ryukyu Sovereignty Question Simmers in China," *Japan Times*, May 16, 2013, <https://www.japantimes.co.jp/opinion/2013/05/16/commentary/japan-commentary/ryukyu-sovereignty-question-simmers-in-china/#.XKJZyaR7mUk>.

<sup>68</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 4, 18; and Kanehara, "Japan's Grand Strategy," 3–4.

<sup>69</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 4; and Kanehara, "Japan's Grand Strategy," 3, 11–19.



transparent, and predictable international environment; stable markets for natural resources, particularly energy supplies; and secure sea lanes.<sup>70</sup>

A third interest that informs national strategy is building Japan's status as one of the leading powers of the world. Japan has long had one of the world's largest economies and defense budgets. Nonetheless, outside of the economic realm, Japan was relegated to a secondary status in world affairs, expected only to finance decisions made by the other powers. While this was in part the result of deliberate policy choices Japanese leaders had made in the aftermath of World War II, in recent years, and particularly since the beginning of the second Abe administration in 2012, Japanese leaders have actively sought to change this situation by increasing Japan's international stature and influence.<sup>71</sup>

Any Japanese government over the coming decade is likely to pursue the primary national interests described above, although they may differ from the current administration in the degree to which individual interests are emphasized. Japan's national strategy, therefore, is likely to be stable as well. Indeed, many of the foreign policy changes implemented by the Abe administration were actually initiated during the preceding Democratic Party of Japan government.<sup>72</sup> Thus, over the next decade the country's national strategy will likely continue to include the following main elements: gradually increasing national security capabilities, strengthening the alliance with the United States, expanding security relations with other Indo-Pacific nations, playing a greater role in international security and stability, increasing Japan's influence in international organizations, and strengthening the liberal economic order.

### *Gradually Increasing National Security Capabilities*

Severe budget deficits, the public's continuing antimilitarism, and sensitivity to regional perceptions that Japan is rearming will constrain the rate at which Japan's national security capabilities will improve. Yet both the now-defunct Democratic Party of Japan, when it was in power, and the currently ruling Liberal Democratic Party have demonstrated a commitment to increasing Japan's strength in this area. Although the Japanese government has been at pains to emphasize that these improvements will have the effect of strengthening the U.S.-Japan alliance, they will also reduce Japan's military dependence on the United States and provide the Japanese military with the capability to conduct what could be regarded as offensive operations. This includes acquiring strike aircraft capable of operating from helicopter carriers, long-range missiles capable of striking targets on the Asian mainland, and amphibious invasion capabilities.<sup>73</sup>

Improvements to Japan's national security capabilities will not be limited to the military, moreover. The Japan Coast Guard, for example, which is responsible for policing the territorial

<sup>70</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 4; Kanehara, "Japan's Grand Strategy," 9–11; and Ministry of Foreign Affairs (Japan), *Diplomatic Bluebook 2018* (Tokyo, September 2018), 6, [https://www.mofa.go.jp/fp/pp/page25e\\_000237.html](https://www.mofa.go.jp/fp/pp/page25e_000237.html).

<sup>71</sup> The Abe administration's *National Security Strategy* states that "Japan should play an even more proactive role as a major global player." Prime Minister of Japan and His Cabinet, *National Security Strategy*, 1. See also Christopher W. Hughes, "Japan's Grand Strategic Shift: From the Yoshida Doctrine to an Abe Doctrine?" in *Strategic Asia 2017–18: Power, Ideas, and Military Strategy*, ed. Ashley J. Tellis, Alison Szalwinski, and Michael Wills (Seattle: NBR, 2017); and Kenneth B. Pyle, "The Sea Change in Japanese Foreign Policy," NBR, NBR Analysis Brief, June 17, 2014.

<sup>72</sup> Hughes, "Japan's Grand Strategic Shift," 95, 102–5; and Samuels, "Evolution of Japan's Grand Strategy," 2.

<sup>73</sup> For more information on Japan's national security strategy, see Ministry of National Defense (Japan), *National Defense Program Guidelines for FY 2019 and Beyond* (Tokyo, December 2018), 9–10, 21–22, [https://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218\\_e.pdf](https://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218_e.pdf); Ministry of National Defense (Japan), *Medium Term Defense Program (FY 2019–FY 2023)* (Tokyo, December 2018), 10–15, [https://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/chuki\\_seibi31-35\\_e.pdf](https://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/chuki_seibi31-35_e.pdf); Hughes, "Japan's Grand Strategic Shift," 77–80, 99–100; Prime Minister of Japan and His Cabinet, *National Security Strategy*, 14–20; Pyle, "The Sea Change in Japanese Foreign Policy," 2; and Shinichi Fujiwara, "Japan Deploying Longer-Range Missiles to Counter China," *Asahi shimbun*, April 30, 2019, <http://www.asahi.com/ajw/articles/AJ2019043000006.html>.

waters around the Senkaku Islands, has received significant budget increases in recent years that have supported the acquisition of additional patrol ships and aircraft.<sup>74</sup>

### *Strengthening the Alliance with the United States*

The United States, Japan's only treaty ally, remains the country's primary guarantor of security. The Japanese government, therefore, has been seeking to further strengthen its alliance with the United States. One action taken to advance this goal was reinterpreting the constitution in 2014 to allow for the possibility of collective self-defense, meaning that Japan could use its military to defend U.S. forces under certain circumstances other than a direct attack on Japanese territory. In 2015 the Abe administration also enacted laws that increased the degree to which Japan could provide noncombat logistical support to the United States or multinational coalitions and that allowed the Japan Self-Defense Forces to use force in the conduct of their duties during UN peacekeeping operations. In addition, in 2015, Japan completed negotiation of a new set of defense cooperation guidelines with the United States (the first since 1997) that enable closer military cooperation, including in areas such as training; sharing of intelligence, surveillance, and reconnaissance information; the shared use of facilities; development and acquisition of weapon systems; personnel exchanges; and technology cooperation. Meanwhile, the Japanese government has sought to limit domestic opposition to the presence of U.S. forces, in particular by funding the relocation of the Marine Corps Air Station currently at Futenma, Okinawa, to a less populated area of that island.<sup>75</sup>

### *Expanding Security Relations with Other Indo-Pacific Nations*

While strengthening relations with Japan's only formal ally, Japanese leaders have been seeking to broaden the country's security network by expanding relations with other countries in the Indo-Pacific, particularly South Korea, Australia, the countries of ASEAN, and India. In the case of South Korea this has included attempts to resolve the long-standing "comfort women" issue, mutual sharing of intelligence information, and participation in trilateral military exercises with South Korea and the United States.<sup>76</sup> In the case of Australia, the two countries have held joint foreign and defense minister meetings since 2007, signed an agreement authorizing the transfer of defense equipment and technology in 2014, and reached a revised acquisition and cross-servicing agreement in 2017 that allows them to provide ammunition and other defense supplies to each other. Japan and Australia are also seeking to conclude a reciprocal access agreement that would facilitate joint military exercises and other activities between their defense forces.<sup>77</sup>

<sup>74</sup> "Japan Readies Biggest-Ever Coast Guard Budget," *Nikkei Asian Review*, December 13, 2016, <https://asia.nikkei.com/Politics/Japan-readies-biggest-ever-coast-guard-budget>; and Jay Tristan Tarriela, "How Abe Remade the Japan Coast Guard," *Diplomat*, January 24, 2019, <https://thediplomat.com/2019/01/how-abe-remade-the-japan-coast-guard/>.

<sup>75</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 20–23; Ministry of Foreign Affairs (Japan), *Diplomatic Bluebook 2018*, 6, 9–10; Hughes, "Japan's Grand Strategic Shift," 100–102; "Joint Statement of the Security Consultative Committee," Ministry of Defense (Japan), April 27, 2015, [https://www.mod.go.jp/e/d\\_act/anpo/js20150427e.html](https://www.mod.go.jp/e/d_act/anpo/js20150427e.html).

<sup>76</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 17, 23–25; Hughes, "Japan's Grand Strategic Shift," 98; and Eric Heginbotham and Richard Samuels, "With Friends Like These: Japan-ROK Cooperation and U.S. Policy," *Asian Forum*, March 1, 2018, <http://www.theasianforum.org/with-friends-like-these-japan-rok-cooperation-and-us-policy>. In late 2019, South Korea threatened to withdraw from the intelligence-sharing arrangement with Japan but ultimately decided to continue it. "South Korea to Continue Intelligence-Sharing Pact with Japan," BBC News, November 23, 2019, <https://www.bbc.com/news/world-asia-50526883>.

<sup>77</sup> "Japan-Australia Relations (Archives)," Ministry of Foreign Affairs (Japan), <https://www.mofa.go.jp/region/asia-paci/australia/archives.html>; and "Japan, Australia Agree to Boost Defense Cooperation amid Rising China," *Nikkei Asian Review*, November 16, 2018, <https://asia.nikkei.com/Politics/International-relations/Japan-Australia-agree-to-boost-defense-cooperation-amid-rising-China>.

Japan's efforts to strengthen security relations with ASEAN countries have involved both ASEAN as an organization and individual member countries. The former have included biannual meetings between Japanese and ASEAN defense ministers held since 2014, a joint work plan for combating terrorism and transnational crime agreed to in 2015, and over \$600 million in funding to support maritime cooperation, disaster management, and efforts to combat terrorism and transnational crime. In 2016, Japan announced the Vientiane Vision to support ASEAN efforts to uphold principles of international law, particularly with regard to maritime areas and airspace, and to improve intelligence, surveillance and reconnaissance, search and rescue, and other capabilities. This has included bilateral and multilateral training; visits by Japanese naval ships and aircraft; defense equipment and technology cooperation; exchanges on topics such as underwater medicine, oceanography, and humanitarian assistance and disaster relief; and seminars on international maritime and aviation law. Efforts involving individual ASEAN countries have included bilateral meetings between defense ministers, joint navy and coast guard exercises, and the provision of coast guard and navy patrol boats to Vietnam, the Philippines, and Malaysia.<sup>78</sup>

Japan's efforts to improve security relations with India include annual defense minister meetings, joint staff talks and exercises between their militaries and coast guards, the signing of protocols to enable the transfer of defense equipment and technology, and joint measures to protect classified military information. In 2016 the two countries signed an agreement on civil nuclear cooperation that will enable Japanese companies to build nuclear power plants and sell reactor parts and equipment in India. Japan has also been providing India with significant economic assistance, including progressively larger currency-swap arrangements to ensure the stability of the Indian rupee. In addition, it has supplied several billion dollars in funding at reduced interest rates for infrastructure projects, especially in India's northeast, where the dispute with China over Arunachal Pradesh has deterred other countries from investing.<sup>79</sup>

### *Playing a Greater Role in International Security and Stability*

Japan's government has sought to play a greater role in international security and stability efforts. This has included growing, albeit still limited, participation in UN peacekeeping operations (such as in South Sudan) as well as funding of peacekeeping training centers in Asia and Africa and financial contributions to humanitarian assistance and peacebuilding efforts. It has also included

<sup>78</sup> "JAIF 2.0," Japan-ASEAN Integration Fund, <https://jaif.asean.org/jaif2.html>; "Tokyo to Invite Asean Air Force Officers to Watch Japan's Military Training," *South China Morning Post*, October 20, 2018, <https://www.scmp.com/news/asia/southeast-asia/article/2169475/tokyo-invite-asean-air-force-officers-watch-japans-military>; "Overview of ASEAN-Japan Dialogue Relations," ASEAN, August 16, 2018, <https://asean.org/wp-content/uploads/2012/05/Overview-ASEAN-Japan-Relations-As-of-16-August-2018-rev.pdf>; "Vientiane Vision: Japan's Defense Cooperation Initiative with ASEAN," Ministry of Defense (Japan), [https://www.mod.go.jp/e/d\\_act/exc/vientianevision](https://www.mod.go.jp/e/d_act/exc/vientianevision); "Achievements of Japan-ASEAN Defense Cooperation Based on the Vientiane Vision," Ministry of Defense (Japan), October 2017, [https://www.mod.go.jp/e/d\\_act/exc/vientianevision/pdf/achivements\\_201710\\_e.pdf](https://www.mod.go.jp/e/d_act/exc/vientianevision/pdf/achivements_201710_e.pdf); Daniel Hurst, "Japan, Indonesia Strengthen Maritime Ties amid 60th Anniversary," *Diplomat*, June 29, 2018, <https://thediplomat.com/2018/06/japan-indonesia-strengthen-maritime-ties-amid-60th-anniversary/>; "Philippine Coast Guard to Host Bilateral Exercise with Japan Coast Guard," Philippine Coast Guard, Press Release, July 11, 2016, <http://www.coastguard.gov.ph/index.php/transparency/functions/marsec/11-news/1288-philippine-coast-guard-to-host-bilateral-exercise-with-japan-coast-guard>; "PCG-JCG Conducts Joint Anti-Piracy Measures in Davao Oriental," Philippine Coast Guard, Press Release, July 7, 2018, <http://www.coastguard.gov.ph/index.php/transparency/functions/marsec/11-news/2211-pcg-jcg-conducts-joint-anti-piracy-measures-in-davao-oriental>; "Japan-Indonesia Foreign and Defense Ministerial Meeting," Ministry of Foreign Affairs (Japan), December 18, 2015, [https://www.mofa.go.jp/s\\_sa/sea2/id/page3e\\_000437.html](https://www.mofa.go.jp/s_sa/sea2/id/page3e_000437.html); "Japan Steps Up Maritime Engagement with Philippines, Vietnam," Reuters, May 12, 2016, <https://www.reuters.com/article/us-southchinesea-japan-drills/japan-steps-up-maritime-engagement-with-philippines-vietnam-idUSKBN0NX0LA20150512>; "Japan Gives Malaysia Two Patrol Boats," Reuters, November 16, 2016, <https://www.reuters.com/article/us-japan-malaysia/japan-gives-malaysia-two-patrol-boats-idUSKBN13B0X4>; and "Japan Pledges Boats to Vietnam as China Dispute Simmers," Reuters, January 16, 2017, <https://www.reuters.com/article/us-vietnam-japan/japan-pledges-boats-to-vietnam-as-china-dispute-simmers-idUSKBN150150>.

<sup>79</sup> Thomas F. Lynch, "The Growing Entente between India and Japan," *National Interest*, February 14, 2019, <https://nationalinterest.org/feature/growing-entente-between-india-and-japan-44567>; and "India, Japan Sign \$75 Billion Currency Swap Agreement," *Economic Times*, October 30, 2018, <https://economictimes.indiatimes.com/articleshow/66415790.cms>.

support to a range of disarmament and nonproliferation initiatives, but also international efforts to combat terrorism, piracy, and organized crime. Japan is also a strong diplomatic supporter of international legal institutions for the peaceful resolution of disputes, such as the International Court of Justice and the International Tribunal for the Law of the Sea.<sup>80</sup>

### *Increasing Japan's Influence in International Organizations*

Like India, Japan seeks to become a permanent member of the UN Security Council. In the meantime, Japan has been playing a more active role in UN activities such as peacekeeping operations, the Preparatory Committee for the 2020 Non-Proliferation Treaty Review Conference, the Conference on Facilitating the Entry into Force of the Comprehensive Nuclear-Test-Ban Treaty, the Non-Proliferation and Disarmament Initiative, the 2030 Agenda for Sustainable Development, and the Conference of the Parties to the 1992 UN Framework Convention on Climate Change.<sup>81</sup>

### *Strengthening the Liberal Economic Order*

Japan's future prosperity depends on a continuation and expansion of the open world economic order and Japanese participation in it. To this end, the country has been seeking to reach multiple bilateral and multilateral FTAs, with the stated goal of having 70% of the value of its international trade covered by such agreements, as compared to 19% in 2012. Achievements in this domain include the conclusion and entry into force in the past two years of an economic partnership agreement with the European Union and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, formerly called the Trans-Pacific Partnership) with ten other Pacific Rim countries. In addition, Japan has been seeking to conclude the RCEP with the ten ASEAN members along with Australia, China, India, New Zealand, and South Korea, as well as a trilateral FTA with South Korea and China, and is engaged in exploratory discussions with the members of the Asia-Pacific Economic Cooperation (APEC) regarding the proposed Free Trade Area of the Asia-Pacific. Japan is also pursuing bilateral FTAs with several countries, including South Korea, Canada, Colombia, and Turkey, and bilateral investment treaties and taxation and social security agreements with numerous others.<sup>82</sup> Finally, Japan has been playing a more active role in the G-7 and the Organisation for Economic Co-operation and Development (OECD) and has sought to increase the number of Japanese nationals working in these organizations.

## Indonesia

Indonesia's current president, Joko Widodo (known as Jokowi), was re-elected for another five-year term in April 2019. Barring dramatic events in Indonesia's domestic politics or external environment in the interim, therefore, its national strategy is likely to remain stable until at least the middle of this decade. Term limits mean that Jokowi will be required to step down in 2024, and

---

<sup>80</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 4–5, 28–31; and Ministry of Foreign Affairs (Japan), *Diplomatic Bluebook 2018*, 14–16, 204–40, 251–53.

<sup>81</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 15, 28–31; and Ministry of Foreign Affairs (Japan), *Diplomatic Bluebook 2018*, 14–19.

<sup>82</sup> Prime Minister of Japan and His Cabinet, *National Security Strategy*, 4, 33–34; Ministry of Foreign Affairs (Japan), *Diplomatic Bluebook 2018*, 12–14, 304–17; James McBride and Andrew Chatzky, "What Is the Trans-Pacific Partnership (TPP)?" CFR, January 4, 2019, <https://www.cfr.org/background/what-trans-pacific-partnership-tpp>; and "Explained: Regional Comprehensive Economic Partnership (RCEP)," *South China Morning Post*, February 19, 2019, <https://www.scmp.com/week-asia/explained/article/2186777/explained-regional-comprehensive-economic-partnership-rcep>.

it is possible that the administration that follows will pursue a fundamentally different strategy for the nation. Since Indonesia achieved formal independence in 1949, however, there have been certain constants in its foreign policy that will likely persist after 2024.

Indonesia's current national strategy can be said to have three principal goals: security, economic development, and maintaining independence and autonomy. The country's security concerns are relatively minor. Although Indonesia has some boundary disputes with Malaysia, its relations with its neighbors have long been peaceful, and no country occupies or has any significant claims on Indonesian territory. Nonetheless, the territorial disputes in the South China Sea do affect Indonesia. While Jakarta is not party to the disputes over the ownership of islands in the South China Sea, China has claimed that portions of Indonesia's exclusive economic zone near the Natuna Islands are its traditional fishing grounds. Indonesian leaders are also concerned more generally by the prospect of most of the South China Sea falling under Chinese control, given that some of the world's most important shipping routes, including those linking Indonesia to East Asia, pass through the area.<sup>83</sup> A second security concern for Indonesia is transnational crime. This includes piracy, the smuggling of people and narcotics, and illegal fishing.<sup>84</sup>

A third and potentially more serious security threat is Islamic extremism. Although most Indonesians subscribe to a moderate form of Islam, conservative forces have been gaining strength in recent years, and militants pledging allegiance to the Islamic State have carried out terrorist attacks in Indonesia. Nonetheless, Islamist violence in Indonesia has been relatively limited since the early 2000s. From 2006 to 2017, fewer than thirteen people died on average each year as a result of reported terrorist attacks, with under half of those fatalities resulting from attacks known or suspected to have been perpetrated by Islamist organizations.<sup>85</sup>

The primary goal of Indonesia's national strategy is economic development. When Jokowi was first elected president in 2014, he set a goal of increasing the country's economic growth rate to 7% a year from about 5.5% in 2013. This goal was not achieved during Jokowi's first term (in fact, the average rate of economic growth fell to around 5% a year), but he continues to seek to increase Indonesia's growth rate and has emphasized exports and inbound investment as key to achieving this goal.<sup>86</sup> As one observer put it, Jokowi's "foreign trips and speeches [are] aimed not at promoting Indonesian diplomacy, or taking a stand on issues such as the South China Sea crisis...but attracting foreign investment for his massive infrastructure development plans."<sup>87</sup>

A third goal of Indonesia's national strategy under multiple leaders since the 1960s has been preserving the nation's independence and autonomy. As a founding member of the Non-Aligned Movement, Indonesia has long pursued a foreign policy of neutrality and independence, often

---

<sup>83</sup> Balaji Chandramohan, "Indonesia's Evolving Grand Strategy: Foreign Powers," Future Directions International, Strategic Analysis Paper, May 8, 2014, 5, <http://www.futuredirections.org.au/publication/indonesia-s-evolving-grand-strategy-foreign-powers>; and Joshua Kurlantzick, "Keeping the U.S.-Indonesia Relationship Moving Forward," CFR, Special Report, February 2018, 9–11, [https://cfrd8-files.cfr.org/sites/default/files/report\\_pdf/CSR81\\_Kurlantzick\\_Indonesia\\_With%20Cover.pdf](https://cfrd8-files.cfr.org/sites/default/files/report_pdf/CSR81_Kurlantzick_Indonesia_With%20Cover.pdf).

<sup>84</sup> Kurlantzick, "Keeping the U.S.-Indonesia Relationship Moving Forward," 11; and Lyle J. Morris and Giacomo Persi Paoli, *A Preliminary Assessment of Indonesia's Maritime Security Threats and Capabilities* (Santa Monica: RAND Corporation, 2018), 24–26. In the past, regional separatist movements were a significant concern for the Indonesian government. Timor-Leste was granted independence in 1999, however, and the separatist conflict in Aceh ended in 2005 with the signing of a peace accord giving Aceh a significant degree of autonomy and a share of the revenues from Indonesia's extraction of natural resources in the province. The primary remaining separatist movement in Indonesia is in Papua (formerly Irian Jaya).

<sup>85</sup> Morris and Paoli, *Indonesia's Maritime Security Threats*, 11–13; and National Consortium for the Study of Terrorism and Responses to Terrorism, Global Terrorism Database, <https://www.start.umd.edu/gtd>.

<sup>86</sup> Viriya Singgih and Karlis Salna, "Jokowi Seeks Spending Boost as Indonesia Targets Higher Growth," Bloomberg, April 23, 2019, <https://www.bloomberg.com/news/articles/2019-04-23/jokowi-seeks-spending-boost-as-indonesia-targets-higher-growth>.

<sup>87</sup> Nithin Coca, "Indonesia's Domestically Focused Foreign Policy," Lowy Institute, Interpreter, February 19, 2019, <https://www.lowyinstitute.org/the-interpreter/indonesia-domestically-focused-foreign-policy>.



referred to as a “free and active” foreign policy. During the Cold War, this entailed avoiding an alliance with either the United States or the Soviet Union. Since the end of the Cold War, it has meant a commitment to maintaining good relations with all countries, but also a reluctance to open the country up to foreign influence in areas such as commerce or human rights.<sup>88</sup>

Significantly, ideational goals such as increasing Indonesia’s international prestige, seeking to become a leader among Muslim nations, and promoting democracy have not been a significant part of Indonesia’s national strategy under Jokowi. This is consistent with a long-standing Indonesian tradition of pragmatic diplomacy that focuses on securing concrete benefits for the country. Jokowi’s predecessor, Susilo Bambang Yudhoyono, however, was more active in promoting Indonesia’s role as a regional leader. For example, he initiated the annual Bali Democracy Forums for nations from Asia and the Indian and Pacific Oceans, which have continued under Jokowi. Even Yudhoyono’s efforts were restrained, though, as Indonesia sought to avoid being perceived as interfering in the internal affairs of other countries.<sup>89</sup>

Therefore, for the remainder of Jokowi’s term as president, and possibly under his successors as well, Indonesia’s national strategy is likely to consist of the following main elements: promoting economic development, maintaining a low international profile and continuing nonalignment, and limiting defense spending.

### *Promoting Economic Development*

Jokowi has made it clear that his highest priority for the country is economic development. Even his signature Global Maritime Fulcrum vision for Indonesia, initially assumed to refer to Indonesia’s strategic role in the region, has turned out to be focused primarily on the country’s economic development. For the remainder of his tenure and possibly beyond, therefore, Indonesia’s external behavior will be oriented primarily toward the goal of promoting economic growth.

Economic development will not be promoted at the expense of Indonesia’s economic autonomy and independence, however. A study by the OECD, for example, found that Indonesia’s rules on FDI were the third most restrictive among the 68 high- and middle-income countries surveyed. Based on statements that Jokowi made during his re-election campaign, moreover, there will likely continue to be limits on foreign ownership in some economic sectors, and there may be additional regulations on foreign investors in extractive industries such as mining and logging.<sup>90</sup>

---

<sup>88</sup> Dewi Fortuna Anwar, “Indonesia’s Foreign Relations: Policy Shaped by the Ideal of ‘Dynamic Equilibrium,’” East Asia Forum, February 4, 2014, <https://www.eastasiaforum.org/2014/02/04/indonesias-foreign-relations-policy-shaped-by-the-ideal-of-dynamic-equilibrium/>; Ted Piccone and Bimo Yusman, “Indonesian Foreign Policy: ‘A Million Friends and Zero Enemies,’” Brookings Institution, February 14, 2014, <https://www.brookings.edu/articles/indonesian-foreign-policy-a-million-friends-and-zero-enemies/>; Brad Nelson and Yohanes Sulaiman, “Searching for Indonesia’s Lost ‘Grand Strategy,’” *Strategic Review* 2, no. 3 (2012): 72; and Kurlantzick, “Keeping the U.S.-Indonesia Relationship Moving Forward,” 8.

<sup>89</sup> Nelson and Sulaiman, “Searching for Indonesia’s Lost ‘Grand Strategy’”; Anwar, “Indonesia’s Foreign Relations”; “Bali Democracy Forum,” <https://bdf.kemlu.go.id/>; Piccone and Yusman, “Indonesian Foreign Policy”; Chandramohan, “Indonesia’s Evolving Grand Strategy: Foreign Powers,” 2–3; Yohanes Sulaiman, “Global Maritime Nexus: Towards a Grand Strategy for Indonesia?” RSIS, March 23, 2017, <https://www.rsis.edu.sg/rsis-publication/rsis/co17051-global-maritime-nexus-towards-a-grand-strategy-for-indonesia/#.XMs796R7lhE>; Kurlantzick, “U.S.-Indonesia Relationship Moving Forward,” 8; Coca, “Indonesia’s Domestically Focused Foreign Policy”; and Joshua Kurlantzick, “Indonesia’s Election: What to Expect from Jokowi’s Second Term,” CFR, April 18, 2019, <https://www.cfr.org/article/indonesias-election-what-expect-jokowis-second-term>.

<sup>90</sup> Sulaiman, “Global Maritime Nexus”; Evan Laksmiana, “Indonesian Sea Policy: Accelerating Jokowi’s Global Maritime Fulcrum?” CSIS, Asian Maritime Transparency Initiative, March 23, 2017, <https://amti.csis.org/indonesian-sea-policy-accelerating/>; Kurlantzick, “U.S.-Indonesia Relationship Moving Forward,” 8, 14–15; Keoni Indrabayu Marzuki, “The Meaning of Indonesia’s Global Maritime Fulcrum,” Pacific Forum, PacNet Commentary, February 22, 2018, <https://www.pacforum.org/analysis/pacnet-14a-meaning-indonesia%E2%80%99s-global-maritime-fulcrum/>; “Indonesia Update: Jokowi and Prabowo Release Campaign Platforms,” McLarty Associates, December 7, 2018, <https://maglobal.com/wp-content/uploads/2018/12/mclarty-update-jokowi-and-prabowo-release-campaign-platforms.pdf>; “After Infrastructure,” *Economist*, June 1, 2019, 60–61; and Kurlantzick, “Indonesia’s Election.”

## *Maintaining a Low International Profile and Continuing Nonalignment*

Yudhoyono described the goal of his foreign policy as being to have “a million friends and zero enemies.”<sup>91</sup> Jokowi has taken this approach even further. In particular, he has avoided taking sides in the rivalry between the United States and China. Although U.S.-Indonesia ties had improved significantly during Yudhoyono’s term, they have stagnated since Jokowi took office. Meanwhile, Jokowi has vigorously sought Chinese infrastructure investment, although he has also been more assertive toward Chinese encroachments into Indonesian waters and occasionally critical of China’s BRI. This effort to strike a balance between the two superpowers seems likely to continue through his second term.<sup>92</sup> Moreover, any successor will likely follow in the tradition of maintaining a low international profile.<sup>93</sup>

## *Limiting Defense Spending*

Indonesia’s spending on defense has remained modest since the late 1980s. The regulations implementing the Global Maritime Fulcrum concept, issued in 2017, called for increasing the number of ships in the Indonesian Navy, and Jokowi has indicated an intention to increase defense spending to 1.5% of GDP. As of 2018, however, Indonesia’s defense spending was only 0.7% of GDP and had actually fallen as a proportion of GDP over Jokowi’s time in office.<sup>94</sup>

## *North Korea*

North Korea has been ruled by Kim Jong-un since the death of his father in 2011 and is likely to remain under Kim Jong-un’s control so long as he is alive. There has been much speculation about the state of Kim’s health, however, including conjectures that he suffers from diabetes and hypertension.<sup>95</sup> Thus, although he is believed to currently be in his mid-30s, it is possible that he could die at some point in the next decade, which would almost certainly create a succession crisis because any children he may have would probably still be minors at that point.<sup>96</sup> If Kim were to die or be overthrown in a coup at some time during the next decade, North Korea’s national strategy could radically change. Until then, however, the country’s national strategy is likely to be fairly consistent, although the tactics employed in pursuing that strategy may change over time.

Most observers agree that Kim’s overriding goal is to maintain his hold on power. Given how he has dealt with his own rivals for power, including his half-brother and his uncle, Kim likely sees

<sup>91</sup> Susilo Bambang Yudhoyono, “Address by the President of the Republic of Indonesia,” March 10, 2010, <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22chamber/hansardr/2010-03-10/0047%22>.

<sup>92</sup> Kurlantzick, “U.S.-Indonesia Relationship Moving Forward,” 3, 9–10; David G Rose, “China Calls It Fishing, Indonesia Calls It Crime”: Pudjiastuti Finds Her Target for Oceans Summit,” *South China Morning Post*, October 18, 2018, <https://www.scmp.com/week-asia/geopolitics/article/2169153/china-calls-it-fishing-indonesia-calls-it-crime-pudjiastuti>; and Kurlantzick, “Indonesia’s Election.”

<sup>93</sup> Anwar, “Indonesia’s Foreign Relations”; Nelson and Sulaiman, “Indonesia’s Lost ‘Grand Strategy,’” 72–73; Chandramohan, “Indonesia’s Evolving Grand Strategy”; Piccone and Yusman, “Indonesian Foreign Policy”; “Indonesia Update”; Kurlantzick, “Indonesia’s Election”; and Coca, “Indonesia’s Domestically Focused Foreign Policy.”

<sup>94</sup> Sulaiman, “Global Maritime Nexus”; Kurlantzick, “Keeping the U.S.-Indonesia Relationship Moving Forward,” 9; Marzuki, “The Meaning of Indonesia’s Global Maritime Fulcrum”; Laksmiana, “Indonesian Sea Policy”; Marzuki, “Indonesia’s Global Maritime Fulcrum Policy”; and SIPRI Military Expenditure Database.

<sup>95</sup> “Kim Jong-un—Health,” GlobalSecurity, <https://www.globalsecurity.org/military/world/dprk/kim-jong-un-health.htm>.

<sup>96</sup> Kim Jong-un has stated that he has children, but details about them are not known. It is rumored that the oldest, a son, was born in 2010. For more information, see Jack Kim, “North Korea’s Kim: I Don’t Want My Children to Bear Burden of Nuclear Arms—Report,” Reuters, February 23, 2019, <https://www.reuters.com/article/us-northkorea-usa-kim/north-koreas-kim-i-dont-want-my-children-to-bear-burden-of-nuclear-arms-report-idUSKCN1QC0CZ>; and Tom O’Connor, “Who Are Kim Jong Un’s Children and Does North Korea Have an Heir?” *Newsweek*, December 30, 2017, <https://www.newsweek.com/who-kim-jong-un-children-does-north-korea-have-heir-765818>.

this as literally a matter of life and death. Thus, whether other interests are pursued will depend almost entirely on what he perceives as their effects on his ability to hold on to power. For example, multiple observers have argued that no amount of economic pressure will succeed in forcing North Korea to give up its nuclear weapons program because Kim sees this program as essential to the survival of the North Korean state and thus himself.<sup>97</sup>

However, the Kim regime also appears to view increasing North Korea's prosperity as being in its interest, as long as this does not undermine the government's control over the country. Economic growth provides the regime with increased revenues to support the development of nuclear weapons and ballistic missiles as well as to maintain North Korea's conventional military forces, all of which increase the regime's security against external threats. These revenues also enable the leadership to enjoy material wealth and provide the country's elites (such as government officials, members of the Workers' Party of Korea, managers of state-owned enterprises, and officers in the Korean People's Army) with reasonably comfortable lives, ensuring that they have a stake in the continuation of the existing system. In addition, rising standards of living presumably also improve the regime's prestige and legitimacy among the broader population.<sup>98</sup>

Notably absent from the North Korean national priorities identified by most observers of the country, despite official declarations from Pyongyang, is unification with South Korea.<sup>99</sup> This probably reflects a recognition of the unattainability of that goal on terms that would be acceptable to the leadership. Few observers believe that North Korea has the capability to achieve unification by force, given the antiquated state of its armed forces relative to those of South Korea and the United States, nor would Seoul agree to a negotiated unification in which it was subordinate to Pyongyang. The best that the North Korean leadership could hope for, therefore, would be some form of largely symbolic unification that would allow Pyongyang to continue to govern the North while Seoul continues to administer South Korea. A unification arrangement that would leave the South outside Pyongyang's control seems unlikely to significantly bolster the legitimacy of the North Korean regime. Moreover, if it resulted in increased interactions between the populations of the two countries, and the citizens of North Korea came to understand how deprived they were in comparison to the South, unification could actually undermine the regime's legitimacy.

Although Kim Jong-il also appeared to be pursuing the goals enumerated above, Kim Jong-un, since taking over from his father, has been employing a strategy for advancing them that differs in key ways. Given that both his father and his grandfather ruled North Korea until their deaths, Kim will presumably seek to do so as well. Barring a coup, premature death, or regime collapse, therefore, North Korea's national strategy for the foreseeable future is likely to consist of the following principal elements: acquiring and retaining the capability to attack the United States with nuclear weapons, weakening and dividing international pressure, extracting economic concessions from the outside world, and allowing limited expansion of the private economy.

---

<sup>97</sup> Indeed, some have argued that economic sanctions on North Korea actually strengthen the regime's hold on power. See Adam Mount and Andrea Berger, "Report of the International Study Group on North Korea Policy," Federation of American Scientists, 2019, 2–3, 6, <https://fas.org/wp-content/uploads/media/FAS-DPRK-SG.pdf>, 21; John Hudson and David Francis, "Why Did Sanctions Fail against North Korea?" *Foreign Policy*, September 9, 2016, <https://foreignpolicy.com/2016/09/09/why-did-sanctions-fail-against-north-korea>; Mira Rapp-Hooper, "America Is Not Going to Denuclearize North Korea," *Atlantic*, November 29, 2017, <https://www.theatlantic.com/international/archive/2017/11/north-korea-icbm-kim-trump-nuclear/547040>; Andrei Lankov, "The Inconvenient Truth about North Korea and China," *Washington Post*, June 15, 2017, [https://www.washingtonpost.com/opinions/nothing-short-of-war-will-get-north-korea-to-give-up-its-nukes/2017/06/15/1ba427a0-4b94-11e7-bc1b-fddbd8359dee\\_story.html](https://www.washingtonpost.com/opinions/nothing-short-of-war-will-get-north-korea-to-give-up-its-nukes/2017/06/15/1ba427a0-4b94-11e7-bc1b-fddbd8359dee_story.html); Yang Un-chul, "Introduction: Whither North Korea," in *Whither North Korea*, ed. Yang Un-chul (Seongnam City: Sejong Institute, 2018), 9; and Mark Tokola, "The Hanoi Summit: A Point on a Long North Korean Foreign Policy Line," NBR Brief, March 11, 2019, <https://www.nbr.org/publication/the-hanoi-summit-a-point-on-a-long-north-korean-policy-line>.

<sup>98</sup> Yang, "Whither North Korea," 7–8; Mount and Berger, "Report of the International Study Group," 6, 13; and Tokola, "The Hanoi Summit," 3.

<sup>99</sup> See, for example, Mount and Berger, "Report of the International Study Group," 6.



## *Acquiring and Retaining the Capability to Attack the United States with Nuclear Weapons*

Kim Jong-un appears to believe that his regime faces an existential threat from the United States and South Korea and, therefore, that North Korea needs an assured means of protecting itself. The ability to attack South Korea with nuclear weapons, or even biological and chemical weapons, which North Korea already possesses, is presumably sufficient to prevent the ROK government from contemplating invading the North, but not necessarily to prevent the United States from launching military strikes against the North Korean leadership or attempting to foment a coup. The ability to attack the United States with nuclear weapons (along with a carefully fostered reputation for irrationality and unpredictability) provides the regime with the greatest ability to deter such threats. As a result, many observers believe that the leadership sees possessing nuclear weapons and intercontinental ballistic missiles (ICBMs) as essential to ensuring regime survival.<sup>100</sup>

The possession of nuclear weapons is probably seen as having the additional benefit of increasing the regime's prestige in the eyes of its domestic populace. North Korea is one of only a handful of countries with nuclear weapons, and their acquisition has enabled Kim Jong-un to meet as an equal with the leaders of the most powerful nations in the world. The prestige thus accrued may help inoculate the regime against internal dissatisfaction and unrest.<sup>101</sup> Although North Korea had nuclear weapon and ballistic missile programs long before he became leader, the efforts to develop these systems appear to have accelerated under his rule. As of this writing, North Korea has not conducted a nuclear or ICBM test since 2017, but this may be because Pyongyang feels that it has already demonstrated the capability to attack the United States with nuclear weapons and, therefore, that the need for further testing is less urgent.<sup>102</sup>

## *Weakening and Dividing International Pressure*

Due to the perceived hostility of the United States and South Korea, as well as economic pressure from the United States and other countries, Pyongyang seeks to increase regime security by weakening and dividing the international pressure on it. North Korea's numerous tests of nuclear weapons and ballistic missiles in recent years have resulted in stronger economic sanctions, which even normally supportive China strictly enforced for a period of time. Thus, having apparently succeeded in its drive to acquire the capability to attack the United States with nuclear weapons, North Korea since 2018 has resumed its efforts to weaken and divide the forces arrayed against it. This has entailed resuming discussions about eliminating its nuclear program and holding summit meetings with the presidents of the United States, South Korea, and China—actions that have resulted in China easing economic pressure on the North and the United States canceling joint exercises with the ROK military. The failure to reach an agreement at the second Trump-Kim

---

<sup>100</sup> Hudson and Francis, "Why Did Sanctions Fail against North Korea?"; Rapp-Hooper, "America Is Not Going to Denuclearize North Korea"; Lankov, "The Inconvenient Truth about North Korea and China"; Yang, "Whither North Korea," 9; and Mount and Berger, "Report of the International Study Group," 7–10.

<sup>101</sup> Yang, "Whither North Korea" 10; Mount and Berger, "Report of the International Study Group," 6; Anne Applebaum, "Trump and Kim Got What They Wanted. The Rest of the World, Not So Much," *Washington Post*, June 12, 2018, <https://www.washingtonpost.com/news/global-opinions/wp/2018/06/12/a-fantastic-meeting-for-trump-and-kim/>; and Gretchen Frazee, "How Far Off Is a Deal? 4 Takeaways from the Trump-Kim Summit," *PBS NewsHour*, February 28, 2019, <https://www.pbs.org/newshour/world/how-far-off-is-a-deal-4-takeaways-from-the-trump-kim-summit>.

<sup>102</sup> Lankov, "The Inconvenient Truth about North Korea and China"; and "North Korea," Nuclear Threat Initiative, May 2019, <https://www.nti.org/learn/countries/north-korea>.

summit in February 2019 was a setback to these efforts, but North Korea will undoubtedly continue to seek ways to weaken and divide the international pressure on it.<sup>103</sup>

### *Extracting Economic Concessions from the Outside World*

Although many observers believe that no amount of economic sanctions will force North Korea to give up its nuclear weapons, this does not mean that the regime is not interested in economic inducements. It clearly seeks to have the current economic sanctions lifted and to receive as much foreign aid and investment as is possible, provided it is able to manage the social and political effects. Although Kim's offer at the February 2019 summit in Hanoi was too meager for Trump to accept, the lifting of sanctions was one of the goals Kim was pursuing. North Korea's eagerness to resume negotiations has been demonstrated by the testing of short-range ballistic missiles in 2019 and early 2020, signaling Kim's desire to negotiate sanctions relief and a peace agreement with the United States. Pyongyang has also pushed for the reopening of the joint Kaesong Industrial Complex, which was closed by the ROK government in 2016. The Kim regime was able to use Kaesong to acquire foreign currency by requiring that compensation for North Korean workers be given to the North Korean government rather than directly to the workers.<sup>104</sup>

### *Allowing Limited Expansion of the Private Economy*

When it lost external support from the Soviet bloc after the collapse of Communism in Eastern Europe in 1989, North Korea's state-controlled economy shrank sharply and the country experienced a severe famine. Since that time, private markets have been allowed to play an increasing role in the North Korean economy, raising productivity and the country's standard of living. This has benefited not just the people of North Korea but also the state by providing it with revenues from taxing market transactions (and, presumably, by providing opportunities for official corruption), and probably has decreased popular dissatisfaction with the regime as well. The growth of the private sector has been allowed to accelerate since Kim Jong-un came to power, but this trend does create potential threats to regime survival. A growing private economy has made the population of North Korea less dependent on the government and, through trade with China and other countries, has enabled it to learn more about the outside world, both of which undermine the government's control over the population. As a result, the Kim regime continues to maintain restrictions on the private sector that limit the scope and effects of marketization. In addition, although potential benefits of foreign investment are recognized, the government imposes constraints that will have the effect of limiting the amount of external investment, even if the current economic sanctions on North Korea are lifted.<sup>105</sup>

---

<sup>103</sup> Dagyum Ji, "Two Koreas in Talks over Fourth Moon-Kim Summit, Blue House Says," NK News, May 16, 2019, <https://www.nknews.org/2019/05/two-koreas-in-talks-over-fourth-moon-kim-summit-blue-house-says>; Dan De Luce and Ken Dilanian, "China Eases Economic Pressure on North Korea, Undercutting the Trump Admin," NBC News, <https://www.nbcnews.com/news/north-korea/china-eases-economic-pressure-north-korea-undercutting-trump-admin-n906166>; Jeff Schogol, "America Just Cancelled Another Military Exercise with South Korea," *National Interest*, October 19, 2018, <https://nationalinterest.org/blog/buzz/america-just-cancelled-another-military-exercise-south-korea-we-have-all-details-3397>; and Tokola, "The Hanoi Summit."

<sup>104</sup> Frazee, "How Far Off Is a Deal?" 2019; Simon Denyer, "North Korea Launches Two Short-Range Missiles, at Same Time as U.S. ICBM Test," *Washington Post*, May 9, 2017, [https://www.washingtonpost.com/world/asia\\_pacific/north-korea-launches-another-projectile-south-korea-says-the-second-in-a-week/2019/05/09/bb8b8f9c-7234-11e9-8be0-ca575670e91c\\_story.html](https://www.washingtonpost.com/world/asia_pacific/north-korea-launches-another-projectile-south-korea-says-the-second-in-a-week/2019/05/09/bb8b8f9c-7234-11e9-8be0-ca575670e91c_story.html); and Dagyum Ji, "North Korean Media Hits Out against South on Kaesong Industrial Complex, Food Aid," NK News, May 13, 2019, <https://www.nknews.org/2019/05/north-korean-media-hits-out-against-south-on-kaesong-industrial-complex-food-aid>.

<sup>105</sup> Andrei Lankov, "The Resurgence of a Market Economy in North Korea," Carnegie Moscow Center, January 2016, 1–2; Yang, "Wither North Korea," 7–8; and Mount and Berger, "Report of the International Study Group," 13–16.

## Taiwan

Taiwan is not a significant regional power. However, because developments in Taiwan have the potential to trigger a major war, it is nonetheless a key actor in the region. Its potential to trigger a major war stems from how Beijing might react to political developments on the island. In elections in 2016, candidates from parties that advocate independence from China took control of both the presidency and the legislature for the first time in Taiwan's history, and in elections in January 2020 they retained control of both branches of government. Beijing's response so far has been relatively restrained, but in a speech in January 2019 Xi Jinping asserted that Taiwan should begin consultations regarding unification with the mainland, repeated a previous statement that unification is an issue that cannot be postponed indefinitely, and reiterated that China reserves the right to use force to bring about unification. Having won a resounding victory in the 2020 elections, Taiwan's government is unlikely to enter into unification consultations with the mainland. How Beijing will respond to this development is currently unclear.<sup>106</sup>

Even if a nominally pro-unification party in Taiwan were to gain power in a future election, the new government would likely seek to maintain Taiwan's autonomy from mainland China. This is because since 1994 no more than 3% of the island's population has favored immediate unification with the mainland. As of December 2019, only about 9% of the population wanted Taiwan to ever unify with the mainland. Instead, 27% of respondents wanted Taiwan to eventually become independent, while the majority (64%) were either undecided or wanted to maintain Taiwan's current ambiguous status indefinitely.<sup>107</sup>

Thus, for the foreseeable future, Taiwan will seek to maintain its political independence from the mainland while avoiding provoking a war with China, regardless of the preferences of its leaders regarding Taiwan's ultimate relationship with mainland China. For example, although Tsai has resisted pressure from the mainland to reaffirm the 1992 Consensus (under which Taiwan's government at the time accepted that Taiwan and the mainland belonged to a single China, although Taiwan's government did not recognize the People's Republic of China as the sole legitimate government), she also has not taken any overt steps to formalize Taiwan's independence.<sup>108</sup> Conversely, her opponent in the 2020 presidential election, Han Kuo-yu, although representing the nominally pro-unification Kuomintang, stated during the campaign that if elected he would not sign a peace agreement with Beijing unless it renounced the use of force against the democratic island and that he did not support the mainland's "one country, two systems" unification proposal.<sup>109</sup>

In addition to maintaining Taiwan's independence and avoiding conflict with the mainland, any government of Taiwan will seek to improve the standard of living of the people of Taiwan. After per capita income had risen by an average of nearly 5% a year in the fifteen years prior to

<sup>106</sup> Ng and Chung, "Chinese President Xi Jinping Urges Taiwan"; "Tsai Rejects Deadline over 1992 Consensus," *Straits Times*, July 23, 2016, <https://www.straitstimes.com/asia/east-asia/tsai-rejects-deadline-over-1992-consensus>; and Kurtenbach and Lai, "Taiwan's Leader Re-elected as Voters Back Tough China Stance."

<sup>107</sup> Courtney Donovan Smith, "All Bets Are Off: An Overview of Taiwan's 2020 Presidential Primaries," *News Lens*, May 8, 2019, <https://international.thenewslens.com/feature/taiwan2020/118435>; and "Taiwan Independence vs. Unification with the Mainland (1992/06–2019/06)," Election Study Center, National Chengchi University, <https://esc.nccu.edu.tw/course/news.php?Sn=167>.

<sup>108</sup> Richard C. Bush, "Taiwan's Local Elections, Explained," Brookings Institution, December 5, 2018, <https://www.brookings.edu/blog/order-from-chaos/2018/12/05/taiwans-local-elections-explained/>; "Tsai Rejects Deadline," *Strait Times*, 2016; and "One China Consensus Does Not Exist, Say 45% of Taiwanese," *Nikkei Asian Review*, January 4, 2019, <https://asia.nikkei.com/Politics/One-China-consensus-does-not-exist-say-45-of-Taiwanese>.

<sup>109</sup> Lawrence Chung, "Taiwan Presidential Hopeful Han Kuo-yu Says 'No Peace Deal with Beijing until Threats End,'" *South China Morning Post*, November 15, 2019, <https://www.scmp.com/news/china/politics/article/3037798/taiwan-presidential-hopeful-han-kuo-yu-says-no-peace-deal>.

the 2007–8 financial crisis, since the crisis per capita income in Taiwan has grown at an average annual rate of only 2.4%. Both Tsai and her predecessor, Ma Ying-jeou, have seen their popularity suffer because of this slow economic growth. Thus, an important imperative for either Tsai or her successor will be to find ways to stimulate Taiwan's economy.<sup>110</sup>

Even as they attempt to fulfill these common overarching goals, Tsai and her successors will be driven by the forces of domestic politics. Thus, the strategy outlined below may change in coming years, even if its broad goals remain constant. This strategy includes the following elements: maintaining good relations with the United States, maintaining moderate defense capabilities, and reducing dependence on mainland China.<sup>111</sup>

### *Maintaining Good Relations with the United States*

Arguably the most important element of Taiwan's national strategy under Tsai and most of her predecessors has been maintaining the island's close relationship with the United States. From 1955 until 1979, the United States and Taiwan had a formal defense treaty. This treaty was terminated after the United States switched formal diplomatic relations from Taiwan to mainland China in 1979, but in the same year the U.S. Congress enacted the Taiwan Relations Act. While less binding than a treaty, this legislation has generally been interpreted as committing the United States to defending Taiwan if China were to use force against the island. The firmness of that commitment, however, depends on the state of U.S. relations with both mainland China and Taiwan. While Taiwan has little influence on the former, it expends significant effort cultivating relations with the U.S. administration and Congress and is highly sensitive to U.S. concerns on issues ranging from trade to defense strategy. Maintaining good relations with the United States will undoubtedly remain a priority not just for the Tsai government but for future administrations as well.<sup>112</sup>

### *Maintaining Moderate Defense Capabilities*

Taiwan devoted significant resources to its defense from the time of the termination of its defense treaty with the United States in 1979 until the early 1990s. Although defense expenditures as a proportion of the economy fell from more than 7% of GDP in 1979 to 5% in 1993, economic growth was such that annual defense spending nearly doubled in real terms over this time period. However, Taiwan's defense expenditures then entered a period of steady decline in which they fell by more than 30% (after adjusting for inflation) between 1993 and 2006. Moreover, defense expenditures have not significantly increased since then. Taiwan in 2018 spent 24% less on defense than it did in 1993, even as the overall size of its economy more than doubled over that time period. Although Taiwan's military has undergone significant improvements in the quality of its equipment, personnel, and organization since 1993, the reduction in defense spending at the same

<sup>110</sup> IMF, World Economic Outlook Database; Lawrence Chung, "Why Is the Popularity of Taiwan's Tsai Ing-wen Plummeting?" *South China Morning Post*, November 27, 2016, <https://www.scmp.com/news/china/policies-politics/article/2047906/why-popularity-taiwans-tsai-ing-wen-plummeting>; and Ko Shu-ling, "Taiwan President Tsai Ing-wen Ends Second Year in Office with Strong Economy, but Low Poll Numbers," *Japan Times*, May 20, 2018, <https://www.japantimes.co.jp/news/2018/05/20/asia-pacific/politics-diplomacy-asia-pacific/taiwan-president-tsai-ing-wen-ends-second-year-office-strong-economy-low-poll-numbers/#.XOWjr6R7mUk>.

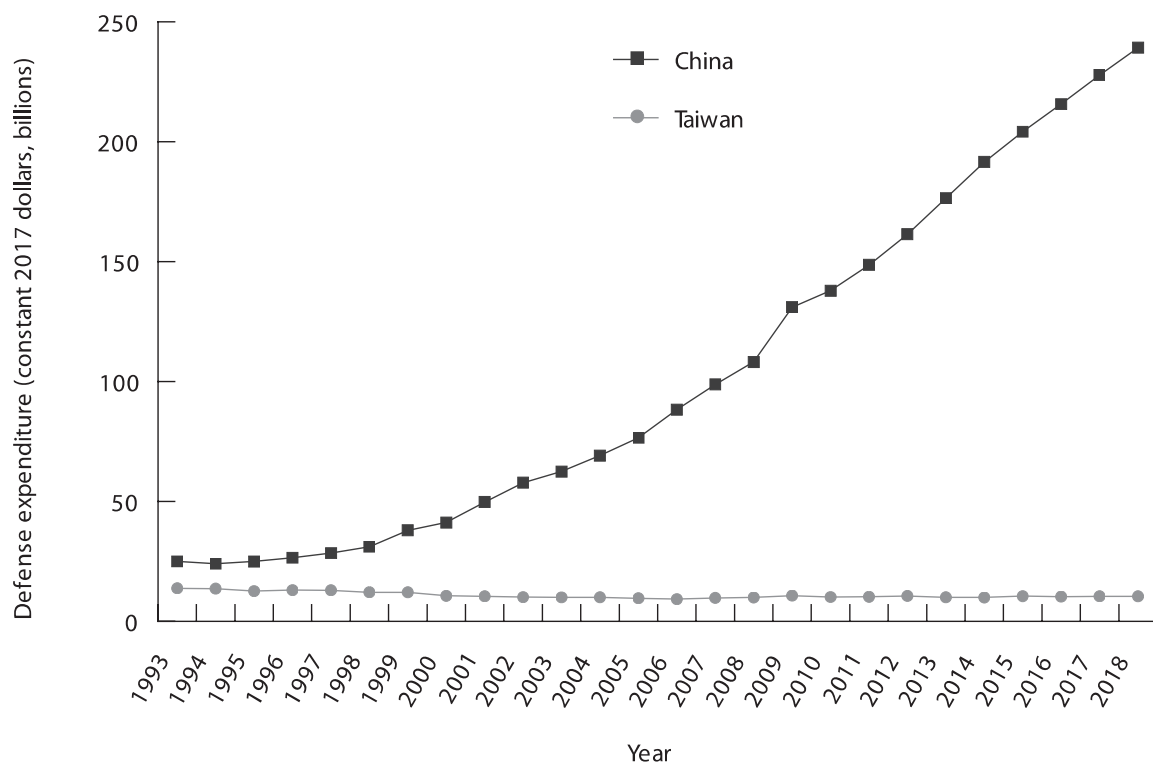
<sup>111</sup> "Tsai Ing-wen, Taiwan's President Is Challenged by a Former Underling," *Economist*, March 21, 2019, <https://www.economist.com/asia/2019/03/21/tsai-ing-wen-taiwans-president-is-challenged-by-a-former-underling>; and Ko, "Tsai Ing-wen Ends Second Year in Office."

<sup>112</sup> See, for example, Ralph Jennings, "Who's Behind the Quick Rise in U.S.-Taiwan Relations," *Voice of America*, March 27, 2019, <https://www.voanews.com/a/taiwan-us-relations/4849922.html>.

time as defense expenditures by its primary threat (mainland China) were increasing by nearly 1,000% is striking (see **Figure 1**).<sup>113</sup>

It should be noted, however, that the increase in mainland China's defense spending has simply paralleled the growth in the country's overall economy during this period. Official Chinese defense expenditures as a percentage of GDP actually fell slightly between 1993 and 2018. It is possible, therefore, that political leaders in Taipei have concluded that China's massive economic growth means that there is simply no way that Taiwan could expend the resources required to maintain military parity with the mainland. Instead, Taiwan's defense strategy now appears to be to maintain enough military capability to ensure that China's use of force against Taiwan would entail significant costs and risks for Beijing, Taiwan could hold out long enough that the United States would have time to come to its defense, and that it is at least sufficient to assure U.S. leaders that Taiwan is serious about its own defense and therefore deserving of U.S. protection.<sup>114</sup>

**FIGURE 1** China's and Taiwan's annual defense expenditures, 1993–2018



<sup>113</sup> SIPRI Military Expenditure Database. For a discussion of improvements in Taiwan's defense capabilities in recent years, see Bernard D. Cole, *Taiwan's Security: History and Prospects* (New York: Routledge, 2006).

<sup>114</sup> For an example of an American critique of Taiwan's seriousness about its defense, see Wendell Minnick, "How to Save Taiwan from Itself," *National Interest*, March 19, 2019, <https://nationalinterest.org/feature/how-save-taiwan-itself-48122>.

## *Reducing Dependence on Mainland China*

As noted earlier in this chapter, China's response to Tsai Ing-wen's election has included actions to economically punish Taiwan by means such as limiting the number of mainland tourists visiting the island. To reduce Beijing's ability to take advantage of Taiwan's dependence on the mainland for coercive purposes, the Tsai administration has been promoting what is called the New Southbound Policy. This policy aims to increase Taiwan's economic and social engagement with the other countries of the Indo-Pacific through a variety of means, including preferential credit for Taiwanese investment in these countries, economic agreements, and educational and cultural exchanges. Taiwan has also been pursuing an FTA with the United States and is interested in joining the CPTPP, an FTA among Pacific Rim countries that does not include China. The goal of these initiatives is to reduce Taiwan's vulnerability to coercion by mainland China and to increase Taiwan's interdependence with other countries in the Indo-Pacific (as well as the United States), thereby increasing the potential costs to China of using force or coercion against the island. This effort has had limited success so far, however. For example, Taiwan continues to be dependent on China for more than 40% of its export earnings, whereas it receives only 20% from New Southbound Policy countries.<sup>115</sup>

## Strategic Implications

The national strategies of these key actors will shape the strategic landscape of the Indo-Pacific in coming years. China's economic and military power will continue to grow, albeit more slowly than in the recent past. Beijing will continue its efforts to acquire control over Taiwan, the South China Sea, and the Senkaku Islands, but will try to avoid overt conflict and to maintain stability on the Korean Peninsula. China will also attempt to expand its economic and political influence more broadly, even as it becomes less open to the outside world.

India's economic and military power will grow as well, but they will remain considerably less than China's. New Delhi will strive to counter China's growing power but will continue to devote significant resources and attention to countering the military and terrorist threat from Pakistan. India will also seek to expand its international influence and prestige, with particular focus on the Indian Ocean region, and will cooperate with China when doing so helps advance this goal.

Japan's national security capabilities, and its willingness to use them, will increase gradually. At the same time, Japan will reinforce its alliance with the United States and expand its security relations with other Indo-Pacific nations such as India, Australia, and South Korea. Japan will also try to bolster its economy by increasing its economic integration with the outside world and strengthening the liberal economic order.

Indonesia, although a potential future power, will focus on promoting economic development in coming years, but this goal will be hampered by efforts to protect its economic autonomy and independence. Defense spending will remain limited, and Indonesia will continue its preference

---

<sup>115</sup> Ko, "Tsai Ing-wen Ends Second Year in Office"; "The New Southbound Policy," CSIS, January 19, 2018, <https://www.csis.org/analysis/new-southbound-policy>; Teng Pei-ju, "Taiwan Wants to Sign Free Trade Deal with U.S.: Foreign Minister," *Taiwan News*, September 13, 2018, <https://www.taiwannews.com.tw/en/news/3529054>; Da-nien Liu, "The Trading Relationship between Taiwan and the United States: Current Trends and the Outlook for the Future," Brookings Institution, November 2016, <https://www.brookings.edu/opinions/the-trading-relationship-between-taiwan-and-the-united-states-current-trends-and-the-outlook-for-the-future/>; and Charles I-hsin Chen, "After Election, Taiwan's Grand Strategy Is in Doubt," *National Interest*, November 27, 2018, <https://nationalinterest.org/feature/after-election-taiwan%E2%80%99s-grand-strategy-doubt-37277>.



for maintaining a low international profile and avoiding alignment with any country or group of countries.

North Korea will seek to strengthen, and refuse to relinquish, its capability to attack the United States with nuclear weapons. At the same time, the regime will attempt to weaken and divide the international pressure on it through various tactics and, if possible, use its acquisition of nuclear weapons to extract economic concessions from the outside world. Pyongyang will allow limited expansion of North Korea's private economy but will not allow the private sector to expand to the extent that it undermines the ruling regime's control over the country.

The focus of Taiwan's national strategy will be on maintaining good relations with the United States. This will entail avoiding overt moves toward independence while deflecting Beijing's efforts to pressure it into unification negotiations. Taiwan will also devote enough resources to defense to satisfy Washington and to prevent Beijing from believing that China could defeat the island before the United States could come to its defense. Taiwan will further seek to reduce its economic dependence on the mainland, although these efforts will at best be partially successful.



THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 4

## Potential Major Events



A U.S. strategy toward the Indo-Pacific should account for the broad trends at work in the region and the current strategies of key actors, as described in chapters 2 and 3. It must also allow, however, for an effective response to potential major events that could occur to interrupt these trends and strategies. This chapter examines the prospects for six types of events in the Indo-Pacific: interstate war, internal conflict, regime change, financial crises, natural disasters, and refugee crises. Although the probability of any particular event may be low, at least some of the potential events identified will almost certainly occur in the coming decade, and many could have a significant impact on U.S. interests.

## Interstate War

Of all potential events in the Indo-Pacific region, a major interstate war would likely have the greatest impact on U.S. interests. There are a number of ongoing international disputes in the region with the potential to result in armed conflict. Conversely, peaceful resolution of many of these disputes would also significantly affect U.S. interests.

### *Prospects for Interstate War*

As noted in chapter 2, the Indo-Pacific has been relatively free from interstate conflict over the past quarter century. There has only been one significant interstate war in the region in the last 25 years—the (ongoing) India-Pakistan conflict—and only two other interstate conflicts have resulted in more than 25 battle-related deaths in a single year.<sup>1</sup> There are, however, numerous other active disputes between countries in the region that could potentially lead to armed conflict. **Table 1** lists the unresolved interstate disputes in the Indo-Pacific region that have resulted in at least one incident since 2000 in which one or more countries threatened, displayed, or used force against one or more other countries, as recorded by the Correlates of War Project.<sup>2</sup>

As can be seen, many of these disputes are over border demarcation, small islands, maritime boundaries, and other relatively minor issues. Only the India-Pakistan, Korean Peninsula, and Taiwan disputes are over territories large and populous enough to appear to have the potential to lead to a major war. Even apparently minor disputes, however, can escalate into significant conflicts, however: as noted in chapter 3, for example, the 1962 Sino-Indian Border Conflict over a remote area occupied by fewer than ten thousand people resulted in more than nine thousand soldiers being killed or wounded.<sup>3</sup>

Social science research has identified a large number of potential contributors to the likelihood of interstate conflict. At the global level, empirical evidence suggests that the prevalence of interstate conflict is most affected by the following factors:

---

<sup>1</sup> For reference, see Uppsala University, Uppsala Conflict Data Program (UCDP), “UCDP Conflict Encyclopedia,” <https://ucdp.uu.se/?id=1&id=1>. As noted in chapter 2, the two other interstate conflicts in the region that have resulted in more than 25 battle deaths in a single year since 1993 are the border conflict between Thailand and Cambodia, which resulted in 29 battle deaths in 2011, and the conflict between North and South Korea, which resulted in 50 battle deaths in 2010. See also Peter Foster and Malcom Moore, “North Korea Condemned by World Powers over Torpedo Attack,” *Telegraph*, May 20, 2010.

<sup>2</sup> “Militarized Interstate Disputes (v4.3),” Correlates of War Project, <http://cow.dss.ucdavis.edu/data-sets/MIDs>. Table 1 does not include the territorial dispute between Singapore and Malaysia over Pedra Branca and nearby islets, which was peacefully resolved in 2008; the border dispute between China and Russia, which was also resolved in 2008; or the border dispute between India and Bangladesh, which was resolved in 2015. Table 1 also does not include entries in the database that consisted simply of incursions by the military forces of one country into the airspace or territorial waters of another or incidents involving fishing boats of one country being discovered in the exclusive economic zone or territorial waters of another.

<sup>3</sup> Li Xiaobing, *A History of the Modern Chinese Army* (Lexington: University Press of Kentucky, 2007), 202, 351.

- Degree to which the international system is dominated by a single hegemonic power
- Capabilities of international organizations
- Prevalence of consolidated democracies
- Rates of economic growth
- Degree of economic interdependence in the world
- Strength of international norms<sup>4</sup>

At the regional level, there appears to be an additional “war contagion” factor. Wars appear to be more likely to occur in regions that are currently experiencing wars, even if there is no direct

TABLE 1 Active militarized international disputes in the Indo-Pacific

Dispute	Parties
Kashmir	India, Pakistan
Korean Peninsula	North Korea, South Korea
Taiwan	China, Taiwan
Kuril Islands/Northern Territories	Japan, Russia
China–North Korea border	China, North Korea
Senkaku/Diaoyu Islands and Chunxiao gas field	China, Japan, Taiwan
Dokdo/Takeshima Islands	Japan, South Korea
Scarborough Reef	China, Philippines
Spratly Islands	China, Vietnam, Philippines, Malaysia, Brunei, Taiwan
Paracel Islands	China, Vietnam, Taiwan
China-India border	China, India
China-Bhutan border	China, Bhutan
Indonesian separatists operating from Papua New Guinean territory	Indonesia, Papua New Guinea
Myanmar rebels operating from Bangladeshi territory	Myanmar, Bangladesh
Myanmar rebels operating from Thai territory	Myanmar, Thailand
Cambodia-Thailand border	Cambodia, Thailand
Indonesia-Malaysia maritime boundary in the Celebes Sea	Indonesia, Malaysia
Indonesia-China maritime boundary near Natuna Islands	Indonesia, China

<sup>4</sup> Thomas S. Szayna et al., *Conflict Trends and Conflict Drivers: An Empirical Assessment of Historical Conflict Patterns and Future Conflict Projections* (Santa Monica: RAND Corporation, 2017), 42–72.

connection between the conflicts.<sup>5</sup> With regard to specific pairs of countries, circumstances under which wars appear to be more likely to occur include when the relative power of the two countries is at parity or shifting toward parity, or when one member of the pair, but not the other, has an external alliance. On the other hand, wars between two countries appear to be less likely when both have advanced economies or are mature democracies.<sup>6</sup>

A number of characteristics have also been identified as associated with a greater likelihood of a specific country becoming involved in war. These include the following:

- The country was created or the ruling regime came to power through violence.
- The country is in the process of democratization.
- The country is highly militarized, as evidenced by a high ratio either of military personnel to total population or of defense expenditures to GDP.
- The country is a major power.
- The country is a major power that is experiencing a power transition.
- The country borders a country that is at war.
- The country has a large number of borders.
- The country has a large number of alliances.<sup>7</sup>

Applying these findings to the possibility of conflict in the Indo-Pacific in coming years, a 2017 study by the RAND Corporation found that estimates of the capabilities of international organizations, the prevalence of consolidated democracies, the degree of economic interdependence in the world, and, to a lesser extent, the strength of international norms all suggest that interstate conflict will be less frequent in the future.<sup>8</sup>

This is not to say that interstate conflict will not occur, however, and a number of the disputes in the Indo-Pacific appear to have the potential to result in armed conflict. As stated above, political science literature has found that war between a given pair of countries is more likely when the relative power of the two countries is at parity or shifting toward parity as well as when only one member of the pair has an external alliance tie. Of the militarized international disputes listed in Table 1 in which there is not currently a war (i.e., all listed disputes other than the India-Pakistan dispute), twelve of seventeen involve either pairs of countries whose relative power is at parity or pairs of countries in which only one member has an external alliance tie.<sup>9</sup>

---

<sup>5</sup> Daniel S. Geller and J. David Singer, *Nations at War: A Scientific Study of International Conflict* (Cambridge: Cambridge University Press, 1998), 105–8.

<sup>6</sup> *Ibid.*, 68–96.

<sup>7</sup> *Ibid.*, 46–67. A power transition is defined as when a country's power has peaked (i.e., become as great relative to that of the rest of the world as it is likely to), when its power has bottomed out (i.e., become as weak relative to the rest of the world as it is likely to), when the growth rate of its power has peaked, or when the rate at which its power is diminishing has peaked. It is unclear whether the finding that countries with large numbers of borders are more likely to become involved in war is simply the result of the fact that they have more neighbors with which to potentially go to war, or is because countries with large numbers of borders are for some reason more warlike. Similarly, it is unclear whether having a large number of alliances makes a country more warlike or whether facing a larger number of threats of war tends to lead a country to form more alliances in response.

<sup>8</sup> Szayna et al., *Conflict Trends and Conflict Drivers*, 42–85. Not all correlates of interstate conflict are improving. The expected decline in U.S. preeminence in the future suggests that interstate conflict will be more frequent than it otherwise would be, and estimates of economic growth rates imply neither an increase nor a decrease in the frequency of conflict.

<sup>9</sup> Some of the disputes listed in Table 1 are multilateral. The statement that twelve of the seventeen disputes involve either pairs of countries whose relative power is at parity or pairs of countries in which only one member has an external alliance tie assumes that, for multilateral disputes, conflict could occur between any two parties to the dispute. Whether or not the relative power of two countries is at rough parity was assessed based on whether their defense expenditures in 2018, as recorded in the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, were within a factor of two of each other. Taiwan is considered to have an external alliance tie in the form of the U.S. defense commitment to Taiwan, and Bhutan is considered to have an external alliance tie due to its relationship with India (as illustrated by the Doklam standoff between India and China in 2017).

In addition, several of the individual countries involved in the disputes listed in Table 1 have characteristics that are associated with an increased likelihood of becoming involved in war. In particular, both North Korea and South Korea can be said to have been formed through violence (since the territories they occupy are the result of World War II and the Korean War) and both are relatively highly militarized, with more than 2% of GDP devoted to defense spending and more than 1% of their populations being active-duty members of their militaries.<sup>10</sup> India and Pakistan are also nations that can be said to have been formed through violence (in the partition of British India), both have relatively large numbers of borders, and both spend more than 2% of GDP on defense. In addition, India, with the world's fourth-largest defense budget in 2018, is clearly a major power.<sup>11</sup> China's government came to power through violence (the Communist Party of China's victory in the civil war in 1949), China has more land borders than any other country in the world, and it is a major power. China, moreover, is probably currently experiencing a power transition.<sup>12</sup> Finally, Russia is also a major power, has a large number of borders, and is relatively highly militarized, spending nearly 4% of GDP on defense in 2018. Russia also has a relatively large number of alliances (with former Soviet republics) and may be undergoing a power transition.<sup>13</sup>

Thirteen of the eighteen militarized disputes listed in Table 1 involve at least one of these six countries. Ten of the militarized international disputes listed in Table 1, moreover, involve either two of the countries listed above or one of these countries and another country that has an external alliance tie. These disputes are:

- Kashmir (conflict ongoing)
- Korean Peninsula
- Kuril Islands/Northern Territories
- Taiwan
- Scarborough Reef
- Spratly Islands
- Senkaku/Diaoyu Islands and the Chunxiao gas field
- China-India border
- China–North Korea border
- China-Bhutan border

Based on the identified indicators of the likelihood of interstate war, therefore, the above ten disputes appear to be the most likely to result in armed conflict (see **Figure 1** for a map).

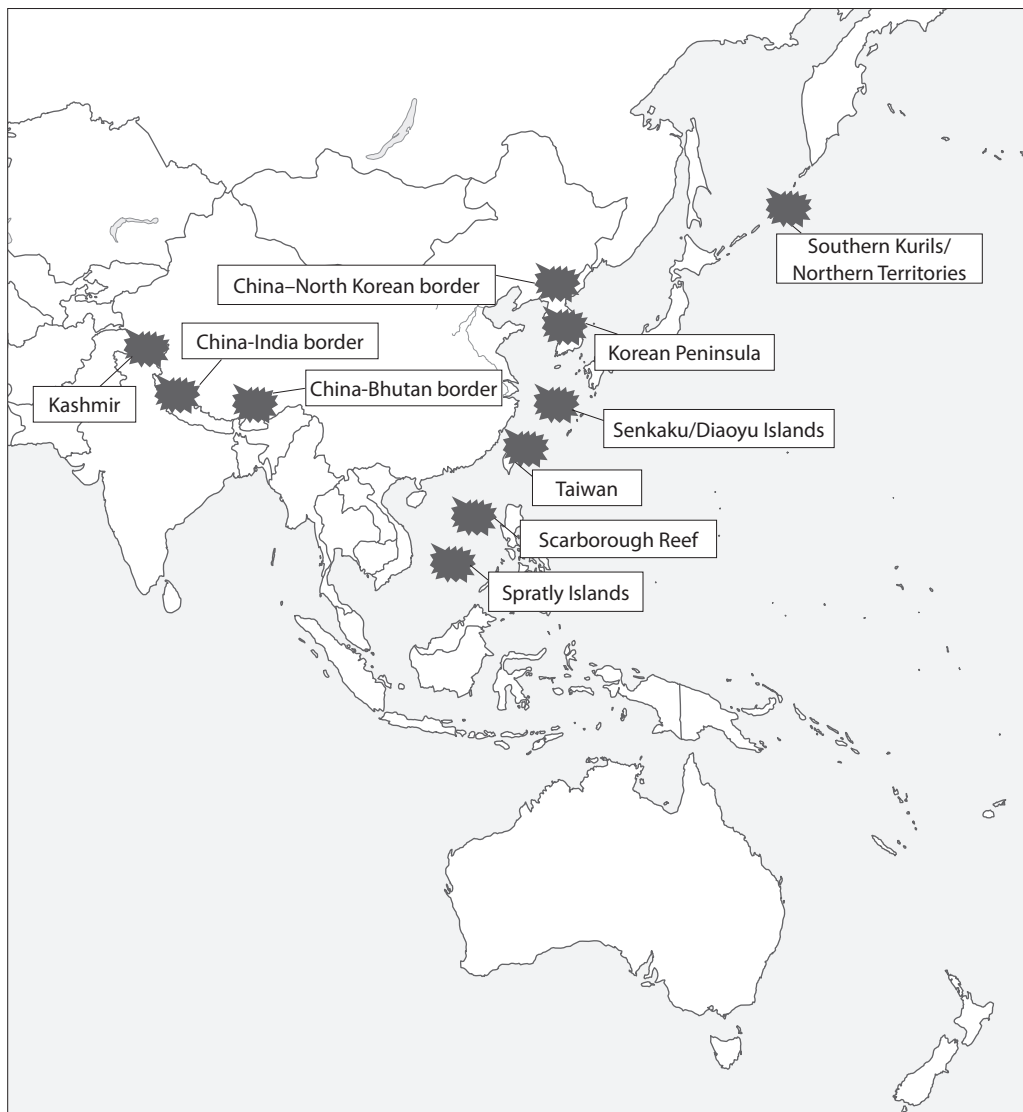
<sup>10</sup> International Institute for Strategic Studies (IISS), *The Military Balance 2018* (London: IISS, 2018), 274–75, 277–78. Although North Korea's defense expenditure and GDP are unknown, given the size of its armed forces, Pyongyang is assumed to spend significantly more than 2% of GDP on defense.

<sup>11</sup> SIPRI Military Expenditure Database.

<sup>12</sup> As noted in an earlier footnote, a major power is said to be experiencing a power transition, *inter alia*, when the growth rate of its power has peaked. Whether measured in terms of the rate of growth of its GDP or of its defense expenditure relative to the rest of the world, the rate at which China's power is growing has probably peaked and is now decreasing (although China's power relative to the rest of the world will continue to grow for the foreseeable future).

<sup>13</sup> SIPRI Military Expenditure Database. As noted in an earlier footnote, a major power is said to be experiencing a power transition, *inter alia*, when it has become as weak as it is likely to become relative to the rest of the world. After falling precipitously after the collapse of the Warsaw Pact and the breakup of the Soviet Union, Russia's power relative to the rest of the world appears to have bottomed out and is now stabilized or even recovering. Russia's propensity to become involved in war is illustrated by the fact that it has been at war with Ukraine since 2014.

FIGURE 1 Most likely locations for interstate conflict in the Indo-Pacific



### *Potential for the Peaceful Resolution of International Disputes*

The peaceful resolution of any of the militarized international disputes described in the previous section would remove them as potential sources of conflict and could eliminate the need for the countries affected (including the United States) to develop, support, or deploy military forces for potential contingencies involving these disputes. Peaceful resolution could also be a prelude to, or an element of, political reconciliation between the disputing parties that allows them to forge closer economic ties or engage in joint economic development, leading to increased prosperity for all parties. Thus, the peaceful resolution of militarized disputes in the Indo-Pacific could have a significant impact on regional and U.S. interests.

In the case of the Korean Peninsula dispute, for example, peaceful resolution could involve a formal peace agreement providing for the mutual recognition between North and South Korea and the removal of both sides' forces from the area of the Demilitarized Zone. Convincing the



world that the threat of inter-Korean war had truly been eliminated would probably also require the dismantling of North Korea's ballistic missiles and nuclear, biological, and chemical weapons and production facilities as well as a significant reduction in the size of North Korea's armed forces. Such steps would assure North and South Korea as well as other countries in the region that neither side had the intention or capability to engage in large-scale conflict with the other. Although Pyongyang and Seoul have made progress in improving relations recently, the two sides are still far from achieving a permanent resolution of the inter-Korean dispute.<sup>14</sup> Nonetheless, such a resolution is not inconceivable in the coming decade.

Peaceful resolution of the Korean Peninsula dispute could also entail an agreement about the future relationship between the two Koreas. Such an arrangement could consist of an agreement that they will remain separate states for the indefinite future, an agreement on a process for unification, or something intermediate between those two possibilities.<sup>15</sup> The specific nature of the agreement would have major geopolitical implications for Northeast Asia. Key variables are whether a single unified state or two separate states would emerge from the agreement and what the relationship of the resultant state or states would be with China and the United States. For example, if North Korea were absorbed into the Republic of Korea (ROK), would the ROK maintain its mutual defense treaty with the United States? Although Korean unification currently appears improbable, the possibility of such a scenario transpiring in the coming decade cannot be ruled out.

Peaceful resolution of Taiwan's status would have major geopolitical significance as well. Like an agreement about the future relationship between the two Koreas, peaceful resolution of Taiwan's status could take the form of an agreement for Taiwan to politically unify with mainland China, an agreement for Taiwan to formally become an independent nation, or an intermediate solution, such as an agreement to deliberately leave Taiwan's status unresolved for a period of time.<sup>16</sup> Although it is conceivable that the current government in China could allow a resolution that is acceptable to the people of Taiwan, prospects for a peaceful resolution would be much greater if China were to become a democracy, a development that would have geopolitical significance well beyond the Taiwan dispute.<sup>17</sup> As discussed later in this chapter, although such a development currently appears highly unlikely, the possibility of it occurring at some point in the next decade cannot be ruled out.

Peaceful resolution of the India-Pakistan dispute over Kashmir would also have a significant geopolitical impact, removing the primary source of friction between the two countries (although domestic separatist movements would likely continue so long as India controlled large portions of Kashmir). This would allow the two countries to redirect some of the strategic attention and resources that are currently focused on each other. In the case of India, these purposes could include domestic economic development or the improvement of the capabilities of the armed forces for contingencies in areas other than the India-Pakistan border regions (e.g., for contingencies involving China). Although prospects for resolving the Kashmir dispute do not currently appear

---

<sup>14</sup> For example, see Scott A. Snyder, "South Korea's Leader Makes Bold Effort to Enhance the Prospects for Peace," Council on Foreign Relations, September 19, 2018, <https://www.cfr.org/article/south-koreas-leader-makes-bold-effort-enhance-prospects-peace>.

<sup>15</sup> For a discussion of different possible forms of Korean unification, see Bruce W. Bennett, *Alternative Paths to Korean Unification* (Santa Monica: RAND Corporation, 2018), 2, 57–72.

<sup>16</sup> For a discussion of different ways in which Taiwan's status might be resolved, see Roger Cliff and David A. Shlapak, *U.S.-China Relations after Resolution of Taiwan's Status* (Santa Monica: RAND Corporation, 2007), 6–11.

<sup>17</sup> *Ibid.*, 7–11.

to be promising, it is possible that this could change over the coming decade.<sup>18</sup> In this case, the specific terms of the resolution would have relatively little impact on the strategic landscape in the region. The important thing would be that the issue had been resolved, eliminating a persistent source of conflict between India and Pakistan.<sup>19</sup>

Peaceful resolution of the disputes in the East and South China Seas would be significant for the United States, given that U.S. treaty allies are involved in all three cases. Resolution of any of these disputes would therefore eliminate the possibility of the United States becoming involved in a conflict involving that dispute. The specifics of how these disputes are resolved, however, could also have significant geostrategic implications. For example, a resolution of the dispute over the Senkaku/Diaoyu Islands that ceded control to China and allowed it to build military installations on them would have a different impact on Japanese and U.S. interests from an agreement that recognized the islands as Japanese territory. In practice, however, any solution to the dispute acceptable to both China and Japan would likely require a commitment that neither side would station personnel or build military facilities on the islands.<sup>20</sup>

A code of conduct is currently being negotiated by most of the parties to the disputes in the South China Sea (excluding Taiwan). It is thus possible that these territorial disputes (over the Spratly and Paracel Islands and Scarborough Reef) could be eliminated as a potential cause of armed conflict in the coming decade. Although any agreement reached in the near term seems likely to allow the claimants to maintain their presence on any features that they currently occupy, how other issues that could affect U.S. interests would be decided is unclear. For example, China has reportedly proposed that parties to the dispute not be allowed to conduct joint military exercises with outside countries, which would prevent the United States from holding exercises with countries such as the Philippines (a treaty ally), Vietnam, and Malaysia.<sup>21</sup>

Resolution of the border dispute between China and India appears unlikely over the next decade, though this scenario also cannot be completely ruled out. The two countries set up a joint task force to resolve the issue in 1988, but it has made little progress. If the dispute were resolved, however, it would remove a potential cause of armed conflict between China and India. The most

<sup>18</sup> For further discussion, see A. Heather Coyne, "Building Blocks, Stumbling Blocks: Prospects for Peace in Kashmir," United States Institute of Peace, January 1, 2007, <https://www.usip.org/publications/2007/01/building-blocks-stumbling-blocks-prospects-peace-kashmir>. In 2018 the Pakistani military and government were reportedly seeking to resume peace talks with India. See Maria Abi-Habib, "Pakistan's Military Has Quietly Reached Out to India for Talks," *New York Times*, September 4, 2018, <https://www.nytimes.com/2018/09/04/world/asia/pakistan-india-talks.html>. A terrorist attack on Indian paramilitary police officers in Kashmir by Pakistan-backed extremists in February 2019, however, made it unlikely that India would respond positively to Pakistan's overtures. For an overview of the incident, see Barkha Dutt, "Everything Will Change after the Kashmir Attack," *Washington Post*, February 16, 2019.

<sup>19</sup> It has been argued that control of the glacial waters that flow through Kashmir is a major national security issue for India and Pakistan. For context, see Shawn Snow, "Analysis: Why Kashmir Matters," *Diplomat*, September 19, 2016, <https://thediplomat.com/2016/09/analysis-why-kashmir-matters>. However, it seems unlikely that either India or Pakistan would agree to a resolution of the Kashmir dispute that would allow the other country to pose an existential threat to it.

<sup>20</sup> One proposal is that Japan and China share sovereignty over the islands as Spain and France do over Pheasant Island in the Bidasoa River. Under this proposal, the islands would remain uninhabited (and, presumably, free of military installations) and would have no effect on the demarcation of China's and Japan's exclusive economic zones. For more on this proposal, see Andrei Lungu, "Diaoyu Islands Dispute Can Be Laid to Rest If China and Japan Accept Joint Sovereignty," *South China Morning Post*, October 30, 2018, <https://www.scmp.com/comment/insight-opinion/hong-kong/article/2170613/diaoyu-islands-dispute-can-be-laid-rest-if-china>. Other proposed solutions would not permanently resolve the dispute over sovereignty but seek to eliminate the dispute as a potential source of armed conflict. For further details, see Kent Wang, "Solving the Senkaku/Diaoyu Dispute," *Diplomat*, November 5, 2013, <https://thediplomat.com/2013/11/solving-the-senkakudiaoyu-dispute>; Akikazu Hashimoto, Michael O'Hanlon, and Wu Xinbo, "A Framework for Resolving Japan-China Dispute over Islands," *Los Angeles Times*, December 1, 2014, <https://www.latimes.com/opinion/op-ed/la-oe-ohanlon-china-japan-senkaku-diaoyu-islands-20141130-story.html>; and Michael O'Hanlon, "A Six Point Plan to Solve the Senkaku Island Dispute," *National Interest*, December 29, 2014, <https://nationalinterest.org/feature/six-point-plan-solve-the-senkaku-island-dispute-11925>.

<sup>21</sup> See, for example, Nike Ching, "South China Sea Code of Conduct Gains Momentum as China Moves to Complete Militarization," *Voice of America*, October 22, 2018, <https://www.voanews.com/a/south-china-sea-code-of-conduct-gains-momentum-as-china-moves-to-complete-militarization/4624261.html>; and Aaron Rabena, "Can a South China Sea Code of Conduct Help Ensure Regional Stability? Here Are Four Ways It Could Be Strengthened," *South China Morning Post*, January 8, 2019, <https://www.scmp.com/comment/insight-opinion/united-states/article/2180990/can-south-china-sea-code-conduct-help-ensure>.

likely option for the dispute to be resolved would be for both sides to drop their claims to territory held by the other side. Even if the dispute were resolved in a way that favored one side or the other, the difference would probably be of little strategic significance.<sup>22</sup>

In 1956, Japan and the Soviet Union agreed that the Soviet Union would return two of the four disputed Kuril Islands to Japan after the two countries signed a formal peace treaty. The current Shinzo Abe administration has been pressing Russia to agree to such a treaty so that the islands can be returned. Although Russia has shown little interest in a treaty, it is certainly conceivable that such an agreement could be reached in the coming decade, which would eliminate this dispute as a potential flashpoint for conflict.<sup>23</sup>

None of the other militarized international disputes in the Indo-Pacific listed in Table 1 appear likely to be a trigger for a major conflict, and thus their peaceful resolution is unlikely to have significant implications for U.S. interests.

## Internal Conflict

Internal conflicts affect the security and well-being of people living in the involved areas (as well as the government security forces deployed to fight the insurgents). They also consume resources and attention from the national government that could be put to more positive uses and, by discouraging commerce and investment, act as a drag on a country's economic development, particularly in the specific locations where the conflict is taking place. In addition, they can result in the displacement of noncombatants, who may flee to other areas of the country or even to neighboring countries, thereby disrupting the economies and social order in those areas (see the section on refugee crises, below).

As noted in chapter 2, the scale of internal conflict in the Indo-Pacific has fallen since 2009. Nonetheless, there are roughly twenty separate ongoing internal conflicts in the region. A total of six countries in the region experienced internal conflicts that caused at least one fatality in 2018: India (seven separate conflicts), Myanmar (six conflicts), the Philippines (four conflicts), Bangladesh (one conflict), Thailand (one conflict), and Indonesia (one conflict). It is possible that some of these conflicts could worsen, that internal conflicts in the region that have previously ended could reignite, and that new internal conflicts could emerge.<sup>24</sup>

### *Prospects for Internal Conflict*

Political science research has identified a number of potential contributors to the likelihood or intensity of internal conflict in a country. These include the following:

---

<sup>22</sup> For more information, see Mohan Guruswamy, "Why India and China's Border Disputes Are So Difficult to Resolve," *South China Morning Post*, July 20, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2124528/why-india-and-chinas-border-disputes-are-so-difficult>.

<sup>23</sup> "Joint Declaration by the Union of Soviet Socialist Republics and Japan," available at <http://worldjpn.grips.ac.jp/documents/texts/docs/19561019.D1E.html>; and "Abe Urges Putin to Fulfill 'Historical Duty' and Sign Treaty amid Deadlock over Disputed Isles," *Japan Times*, September 5, 2019, <https://www.japantimes.co.jp/news/2019/09/05/national/politics-diplomacy/territorial-row-abe-putin-vladivostok/#.XXfFPWZ7mUI>.

<sup>24</sup> "UCDP Conflict Encyclopedia." Nineteen separate internal conflicts caused at least one fatality in 2017, and twenty internal conflicts caused at least one fatality in 2018. Data for 2019 was not yet available as of this writing. Only conflicts that resulted in 25 or more deaths in at least one year between 1993 and 2018 are included. Attacks on civilians and communal violence between unorganized groups (e.g., ethnic riots) are not included. In 2018 all but one of the conflicts was between the government of a country and an insurgent organization in that country. The one conflict that did not involve a national government was between two insurgent organizations in India: the National Socialist Council of Nagaland-Isak-Muivah and the National Socialist Council of Nagaland-United.

- The existence of great-power rivalry in the international system
- The capabilities of international organizations
- The capacity of governmental institutions
- Whether the country is a consolidated democracy
- Slowdowns in the rate of economic growth
- Resource stress caused by population pressure
- The existence of a youth bulge in the population age structure<sup>25</sup>

Of these potential contributors to the likelihood of internal conflict, great-power rivalry in the international system and the capabilities of international organizations are factors that apply globally. Great-power rivalry was a significant contributor to internal conflicts during the Cold War. Since then, the number of internal conflicts in the world has fallen, but it is possible that the rivalry between the United States and China could increase the number of internal conflicts in coming years. Conversely, the capabilities of international organizations have grown over time, and this trend appears likely to continue in the future. Thus, it is possible that the increasing capabilities of international organizations will help limit the number of internal conflicts.<sup>26</sup>

The other five risk factors for internal conflict listed above are all specific to a given country. Examining these factors for each of the countries in the Indo-Pacific region suggests that Bangladesh, Bhutan, Cambodia, Nepal, and Sri Lanka are at the greatest risk of experiencing internal conflict. All five have relatively ineffective governmental institutions, none is a consolidated democracy, all are projected to experience a drop of 20% or more in their annual economic growth rates between 2020 and 2030, all are experiencing significant resource stress, and all will have youth bulges between 2020 and 2030.<sup>27</sup> Consistent with these factors, all of these countries except Bhutan have had an internal conflict that resulted in 25 or more battle deaths in a year at some point in the last quarter century, although only Bangladesh still had an internal conflict that caused fatalities in 2018.<sup>28</sup>

Political science research also suggests that ethnic or sectarian polarization, while apparently not affecting the likelihood of internal conflict occurring, can increase the intensity of internal conflicts when they occur.<sup>29</sup> The governments of Bangladesh, Bhutan, Cambodia, and Sri Lanka

<sup>25</sup> Szayna et al., *Conflict Trends and Conflict Drivers*, 46–70.

<sup>26</sup> Ibid., 58–61.

<sup>27</sup> The effectiveness of a country's governmental institutions was assessed based on its effectiveness subscore in the Center for Systemic Peace's Fragility Index. For more information, see "State Fragility Index and Matrix 2018," Center for Systemic Peace, INSCR Data Page, <http://www.systemicpeace.org/inscr/SFImatrix2018c.pdf>. Szayna et al., *Conflict Trends and Conflict Drivers* defines a "consolidated democracy" as one assigned a polity score of 8 or greater (on a scale of -10 to 10) by the Center for Systemic Peace's Polity Project, which is available at <http://www.systemicpeace.org/polityproject.html>. All five of these countries had polity scores of 6 or less, and thus none would be considered to be a consolidated democracy. Projected annual economic growth rates for 2020 and 2030 are based on estimates by the International Futures project at the University of Denver, which are available at [http://www.ifs.du.edu/ifs/frm\\_MainMenu.aspx](http://www.ifs.du.edu/ifs/frm_MainMenu.aspx). A country was considered to be experiencing resource stress if more than 5% of its population was malnourished in 2019. Malnourishment rates are based on estimates by the International Futures project. A country was considered to experience a youth bulge between 2020 and 2030 if more than 15% of its population is projected to be between the ages of 15 and 24 in 2025. Percentages of populations between the ages of 15 and 24 are based on the UN Population Division, "World Population Prospects 2019," <https://population.un.org/wpp/DataQuery>. The prospects for internal conflict in the Cook Islands, Kiribati, Maldives, Marshall Islands, Micronesia, Nauru, Niue, Palau, Samoa, Tonga, Tuvalu, and Vanuatu were not assessed because complete data was not available.

<sup>28</sup> "UCDP Conflict Encyclopedia." Bhutan did experience interethnic violence that caused more than 100,000 people to flee to Nepal between 1992 and 1997. See the section on refugee crises, below.

<sup>29</sup> Szayna et al., *Conflict Trends and Conflict Drivers*, 50.

all discriminate against certain ethnic groups, suggesting that if any internal conflicts involving those ethnic groups emerge in these countries, they have the potential to be particularly intense.<sup>30</sup>

In addition to the above five countries, several other countries in the region exhibit at least four of the five country-specific risk factors for internal conflict listed above. These include Myanmar, India, Laos, Papua New Guinea, and Vietnam.<sup>31</sup> Of them, Myanmar and India were experiencing internal conflicts in 2018. None of the other three have had significant internal conflicts since 1996, but all appear to have an elevated risk of doing so in the future.<sup>32</sup>

Four additional countries in the region exhibit three of the five country-specific risk factors for internal conflict listed above: the Philippines, the Solomon Islands, Thailand, and Timor-Leste.<sup>33</sup> Of these, the Philippines and Thailand were experiencing internal conflict in 2018, while the Solomon Islands suffered from ethnic conflict from 1999 to 2003, suggesting that countries with even three of the five country-specific indicators are at significant risk of suffering from internal conflict.<sup>34</sup> **Table 2** and **Figure 2** show the countries identified above as being at relatively high risk for the emergence of new or renewed conflict. It is, of course, possible that internal conflict will occur in countries other than those listed in Table 2. In the past 25 years, for example, significant internal conflict has also occurred in China and Indonesia, neither of which currently exhibits more than two of the above five indicators for internal conflict.<sup>35</sup>

Most of the internal conflicts currently ongoing in the Indo-Pacific involve ethnic minorities seeking greater autonomy or independence. Although such internal conflicts may threaten the territorial integrity of the countries in which they are occurring, the areas affected generally represent a relatively small proportion of the country's total territory and population. Thus, these separatist conflicts do not appear to be likely to result in the overthrow of the national government.

A few of the ongoing internal conflicts, however, are ideologically based and thus have the potential to spread geographically and even ultimately result in the overthrow of the national government. The Philippines, India, and Myanmar, for example, all have Communist insurgencies. None of these insurgencies currently appears to be a serious threat to overthrow the national government, however, and it seems unlikely that a new Communist insurgency that would be such a threat will emerge in the Indo-Pacific in coming years.

A more significant ideological basis for internal conflict in the coming decade could be Islamic fundamentalism. Bangladesh, in particular, has had numerous violent Islamist organizations. In 2013, more than eight hundred people were killed or seriously injured in Bangladesh as a result of attacks by Islamist groups. Although most of this violence was directed against civilians, in 2016 individuals and groups claiming affiliation with the Islamic State began directly attacking government targets. The government of Bangladesh currently appears to be succeeding in containing the Islamic State, but other militant Islamist organizations continue to operate

<sup>30</sup> "Ethnic Power Relations (EPR) Dataset Family 2019," ETH Zurich, Center for Comparative and International Studies, <https://icr.ethz.ch/data/epr>.

<sup>31</sup> "State Fragility Index and Matrix 2018"; "Polity Project"; "International Futures Project"; and UN Population Division, "World Population Prospects 2019."

<sup>32</sup> An internal conflict is considered "significant" if it is included in the "UCDP Conflict Encyclopedia," meaning that there were at least 25 battle-related deaths in at least one year since 1989 (when the project was initiated).

<sup>33</sup> "State Fragility Index and Matrix 2018"; "Polity Project"; "International Futures Project"; and UN Population Division, "World Population Prospects 2019."

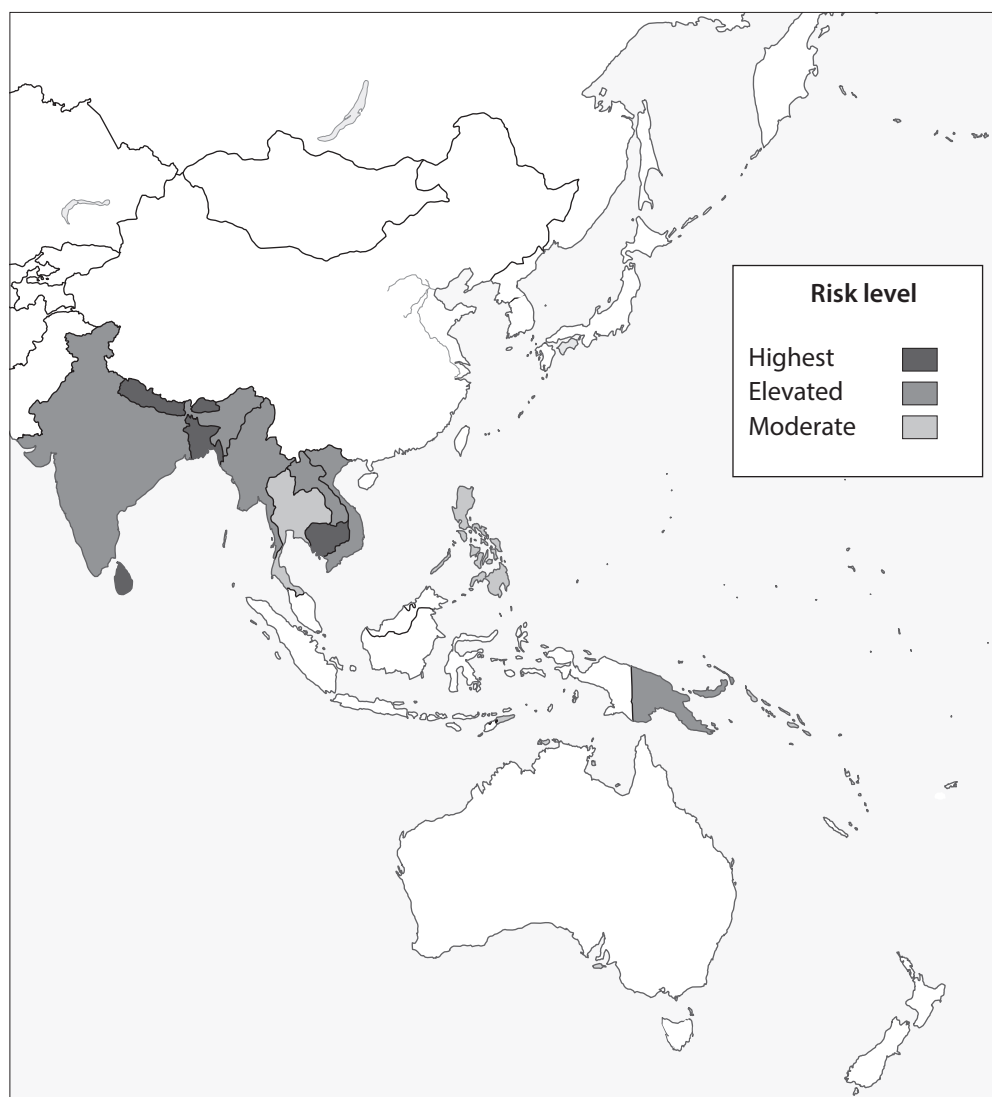
<sup>34</sup> "UCDP Conflict Encyclopedia"; and Kieren McGovern and Bernard Choulai, "Case Study of Solomon Islands Peace and Conflict-Related Development Analysis," UN Development Programme, Human Development Report Office, 2005, [http://hdr.undp.org/sites/default/files/hdr2005\\_mcgovern\\_and\\_choulai\\_33.pdf](http://hdr.undp.org/sites/default/files/hdr2005_mcgovern_and_choulai_33.pdf).

<sup>35</sup> "UCDP Conflict Encyclopedia."

TABLE 2 Countries at relatively high risk for new or renewed internal conflict

Greatest risk	Elevated risk	Moderate risk
Bangladesh	India	Philippines
Bhutan	Laos	Solomon Islands
Cambodia	Myanmar	Thailand
Nepal	Papua New Guinea	Timor-Leste
Sri Lanka	Vietnam	–

FIGURE 2 Countries at the greatest risk for new or renewed internal conflict





in the country.<sup>36</sup> The other four Muslim-majority countries in the Indo-Pacific—Indonesia, Malaysia, Brunei, and Maldives—have been relatively free of Islamist violence in recent years, and none of them exhibits more than two of the above five indicators for internal conflict, although conservative Islamic forces have been strengthening in Indonesia, Malaysia, and Maldives.<sup>37</sup>

It is also possible that an Islamist separatist movement or insurgency, even if it is not a threat to overthrow the government of a country in the region, could create an enclave from which terrorist attacks on the United States or its allies are launched. The government of the Philippines, for example, is fighting an insurgent group that has declared its allegiance to the Islamic State.

### *Potential for the Resolution of Internal Conflict*

Just as the emergence of new internal conflicts in the region could affect U.S. interests, so too could the resolution of existing internal conflicts. Two of the countries in the region that are currently experiencing internal conflicts are U.S. treaty allies (Thailand and the Philippines), and the United States has a broad interest in peace and stability in the region more generally.

As noted in the previous discussion, twenty internal conflicts that had resulted in 25 or more deaths in at least one year since 1993 were still ongoing in 2018 (the most recent year for which complete data is available). Of these, nineteen were insurgencies (that is, conflicts between the government of a country and an armed opposition organization). The other conflict was between an insurgent organization and a breakaway faction of that organization. A study of 89 insurgencies in the 20th and 21st centuries by RAND found that the median conflict lasted ten years and that roughly three-quarters of the insurgencies examined ended after sixteen or fewer years.<sup>38</sup> This suggests that at least some of the four insurgencies in the region that have started since 2009 and were still underway in 2018 will probably have ended by 2030.<sup>39</sup> The RAND study also found, however, that insurgencies that lasted more than sixteen years were likely to continue for an extended period of time, with most still underway a decade later. This suggests that most of the sixteen insurgencies in the region that have been ongoing for more than sixteen years will still be underway in 2030.<sup>40</sup> **Table 3** lists all the insurgencies in the region that were active in 2018 and the year in which the conflict began.

---

<sup>36</sup> Siddhartha Roy, “Bangladesh’s New Generation of Militants,” *Diplomat*, January 29, 2018, <https://thediplomat.com/2018/01/bangladeshs-new-generation-of-militants/>; National Consortium for the Study of Terrorism and Responses to Terrorism, Global Terrorism Database, <https://www.start.umd.edu/gtd/>; and Iftekharul Bashar, “Islamic State Ideology Continues to Resonate in Bangladesh,” Middle East Institute, September 3, 2019, <https://www.mei.edu/publications/islamic-state-ideology-continues-resonate-bangladesh>.

<sup>37</sup> Joshua Kurlantzick, “The Rise of Islamist Groups in Malaysia and Indonesia,” Council on Foreign Relations, Expert Brief, February 27, 2018, <https://www.cfr.org/expert-brief/rise-islamist-groups-malaysia-and-indonesia/>; Meredith L. Weiss, “Islamism in Malaysia: Politics as Usual?” Hoover Institution, Caravan, September 27, 2017, 7–9, <https://www.hoover.org/research/islamism-malaysia-politics-usual>; and “The Other Contagion,” *Economist*, March 21, 2020.

<sup>38</sup> Ben Connable and Martin C. Libicki, *How Insurgencies End* (Santa Monica: RAND Corporation, 2010).

<sup>39</sup> These are the Myanmar National Democratic Alliance Army (Kokang) insurgency in Myanmar, which started in 2009; the Arakan Army insurgency in Myanmar, which began in 2015; and the Islamic State insurgencies in Bangladesh and the Philippines, which began in 2016. As of 2019, both Islamic State insurgencies appeared to be waning, but they had not ended. See Bashar, “Islamic State Ideology Continues to Resonate in Bangladesh”; and Jim Gomez, “President Duterte Ends Martial Law in Philippines Two Years after ISIS Siege,” *Independent*, December 10, 2019, <https://www.independent.co.uk/news/world/asia/rodrigo-duterte-martial-law-philippines-end-islamic-state-isis-mindanao-a9240436.html>.

<sup>40</sup> Connable and Libicki, *How Insurgencies End*, 27–29; and “UCDP Conflict Encyclopedia.” Ten additional conflicts in the region were active at some point in the last ten years, although no incidents were reported for them in 2018.



TABLE 3 Currently active insurgencies in the Indo-Pacific

Insurgent organization	Country	Year insurgency began
Communist Party of the Philippines	Philippines	1946
Karen National Union	Myanmar	1948
Kachin Independence Organisation	Myanmar	1961
Free Papua Movement	Indonesia	1965
Communist Party of India (Maoist)	India	1975
Palaung State Liberation Front	Myanmar	1976
Bangsamoro Islamic Freedom Movement	Philippines	1977
People's Liberation Army of Manipur	India	1978
United Liberation Front of Western South East Asia	India	1979
National Socialist Council of Nagaland-Isak-Muivah	India	1980
Kashmir insurgents	India	1984
National Democratic Front of Boroland	India	1986
Abu Sayyaf Group	Philippines	1991
Restoration Council of Shan State	Myanmar	1996
South Thailand insurgents	Thailand	2003
Myanmar National Democratic Alliance Army	Myanmar	2009
Arakan Army	Myanmar	2015
Islamic State	Bangladesh	2016
Islamic State	Philippines	2016

NOTE: The Communist Party of India (Maoist) was formed in 2004 through the merger of the Maoist Communist Centre of India, which was founded in 1975, and the Communist Party of India (Marxist-Leninist) People's War, which was founded in 1980. The founding year of the Maoist Communist Centre of India, therefore, is used as the year in which the Communist Party of India (Maoist) insurgency began. The Bangsamoro Islamic Freedom Movement broke away from the Moro Islamic Liberation Front in 2010. The founding year of the Moro Islamic Liberation Front (1977), therefore, is used as the year in which the Bangsamoro Islamic Freedom Movement insurgency began. The United Liberation Front of Western South East Asia was formed in 2015 through the merger of the United Liberation Front of Assam (Independent), the Nationalist Socialist Council of Nagaland Khaplang, the Kamtapur Liberation Organization, and the National Democratic Front of Bodoland Songbijit. The founding year of the oldest of these organizations, the United Liberation Front of Assam (1979), therefore, is used as the year in which the United Liberation Front of Western South East Asia insurgency began.

## Regime Change

Regime change refers to a change in a country's system of government, such as the replacement of a hereditary monarchy by a democracy or the replacement of a democracy by a military dictatorship.<sup>41</sup> Depending on the country involved, regime change can have a significant impact on the interests of the United States. The replacement of the hereditary Shah of Iran by an Islamic theocracy in 1979 and the replacement of the Communist governments by democracies in Eastern Europe in 1989 are prominent examples.

Research has identified a number of factors associated with regime change, particularly change from autocracy to democracy or vice versa. One finding is that prosperous democracies rarely, if ever, revert to autocracy.<sup>42</sup> In the Indo-Pacific region, Japan, South Korea, Taiwan, Australia, and New Zealand, with per capita incomes in purchasing power parity (PPP) of at least \$40,000 in 2018, clearly fall into this category. Malaysia is also a relatively prosperous democracy, with a per capita income in PPP of more than \$30,000 in 2018.<sup>43</sup> None of the other thirteen democracies in the region with populations of at least 500,000 would be described as prosperous. Among them, the highest per capita income in PPP in 2018 was Sri Lanka's, which at \$13,400 is less than Thailand's per capita income was at the time of Thailand's 2006 and 2014 coups.<sup>44</sup> Thus, based on their low levels of economic development, these countries appear to be at some risk for becoming autocracies.<sup>45</sup>

Another way of estimating the prospects for regime change in the region's democracies is the Center for Systemic Peace's State Fragility Index. This index reflects the organization's assessment of a government's "capacity to manage conflict, make and implement public policy, and deliver essential services," as well as its "systemic resilience in maintaining system coherence, cohesion, and quality of life, responding effectively to challenges and crises, and sustaining progressive development."<sup>46</sup> According to this index, Japan, South Korea, Malaysia, Australia, Taiwan, and New Zealand are the least fragile democracies in the Indo-Pacific.<sup>47</sup> These are the same six countries that would be regarded as being least prone to regime change based on the finding that prosperous democracies rarely, if ever, revert to autocracy. The remaining democracies in the region, however, are all assessed to have higher degrees of fragility. Indeed, the Center for Systemic Peace assesses all of them except for Fiji as being at least as fragile as Thailand was at the

<sup>41</sup> Changes from one form of democracy to another form, such as France's replacement of the Fourth Republic with the Fifth Republic in 1958, are not considered regime changes here.

<sup>42</sup> Barbara Geddes, "What Causes Democratization?" in *Oxford Handbook of Political Science*, ed. Robert E. Goodin (Oxford: Oxford University Press, 2011) 320, <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199604456.001.0001/oxfordhb-9780199604456-e-029>. A study published in 1997 found that no democracy with a per capita income of more than \$12,250 (in 2018 PPP dollars) had ever collapsed back into autocracy. For more information, see Adam Przeworski and Fernando Limongi, "Modernization: Theory and Facts," *World Politics* 49 (1997): 165. However, Thailand was a democracy with a per capita income of \$14,650 (in 2018 PPP dollars) at the time of its 2006 coup and of \$18,000 at the time of its 2014 coup. International Monetary Fund (IMF), World Economic Outlook Database, April 2019, <https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx>. Hungary had a per capita income of \$34,000 in 2019, and some believe that it has now become a dictatorship. See Ishaan Tharoor, "Coronavirus Kills Its First Democracy," *Washington Post*, March 31, 2020, <https://www.washingtonpost.com/world/2020/03/31/coronavirus-kills-its-first-democracy>.

<sup>43</sup> This assessment appears to have been borne out by the May 2018 election in Malaysia, which marked the first time the Barisan Nasional coalition had been defeated since Malaysia's independence in 1957, and yet resulted in a peaceful and smooth transfer of power to the opposition coalition. Shannon Teoh and Trinna Leong, "Mahathir Sworn in as Malaysia's 7th Prime Minister," *Straits Times*, May 11, 2018, <https://www.straitstimes.com/asia/se-asia/mahathir-sworn-in-as-malaysias-7th-prime-minister>.

<sup>44</sup> As noted in an earlier footnote, Thailand's per capita income in 2018 PPP dollars was \$14,650 in 2006 and \$18,000 in 2014, according to the World Economic Outlook Database.

<sup>45</sup> Per capita income estimates are derived from the World Economic Outlook Database.

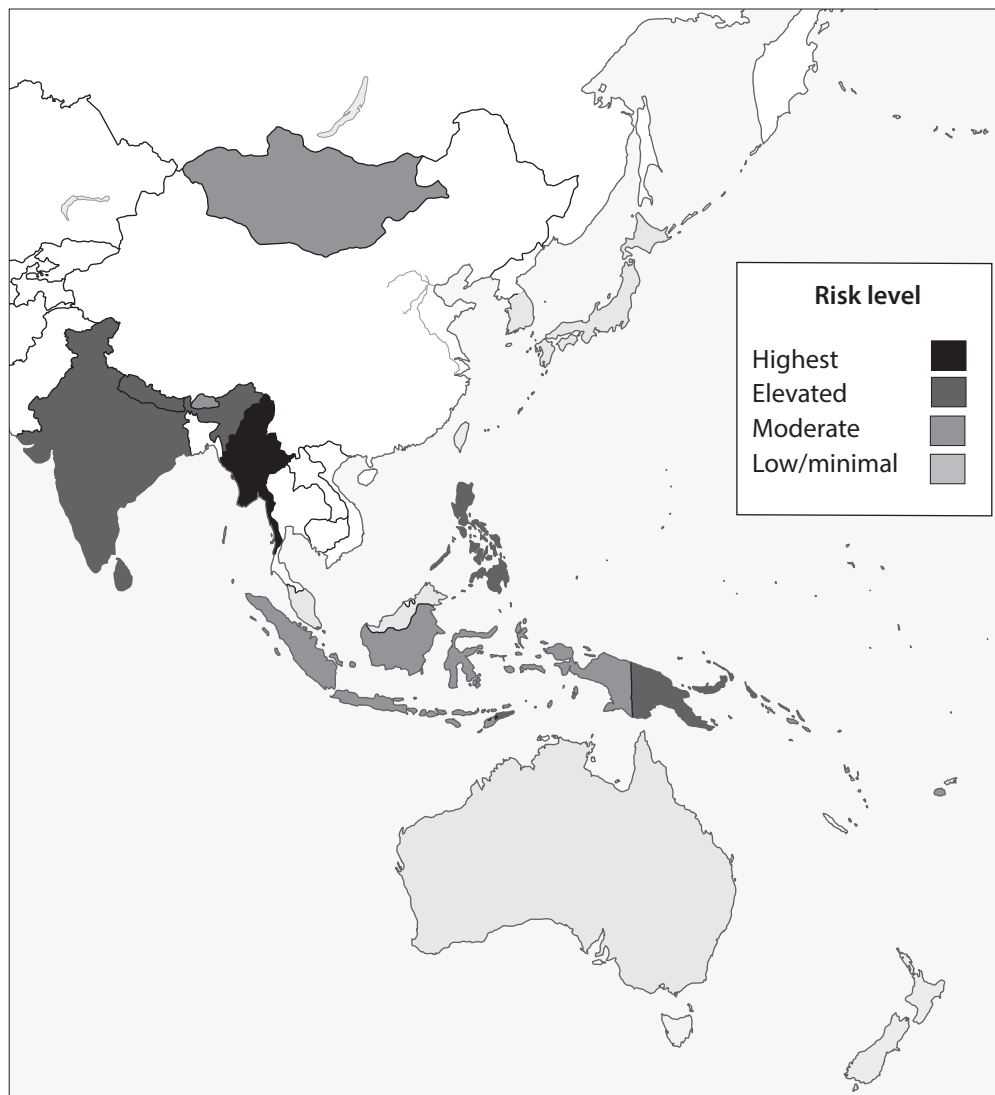
<sup>46</sup> "State Fragility Index and Matrix 2018."

<sup>47</sup> Ibid.

time of its 2014 coup.<sup>48</sup> **Figure 3** shows the apparent risk of regime change in the democracies of the Indo-Pacific based on their levels of prosperity and fragility.

If regime change were to occur in one of the democracies of the Indo-Pacific, a variety of forms of autocracy could replace democracy. These include governments led by individual strongmen, military juntas, and single-party rule. In addition, as noted in the previous section, conservative Islamic forces appear to be strengthening in Indonesia. Thus, it is conceivable that if regime change were to occur, an Islamist autocracy could assume power.<sup>49</sup> Finally, regime change could also come in the form of state failure, whereby a central government loses its ability to exert control over most of a country's territory and no other regime takes its place.

**FIGURE 3** Regime change risk of Indo-Pacific democracies



<sup>48</sup> "State Fragility Index and Matrix 2018"; and "State Fragility Index and Matrix, Time-Series Data, 1995–2018," INSCR Data Page, Center for Systemic Peace, <http://www.systemicpeace.org/inscr/SFIv2018.xls>.

<sup>49</sup> Kurlantzick, "The Rise of Islamist Groups."

Research has identified a number of indicators relevant to the prospects for democratization in the eight autocracies in the region that have populations of at least 500,000. One finding is that, with the apparent exception of countries that derive the majority of their income from fossil fuel extraction, countries with higher per capita incomes are more likely to democratize than countries with lower per capita incomes.<sup>50</sup> Conversely, everything else being equal, autocracies that have more equal income distribution tend to be longer-lived than those that do not. A third finding is that the greater the proportion of an autocratic country's neighbors that are democratic, the greater the likelihood is that the autocracy will transition to democracy. Related to this is a finding that membership in regional international organizations in which most other members are democracies also increases the likelihood of democratization. A fifth relevant finding is that autocracies that are run by professionalized militaries tend to be shorter-lived than other kinds of autocracies, and that when the military steps down from power, their successors are nearly always chosen through competitive elections. Autocracies that are ruled by hegemonic parties or hereditary monarchies, on the other hand, tend to be longer-lived than other types of autocracies. Political science research has also found, however, that if a hegemonic party is unable to maintain its monopoly on power, its members prefer that one-party rule be replaced by a democratic government. Autocracies in which power has been personalized under an individual, by contrast, are more likely to be replaced by a new dictatorship than by a democracy.<sup>51</sup>

By these measures, Thailand, Singapore, and China appear to be the strongest candidates to experience a democratic transition over the next decade. Per capita income in Thailand is projected to reach about \$25,000 in 2016 PPP dollars by 2030, which will make Thailand an upper-middle-income country.<sup>52</sup> It is also a member of the Asia-Pacific Economic Cooperation (APEC), most of whose members are democracies.<sup>53</sup> These indicators suggest that Thailand is relatively likely to return to some form of democracy in coming years.<sup>54</sup>

By some measures, Singapore is an even stronger candidate for democratization. It had a per capita income of over \$100,000 in PPP in 2018, one of the highest in the world.<sup>55</sup> Singapore's two immediate neighbors, Malaysia and Indonesia, are both democracies, and Singapore is also a member of APEC.<sup>56</sup> Singapore is, however, ruled by a hegemonic party, and its government is assessed to have a low degree of fragility.<sup>57</sup>

<sup>50</sup> Geddes, "What Causes Democratization?" 317, 320, 335. The effect of per capita income on the likelihood of a transition from autocracy to full democracy appears to be small, but the effect on the likelihood of a transition from autocracy to partial democracy or from partial democracy to full democracy appears to be greater.

<sup>51</sup> Ibid., 321, 323, 328–29, 334–35.

<sup>52</sup> John Hawksworth, Hannah Audino, and Rob Clarry, "The Long View: How Will the Global Economic Order Change by 2050?" PwC, 2017, <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>; and UN Population Division, "World Population Prospects 2019."

<sup>53</sup> "Member Economies," APEC, <https://www.apec.org/About-Us/About-APEC/Member-Economies>.

<sup>54</sup> Precisely what type of autocracy Thailand is currently is unclear. A military junta seized power in 2014. Parliamentary elections were held in March 2019, and the prime minister elected afterward is nominally a civilian. Yet he was commander in chief of the Royal Thai Army at the time it overthrew the civilian government in 2014 and retired from the army only after being appointed prime minister later that year. His re-election as prime minister in 2019 came after a parliamentary election that the military junta was widely viewed as having rigged to ensure his victory. Meanwhile, Thailand's king exerts significant influence over politics in Thailand and recently has been asserting greater control over the army as well. Thus, Thailand has characteristics both of a country run by a professionalized military and of a hereditary monarchy. See "The Leader of the Thai Junta Tortures the Rules to Remain in Power," *Economist*, June 6, 2019, <https://www.economist.com/asia/2019/06/06/the-leader-of-the-thai-junta-tortures-the-rules-to-remain-in-power>; and "Relations between Thailand's Army and King Are Becoming One-Sided," *Economist*, September 4, 2019, <https://www.economist.com/asia/2019/09/05/relations-between-thailands-army-and-king-are-becoming-one-sided>.

<sup>55</sup> IMF, World Economic Outlook Database.

<sup>56</sup> "Member Economies."

<sup>57</sup> "State Fragility Index and Matrix 2018."

Like Thailand, China is expected to be an upper-middle-income country by 2030, with per capita incomes projected to reach \$26,000. It is also a member of APEC.<sup>58</sup> Unlike Thailand, moreover, China has a high degree of income inequality, with its Gini coefficient being the highest in the Indo-Pacific.<sup>59</sup> On the other hand, China is ruled by a hegemonic party, and its government is assessed to be only moderately fragile.<sup>60</sup> Thus, democratization or another form of regime change appears to be relatively unlikely for China in coming years.<sup>61</sup>

Democratization prospects for Bangladesh, Vietnam, Laos, Cambodia, and North Korea appear to be dimmer than for Thailand, Singapore, and China. All are poor countries with per capita incomes probably less than \$8,000 in PPP in 2018.<sup>62</sup> Except in the case of Bangladesh, almost all of their neighbors are autocracies, and only Bangladesh and Vietnam appear to be members of a regional international organization whose members are mostly democracies.<sup>63</sup> In addition, both Laos and Vietnam are ruled by hegemonic parties, which tend to be longer-lived than other types of autocratic regimes.<sup>64</sup> The regime in Laos, however, is assessed to be relatively fragile, and thus may be more likely to fall in the future than Vietnam's.<sup>65</sup> As noted above, moreover, when hegemonic parties are no longer able to retain their hold on power, they are often replaced by democracies. Thus, if Laos does experience regime change, it will likely become a democracy.<sup>66</sup> In both Bangladesh and Cambodia, power is personalized under an individual, and both regimes are assessed as being relatively fragile, suggesting that they may be more likely than the other autocracies in the region to experience regime change over the next decade.<sup>67</sup> Regimes in which power has been personalized under an individual are most likely to be replaced by another dictatorship rather than by a democracy. Nonetheless, Bangladesh's prospects for becoming a democracy are probably somewhat better than Cambodia's because both of its immediate neighbors (India and Myanmar) are democracies and because it is a member of regional international organizations whose members are mostly democracies.

North Korea could be regarded as ruled by a hegemonic party, but in some ways it more closely resembles a hereditary monarchy. Although nominally led by the Workers' Party of Korea, in practice North Korea has been ruled by founding leader Kim Il-sung and his descendants for its entire history. Both hegemonic party regimes and hereditary monarchies tend to be longer-lived

<sup>58</sup> Hawksworth et al., "The Long View"; UN Population Division, "World Population Prospects 2019"; and "Member Economies."

<sup>59</sup> "Measuring Inequality," World Bank, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238991~menuPK:492138~pagePK:148956~piPK:216618~theSitePK:430367,00.html>; and "GINI Index (World Bank Estimate)," World Bank, <https://data.worldbank.org/indicator/SI.POV.GINI>. The World Bank estimated China's Gini coefficient to be 42.2 (in 2012). It estimated the Gini coefficients for Laos, Thailand, and Vietnam to be 36.4 (in 2013), 36.0 (in 2015), and 35.3 (in 2016), respectively. Gini coefficient estimates for Cambodia, North Korea, and Singapore were not available. The country in the region with the lowest estimated Gini coefficient is Timor-Leste at 28.7 (in 2014), followed by South Korea (31.6 in 2012), and Japan (32.1 in 2008).

<sup>60</sup> "State Fragility Index and Matrix 2018."

<sup>61</sup> In addition to democracy and various forms of autocracy, regime change in any of these countries could also result in state failure.

<sup>62</sup> IMF, World Economic Outlook Database. Reliable per capita income estimates for North Korea are not available, but satellite observations suggest that it may be among the poorest countries in the world. For further discussion, see "Satellite Data Shed New Light on North Korea's Opaque Economy," *Economist*, May 4, 2019.

<sup>63</sup> Besides Bangladesh, which borders India and Myanmar, both of which are democracies, the only other country in this group with a neighbor that is a democracy is Laos, which shares a border with Myanmar, but also with China, Vietnam, and Cambodia, which are not democracies. Vietnam is a member of APEC, and Bangladesh is a member of the South Asian Association for Regional Cooperation, whose other members are Afghanistan, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka; the Bay of Bengal Programme, whose other members are India, Sri Lanka, and Maldives; and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, whose other members are India, Thailand, Myanmar, Nepal, Sri Lanka, and Bhutan.

<sup>64</sup> Geddes, "What Causes Democratization?" 334.

<sup>65</sup> The Center for Systemic Peace assessed Laos as having a fragility index of 12 (on a scale of 0–25, where 25 is most fragile) as of December 31, 2018, comparable to that of Kyrgyzstan or Zambia. Vietnam was assessed as having a fragility index of 7, comparable to that of China or Mongolia. See "State Fragility Index and Matrix 2018."

<sup>66</sup> Geddes, "What Causes Democratization?" 334.

<sup>67</sup> "State Fragility Index and Matrix 2018."

than other types of autocratic regimes, however.<sup>68</sup> North Korea is also not a member of any significant regional international organizations whose members are mostly democracies, and the fragility of the Kim regime is assessed as being only moderate, comparable to that of China, Mongolia, or Vietnam.<sup>69</sup> Thus, there is little evidence to suggest that regime change, much less democratization, is imminent in North Korea. As noted in chapter 3, however, if speculation about North Korean leader Kim Jong-un being in poor health is accurate, it is possible that he could die at some point in the next decade. If that were to happen, it is possible that it could trigger a succession crisis that ultimately results in regime change. **Figure 4** illustrates the democratization prospects of the region's autocracies.

**FIGURE 4** Democratization prospects of Indo-Pacific autocracies



<sup>68</sup> Geddes, "What Causes Democratization?" 334.

<sup>69</sup> "State Fragility Index and Matrix 2018."



## Financial Crises

A financial crisis is a disturbance to financial markets that disrupts their capacity to allocate capital.<sup>70</sup> Such crises are significant because they often trigger recessions, and those recessions tend to be more severe and last longer than normal business cycle recessions.<sup>71</sup>

Financial crises may be grouped into four broad categories, although individual crises may involve more than one category: currency crises, balance-of-payments crises, debt crises, and banking crises. A currency crisis results from a speculative attack on a country's currency that causes a devaluation of the currency or else forces the authorities to defend the exchange rate by expending large amounts of foreign exchange reserves, by sharply raising interest rates, or by imposing capital controls. A balance-of-payments crisis is the result of a sudden fall in international capital inflows to, or a sudden increase in capital outflow from, a country.<sup>72</sup>

Debt crises can be foreign debt crises or domestic public debt crises. A foreign debt crisis is when a country, or private entities within the country, stop paying back its foreign debt. A domestic public debt crisis is when a country stops honoring its domestic fiscal obligations (e.g., government bonds) by defaulting on them, by deliberate inflation that debases the value of the debt, or by other means. A banking crisis is when bank failures or bank runs cause banks to stop allowing savers to withdraw their money or cause the government to intervene on a large scale to prevent this.<sup>73</sup>

A financial crisis in the Indo-Pacific would be a significant event not only because it might affect the U.S. economy, but also because it could cause a severe recession that destabilized governments in the region, leading to revolutions or repression.<sup>74</sup> In addition, as noted earlier in this chapter, countries that undergo a significant slowdown in economic growth are more likely to experience internal conflict.<sup>75</sup>

Financial crises are frequent occurrences. One study identified at least 452 instances worldwide between 1970 and 2011 in which a country experienced a financial crisis, implying that an average of eleven such crises occurred per year.<sup>76</sup> Within the past quarter century, two financial crises have had a major effect on the Indo-Pacific region in particular: the 1997 Asian financial crisis and the 2007–8 global financial crisis. Unfortunately, financial crises are difficult to predict more than a year or so in advance.<sup>77</sup> Thus, while it is highly possible that another major financial crisis could strike the Indo-Pacific at some point over the next decade, it is impossible at this time to predict when it will occur or what countries will be affected.<sup>78</sup>

---

<sup>70</sup> Barry Eichengreen and Richard Portes, "The Anatomy of Financial Crises," National Bureau of Economic Research, Working Paper, no. 2126, January 1987, 1–2, <https://www.nber.org/papers/w2126.pdf>.

<sup>71</sup> Stijn Claessens and M. Ayhan Kose, "Financial Crises: Explanations, Types, and Implications," IMF, Working Paper, 2013, 3–4, 11–12; and Luc Laeven and Fabian Valencia, "Systemic Banking Crises: A New Database," IMF, Working Paper, 2008, 28. This chapter does not discuss normal business cycle recessions because they are a regular feature of the world economy. Although they may make other types of events more likely (as noted elsewhere in this chapter), they are not by themselves major events unless accompanied by a financial or other type of crisis. Likewise, the current recession is considered to be one of the consequences of a major event—the Covid-19 pandemic—as opposed to being a major event itself. Pandemics are considered in the following section on natural disasters.

<sup>72</sup> Claessens and Kose, "Financial Crises," 11–12.

<sup>73</sup> *Ibid.*, 12.

<sup>74</sup> Geddes, "What Causes Democratization?" 324.

<sup>75</sup> Systematic statistical analyses have not, however, found a relationship between recessions and the incidence of interstate conflict. See Szayna et al., *Conflict Trends and Conflict Drivers*, 52–55, 71; and Geller and Singer, *Nations at War*, 49.

<sup>76</sup> Laeven and Valencia, "Systemic Banking Crises," 27, 60. Note that this study counted each country separately: if a crisis spread from one country to other countries, each country that experienced a crisis would be counted as a separate instance.

<sup>77</sup> Claessens and Kose, "Financial Crises," 31–34.

<sup>78</sup> The current economic downturn caused by the Covid-19 pandemic, while significant, has not, as of this writing, resulted in a currency crisis, balance-of-payments crisis, debt crisis, or banking crisis, and therefore is not a financial crisis.



If a financial crisis does occur, the developing economies of the Indo-Pacific are likely to be more severely affected than the advanced economies, as this is the typical pattern (although advanced economies were more severely affected during the 2007–8 global financial crisis). Over the duration of a crisis, lost economic output typically amounts to about 30% of an average year's output, and seven years after the crisis annual output levels are typically about 10% lower than they would have been if pre-crisis trends had continued. Thus, a financial crisis could significantly disrupt the economic growth trajectory and potentially precipitate regime change in rising powers such as China, India, or Indonesia, as well as other vulnerable countries such as Myanmar, Bangladesh, the Philippines, or Nepal.<sup>79</sup>

## Natural Disasters

The Indo-Pacific region is highly prone to natural disasters, including weather-related disasters such as typhoons, cyclones, and floods; geophysical disasters such as earthquakes, tsunamis, and volcanic eruptions; and biological disasters such as severe acute respiratory syndrome (SARS), avian influenza, and, most recently, coronavirus disease (Covid-19).<sup>80</sup> Each year on average more than 170 million people in the region are affected to some degree by a natural disaster and more than 30,000 are killed. Natural disasters on average also cause more than \$30 billion in economic damage each year.<sup>81</sup>

In addition to their immediate human and economic impact, moreover, natural disasters can have long-term economic, social, cultural, and environmental effects. Businesses, particularly small businesses that lack disaster insurance or other forms of financial resiliency, may be forced to shut down permanently, and frequent natural disasters can trap poor households in poverty. People who were affected by natural disasters in childhood, infancy, or even in utero have worse health and less educational attainment and wealth when they become adults than those who were not affected. These effects can propagate across generations, with children born to women who were exposed in childhood or in utero to natural disasters having lower birth weight and educational attainment than those born to mothers who were not exposed.<sup>82</sup>

In addition, although the direct impact of natural disasters tends to be localized, the indirect effects can propagate more widely. The combination of an earthquake in Japan and flooding in Thailand in 2011, for example, caused severe shortages at firms in the United States and Europe that relied on components from the affected areas. The shortages caused these firms to slow or even stop production of products requiring those components, which in turn resulted in a loss of orders by those firms to other suppliers located elsewhere in the world.<sup>83</sup>

Another way in which the effects of disasters can propagate to distant locations is through migration. In 2017, 11.4 million people were displaced internally because of natural disasters in East and South Asia. The World Bank has estimated that by 2050 60 million people in South Asia alone will be internally displaced as a result of climate change. People displaced by disasters often

<sup>79</sup> Claessens and Kose, "Financial Crises," 28–29.

<sup>80</sup> Beh Lih Yi, "FACTBOX-Asia-Pacific: The World's Most Disaster-Prone Region," Thomson Reuters Foundation, <http://news.trust.org/item/20171010030737-rqs41>.

<sup>81</sup> Asian Development Bank (ADB), *Asian Development Outlook 2019: Strengthening Disaster Resilience* (Manila: ADB, 2019), 61, <https://www.adb.org/sites/default/files/publication/492711/ado2019.pdf>.

<sup>82</sup> *Ibid.*, 74–81.

<sup>83</sup> *Ibid.*, 82–83.

migrate to urban areas, where they are vulnerable to flooding, heat stress, and epidemics. Migrants can worsen congestion or increase competition for jobs and basic amenities in these urban areas, resulting in a deterioration of social order as well.<sup>84</sup>

Natural disasters can also have political effects. Studies have found that more frequent and more severe disasters increase the likelihood of antigovernment demonstrations and internal conflict such as riots, insurgencies, and coups. Democracies and weak authoritarian regimes are particularly vulnerable to such effects. Conversely, natural disasters can sometimes precipitate the resolution of conflicts. A 2005 peace accord between the Indonesian government and separatists in Aceh Province was reached after 30 years of conflict as a direct result of the destruction caused by a tsunami in December 2004.<sup>85</sup>

**Table 4** shows the average annual frequency and impact of natural disasters in the Indo-Pacific countries that are most prone to such events. **Table 5** shows the nineteen disasters in the region between 1994 and 2019 that caused more than two thousand fatalities, including six that caused

**TABLE 4** Average annual impact of natural disasters in the most-affected Indo-Pacific countries, 1994–2019

Country	Number	Deaths	Affected (thousands)	Damages (\$ millions)
Australia	5.4	37	232	1,624
Bangladesh	7.4	651	5,876	512
Cambodia	1.5	90	902	54
China	26.8	4,361	102,909	20,004
India	16.1	4,337	48,223	3,485
Indonesia	13.0	7,356	882	1,253
Japan	6.6	931	225	18,801
North Korea	1.7	23,546*	2,061	910
Myanmar	2.0	3,310	257	181
Nepal	3.1	597	430	235
Philippines	14.8	1,052	6,530	878
Sri Lanka	2.8	1,452	730	154
Thailand	4.3	455	3,638	1,958
Vietnam	6.9	460	2,100	836

**NOTE** Asterisk indicates value includes the famine of 1995–2002, a combined natural and man-made disaster that killed an estimated 600,000 people.

<sup>84</sup> ADB, *Asian Development Outlook 2019*, 84–87.

<sup>85</sup> Zahidul Arefin Choudhury, “Politics of Natural Disaster : How Governments Maintain Legitimacy in the Wake of Major Disasters, 1990–2010” (PhD diss., University of Iowa, 2013), v, 60–62, 308–12, <https://doi.org/10.17077/etd.wau3elgf>; Ryan E. Carlin, Gregory J. Love, and Elizabeth J. Zechmeister, “Natural Disaster and Democratic Legitimacy: The Public Opinion Consequences of Chile’s 2010 Earthquake and Tsunami,” *Political Research Quarterly* 67, no. 1 (2014): 3–15; and ADB, *Asian Development Outlook 2019*, 81–82. There is some evidence that different types of natural disasters have different types of political effects. Landslides, earthquakes, and volcanic eruptions appear to be more likely to cause political crises than floods, extreme temperatures, storms, and epidemics. See Choudhury, “Politics of Natural Disaster,” 60–61.

TABLE 5 Major natural disasters in the Indo-Pacific, 1994–2019

Year	Countries affected	Type of disaster	Fatalities
1995	Japan	Earthquake	5,297
1996	China	Flood	4,091
1998	China	Flood	4,250
1998	India	Cyclone	3,471
1998	Papua New Guinea	Earthquake and tsunami	2,182
1999	India	Cyclone	9,748
2001	India, Pakistan	Earthquake	20,017
2004	Indonesia, Sri Lanka, India, Thailand	Tsunami	200,000+
2005	India, Pakistan, Afghanistan	Earthquake	74,653
2006	Indonesia	Earthquake	6,592
2007	Bangladesh	Cyclone	4,275
2008	Myanmar	Cyclone	138,366
2008	China	Earthquake	87,564
2010	China	Earthquake	2,977
2011	Japan	Earthquake and tsunami	19,848
2013	India	Flood	6,453
2013	Philippines	Cyclone	7,415
2015	Nepal	Earthquake	8,969
2018	Indonesia	Earthquake and tsunami	3,989

more than ten thousand fatalities. Based on the historical frequency and severity of natural disasters and the regime types of the countries affected, Thailand, India, Indonesia, and the Philippines appear to be most vulnerable to internal conflict precipitated by natural disasters. Indeed, it may not be a coincidence that there are insurgencies ongoing in each of these countries.<sup>86</sup>

It is not possible at this time to assess the long-term effects of the Covid-19 pandemic in the Indo-Pacific. As of April 2020, most reported cases and deaths were in Europe and North America, even when compared to China, the country of origin. Given the lack of widespread testing capabilities and underdeveloped medical systems in many Indo-Pacific countries, however, it seems likely that Covid-19 had spread more widely in the region than was initially recognized, and that many more cases and fatalities would be recorded in coming months. The long-term human, economic, social, and political effects of this pandemic are impossible to estimate at this point.<sup>87</sup>

<sup>86</sup> Center for Research on the Epidemiology of Disasters, International Disaster Database, <https://public.emdat.be>; and ADB, *Asian Development Outlook 2019*, 62.

<sup>87</sup> “Mapping the Worldwide Spread of the Coronavirus,” *Washington Post*, <https://www.washingtonpost.com/graphics/2020/world/mapping-spread-new-coronavirus>.

According to the Asian Development Bank, the population and the economic, social, cultural, and environmental assets that are located within areas of the Indo-Pacific that are most likely to experience natural disasters are increasing rapidly. This is partly a result of population growth and economic development, but it is also the result of socioeconomic trends that are concentrating people and assets in high-risk locations, such as coastal megacities.<sup>88</sup> In addition, as noted in chapter 2, global warming is expected to cause an increase in the frequency of periods of unusually hot weather and in the frequency and intensity of floods in South and Southeast Asia.<sup>89</sup> As a result, natural disasters may be even more frequent in the Indo-Pacific in the coming decade than they have been in years past, and the economic damage caused by these disasters is projected to increase markedly. The number of fatalities caused by natural disasters may gradually decrease over time, however, as economic development will increase the capacity of countries in the region to respond to disasters.<sup>90</sup>

In addition to the direct and indirect effects of natural disasters, as a global leader the United States is often expected to lead the international response. Each year the Office of U.S. Foreign Disaster Assistance responds to an average of 65 disasters in more than 50 countries throughout the world, and the U.S. government spends more than \$7 billion each year on overseas disaster assistance. The U.S. military is often called on to transport personnel and supplies, provide medical assistance, and help with search-and-rescue efforts.<sup>91</sup>

## Refugee Crises

Traumatic events can cause large numbers of people to flee their homes. This can be a result of interstate wars, internal conflicts, and natural disasters, but also of communal violence, persecution, and other circumstances. When such people leave their country of residence and flee to another country, they are referred to as refugees. If they remain within the borders of their countries of residence, they are referred to as internally displaced people. In either case, the displacement of large numbers of people can become a humanitarian emergency that requires assistance from the international community.<sup>92</sup>

Large-scale movements of refugees and internally displaced people can have a significant impact on the countries and localities that they flee to. Refugees compete with local citizens for basic resources such as land, water, housing, food, and educational and medical services and put stress on the local energy, transportation, and sanitation infrastructure. International emergency

---

<sup>88</sup> ADB, *Asian Development Outlook 2019*, 59, 70.

<sup>89</sup> Intergovernmental Panel on Climate Change, “Global Warming of 1.5°C,” 189–204. The future impact of global climate change on the frequency and intensity of other weather-related disasters in the Indo-Pacific, such as droughts or tropical cyclones, is currently unclear. There does not appear to be any evidence to suggest that the frequency of earthquakes, tsunamis, or volcanic eruptions in the region is likely to change in the future.

<sup>90</sup> ADB, *Asian Development Outlook 2019*, 61, 71.

<sup>91</sup> Office of U.S. Foreign Disaster Assistance, USAID website, May 7, 2019, <https://www.usaid.gov/who-we-are/organization/bureaus/bureau-democracy-conflict-and-humanitarian-assistance/office-us>; Foreign Assistance.gov, <https://www.foreignassistance.gov>; and “Humanitarian Assistance and Disaster Relief,” Health.mil, <https://www.health.mil/Military-Health-Topics/Health-Readiness/Global-Health-Engagement/Humanitarian-Assistance-and-Disaster-Relief>.

<sup>92</sup> Internally displaced people are not referred to as refugees because refugees are entitled to aid and special protections under the 1951 Convention Relating to the Status of Refugees, the 1967 Protocol Relating to the Status of Refugees, and other international conventions, whereas internally displaced people are not entitled to any special protections under international law. The United Nations also does not recognize people who are fleeing natural disasters or famines to be refugees or internally displaced people. Consequently, Table 6 does not include events in which large numbers of people were displaced due to natural disasters. For more information, see “What Is a Refugee?” UN High Commissioner for Refugees (UNHCR), <https://www.unhcr.org/refugee-facts/what-is-a-refugee>.

aid can ease some of these pressures, but can also cause price rises for land, housing, building materials, food, and other commodities, making life more difficult for local citizens. International aid agencies that hire skilled local staff such as doctors and nurses to serve the refugees can cause these skills to become less available to the local population. Large population displacements can also cause environmental problems such as erosion, decreased soil fertility, landslides, groundwater contamination, and widespread denudation as refugees forage for wood for hut construction, cooking, and heating.<sup>93</sup>

If refugees or internally displaced people are from the same ethnic group as the population of the area into which they have fled, they may be treated with tolerance and sympathy. If not, however, then friction may arise. Refugees may be seen as worsening crime and social order, or as receiving treatment and amenities that are not available to the local population. These perceptions can cause local hostility toward or conflict with the refugees.<sup>94</sup>

Refugee flows can have significant political effects. They can alter the ethnic composition of the host country, destabilizing its political balance, and refugees may exert undue influence over relations between their host country and their country of origin. They may also be seen by the government of their country of origin or their host country (or both) as supporting terrorists or ethnic separatists. Such militants may indeed hide amongst refugees, using their settlements as extraterritorial sanctuaries. This, in turn, can prompt the country from which they have fled to threaten the host country or even to launch attacks into its territory. Three of the militarized international disputes listed in Table 1 are of this variety.<sup>95</sup>

Population displacements in the Indo-Pacific affect U.S. interests. Aside from the possibility of provoking or exacerbating interstate or intrastate conflict, they can place a heavy burden on the economies, societies, and governments of U.S. allies and partners in the region. In addition, a large proportion of Indo-Pacific refugees ultimately end up being resettled in the United States. Between 1993 and 2018, for example, roughly 1.6 million people in the region became refugees. Over the same time period, nearly 500,000 refugees from the region were admitted to the United States.<sup>96</sup>

As shown in **Table 6**, in the past quarter century there have been numerous occasions when 10,000 or more people in the Indo-Pacific have been displaced by conflict, persecution, or other events, including several that have resulted in the displacement of more than 100,000 people. The frequency of these displacements has not diminished over the past quarter century. Thus, it seems likely that large-scale population displacements will continue to occur once every year or so on average in the Indo-Pacific in the coming decade.

All of the events shown in Table 6 are the result of either separatist conflicts or persecution of ethnic minorities. This suggests that major population displacements are likely to occur in the future in countries in which there is a separatist conflict or in which ethnic minorities are persecuted. India, Indonesia, the Philippines, Thailand, and Myanmar are all already

<sup>93</sup> UNHCR Standing Committee, "Social and Economic Impact of Large Refugee Populations on Host Developing Countries," January 6, 1997, <https://www.unhcr.org/en-us/excom/standcom/3ae68d0e10/social-economic-impact-large-refugee-populations-host-developing-countries.html>. International aid can also be a boon for local citizens, however, by providing increased demand for goods and services that locals provide and improvements to local facilities and infrastructure. In addition, refugees themselves may bring valuable skills and knowledge, such as medical training, education, or new agricultural techniques.

<sup>94</sup> Ibid.; and Gil Loescher, *Refugee Movements and International Society*, Adelphi Paper 268 (London: Brassey's, 1992), 41–42, 48–49.

<sup>95</sup> Loescher, *Refugee Movements and International Society*, 41, 46–50.

<sup>96</sup> UNHCR, Populations Statistics Database, <http://popstats.unhcr.org/en/overview>; and U.S. Department of State, Refugee Processing Center, "Refugee Admissions Report," March 30, 2020, <https://www.wrapsnet.org/admissions-and-arrivals>. The refugees who were admitted to the United States were not necessarily all from the 1.6 million people who became refugees during this time period. There is often a period of several years between when a person becomes a refugee and when they are admitted to the United States.

TABLE 6 Major population displacements in the Indo-Pacific, 1993–2018

Time period	Country of origination	Country of arrival	Number of people	Cause
1992–97	Bhutan	Nepal	100,000+	Interethnic conflict in Bhutan
1993–2018	Vietnam	China	30,000+ (adding to 280,000 already in China)	Persecution of ethnic Chinese in Vietnam
1995–97	Myanmar	Thailand	20,000+ (adding to 80,000 already in Thailand)	Conflict between Myanmar government and separatist groups
1998–2001	Sri Lanka	Sri Lanka	500,000+ (adding to 200,000 already displaced)	Conflict between Sri Lankan government and Tamil separatists
1999–2002	Indonesia (East Timor)	Indonesia (West Timor)	250,000	East Timorese vote for independence
2000–2006	Myanmar	Thailand	30,000 (adding to 100,000 already in Thailand)	Conflict between Myanmar government and separatist groups
2003–5	Indonesia	Malaysia	~20,000	Conflict between Indonesian government and separatists in Aceh
2003–18	Myanmar	Malaysia	90,000+	Persecution of Muslim minorities in Myanmar
2003–18	Myanmar	India	~20,000	Conflict between Myanmar government and separatist groups
2006	Sri Lanka	India	~20,000	Conflict between Sri Lankan government and Tamil separatists
2006–8	Sri Lanka	Sri Lanka	180,000 (adding to 325,000 already displaced)	Conflict between Sri Lankan government and Tamil separatists
2007–18	Myanmar	India	~20,000	Conflict between Myanmar government and separatist groups
2009	Myanmar	Bangladesh	200,000 (adding to 30,000 already in Bangladesh)	Persecution of Muslim minorities
2012–13	Myanmar	Thailand	50,000 (adding to 80,000 already in Thailand)	Anti-Muslim riots
2016–17	Myanmar	Bangladesh	700,000	Persecution of Muslim minorities (adding to 230,000 already in Bangladesh)
2017	Philippines	Philippines	200,000+ (adding to 90,000 already displaced)	Conflict between Philippine government and Islamic separatists

SOURCE: “Population Statistics,” UN High Commissioner for Refugees, 2019, <http://popstats.unhcr.org/en/overview>.

NOTE: This table only shows new displacements of people, not populations that are remaining displaced.

experiencing separatist conflicts. Of these countries, Thailand and Myanmar actively discriminate against certain ethnic groups, according to the International Conflict Research group at ETH Zurich. In addition, Bangladesh, Bhutan, Cambodia, Laos, and Sri Lanka are all at high or elevated risk for internal conflict and actively discriminate against certain ethnic groups as well. Thus, future large-scale population displacements appear to be most likely to occur in these countries. **Figure 5** shows the Indo-Pacific countries with the greatest risk for refugee crises in the future.<sup>97</sup>

**FIGURE 5** Countries at highest risk for a refugee crisis



<sup>97</sup> "Ethnic Power Relations (EPR) Dataset Family 2019." Whether a country is at high or elevated risk for internal conflict is assessed earlier in this chapter.



## Strategic Implications

Over the next decade, a range of major events could occur that would have a significant impact on U.S. interests. These could include large-scale interstate conflict on the Korean Peninsula or over Taiwan as well as smaller-scale interstate conflicts over disputed territories such as the Senkaku Islands, the Spratly Islands, or Scarborough Reef. Conversely, some of these disputes might be peacefully resolved, which would also affect the policies and actions that the United States needs to take to promote and defend its interests.

A number of countries in the region could experience new or renewed internal conflicts. None of the countries that appear to be most likely to experience new internal conflicts is a U.S. treaty ally, but two U.S. allies—the Philippines and Thailand—are already experiencing internal conflicts and could be affected by such conflicts in neighboring countries. None of the internal conflicts currently ongoing appears to be a serious threat to overthrow the national government of a country in the region, however. Some of the internal conflicts currently ongoing in Indo-Pacific countries could even be resolved in coming years, which would allow the governments of those countries to focus more attention and resources on issues beyond their borders.

There is also the possibility of regime change in some of the region's countries. The United States' most important allies in the region—Japan, South Korea, and Australia—are in little danger of becoming autocracies, but other important partners, such as India, Indonesia, and the Philippines, are at greater risk. Conversely, there is a chance that some of the region's autocracies could become democracies. Prospects for this appear to be best in Thailand, but Singapore and even China are possibilities as well.

Other major events in the region are also likely, though it is difficult to predict which countries will be affected. Aside from the recession caused by the current Covid-19 pandemic, another major financial crisis affecting the region like the 1997 Asian financial crisis or the 2007–8 global financial crisis is possible in the coming decade. Estimating which specific countries' economies will be most affected by the Covid-19 crisis is impossible at this time, but as a rule developing economies are more likely to be severely affected. This could disrupt the growth trajectories of, or even precipitate regime change in, countries such as China, India, or Indonesia.

Natural disasters are likely to be more frequent in the Indo-Pacific in the coming decade than they have been in years past, and the economic damage caused by these disasters is projected to increase markedly. Aside from the Covid-19 pandemic, the coming decade is likely to see at least one natural disaster in the region that causes more than 10,000 fatalities. Similarly, large-scale population displacements, some of them involving more than 100,000 people, will continue to occur once every year or so in the coming decade. Thailand and Myanmar are the countries in which such displacements are most likely to occur, but other countries in the region are possibilities as well.



THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 5

# Resources Available to the United States for an Indo-Pacific Strategy



The effectiveness of a strategy for protecting and advancing U.S. interests, given the challenges and opportunities the United States will face, will depend on the resources that are available to the country for implementing that strategy. These include tangible assets, such as the United States' human capital, economy, technology, and military capabilities,<sup>1</sup> but they also include intangible assets such as allies and “soft power.”<sup>2</sup> This chapter assesses the relative strength of the United States in each of these dimensions.

## Relative Strength of U.S. Strategic Resources in the Indo-Pacific

The United States possesses significant resources for pursuing its goals in the Indo-Pacific, but its strengths are not uniform. In some areas the United States is still the world leader, but in others it is not even the regional leader. This section assesses the strength of U.S. resources for implementing strategy in comparison with other countries in the Indo-Pacific.

### *Human Capital*

The most important resource of a country is its people. This refers not just to the size of its population but also to the knowledge and skills its people possess. Throughout the coming decade, the population of the United States will continue to be dwarfed by the populations of the two Asian giants, China and India, which are projected to reach 1.46 billion and 1.50 billion, respectively, in 2030. The United States is more populous than any other country in the world, however, and its population is expected to grow by about 6% between 2020 and 2030, from roughly 330 million to about 350 million. The projected populations in 2030 of the United States and the seven most populous Indo-Pacific countries are shown in **Figure 1**.<sup>3</sup>

The population of the United States, moreover, is better educated than that of any Indo-Pacific country. As of 2016, 89% of Americans 25 or older held at least a high school diploma and 33% held at least a bachelor's degree. These percentages are higher than those in Japan, South Korea, and Australia. High education levels in the United States mean that, even though both China and India have over four times the U.S. population, the United States has more bachelor's degree holders among its population age 25 or older (76 million) than India (70 million) and twice as many as China (36 million). Indeed, even the number of people age 25 or older who hold a high school diploma in the United States (202 million) is roughly comparable to the numbers in India (207 million) and China (226 million). **Figure 2** shows the number of people age 25 or older who hold high school diplomas and college degrees in the United States and the eight most-populous Indo-Pacific countries for which recent data is available.<sup>4</sup>

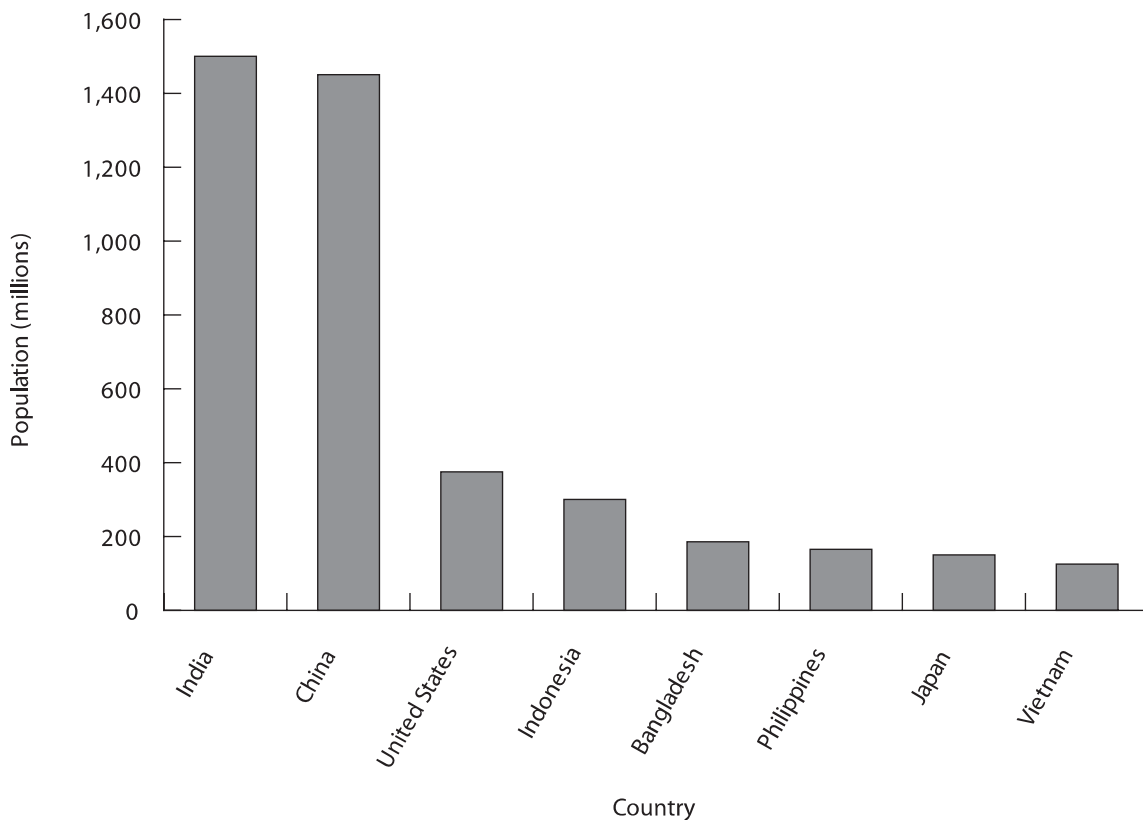
<sup>1</sup> Many assessments of countries' national power also include its natural resource endowment. See, for example, Ashley J. Tellis et al., *Measuring National Power in the Postindustrial Age* (Santa Monica: RAND Corporation, 2000), 88–90. It is not clear, however, whether natural resources are a useful tool for advancing national interests. It has been observed, for example, that the economies of countries with abundant natural resources tend to grow less rapidly than those of countries that are scarce in natural resources. See Jeffrey D. Sachs and Andrew M. Warner, “Natural Resource Abundance and Economic Growth,” National Bureau of Economic Research, Working Paper, December 1995, <https://www.nber.org/papers/w5398>.

<sup>2</sup> Arguably, a country's most important intangible asset is its institutions—its system of government, legal system, political culture, and so on—which determine how efficiently it is able to mobilize and apply its other national resources. This report does not attempt to assess the strengths and weaknesses of U.S. institutions.

<sup>3</sup> UN Population Division, “World Population Prospects 2019,” <https://population.un.org/wpp>.

<sup>4</sup> *Ibid.*; and “Education Statistics: Education Attainment,” World Bank, DataBank. Recent data was not available for Myanmar and Vietnam, and the most recent educational attainment data for India and China was from 2011 and 2010, respectively. Since education levels in both countries are rising, the number of people holding high school diplomas and bachelor's degrees in 2016 was probably somewhat larger than these estimates, and is likely even larger today.

FIGURE 1 Projected population of the United States and the largest Indo-Pacific countries, 2030



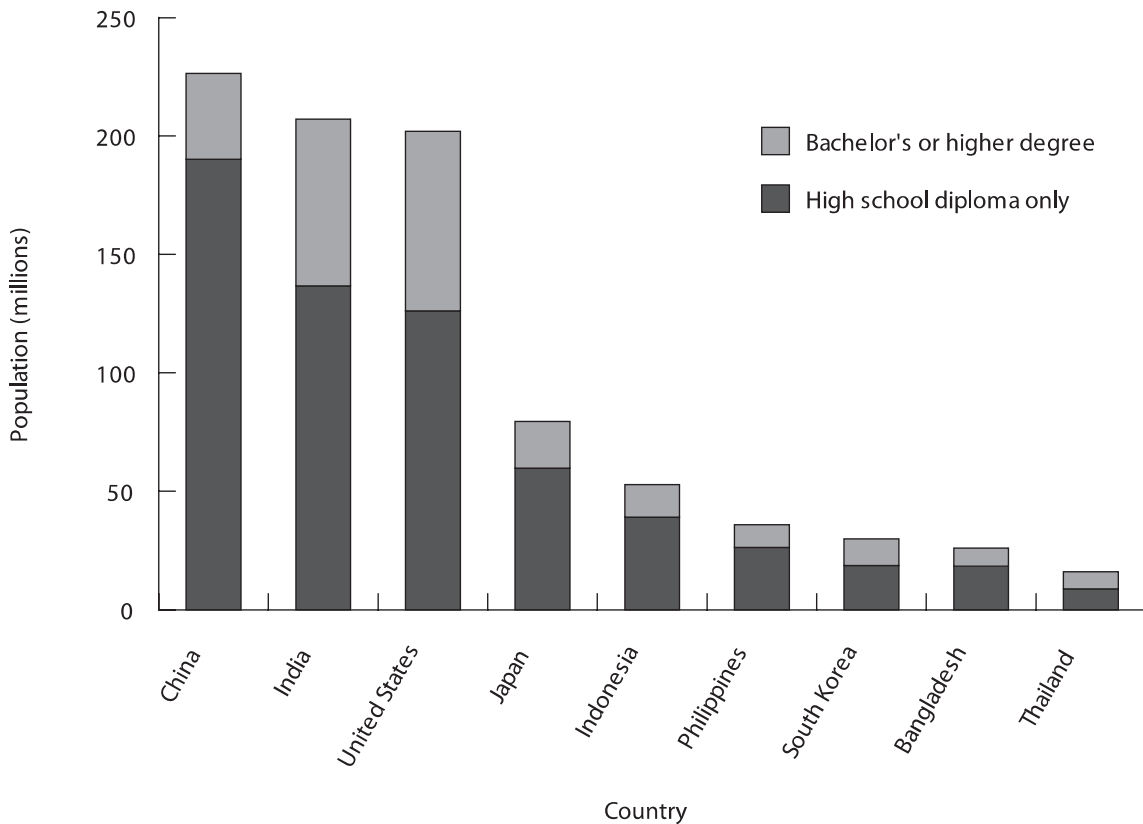
The combination of a large population and high average education levels gives the United States arguably the largest pool of human talent in the world. Although China and India have slightly more people who hold at least a high school diploma, the United States has more people who have at least a bachelor's degree than either country, even though their populations are several times that of the United States. As a percentage of the total population, moreover, education rates are several times higher in the United States than in China and India. In China only 22% of the population age 25 or older holds a high school diploma, and in India only 27%, compared to 89% in the United States. Similarly, only 4% of people age 25 or older in China hold a bachelor's degree, and only 9% in India, compared to 33% in the United States.<sup>5</sup>

### *Economy*

As measured in purchasing power parity (PPP), the United States had the world's second-largest economy (after China) in 2019. PwC projected that the U.S. economy will grow at an average annual rate of 1.7% between 2016 and 2030, while it projected that China's economy will grow at an average annual rate of 4.2% over this time period and India's at a rate of 5.9%. If these estimates are accurate, although the United States will still have the world's second-largest economy in 2030, it will only be about 60% the size of China's at that point, as compared to 75% today, and India's economy, currently about half the size of the U.S. economy, will have reached

<sup>5</sup> UN Population Division, "World Population Prospects 2019"; and "Education Statistics: Education Attainment."

FIGURE 2 Education levels in the United States and the largest Indo-Pacific countries



about 80% of the size of the U.S. economy. The economies of all other Indo-Pacific countries will be considerably smaller. Thus, although the U.S. economy is already no longer the largest in the world, it will certainly continue to be one of the three dominant economies in the region through 2030 (see **Figure 3**).<sup>6</sup>

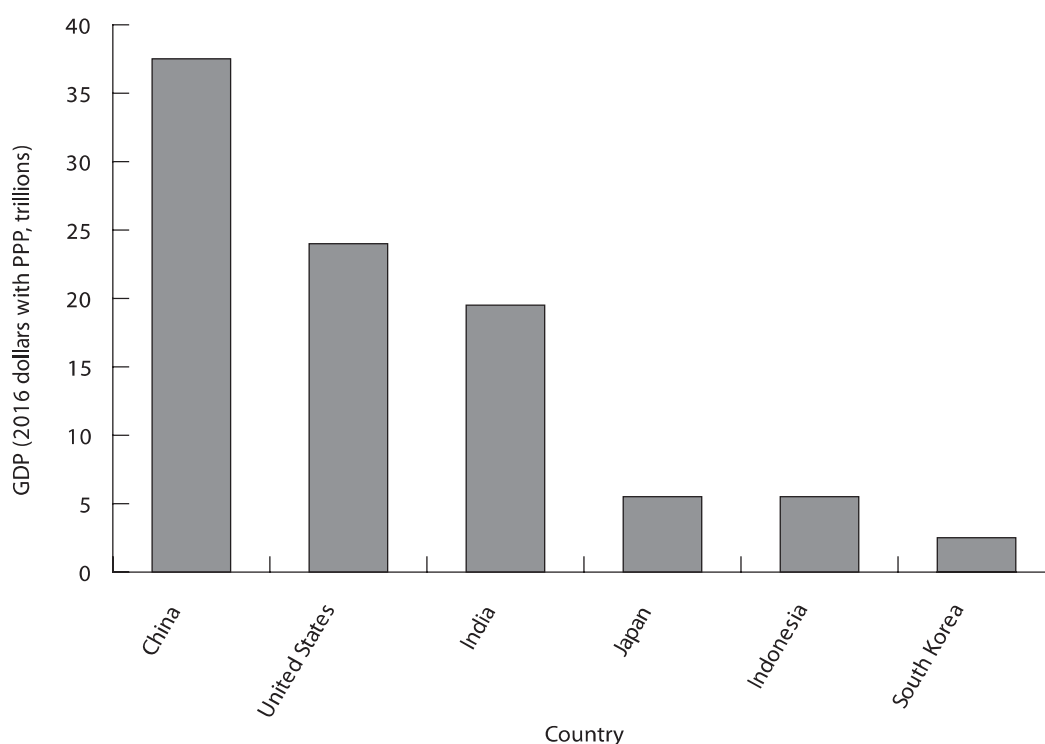
### Technology

Quantifying a country's technological capabilities is difficult, but there are measures that can at least be used to gain insight into relative national technological power. One is the amount a country spends on R&D each year. In 2018 the United States led the world in this area, with total private- and public-sector R&D expenditures of \$581 billion. China was a close second, however, with expenditures of \$554 billion (in PPP), and, based on recent trends, it is likely to surpass the United States in 2020. The third-highest R&D spender in the world in 2018 was Japan—though its expenditures of \$171 billion on R&D were less than a third of those of China—followed by

<sup>6</sup> International Monetary Fund (IMF), World Economic Outlook Database, October 2019; and John Hawksorth, Hannah Audino, and Rob Clarry, "The Long View: How Will the Global Economic Order Change by 2050?" PwC, February 2017. Although China's economy is now larger than that of the United States when measured in PPP, the U.S. dollar is still the world's dominant currency, which conveys significant advantages to the United States, including lower international transaction costs for U.S. consumers and corporations; lower financing costs for governments, corporations, and individuals in the United States; a degree of insulation from fluctuations in the global economy; and the ability to use its dominance of international financial institutions to inflict economic punishment on other countries. See Richard Dzina, "Assessing the Dollar's Status as a Reserve Currency in a Multipolar World," National Bureau of Asian Research, January 2020, <https://www.nbr.org/publication/assessing-the-dollars-status-as-a-reserve-currency-in-a-multipolar-world>.



FIGURE 3 Projected size of the U.S. economy vs. the top Indo-Pacific economies, 2030



Germany and South Korea.<sup>7</sup> The five countries that spent the most on R&D in 2018 are shown in **Figure 4**.

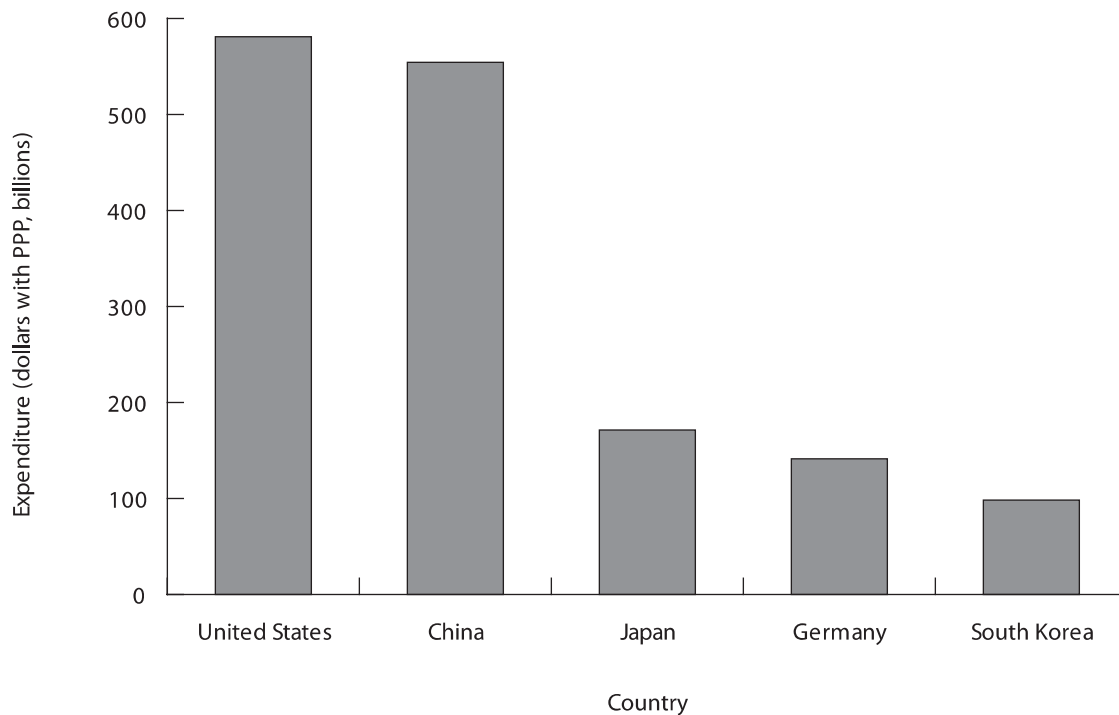
Another measure of a country's technological capabilities is the number of researchers it employs. China had the largest number of researchers of any country in the world in 2017, with the equivalent of 1.7 million full-time researchers. The United States had the second most researchers, with 1.4 million, while 680,000 were employed in Japan, 420,000 in Germany, and 410,000 in Russia (see **Figure 5**).<sup>8</sup>

A third way of assessing a country's technological capabilities is by noting the number of patents its citizens and companies are granted. More patents were granted to Chinese citizens and companies than for any other country in the world in 2018. Over 90% of these patents, however, were granted by China's own patent office. Because most patent applications are filed domestically and patent offices in different countries may have different standards for conferring patents, a better way of comparing the numbers of patents produced by different countries is to consider only patents granted by patent offices outside the country from which the application is originating. By this measure the United States led the world in 2018, with nearly 145,000 patents granted by

<sup>7</sup> Organisation for Economic Co-operation and Development (OECD), "Main Science and Technology Indicators," [https://stats.oecd.org/Index.aspx?DataSetCode=MSTI\\_PUB](https://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB). Data for India was not available.

<sup>8</sup> Ibid. More recent data for the number of researchers in the United States was not available. Data for India was not available.

FIGURE 4 R&D expenditures, 2018



foreign patent offices. Japan was a close second with more than 131,000, and Germany was third with nearly 70,000, followed by South Korea with 43,000 and China with 31,000 (see **Figure 6**).<sup>9</sup>

These measures suggest that the United States remains the world leader in technology. It spends more on R&D than any other country in the world, employs more full-time researchers than any country other than China, and produces more foreign patents than any other country. Although China spends nearly as much on R&D as the United States and employs more full-time researchers, in 2018 this level of effort translated into less than a quarter as many foreign patents as the United States. The country whose technological capabilities appear to be closest to those of the United States is Japan. Japan spends only a third as much on R&D as the United States does and employs only half as many full-time researchers, but from 1997 until 2015 it was actually granted more foreign patents each year and is still granted nearly as many as the United States.

### *Defense Spending*

Quantifying a country's military capabilities is also difficult. One crude proxy, however, is the amount of resources it devotes to its military. The United States spends far more on defense than any other country, with expenditures in 2018 of approximately \$650 billion. The next-biggest defense spender is China, which spent an estimated \$250 billion in 2018 (less than 40% as much as the United States). Assuming defense expenditures by the United States and the countries of the Indo-Pacific grow at approximately the same rates as PwC projected for their overall economies, in 2030 the United States will still be by far the largest defense spender, with annual outlays of

<sup>9</sup> World Intellectual Property Organization (WIPO), WIPO Statistics Database, updated October 2019, <https://www3.wipo.int/ipstats>. Data for Taiwan was not available.

FIGURE 5 Number of full-time equivalent researchers, 2017

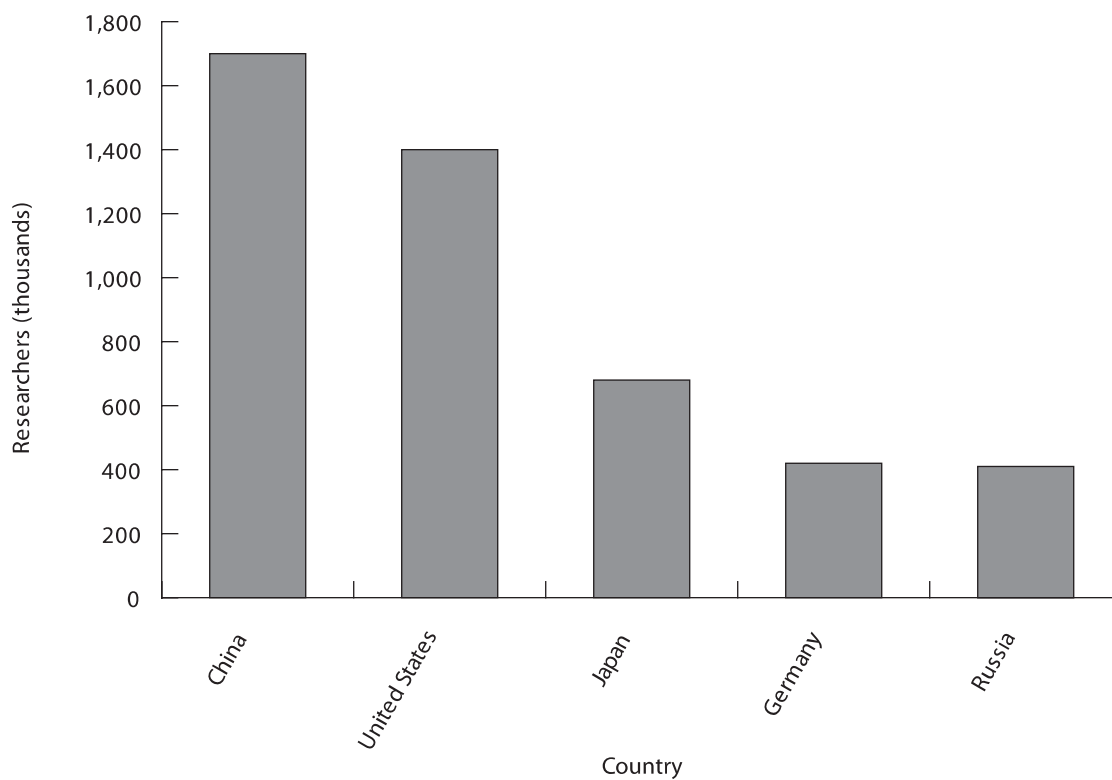
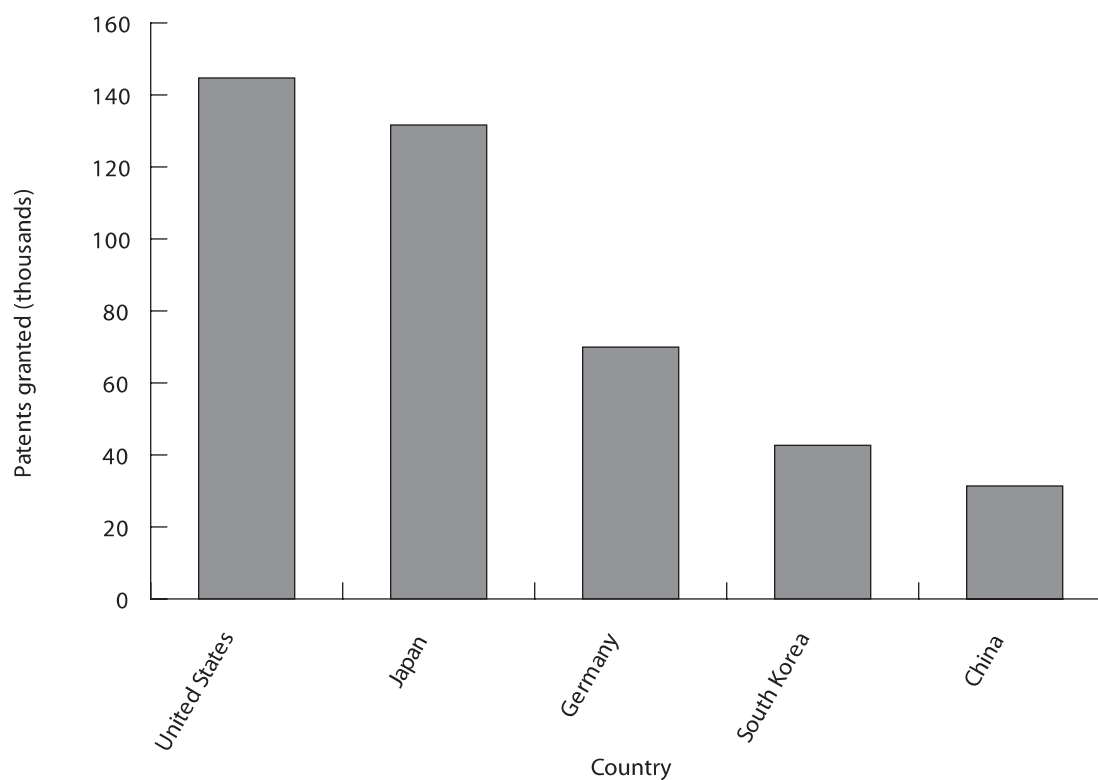
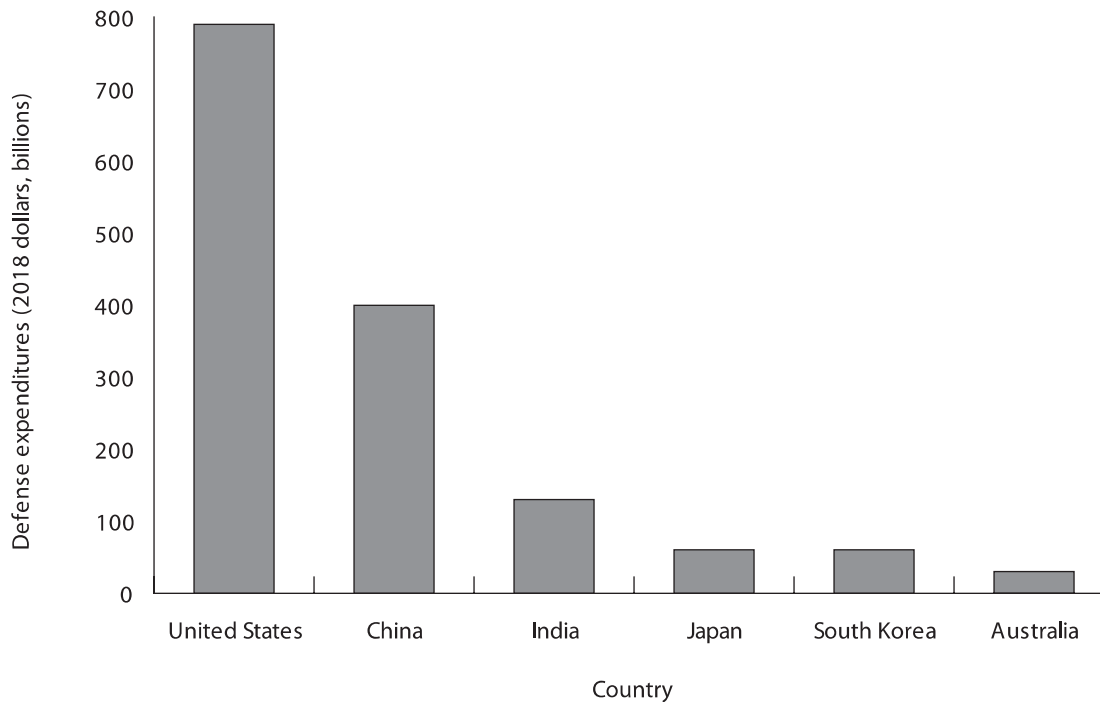


FIGURE 6 Patents granted by foreign patent offices, 2018



approximately \$790 billion (in 2018 dollars). China's defense expenditures will have grown to more than half of the United States', however, and will be larger than that of all other Indo-Pacific countries combined (see **Figure 7**).<sup>10</sup>

**FIGURE 7** Projected defense expenditures, 2030



### *Allies*

Another key resource possessed by the United States is its network of allies. Within the Indo-Pacific, the United States has mutual defense treaties with Japan, South Korea, Australia, New Zealand, Thailand, and the Philippines. These countries had a combined GDP of more than \$11 trillion (in PPP) in 2018, and their combined defense expenditure in 2018 totaled more than \$120 billion.<sup>11</sup> Japan and South Korea are also world technological leaders. Their R&D expenditures ranked third and fifth in the world in 2018, and the two countries were granted the second- and fourth-highest numbers of foreign patents. Yet, although the United States has highly capable allies in the Indo-Pacific, its relations with some of them have become strained in recent years. In the case of South Korea, this is the result of friction over issues such as its relations with North

<sup>10</sup> Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database; IMF, World Economic Outlook Database; and Hawksworth, Audino, and Clarry, "The Long View."

<sup>11</sup> SIPRI Military Expenditure Database; and IMF, World Economic Outlook Database.

Korea, China, and Japan and the level of South Korean financial support for U.S. forces deployed in the country. In the case of Japan, it has primarily been the result of disputes over trade issues, but negotiations this year over the renewal of Japan's five-year commitment to provide financial support for U.S. forces deployed in Japan could be an additional source of friction. In the case of the Philippines, it is partly the result of friction over the human rights record of the current Rodrigo Duterte administration.<sup>12</sup>

In addition to its formal treaty allies, the United States also has strong defense relations with several other countries in the region, such as Taiwan and Singapore. Moreover, the United States is a member of the North Atlantic Treaty Organization (NATO), which includes major powers such as France, Germany, and the United Kingdom. Although the mutual defense portion of the treaty would only apply in the case of an armed attack in Europe or North America, the existence of the treaty means that other members of NATO would probably at least provide economic and diplomatic support in the event that the United States became involved in a military conflict in the Indo-Pacific.

### *Soft Power*

Soft power is the ability of a country to cause other countries to support its goals without having to employ material threats or inducements. Soft power results from how a country's culture, political values, and foreign policies are viewed by the people of other countries. Attitudes toward a country's culture tend to change relatively slowly, but perceptions of its political values and foreign policies can change more rapidly in response to political developments within the country and in its policies toward the outside world.<sup>13</sup>

The United States has relatively strong soft power in the Indo-Pacific. This can be seen from a 2019 Pew Research Center survey of six Indo-Pacific countries, which found that in the median country surveyed 64% of people had a favorable overall view of the United States, while only 26% had an unfavorable view. This was better than the median views of the United States in any of the other four major regions of the world surveyed at the time (Europe, the Middle East, Africa, and Latin America).<sup>14</sup>

Although views of the United States are more positive in the Indo-Pacific than in other parts of the world, other countries are viewed more positively in the region than the United States. In a 2017 survey of seven Indo-Pacific countries, Japan, India, and South Korea all had higher median favorability percentages than the United States. Views of the United States, however, were significantly better than those of Russia, China, and North Korea (see **Figure 8**).<sup>15</sup>

---

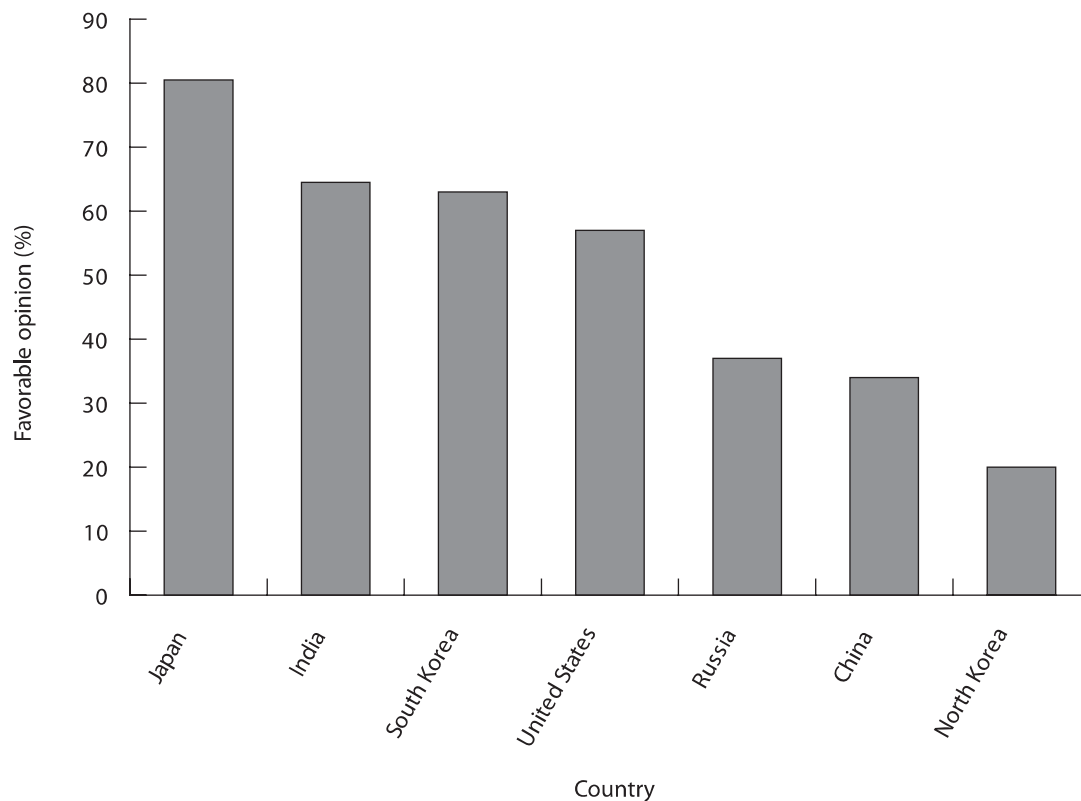
<sup>12</sup> See Richard Armitage and Victor Cha, "A Foreign Policy Disaster Is Looming in South Korea," *Washington Post*, November 23, 2019; David Maxwell, "U.S.-ROK Relations: An Ironclad Alliance or a Transactional House of Cards?" NBR, November 15, 2019, <https://www.nbr.org/publication/u-s-rok-relations-an-ironclad-alliance-or-a-transactional-house-of-cards>; Yuki Tatsumi, "The Tough Road Ahead for U.S.-Japan Host Nation Support Negotiations," *Diplomat*, January 23, 2020, <https://thediplomat.com/2020/01/the-tough-road-ahead-for-us-japan-host-nation-support-negotiations>; and Mireya Solís, "U.S.-Japan Relations in the Era of Trump: Navigating the Turbulence of 'America First,'" *México y la Cuenca del Pacífico* 8, no. 24 (2019): 9–17.

<sup>13</sup> Joseph S. Nye Jr., *Soft Power: The Means to Success in the World* (New York: PublicAffairs, 2004), 1–32.

<sup>14</sup> Richard Wike et al., "Trump Ratings Remain Low around Globe, While Views of U.S. Stay Mostly Favorable," Pew Research Center, January 8, 2020, 34, <https://www.pewresearch.org/global/2020/01/08/trump-ratings-remain-low-around-globe-while-views-of-u-s-stay-mostly-favorable>.

<sup>15</sup> Pew Research Center, "Spring 2017 Survey Data," <https://www.pewresearch.org/global/datasets>. The Indo-Pacific countries in which this survey was conducted were Australia, India, Indonesia, Japan, the Philippines, South Korea, and Vietnam. Thus, the survey was administered in three countries that were themselves the subject of questions about favorability in the survey: South Korea, Japan, and India. In all three, the country that received the highest percentage of favorable ratings was the one in which the survey was conducted. Since the survey is cited here to assess the soft power of a given country toward other countries, the favorability of the views of people toward their own country is ignored for this discussion.

FIGURE 8 Median percentage of survey respondents with favorable views of a country, 2017



There is also considerable variation between Indo-Pacific countries with regard to how positively the United States is viewed. In Australia and Indonesia, for example, 50% or fewer of people surveyed in 2019 had favorable opinions of the United States, while in South Korea and the Philippines more than 75% did.<sup>16</sup> Thus, the soft power of the United States in the region depends very much on which country is being considered.

## Conclusion

Although the United States possesses significant resources for pursuing its goals in the Indo-Pacific, in some areas it is the world leader, while in other areas it is not even the regional leader. The United States clearly possesses more human capital than any country in the region. The size of the U.S. population that holds a high school diploma is comparable to that of China and India, countries with total populations more than four times the population of the United States, and the United States has more college degree holders than either country. The United States no longer has the world's largest economy, however, and it is projected to fall further behind China by 2030. On the other hand, the United States has the world's strongest technological capabilities and will maintain this advantage for the foreseeable future. In addition, the United States has by far

<sup>16</sup> These differences appear to be stable over time. See Wike et al., "Trump Ratings Remain Low around Globe," 34, 50–51.

the world's most capable military, and this will still be true in 2030. Despite all of these strengths, however, the United States has only moderate levels of soft power in the Indo-Pacific, with people in the median country viewing Japan, India, and South Korea more favorably than the United States, although they viewed the United States significantly more favorably than China or Russia.

Perhaps the most valuable resource the United States possesses in the Indo-Pacific is its allies. Within the region, U.S. treaty allies include the countries ranking third, fifth, sixth, and eighth in high school diploma holders; the countries projected to have the third-, fifth-, sixth-, seventh-, and eighth-largest economies in 2030; the countries projected to have the third-, fourth-, and fifth-largest defense budgets in 2030; the countries that are the first, second, and fifth most technologically advanced in the region (as measured by foreign patents granted in 2018); and the countries that appear to have the most and the third most soft power in the region.<sup>17</sup>

---

<sup>17</sup> UN Population Division, "World Population Prospects 2019"; "Education Statistics: Education Attainment"; IMF, World Economic Outlook Database; Hawksworth, Audino, and Clarry, "The Long View"; WIPO, WIPO Statistics Database; SIPRI Military Expenditure Database; and Pew Research Center, "Spring 2017 Survey Data."



THE NATIONAL BUREAU *of* ASIAN RESEARCH

NBR SPECIAL REPORT #86 | JUNE 2020

CHAPTER 6

# A New U.S. Strategy for the Indo-Pacific



The Indo-Pacific will present the United States with significant challenges and opportunities in coming years. However, U.S. leaders have failed to develop a coherent and effective strategy for the region. As the previous chapter describes, the United States has significant tangible and intangible resources for responding to those challenges and opportunities. Such responses will be far more effective, however, if they are informed by a comprehensive strategy for protecting and advancing U.S. interests in the region.

## Principal Features of the Strategic Environment

The analysis in chapters 2, 3, and 4 suggests that the main features of the strategic environment in the Indo-Pacific over the next decade will be as follows. Once the region has recovered from the effects of the coronavirus pandemic, the strong economic growth of recent decades will likely resume and the region will remain largely open to outside trade and investment. Population growth will be moderate, causing limited stress on resources and governing capacity. China will remain the dominant economy and dominant military power in the region (other than the United States), with a GDP greater than the next six largest economies combined and annual military spending roughly equal to that of all the other countries combined. China will also continue its efforts to take control over Taiwan, the South China Sea, and the Senkaku Islands. China's leader will try to achieve this without military conflict, but will use force if they believe it is necessary. Meanwhile, Beijing will continue to infiltrate and subvert the political systems of countries in the Indo-Pacific and elsewhere in the world.

India will have the second-largest economy in the region, and its economic and military power will grow over the decade. These will remain considerably less than China's, however, and New Delhi will continue to devote significant resources and attention to countering the military and terrorist threats from Pakistan. Another escalation of the conflict between Pakistan and India is possible and would carry the danger of the use of nuclear weapons. Although willing to cooperate with the United States and other Indo-Pacific democracies where their interests align, India will maintain its strategic independence.

Japan will continue to have the third-largest economy in the region, and Tokyo will play a growing role in regional security and economic affairs. Japan's economy will grow slowly at best, however, and its national security capabilities will increase only gradually.

Barring a fundamental shift in its strategic orientation, Indonesia, while a potential regional power, will not be a major player during the next decade. Its economy will grow at a moderate rate, but its defense spending will remain limited, and Jakarta will seek to maintain good relations with all of its neighbors and avoid closely aligning with any group of countries.

North Korea will continue to develop, and not willingly relinquish, its capability to attack the United States with nuclear weapons. Beijing's desire to prevent regime change in North Korea, moreover, will limit the extent to which China is willing to cooperate with the United States and its allies in exerting pressure on Pyongyang to give up its nuclear capability. Unless regime change occurs, although Pyongyang may allow modest economic reforms, a large-scale opening up of North Korea's economy is unlikely. Regime change does not appear to be imminent, but given North Korean leader Kim Jong-un's suspect health, regime change or state failure in North Korea at some point in the next decade is a possibility.

Taiwan will remain a potential flashpoint, but the government will avoid overt moves toward independence while also resisting unification negotiations with Beijing. As a result, Taiwan's status will likely still be unresolved in 2030. Taiwan will maintain modest self-defense capabilities, enough to satisfy the United States that it is serious about its own defense and to prevent Beijing from believing that it could defeat Taiwan before the U.S. military could come to the island's defense, but not enough to defend itself for long without U.S. intervention.

Although, as noted already, there are a number of potential flashpoints in the region, the Indo-Pacific will probably remain relatively free of interstate conflict over the next decade. It is possible that some of the region's international disputes could be resolved or at least defused. Most consequential would be resolution of the inter-Korean, Taiwan, and Kashmir disputes, but resolution of other militarized international disputes in the region is possible as well.

Insurgencies will continue in India, Myanmar, the Philippines, Thailand, and Indonesia, and new insurgencies could arise in several countries over the next decade. However, it is also possible that some current insurgencies will end. In any case, no insurgency in the region is likely to result in the overthrow of a national government, although these and other internal conflicts (e.g., government attacks on civilians or communal violence) will periodically cause large-scale refugee crises. Terrorism will also remain a problem in the region, killing one thousand or more people each year, mostly in India, the Philippines, and Thailand.

A number of countries in the region could undergo regime change in the coming decade. The region's wealthy democracies, including U.S. defense allies Japan, South Korea, and Australia, are not at risk, but other democracies appear to be more vulnerable. Myanmar is at greatest risk, but India and the Philippines have been moving in more authoritarian directions recently as well. There is also the possibility of an Islamist regime coming to power in Indonesia, Bangladesh, or Malaysia.

Conversely, some of the autocracies in the region could democratize in coming years. Singapore and Thailand currently appear to be the most promising candidates. If democratization were to occur in either China or North Korea, however, it would have a transformative effect on the strategic landscape of the Indo-Pacific. In the case of North Korea, even the replacement of the Kim dynasty by another authoritarian government could result in a government more willing to consider giving up North Korea's nuclear weapons or that would at least behave less aggressively toward its neighbors.

Other major events will undoubtedly happen in the region. The long-term effects of the current Covid-19 pandemic are still unclear, and other natural disasters will occur. In particular, unusually hot weather and floods will become more frequent as a result of global climate change. Even if the world and regional economy recover quickly from the recession caused by the pandemic, another financial crisis, like the 1997 Asian financial crisis or the 2007–8 global financial crisis, is possible. Meanwhile, the Indo-Pacific will remain a major source of environmental pollution and greenhouse gas emissions.

## An Indo-Pacific Strategy of Democracy Strengthening

The strategic environment described in the preceding section will present the United States with both challenges and opportunities over the next decade. The greatest challenge will be the efforts of the dominant economic and military power in the region, China, to take control of

Taiwan, the South China Sea, the Senkaku Islands, and possibly other territories, particularly since the United States has security commitments to many of the countries affected by these efforts. Another major challenge will be North Korea's actions to acquire and retain the capability to attack the United States with nuclear weapons. In addition, a number of other events could occur that would be detrimental to U.S. interests. One example would be if a major democracy in the region, such as India or Indonesia, were to become an autocracy. Another would be if an Islamist regime were to come to power in one of the region's majority-Muslim countries, such as Indonesia, Bangladesh, or Malaysia. Other possibilities include an escalation of the India-Pakistan conflict, significant new internal conflicts in the region, or a major financial crisis. Meanwhile, existing challenges will continue. Nearly twenty insurgencies are currently ongoing, large-scale refugee crises will periodically occur, terrorism will remain a problem, major natural disasters will continue to occur regularly and will likely increase in frequency, and the Indo-Pacific will continue to be a major source of pollution.

At the same time, the Indo-Pacific will also present the United States with a number of opportunities in the coming decade. As a democracy and regional rival to China, India shares many interests with the United States. Its economy and defense budget are second in size in the region only to China's, and its economic and military power are steadily increasing. Japan, another regional power and a U.S. treaty ally, is seeking to play a greater role in security and economic affairs. Once the region has recovered from the effects of the Covid-19 pandemic, its strong economic growth of recent decades will likely resume, and it will continue to be largely open to outside trade and investment. Interstate conflict will remain rare in the Indo-Pacific, and some of the region's international disputes and internal conflicts could be resolved in coming years, which would further contribute to stability and economic growth. Finally, it is possible that some of the region's autocracies, including China and North Korea, could become democracies or at least become more benign autocracies.

To protect and advance the interests identified in chapter 1 in the face of these challenges and opportunities, a U.S. strategy for the Indo-Pacific region should seek to achieve the following:

- Prevent China from taking over Taiwan, the South China Sea, or the Senkaku Islands
- Counter China's actions to subvert the political systems of other countries
- Convince North Korea to relinquish its nuclear weapons
- Be prepared for the possibility of regime collapse in North Korea
- Strengthen democracy in countries where it is fragile
- Encourage autocracies to evolve into democracies
- Help resolve or neutralize international disputes in the region
- Help countries in the region bring an end to their insurgencies and prevent the emergence of new ones
- Help countries in the region reduce the severity of terrorist attacks
- Help prevent and respond to refugee crises
- Help respond to natural disasters
- Be prepared to respond to a financial crisis
- Take advantage of the region's economic growth
- Help countries in the region reduce environmental pollution and greenhouse gases

Fortunately, the United States possesses significant resources for accomplishing these tasks. It has the most human capital of any country in the region, the world's most advanced technological capabilities, the world's most powerful military, and multiple highly capable allies, both in the region and elsewhere in the world.

There are numerous ways in which the United States could accomplish the objectives listed above. Given the magnitude and number of challenges, however, particularly those presented by China, along with the certainty that developments elsewhere in the world will continue to require U.S. attention and resources, the United States is simply not capable of managing them alone. The only way the United States can hope to protect and advance its interests in the Indo-Pacific in the coming decade will be as part of a coalition of countries with shared goals and values. As noted in chapter 1, a world in which more countries are democracies is in the interest of the United States. In addition, the most significant challenges and opportunities in the region are also challenges and opportunities for the other democracies. As a result, the region's democracies are the natural allies of the United States. The strategy recommended here, therefore, focuses on strengthening U.S. relations with the democracies of the region and making those democracies stronger and more secure. The latter entails facilitating their economic growth, strengthening their defense capabilities, and helping end internal conflicts that sap their strength. It also entails strengthening democratic institutions within these countries, reducing the external threats to them, and increasing the capabilities of the United States to come to their defense if needed.

Although the focus of this strategy is on democracies, it does not ignore the other countries of the region. In particular, it includes promoting democratization and human rights in countries that are not yet democracies. In addition, there are many issues on which the United States should cooperate with other countries regardless of their type of government. These include responding to natural disasters, humanitarian crises, and economic crises and working to reduce pollution and greenhouse gas emissions. The democracy strengthening strategy comprises the following main elements.

*Strengthening relations with the democracies.* Accomplishing many of the tasks identified above will require the cooperation of countries that share U.S. goals and values. A strategy of democracy strengthening, therefore, should begin with repairing and reinforcing U.S. relationships with the democracies of the region. This includes making clear that the United States views its relationships with these countries not as a set of bilateral transactions, but rather as based on a shared interest in each other's security, freedom, and prosperity. This is particularly true with regard to the United States' three major allies in the region, Japan, South Korea, and Australia, all of which are democracies. The United States should reaffirm its relationships with these countries as being equal partnerships in which the partners jointly develop and implement responses to the challenges and opportunities they face. Strengthening relations with the democracies of the Indo-Pacific means that the United States should also seek opportunities to take concrete actions that will benefit the region's democracies. Indeed, many of the other elements of this strategy, described below, will advance both goals.

*Promoting the economic growth of democracies.* The stronger the democracies of the Indo-Pacific are, the better they will be able to support the United States in accomplishing its goals. The United States can strengthen these democracies by facilitating their economic growth. One means for accomplishing this is free trade and investment agreements. Reduced barriers to trade and investment will result in greater economic growth in the participating countries, including

the United States. Ideally, the United States would join together with the other Indo-Pacific democracies in a single multilateral arrangement like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes provisions not only for trade and investment but also for intellectual property protection, environmental protection, labor standards, and human rights. However, several member countries are not currently democracies. If the United States joins the CPTPP, therefore, it should seek to recruit other democracies to join and discourage additional nondemocracies from joining. Alternatively, it could seek to create a new multilateral trade and investment arrangement for which democracy is a condition for membership.<sup>1</sup> In either case, democratic countries will disproportionately benefit from membership, and nondemocratic countries will have an incentive to adjust their political systems to improve their accession prospects. For democracies that are unwilling to join a multilateral arrangement, the United States should seek bilateral trade and investment agreements and encourage those countries to reach such agreements with other democracies as well.

In the case of economically developing democracies, another way the United States can facilitate their economic growth is to provide development assistance. In 2019, U.S. economic development assistance to the developing democracies of the Indo-Pacific, which represented more than a quarter of the world's total population, amounted to \$117 million, less than 4% of total U.S. development assistance that year.<sup>2</sup> Thus, there is clearly scope for a significant increase in U.S. development assistance to the region.

*Strengthening the defense capabilities of democracies.* A nation's defense capabilities are primarily a function of its own determination and commitment to ensuring that it has the means to adequately defend itself. The United States can increase the effectiveness of such efforts, however, by making advanced defense systems and technologies available to the other democracies of the Indo-Pacific. Conversely, some Indo-Pacific democracies have significant technological and manufacturing capabilities of their own. The United States can help provide the economies of scale needed to exploit those capabilities by engaging in co-development or co-production of defense systems with these countries or by purchasing systems that they have already developed. Such arrangements will also benefit the United States by enabling it to take advantage of technologies and capabilities that do not exist domestically without having to invest the resources needed to develop them.

Another way in which the United States can contribute to increasing the defense capabilities of other Indo-Pacific democracies is through joint training, exercises, and other exchanges. Such mechanisms not only enable participating countries to share experiences and best practices; they also provide opportunities to rehearse the types of coordination and cooperation that would be required for coalition operations during an actual contingency. Moreover, given that contingency operations could well involve several countries simultaneously, the United States should seek to increase the frequency of events that include multiple potential coalition partners, as compared to purely bilateral exchanges.

---

<sup>1</sup> For example, membership in the European Union is limited to those countries that have "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities." See "Accession Criteria," European Commission, [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria_en).

<sup>2</sup> See [ForeignAssistance.gov](https://www.foreignassistance.gov), <https://www.foreignassistance.gov>; and UN Population Division, "World Population Prospects 2019," <https://population.un.org/wpp>. Only funds actually spent are considered. Another 11% of U.S. development assistance went to programs and organizations that operate worldwide. Presumably some of those monies were spent in the Indo-Pacific, but at least 85% of U.S. development assistance went to other regions.



*Helping end internal conflicts in democracies.* Internal conflict weakens democracies by discouraging economic development in the affected areas and by forcing governments to divert resources and attention from other purposes.<sup>3</sup> India, Myanmar, the Philippines, and Indonesia all have ongoing insurgencies, and other Indo-Pacific democracies are susceptible to such conflict as well. The United States should seek to help end the conflicts in India, Myanmar, the Philippines, and Indonesia by facilitating dialogue, brokering peace agreements, and promoting reconciliation where possible. At the same time, the United States can also advise and assist government forces in defeating terrorist and other extremist organizations that are operating within democracies. Such assistance should be conditioned, however, on the governments of these countries not using terrorist or extremist threats as a pretext for restricting civil liberties or repressing subpopulations that are simply demanding greater rights or autonomy.

*Helping strengthen democracy in Indo-Pacific countries.* Given that many of the democracies of the Indo-Pacific are relatively new or fragile, the United States should also contribute to the strengthening of democracy within those countries by promoting the rule of law, human rights, free and independent media, political accountability and transparency, democratic political processes and institutions, civic education, political competition and consensus building, democratic conflict resolution, and civil society organizations. As noted in chapter 4, consolidated democracies are less likely to experience internal conflict. U.S. efforts to strengthen democracy in Indo-Pacific countries, therefore, will have the additional benefit of reducing the likelihood of new internal conflicts emerging within them and may also contribute to the resolution of existing internal conflicts.

Strengthening democracy should also include measures to help Indo-Pacific democracies resist forces that seek to undermine democracy, such as Chinese efforts to infiltrate and subvert their political systems or the spread of extremist ideologies. Such measures could include sharing intelligence about Chinese influence activities and advising on best practices for detecting, thwarting, and counteracting China's operations. It could also include support for independent media outlets in these countries as well as expanded Voice of America and Radio Free Asia programming. Measures to counter the spread of extremist ideologies could include support for programs that promote religious tolerance and for strengthening nonideological education in these countries.

*Reducing external military threats to democracies.* In addition to making the democracies of the Indo-Pacific stronger, the United States should seek to reduce external military threats to them. One way the United States can accomplish this is to facilitate fair and equitable resolutions to the militarized disputes that these democracies have with other countries. Another way is to seek to eliminate categories of weapons that are particularly dangerous. Eliminating North Korea's nuclear, biological, and chemical weapons, for example, would not only reduce Pyongyang's ability to attack or coerce Indo-Pacific democracies or the United States; it would also reduce the dangers that such weapons would pose in the event of a collapse of governance or a civil war in North Korea. The United States can also seek to limit the ability of nations that threaten Indo-Pacific democracies, such as North Korea and China, to acquire the equipment or technology that enables them to do so. In the case of North Korea, this primarily refers to equipment and technology relevant to the development and production of ballistic missiles and nuclear, biological, and

---

<sup>3</sup> See, for example, Walter C. Ladwig III and Anit Mukherjee, "The United States, India, and the Future of the Indo-Pacific Strategy," National Bureau of Asian Research (NBR), June 20, 2019.

chemical weapons. In the case of China, it would primarily refer to equipment and technology relevant to the development and production of advanced conventional weapons.

*Strengthening the capabilities of the United States to defend democracies.* At the same time as it seeks to reduce external threats to the democracies of the Indo-Pacific, the United States needs to ensure that it has the capability to help them defend themselves against aggression or coercion. This is, of course, particularly true of those democracies to which the United States has security commitments. For example, it needs the capability to help defend South Korea and Japan from North Korean conventional, nuclear, biological, and chemical attacks; to help defend Taiwan against Chinese attack or invasion; to help Japan defend the Senkaku Islands against Chinese efforts to seize control of them (including through the use of gray-zone methods); and to help the Philippines defend the Philippine-held Spratly Islands against Chinese efforts to seize control of them. Moreover, even where the United States does not have an explicit security commitment to a democracy in the region, it should maintain the capability to come to the aid of that country if threatened by an authoritarian country.

*Promoting democracy and human rights in nondemocratic countries.* Although the focus of this strategy is on strengthening the democracies of the Indo-Pacific, the United States should also promote democratization and human rights in nondemocratic countries. The ability of the United States to bring about fundamental improvements in human rights, much less actual democracy, in countries such as China and North Korea may be limited in the short run. Nonetheless, U.S. pressure can still positively benefit the lives of people in these countries.<sup>4</sup> In addition, if democracy eventually does come to these countries, long-standing U.S. support for democratic conditions within them will likely result in better relations with the United States and greater subsequent openness to U.S. initiatives to support and strengthen democracy. U.S. efforts to promote democracy in the nondemocracies, moreover, will have the benefit of increasing U.S. soft power with the other countries in the region.<sup>5</sup>

*Cooperating with nondemocracies where there are shared interests.* A strategy of democracy strengthening does not preclude cooperation with the nondemocracies of the region. Where in its interests, the United States should continue to cooperate with nondemocracies such as Thailand (a treaty ally), Singapore, and China on issues such as terrorism and piracy, crime, environmental protection, humanitarian crises, and disaster response, including combating pandemic disease. The United States can use interactions such as educational and cultural exchanges, moreover, as opportunities to encourage these countries to improve their human rights records, allow greater social and political freedom, and take steps toward democracy.<sup>6</sup>

*Continuing to provide disaster relief services and humanitarian assistance.* The United States should also continue to provide disaster relief services and humanitarian assistance to all Indo-Pacific countries that are willing to accept such aid. Doing so increases U.S. soft power with all the countries of the region, not just those directly affected. Moreover, it forces authoritarian governments to choose between allowing U.S. and other foreign relief organizations into their countries—undercutting the narratives that these governments propagate about the malign intentions of the United States and its allies—and managing the aftermath by themselves.

---

<sup>4</sup> Roberta Cohen, “A Serious Human Rights Negotiation with North Korea,” 38 North, February 1, 2017.

<sup>5</sup> Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2005), 62.

<sup>6</sup> Ibid., 44–55; and Joshua Muravchik, *Exporting Democracy: Fulfilling America’s Destiny*, rev. ed. (Washington, D.C.: AEI Press, 1992), 189–203.

*Providing economic assistance in crises.* The hands-off U.S. approach to the Asian financial crisis of 1997 significantly damaged U.S. soft power in the region and allowed China to increase its own soft power by providing financial support for some countries. With \$3 trillion in foreign exchange reserves today, more than twenty times what it had in 1997, China is in a much stronger position to supply financial assistance to countries in the region.<sup>7</sup> Although as of April 2020 the aid China had sent to other countries in response to the coronavirus pandemic was mainly of symbolic value, if China's economy recovers quickly from its shutdown in early 2020 it could begin offering more substantial assistance. Meanwhile, far from assisting other countries, the United States was competing with them in its effort to acquire personal protective equipment and other scarce medical supplies.<sup>8</sup> This could further damage U.S. soft power in the region. Given the importance of the Indo-Pacific to the U.S. economy, stabilizing regional economies, moreover, is also in the economic self-interest of the United States.<sup>9</sup>

*Working with all Indo-Pacific nations to reduce pollution and greenhouse gas emissions.* Democracies are generally more responsive to citizen concerns about pollution and environmental degradation than autocracies, which tend to focus on overall economic growth rates while neglecting quality-of-life issues. The spread of democracy in the Indo-Pacific, therefore, should contribute to improvements in the environment. Pollution and climate change, however, do not remain confined within national borders, and the Indo-Pacific is a major source of air and water pollution as well as greenhouse gas emissions affecting the entire world. Thus, the United States should work with both democracies and autocracies in the region to address these issues. In the case of developing democracies, U.S. efforts could include subsidizing the transfer of technologies that can help reduce emissions.

## Recommendations for Implementing the Strategy

Detailed below are specific recommendations for translating the strategy described in the preceding section into concrete actions and policies. They are intended to be substantial enough that, if implemented, they would collectively represent a significant operationalization of the strategy. Precisely how these initiatives should be carried out will depend on specific circumstances, however, and the list is not intended to be exhaustive. Numerous additional actions and policies for advancing the strategy are no doubt possible.

*Join the CPTPP and expand it to include other democracies.* Although the United States withdrew from the Trans-Pacific Partnership (TPP) in 2017, the remaining eleven countries then reached a similar agreement, the CPTPP, that entered into force at the end of 2018. While the CPTPP lacks certain provisions that the United States had pushed to include in the TPP, the United States should nonetheless join the CPTPP and seek to expand it by incorporating other

---

<sup>7</sup> "China Foreign Exchange Reserves," Trading Economics, <https://tradingeconomics.com/china/foreign-exchange-reserves>; and "Yearly Data 1999," National Bureau of Statistics of China, <http://www.stats.gov.cn/english/statisticaldata/yearlydata/YB1999e/index1.htm>.

<sup>8</sup> See "Thanking Big Brother," *Economist*, April 18, 2020, 29–31.

<sup>9</sup> Providing liquidity to Asian financial markets in a crisis will also contribute to maintaining the U.S. dollar's position as the predominant international currency. See Richard Dzina, "Assessing the Dollar's Status as a Reserve Currency in a Multipolar World," NBR, January 6, 2020.

Indo-Pacific democracies, particularly Indonesia, South Korea, and Taiwan.<sup>10</sup> The lowered barriers to trade and investment between members will contribute to the economic growth and prosperity of member countries, most of which are democracies. Indeed, although the CPTPP currently includes three countries that are not democracies (Vietnam, Singapore, and Brunei), the United States and other democratic members could seek to limit future membership to countries that are democracies. Doing so would provide nondemocratic prospective members in the Indo-Pacific with an incentive to become democracies as well.<sup>11</sup>

*Reach free trade agreements (FTAs) with non-CPTPP democracies.* If the United States joins the CPTPP, but other Indo-Pacific democracies continue to remain outside the arrangement, then it should seek to reach bilateral FTAs with them, particularly with India, Indonesia, Taiwan, and the Philippines. (These countries are the four largest democratic Indo-Pacific economies that are not members of the CPTPP and with which the United States does not already have bilateral FTAs.) If, for some reason, the United States does not join the CPTPP, then it should seek to reach a bilateral FTA with Malaysia (which is a member of the CPTPP) as well. Joining the CPTPP would be significantly preferable to a series of bilateral agreements, however.<sup>12</sup>

*Complete bilateral investment treaties with Indo-Pacific democracies.* The CPTPP contains both trade and investment provisions. If the United States joins the CPTPP, therefore, it will automatically also have investment agreements with the other members. In addition, however, the United States should also seek to reach bilateral investment treaties with Indo-Pacific democracies that are not part of the CPTPP, particularly, again, with India, Indonesia, Taiwan, and the Philippines. If the United States does not join the CPTPP, then it will want to seek bilateral investment treaties with Japan, South Korea, Australia, and Malaysia as well.<sup>13</sup>

*Increase foreign aid to developing democracies of the Indo-Pacific.* The strategy outlined in the previous section includes facilitating the economic growth of Indo-Pacific democracies, strengthening their defense capabilities, helping these countries resolve internal conflicts, strengthening democracy within them, reducing external threats to them, providing humanitarian assistance, and working with them to reduce pollution and greenhouse gas emissions. There are

<sup>10</sup> When the United States withdrew from the TPP, the remaining members suspended certain provisions that Washington had pushed for but which were opposed by most other participants. These provisions could potentially be reinstated, however, if the United States were to rejoin the organization. See James McBride and Andrew Chatzky, "What Is the Trans-Pacific Partnership (TPP)?" Council on Foreign Relations (CFR), January 4, 2019; and Ely Ratner et al., "Rising to the China Challenge: Renewing American Competitiveness in the Indo-Pacific," Center for a New American Security, January 28, 2020, <https://s3.amazonaws.com/files.cnas.org/documents/CNAS-Report-NDAA-final-6.pdf?mtime=2020116130752>.

<sup>11</sup> Alternatively, the United States could lead the creation of a new multilateral free trade regime for which democracy would be a condition of membership. Since the CPTPP already exists, however, and most members are democracies, attempting to shape the evolution of the CPTPP may be more practical than trying to create an entirely new organization.

<sup>12</sup> "Free Trade Agreements," Office of the U.S. Trade Representative (USTR), <https://ustr.gov/trade-agreements/free-trade-agreements>; "U.S.-Japan Trade Agreement Negotiations," USTR, <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations>; "Indonesia-United States Free Trade Agreement," Asia Regional Integration Center, December 10, 2019, <https://aric.adb.org/fta/united-states-indonesia-free-trade-agreement>; Ashley J. Tellis, "Sign a Free-Trade Deal with Taiwan," *Wall Street Journal*, December 3, 2018; Natalie Liu, "Bipartisan Support Seen for a U.S.-Taiwan Free-Trade Deal," *Voice of America*, March 28, 2019; and William A. Stanton, "The Time Is Ripe for a U.S.-Taiwan Free Trade Agreement," *Taiwan News*, June 28, 2019. In addition, at the time of writing, the USTR is conducting a review of Indonesia's eligibility to continue to receive the benefits of the General System of Preferences (GSP). If this review results in the removal of Indonesia's GSP eligibility, it should be restored as quickly as possible. "Ongoing Country Reviews," USTR, <https://ustr.gov/issue-areas/preference-programs/generalized-system-preferences-gsp/current-reviews/ongoing-country>.

<sup>13</sup> The only Indo-Pacific countries with which the United States currently has bilateral investment treaties are Bangladesh and Mongolia. "Bilateral Investment Treaties," Trade Compliance Center, [https://tcc.export.gov/Trade\\_Agreements/Bilateral\\_Investment\\_Treaties/index.asp](https://tcc.export.gov/Trade_Agreements/Bilateral_Investment_Treaties/index.asp). The United States and India began negotiations over a bilateral investment treaty in 2008, but since 2017 these negotiations have stalled. The United States should reinstitute these discussions and seek to reach an agreement as quickly as possible. A bilateral investment treaty would give U.S. investors the confidence to invest in India's energy, infrastructure, and other sectors, which currently have large-scale capital needs. Such investments could revitalize India's economic growth, which has been slowing in recent years. See Alyssa Ayres, *Our Time Has Come: How India Is Making Its Place in the World* (Oxford: Oxford University Press, 2018), 221–22; and Richard M. Rossow, "U.S.-India Insight: Do Not Give Up on the Bilateral Investment Treaty," Center for Strategic and International Studies (CSIS), November 28, 2017, <https://www.csis.org/analysis/us-india-insight-do-not-give-bilateral-investment-treaty>.

U.S. foreign aid programs for all of these areas. In 2019, however, total U.S. foreign assistance spent on Indo-Pacific democracies, where more than a quarter of the world's population resides, amounted to less than \$900 million, less than 3% of total U.S. foreign assistance spending in 2019. Thus, the United States could substantially increase its foreign assistance to the democracies of the Indo-Pacific without significantly affecting its overall foreign assistance expenditures. This not only would advance the goals listed above; it also should have the effect of improving U.S. relations with the recipient democracies.<sup>14</sup>

The United States, in particular, should increase the amount of foreign assistance it provides to the island nations of the Pacific, which are nearly all democracies. While small, these countries are strategically located and have been the objects of increased attention from Beijing in recent years. As can be seen in **Table 1**, Chinese assistance to several of these countries in 2018, the year for which the most complete data is available, significantly exceeded that provided by the United States. Most of the Pacific Island countries for which this was not the case had diplomatic relations with Taiwan, as China does not provide aid to countries that have diplomatic ties with Taipei. In 2019, however, Kiribati and the Solomon Islands switched relations from Taipei to Beijing. They are therefore likely to begin receiving foreign aid from China in the future as well, whereas they have received only minor amounts of economic assistance from the United States in recent years.<sup>15</sup>

**TABLE 1** U.S. and Chinese aid to Pacific Island nations in 2018 (dollars, million)

Country	U.S. assistance	Chinese assistance
Cook Islands	–	13.0
Fiji	2.5	8.0
Kiribati*	–	–
Marshall Islands*	42.2	–
Micronesia	64.3	5.0
Nauru*	–	–
Palau*	68.4	–
Samoa	1.9	5.3
Solomon Islands*	1.2	–
Tonga	1.4	0.7
Tuvalu*	–	–
Vanuatu	3.6	50.4

**NOTE:** Asterisk indicates countries that had diplomatic relations with Taiwan in 2018. Chinese assistance data for Vanuatu is for 2019.

<sup>14</sup> Data on U.S. foreign assistance is available from ForeignAssistance.gov. A single Middle Eastern country, Jordan, with a total population of ten million, received roughly the same amount of U.S. aid in 2019 as did the four billion people of the Indo-Pacific.

<sup>15</sup> See ForeignAssistance.gov; “Pacific Aid Map,” Lowy Institute, December 16, 2019, <https://pacificaidmap.lowyinstitute.org>; and Michael Wesley, “Oceania: Cold War Versus the Blue Pacific,” in *Strategic Asia 2020: U.S.-China Competition for Global Influence*, ed. Ashley J. Tellis, Alison Szalwinski, and Michael Wills (Seattle: NBR, 2020), 190–215. In October 2019, China promised the Solomon Islands a \$74 million grant to build a sports stadium. Laura Zhou, “China Expected to Ramp Up South Pacific Push at Economic Forum in Samoa,” *South China Morning Post*, October 19, 2019.



The only Pacific Island countries for which U.S. foreign assistance in 2018 significantly exceeded Chinese assistance were the Marshall Islands, Micronesia, and Palau. From the end of World War II until they received their independence in 1986 (the Marshall Islands and Micronesia) and 1994 (Palau), these three countries were United Nations trust territories administered by the United States. Upon becoming independent, they entered into the Compacts of Free Association that gave the United States responsibility for their defense in exchange for the exclusive right to deploy military forces to their territories. The three countries have received substantial economic assistance from the United States over the years, but U.S. assistance to the Marshall Islands and Micronesia is scheduled to end after 2023 and assistance to Palau is scheduled to end after 2024 (although some of the annual aid allocations has been used to create trust funds that will continue to provide revenue). The signatories to the Compacts of Free Association are free to terminate the agreements at any time. Thus, after U.S. economic assistance to these countries ends, they could be induced to terminate their compacts with the United States in exchange for economic aid from another country. Indeed, China is already providing between \$5 million and \$24 million in aid each year to Micronesia. (The Marshall Islands and Palau continue to have diplomatic relations with Taiwan and thus have not received any Chinese aid in recent years.) Termination of the Compacts of Free Association would potentially allow China to deploy its military forces to the territories of the island countries or at least deny U.S. forces access in a crisis. Thus, the United States has an interest in continuing to provide economic assistance to these countries after the current agreements end, including possibly negotiating another long-term aid commitment.<sup>16</sup>

*Increase defense cooperation with India and Indonesia.* The United States should increase its defense cooperation with the two largest democracies in the Indo-Pacific—India and Indonesia—neither of which is a U.S. treaty ally. In particular, the United States should emphasize improving their maritime security capabilities, including coast guard and other maritime law-enforcement capabilities, along with standard navy capabilities. Defense cooperation should not be limited to equipment transfers, moreover, but should also include training, educational exchanges, exercises, and joint peacetime operations such as patrolling territorial waters and exclusive economic zones.<sup>17</sup>

*Promote multilateral defense cooperation between democracies of the Indo-Pacific.* U.S. alliance relations in the Indo-Pacific are based on a set of bilateral defense treaties. As a result, each alliance tends to focus primarily on the security concerns of the two member countries. Indo-Pacific democracies have a collective interest in each other's security, however, and, together with the United States, have an aggregate capability to respond to security challenges that is significantly greater than that of just the United States and any one partner. Thus, the United States should not only strengthen its own defense relations with these democracies, but it should also encourage defense cooperation among them.

<sup>16</sup> U.S. Department of State, "U.S. Relations with the Federated States of Micronesia," July 2018, <https://www.state.gov/u-s-relations-with-the-federated-states-of-micronesia>; U.S. Department of State, "U.S. Relations with Marshall Islands," December 2019, <https://www.state.gov/u-s-relations-with-marshall-islands>; U.S. Department of State, "U.S. Relations with Palau," August 2018, <https://www.state.gov/u-s-relations-with-palau>; U.S. Compact of Free Association, "About the Compact of Free Association," December 2019, <http://www.uscompact.org/about/cofa.php>; and U.S. Compact of Free Association, "USCompact.org: Documents," December 2019, <http://www.uscompact.org/files/index.php?dir=FSM%20Publications%20FCCompact%20Documents>.

<sup>17</sup> Aman Thakker and Arun Sahgal, "U.S.-India Maritime Security Cooperation," CSIS, October 8, 2019, <https://www.csis.org/analysis/us-india-maritime-security-cooperation>; and Joshua Kurlantzick, "Keeping the U.S.-Indonesia Relationship Moving Forward," CFR, Special Report, February 2018, 17–18.

Japan and Australia have been proactive in this regard. Japan has increased its defense cooperation with both Australia and India, while Australia has increased its defense cooperation with Japan, India, and South Korea. These increases are from a low base, however, and South Korea's and Indonesia's defense activities with the other Indo-Pacific democracies have been limited compared to those of India, Japan, and Australia.<sup>18</sup> In addition, like the United States, all of these countries have tended to focus on individual bilateral relationships as opposed to multilateral cooperation.<sup>19</sup> The United States should promote increased multilateral defense cooperation with and among these countries, including by organizing exercises and symposia involving the five U.S. treaty allies in the region (Japan, South Korea, Australia, the Philippines, and Thailand), to which selected other countries such as India and Indonesia would be invited to participate.<sup>20</sup>

*Push South Korea, Japan, and Australia to play greater roles in regional security.* As this report is being written, the United States and South Korea are in the process of negotiating a new special measures agreement for 2020, which specifies the amount that South Korea will pay to support U.S. forces stationed on the Korean Peninsula. The United States has demanded that in 2020 South Korea quintuple its annual contribution from its 2019 level of \$924 million. The outcome of these negotiations is uncertain at present. The U.S. demand for such a dramatic increase in the amount that South Korea pays for the presence of U.S. troops has caused protests in South Korea and some South Korean lawmakers to call for their country to become "self-reliant" for its national defense, implying an end to the alliance with the United States.<sup>21</sup>

The demand for an increase in South Korean support for U.S. forces stationed in South Korea appears to be based on a belief that allies are free-riding on U.S. defense spending. In 2018, however, South Korea spent \$43 billion on defense, which was 2.6% of its GDP. This is a higher percentage than any other U.S. treaty ally and nearly as much as the 3.2% of GDP that the United States spent on defense. In addition, South Korea recently paid 94% of the \$10.7 billion cost of relocating U.S. forces previously garrisoned at locations in Seoul and near the border with North Korea to less vulnerable facilities farther south.<sup>22</sup> To demand that Seoul also pay costs beyond those specifically associated with stationing U.S. troops in South Korea rather than in the United States is excessive, particularly if it is weakening South Korea's commitment to the alliance. The alliance is not merely a U.S. security guarantee to South Korea; rather, it should be seen as a partnership in which both countries contribute to their joint security needs as well as the security needs of other democracies

<sup>18</sup> "Japan and India to Conduct Fighter Jet Drill in Bid to Deepen Security Ties," Kyodo, December 1, 2019; "Japan, Australia Agree to Boost Defense Cooperation amid Rising China," *Nikkei Asian Review*, November 16, 2018; Ian Hall, "Australia-India Partnership: Strategic Convergence?" S. Rajaratnam School of International Studies (RSIS), Commentary, December 19, 2018, <https://www.rsis.edu.sg/rsis-publication/rsis/australia-india-partnership-strategic-convergence/#.XrH2PpkpCUk>; Aakriti Bachhawat, "No Longer in a Cleft Stick: India and Australia in the Indo-Pacific," Australian Strategic Policy Institute, Strategist, June 25, 2019; Tom Corben, "Australia's Growing Security Cooperation with South Korea," *Diplomat*, October 26, 2017; Jiji Kyodo, "No Progress by Japan and South Korea Defense Chiefs over Intel Pact in Bangkok," *Japan Times*, November 17, 2019; Lakhvinder Singh, "India-Korea Defense Cooperation Needs Reboot," *Asia Times*, June 2, 2019; and Evan A. Laksmana, "Reinforcing Indonesia-Australia Defence Relations: The Case for Maritime Recalibration," Lowy Institute, October 2, 2018, <https://www.lowyinstitute.org/publications/reinforcing-indonesia-australia-defence-relations-case-maritime-recalibration-1>.

<sup>19</sup> For an Australian perspective on how to increase multilateral defense cooperation in the Indo-Pacific, see Ashley Townshend, Brendan Thomas-Noone, and Mathilda Steward, "Averting Crisis: American Strategy, Military Spending and Collective Defense in the Indo-Pacific," United States Study Centre, University of Sydney, August 19, 2019, 62–65, 67–68, 70–72.

<sup>20</sup> The United States, Japan, South Korea, and Australia held a naval exercise involving all four countries in the western Pacific in May 2019. See Tim Kelly, "U.S., Japan, South Korea, Australia Hold First Naval Drills in Western Pacific," Reuters, May 23, 2019. Although Thailand is a U.S. treaty ally, it is not currently a democracy, so its participation should perhaps be limited until democracy is restored.

<sup>21</sup> Min Joo Kim, "U.S. Breaks Off Talks with South Korea over Costs of Military Alliance," *Washington Post*, November 19, 2019.

<sup>22</sup> Josh Smith, "Buying a Big Stick: South Korea's Military Spending Has North Korea Worried," Reuters, September 10, 2019; Stockholm International Peace Research Institute (SIPRI), SIPRI Military Expenditure Database, <https://www.sipri.org/databases/milex>; David Maxwell, "U.S.-ROK Relations: An Ironclad Alliance or a Transactional House of Cards?" NBR, November 15, 2019; and Sue Mi Terry, "Adapting the South Korea–U.S. Alliance to Meet the Challenges of the Twenty-First Century," in *Ironclad: Forging a New Future for America's Alliances*, ed. Michael J. Green (Washington, D.C.: CSIS, 2019), 124.



in the Indo-Pacific. Indeed, both countries committed to just these principles in a joint vision statement issued in 2009.<sup>23</sup> A rupture in the U.S.–South Korea relationship would deprive the United States of a key part of one of its most important tools for managing the other challenges it faces in the region: its network of alliances.

In both its negotiations with South Korea and its negotiations with Japan over a similar agreement, which will take place this year, the United States should limit its requests for financial support to at most the additional costs associated with stationing U.S. forces in those countries relative to the costs of stationing the same forces in the United States. Rather than focusing on financial support for U.S. forces stationed in allied countries, the United States should instead focus its efforts on strengthening defense relations with Japan, South Korea, and Australia and on urging them to increase their capabilities to contribute to the collective defense of democracy in the Indo-Pacific. All three countries are already moving in this direction, but the United States should further encourage and emphasize this movement beyond their own defense needs.<sup>24</sup>

*Co-develop and co-produce weapon systems with Japan, South Korea, and Australia.* Japan and South Korea are democracies with significant technological and manufacturing capabilities, including the ability to design, develop, and produce advanced weapon systems. Australia's defense development and manufacturing capabilities are less extensive, but Canberra is also seeking to strengthen its defense industries. The relatively small sizes of the domestic defense markets in these allies, however, mean that developing and manufacturing weapons purely for use by their own militaries is uneconomical. The United States should partner with them in developing new defense technologies and systems. For example, both Japan and South Korea are currently developing advanced fighter aircraft. With planned production runs of approximately one hundred aircraft each, these programs are likely to be extremely costly on a per-unit basis. Meanwhile, although the U.S.-led F-35 Joint Strike Fighter program included nine partner countries, neither Japan nor South Korea participated, depriving the program of the considerable technological capabilities those countries could have contributed. Thus, not only Japan and South Korea but also the United States would benefit from partnerships in co-developing and co-producing future fighter aircraft, as opposed to pursuing separate programs.<sup>25</sup> Another area in which the United States, Japan, and South Korea could cooperate is in the development of the intelligence, surveillance, reconnaissance, and strike capabilities that would be needed to neutralize North Korea's mobile ballistic missiles

---

<sup>23</sup> "Joint Vision for the Alliance of the United States of America and the Republic of Korea," White House, Press Release, June 16, 2009, <https://obamawhitehouse.archives.gov/the-press-office/joint-vision-alliance-united-states-america-and-republic-korea>.

<sup>24</sup> Michael E. O'Hanlon, "What Is Going On with the United States Alliance with South Korea?" Brookings Institution, November 27, 2019; Bruce Klingner, Jung H. Pak, and Sue Mi Terry, "Trump Shakedown Threatens Two Key U.S. Alliances in Asia," Brookings Institution, December 18, 2019; In-Bum Chun, "Korean Defense Reform: History and Challenges," Brookings Institution, October 31, 2017; Terence Roehrig, "South Korea: The Challenges of a Maritime Nation," NBR, Maritime Awareness Project, December 23, 2019, 4–5; Ministry of National Defense (Japan), *National Defense Program Guidelines for FY 2019 and Beyond* (Tokyo, December 2018); and Australian Government, *2016 Defence White Paper* (Canberra, February 2016), <http://www.defence.gov.au/WhitePaper>. For an Australian perspective on ways to improve U.S. and Australian capabilities to contribute to the collective defense of democracy in the Indo-Pacific, see Rory Medcalf, "Toward a Shared Alliance Strategy in a Contested Indo-Pacific: A View from Australia," NBR, May 21, 2019; and Townshend, Thomas-Noone, and Steward, "Averting Crisis," 61–72.

<sup>25</sup> Department of Defence (Australia), *2016 Defence Industry Policy Statement* (Canberra, February 2016), <https://defence.gov.au/spi/Docs/2016%20Defence%20Industry%20Policy%20Statement.pdf>; Sebastien Roblin, "The F-35 Is an Antique: Japan Is Going All In on a 6th Generation Fighter," *National Interest*, May 27, 2019; "Korea's Biggest Domestic Weapons Project Takes Off," *Korea JoongAng Daily*, October 2, 2019; and "The Centerpiece of 21st Century Global Security," Lockheed Martin, <https://www.f35.com/global>.

(see below). Finally, in addition to co-developing new systems with these countries, the United States should consider acquiring or adapting existing systems that they have developed.<sup>26</sup>

*Increase conflict mitigation and reconciliation efforts in Indo-Pacific democracies.* India, Indonesia, the Philippines, and Myanmar are all democracies that are experiencing internal conflicts. Total U.S. government funding for conflict mitigation and reconciliation programs in the Indo-Pacific in 2019 was approximately \$25 million, roughly 6% of the \$422 million spent on such programs worldwide. While the appropriateness and effectiveness of such programs depend on specific circumstances, if there are opportunities to strengthen conflict mitigation and reconciliation efforts in the region's democracies, the United States should increase funding for these programs.<sup>27</sup>

*Continue to assist democracies in combating extremist organizations.* India, the Philippines, Myanmar, Indonesia, and Sri Lanka have all suffered one hundred or more fatalities due to terrorist attacks in the past decade, and the government of the Philippines has been engaged in significant combat with Islamic extremist organizations in recent years. The United States provides support to all of these countries for operations against terrorist and extremist organizations and should continue to do so. As noted in the previous section, however, such assistance should be conditioned on the governments of these countries not using threats from extremist organizations as a pretext for restricting democratic freedoms or repressing populations that are simply demanding greater recognition or autonomy. If there is evidence that this is happening, assistance should be suspended.<sup>28</sup>

*Expand programs for strengthening democracy in the Indo-Pacific.* In 2019, U.S. foreign aid for programs in the Indo-Pacific promoting democracy, human rights, and good governance amounted to only \$130 million, less than 8% of the \$1.6 billion spent on such programs worldwide. Given that fragile democracies in the region represent more than a quarter of the world's total population, this amount should be significantly increased. At the same time, the democracies of the Indo-Pacific should be held accountable for their human rights records. While helping strengthen democracy in relatively new or fragile democracies, therefore, the United States should not refrain from criticizing them for failures or violations of human rights and, when warranted, suspending cooperation with or imposing sanctions on them.<sup>29</sup>

*Support moderate Islamic forces in Indonesia, Bangladesh, Malaysia, and Maldives.* As noted in chapter 4, militant Islamist ideology has been growing in the Muslim-majority countries of Indonesia, Bangladesh, Malaysia, and Maldives. Although this trend is largely driven by domestic

<sup>26</sup> For example, with the expiration of the U.S.-Russia Intermediate-Range Nuclear Forces Treaty in August 2019, the United States may wish to deploy land-based missiles with ranges between 500 and 5,500 kilometers, which were previously prohibited by the treaty. Although the United States produces air- and sea-launched cruise missiles of these ranges that could be relatively easily adapted for ground launch, it may also wish to deploy intermediate-range ballistic missiles, which it has not produced for more than 30 years. South Korea, however, has developed ballistic missiles in this category that might be suitable for U.S. purposes. See Sugio Takahashi and Eric Sayers, "America and Japan in a Post-INF World," *War on the Rocks*, March 8, 2019, <https://warontherocks.com/2019/03/america-and-japan-in-a-post-inf-world/>; "Missile Defense Project," CSIS, <https://www.csis.org/programs/international-security-program/missile-defense-project/>; and "Missiles of South Korea," CSIS, *Missile Threat*, June 14, 2018.

<sup>27</sup> Data is available from [ForeignAssistance.gov](https://www.foreignassistance.gov/).

<sup>28</sup> National Consortium for the Study of Terrorism and Responses to Terrorism, *Global Terrorism Database*, <https://www.start.umd.edu/data-tools/global-terrorism-database-gtd/>; Uppsala Conflict Data Program, *UCDP Conflict Encyclopedia*, <https://ucdp.uu.se/exploratory/>; ForeignAssistance.gov; Tara John, "Indonesia's Long Battle with Islamic Extremism Could Be about to Get Tougher," *Time*, January 14, 2016; Kurlantzick, "Keeping the U.S.-Indonesia Relationship Moving Forward," 18–20; David S. Maxwell, "ISIS in Mindanao: A Threat to the U.S.?" Hoover Institution, *Caravan*, September 27, 2017, 16–18; and Joseph Felter, "ISIS in the Philippines: A Threat to U.S. Interests," Hoover Institution, *Caravan*, September 27, 2017, 19–21.

<sup>29</sup> ForeignAssistance.gov; and UN Population Division, "World Population Prospects 2019," <https://population.un.org/wpp/>. Another 4% of U.S. development assistance went to programs and organizations that operate worldwide. Presumably some of those monies were spent in the Indo-Pacific, but at least 88% of U.S. development assistance went to other regions.

and international forces that are beyond the ability of the United States to affect, it should still press the governments of these countries to modify policies that are, intentionally or unintentionally, having the effect of further strengthening fundamentalist Islamic ideology. The United States should also increase its support for programs that promote religious tolerance and strengthen non-ideological education in these countries, such as State Department-funded cultural exchange programs, Fulbright programs, the Young Southeast Asian Leaders Initiative, and international schools. In addition, the United States should pressure Saudi Arabia and other Gulf states to end their funding of fundamentalist mosques and madrasas in the Indo-Pacific.<sup>30</sup>

*Counter Chinese efforts to subvert the political systems of Indo-Pacific democracies.* As described in chapter 3, the Chinese government engages in a variety of efforts to influence the policies and subvert the political systems of other countries, including the United States. The United States should take steps to counter these efforts in the Indo-Pacific, particularly in democratic countries. One means is through information sharing. When U.S. intelligence or law-enforcement agencies acquire evidence of Chinese influence activities in Indo-Pacific democracies, they should share that information, to the extent feasible, with their counterparts in those countries and request that those countries do the same. In addition to the sharing of specific intelligence information, the governments of the United States and other democratic countries should also exchange knowledge regarding overall trends and patterns as well as best practices for detecting, thwarting, and counteracting Chinese influence operations. Given Beijing's efforts to control the content of discourses in both the Chinese-language and the mainstream media of Indo-Pacific countries, the U.S. government should also provide funding to assist independent media outlets in these countries in producing content in Chinese and other languages and should increase funding for Voice of America and Radio Free Asia programming in Indo-Pacific languages.<sup>31</sup>

*Prioritize North Korean denuclearization over regime change.* A quarter century of efforts to convince North Korea to relinquish its nuclear weapons programs have failed. This does not mean that the goal is unachievable, but it does suggest that a new approach is needed. The principal purpose of North Korea's nuclear weapons program has been to ensure regime survival. To convince Pyongyang to dismantle its nuclear weapons and facilities, therefore, will likely require an alternative way of assuring the North Korean regime that it will be allowed to remain in power, combined with positive incentives for dismantling its nuclear weapons and strong disincentives for keeping them.<sup>32</sup>

Since most of North Korea's trade goes through China, and since China is North Korea's primary security guarantor, this implies that China will need to implement most of the disincentives for North Korea keeping its nuclear weapons. As argued in chapter 3, Beijing's overriding goal on

---

<sup>30</sup> Shaun Tan, "Wahhabi Wannabes and Malaysia's Moderate Muslim Myth," Hoover Institution, Caravan, September 27, 2017; Paul Wolfowitz, "Whither Indonesia?" Hoover Institution, Caravan, September 27, 2017, 22–24; C. Christine Fair, "Political Islam and Islamist Terrorism in Bangladesh," Lawfare, January 28, 2018, <https://www.lawfareblog.com/political-islam-and-islamist-terrorism-bangladesh-what-you-need-know>; Joshua Kurlantzick, "The Rise of Islamist Groups in Malaysia and Indonesia," CFR, February 27, 2018; and Russell A. Berman, "Islam, Islamism and U.S. Strategy in Maritime Southeast Asia," Hoover Institution, Caravan, September 27, 2017, 25–26.

<sup>31</sup> Medcalf, "Toward a Shared Alliance"; Larry Diamond and Orville Schell, *Chinese Influence and American Interests: Promoting Constructive Vigilance* (Stanford: Hoover Institution Press, 2018); Carolyn Kenney, Max Bergmann, and James Lamond, "Understanding and Combating Russian and Chinese Influence Operations," Center for American Progress, February 28, 2019; Orville Schell and Susan L. Shirk, "Course Correction: Toward an Effective and Sustainable China Policy," Asia Society Center on U.S.-China Relations, February, 2019, 42–44; U.S.-China Economic and Security Review Commission, "China's Overseas United Front Work: Background and Implications for the United States," August 24, 2018, [https://www.uscc.gov/sites/default/files/Research/China's%20Overseas%20United%20Front%20Work%20-%20Background%20and%20Implications%20for%20US\\_final\\_0.pdf](https://www.uscc.gov/sites/default/files/Research/China's%20Overseas%20United%20Front%20Work%20-%20Background%20and%20Implications%20for%20US_final_0.pdf); and Lloyd-Damjanovic, "A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education," Woodrow Wilson International Center for Scholars, September 6, 2018.

<sup>32</sup> See Ken E. Gause, "Diplomacy in the Land of No Good Options," Jamestown Foundation, 2018, 42–44, <https://jamestown.org/wp-content/uploads/2018/12/Diplomacy-in-the-Land-of-No-Good-Options-1.pdf?x84785>.

the Korean Peninsula is maintaining stability, which includes North Korea's continued existence as a separate state from South Korea. By guaranteeing the survival of the Pyongyang regime, the United States would also satisfy a condition for convincing Beijing to put pressure on North Korea.

Allowing the North Korean regime to survive is unquestionably distasteful. The North Korean government is one of the most brutal and oppressive in the world. As argued in chapter 4, however, there is scant evidence that it is on the verge of collapse and, therefore, the United States can probably do little to hasten regime change. Meanwhile, North Korea's possession of nuclear weapons increases its ability to engage in aggression. For example, it is possible that Pyongyang could calculate that, even though the United States has mutual defense treaties with Japan and South Korea, if North Korea were to attack one of those countries with nuclear weapons, its capability to also reach the United States with nuclear weapons would deter the United States from using its own nuclear capabilities against North Korea in response. Even if North Korea did not actually attack one of these countries with nuclear weapons, a belief on the part of Pyongyang that it could do so with impunity might encourage it to attempt to coerce or engage in aggression against a neighboring country using conventional forces. Concerns about such scenarios in turn could deter Seoul and Tokyo from assertively defending their interests in Northeast Asia.<sup>33</sup>

Moreover, so long as Pyongyang possesses nuclear weapons, a collapse of governance could be extremely dangerous for the region. Given the precariousness of the North Korean economy even in normal times, a collapse of governance or a civil war resulting from a leadership split in North Korea would likely result in a major humanitarian crisis and large numbers of refugees fleeing north toward China and south toward South Korea. As a consequence, Chinese, South Korean, or U.S. military forces could be drawn into North Korea, either in an effort to restore order in response to a breakdown of governance in North Korea or at the request of one or more North Korean factions claiming to be the legitimate government of the country and needing assistance in suppressing a rebellion by the other faction or factions. In such potentially chaotic circumstances, it is possible to imagine North Korea's nuclear, biological, or chemical weapons being used by one faction against another, against intervening foreign forces, or against neighboring countries or even the United States. They might also be smuggled out of the country and provided to actors hostile to the United States. The priority of the United States, therefore, should be to first achieve denuclearization, even if that requires allowing the survival of the existing government for the time being.

North Korean leaders have long sought a peace treaty with the United States, presumably because they believe that such a treaty would represent a commitment by Washington to allow North Korea to survive. The most effective vehicle for assuring Pyongyang and Beijing that the United States does not seek regime change, therefore, would probably be some sort of formal treaty or communiqué between the three parties.

Agreeing to accept the formal division of the Korean nation might be politically difficult for a South Korean government. The sudden absorption of North Korea by South Korea, however, would be costly and painful, much more so than was the reunification of Germany in 1990. It is in South Korea's interests, therefore, for any unification process to be a gradual one. With assurances that the United States and South Korea would not attempt to exploit any resulting instability, moreover, North Korean rulers might have enough confidence in the security of their regime

---

<sup>33</sup> See Vince A. Manzo and John K. Warden, "Want to Avoid Nuclear War? Reject Mutual Vulnerability with North Korea," *War on the Rocks*, August 29, 2017, <https://warontherocks.com/2017/08/want-to-avoid-nuclear-war-reject-mutual-vulnerability-with-north-korea>.

that they would be willing to allow more extensive economic reforms than they have to date. This could result in North Korea, over time, closing the economic development gap with South Korea and would give the North Korean people time to become accustomed to the norms and culture of the capitalist world prior to unification with the South.<sup>34</sup>

There is no guarantee that Beijing and Pyongyang will accept the bargain proposed above. Even if they ultimately agree to it, the process of reaching that point will undoubtedly be difficult and frustrating. Given the dangers that North Korea's nuclear weapons pose, however, the United States must continue to seek new ways to convince Pyongyang to relinquish them.

*Seek to defuse other regional disputes.* Fundamentally resolving the other major territorial disputes in the region will also be challenging. Nonetheless, it may be possible to find ways to at least reduce the likelihood of these disputes sparking conflict. In the case of Taiwan, for example, the United States could potentially assuage Beijing's concerns about Taiwan formalizing its independence by promising not to recognize Taiwan as an independent country in the event of a declaration of independence, provided that Beijing pledges not to use force in any circumstances short of a formal declaration of independence for a specified period of time.

For the territorial dispute over the Senkaku/Diaoyu Islands, the United States could attempt to broker an agreement whereby China and Japan would agree to defer the issue. During this period of time, Japan would promise not to build any facilities or station any personnel on the islands, while China would refrain from sending vessels or aircraft into the territorial waters or airspace of the islands. For the competing claims in the South China Sea, China and the members of the Association of Southeast Asian Nations (ASEAN) have been negotiating a code of conduct to reduce the likelihood of conflict. China's position in these negotiations, however, is unlikely to be accepted by the other disputants. Thus, the negotiations will probably not result in an agreement unless China modifies its position. The United States should recruit a neutral party with a reputation for successfully brokering international agreements (e.g., Norway) to mediate the negotiations and then mobilize international pressure on the disputants to work with this neutral party to reach an agreement on a fair and equitable code of conduct.<sup>35</sup>

Prospects for a resolution of the Kashmir dispute appear to be poor. Any solution acceptable to Pakistan and the majority of residents of Kashmir would probably require significant territorial concessions by India. Recently, however, New Delhi has instead been tightening its control over the territory. In October 2019, it revoked Kashmir's autonomous status within India and divided it into two states under direct federal control. India is also opposed to U.S. mediation in the dispute. Nonetheless, it is conceivable that a future Indian government might be more amenable to finding a solution. Washington should seek opportunities and incentives to encourage New Delhi to resolve the Kashmir issue in a way that is acceptable to Islamabad. Resolution of the dispute would allow India to redeploy for other purposes the forces, resources, and strategic attention currently devoted to combatting terrorism in Kashmir and deterring Pakistan from taking military action in the region.<sup>36</sup>

---

<sup>34</sup> For further exposition on this proposal, see Roger Cliff, "North Korea's Nukes Will Only Go If Kim Gets to Stay," *National Interest*, July 18, 2017.

<sup>35</sup> For a reasonable set of provisions that a code of conduct should contain, see South China Sea Expert Working Group, "A Blueprint for a South China Sea Code of Conduct," CSIS, Asia Maritime Transparency Initiative, October 11, 2018.

<sup>36</sup> Hannah Ellis-Petersen and a reporter in Srinagar, "India Strips Kashmir of Special Status and Divides It in Two," *Guardian*, October 31, 2019; Stuti Bhatnagar, "Mediation a Long Shot," *Lowly Institute, Interpreter*, January 29, 2019; and Sanjeev Miglani, "Trump Touches Off Storm in India with Kashmir Mediation Offer," *Reuters*, July 23, 2019.



*Create a regime to restrict transfers of military technology to authoritarian countries.* Inhibiting the ability of authoritarian countries to acquire military and dual-use technologies would reduce the threat that these countries present to the democracies of the Indo-Pacific. However, there is currently no international regime to regulate the export of such technologies. The existing Wassenaar Arrangement, for example, is simply a voluntary organization for exchanging information about transfers of conventional arms and dual-use goods and technologies. It has no specific prohibitions on transfers, and the organization does not have a mechanism to prevent a member country from exporting any technologies. The United States should work with the world's democracies to create an international export-control regime to restrict transfers of military and dual-use technologies to authoritarian countries. The membership and control lists of this regime could be similar to those of the Wassenaar Arrangement, with some modifications. Russia and Turkey are not democracies and should probably be excluded, while the organization ideally would include Israel.<sup>37</sup>

*Strengthen capabilities to counter theater missile attacks.* As noted earlier in this chapter, although using nuclear weapons to attack the United States would be suicidal for North Korea, its possession of that capability increases its ability to engage in other forms of aggression, including using nuclear weapons against a U.S. ally such as Japan or South Korea. Even if North Korea did not actually attack those countries with its nuclear weapons, the capability to do so could encourage Pyongyang to attempt to coerce Seoul or Tokyo or to engage in aggression using conventional forces. The United States should, therefore, make clear to all parties that the U.S. extended nuclear umbrella continues to apply to its allies and that any attack on U.S. allies with nuclear, biological, or chemical weapons would potentially be subject to nuclear retaliation from the United States.

Yet, given the possibility that this deterrent could nonetheless fail, particularly in the event of a civil war or regime failure in North Korea, the United States and its allies need ways to prevent nuclear weapons from reaching their territories. The United States, Japan, and South Korea should continue their efforts to develop capabilities to detect and preempt an imminent North Korean missile attack and, as noted above, should cooperate more closely with each other in this endeavor.<sup>38</sup> At the same time, the United States and its allies should expand their theater missile defenses and strengthen their capabilities to manage the consequences of nuclear, biological, or chemical weapons attacks. Although such capabilities cannot be expected to completely eliminate the threat of such attacks, they can significantly reduce the amount of damage suffered if such attacks occur.<sup>39</sup> Strengthened capabilities to counter theater missiles will also weaken China's prospects for successfully using conventional force against Taiwan, Japan, or the Philippines.

Theater missile defenses should either be located in the potential target countries in peacetime or else be capable of being rapidly deployed by air or sea in a crisis. For example, the Terminal High Altitude Area Defense (THAAD) system can be relatively quickly deployed by air, while

---

<sup>37</sup> "The Wassenaar Arrangement at a Glance," Arms Control Association, December 2017, <https://www.armscontrol.org/factsheets/wassenaar>; "Wassenaar Arrangement," Nuclear Threat Initiative, July 31, 2018; and "Wassenaar Arrangement," Federation of American Scientists, January 16, 2020. For a detailed discussion of how to slow the diffusion of technology to one country in particular (China), see Charles W. Boustany Jr. and Aaron L. Friedberg, "Partial Disengagement: A New U.S. Strategy for Economic Competition with China," NBR, NBR Special Report, no. 82, 12–18, 22–23.

<sup>38</sup> Manzo and Warden, "Want to Avoid Nuclear War?"

<sup>39</sup> David Ochmanek and Lowell H. Schwartz, *The Challenge of Nuclear-Armed Regional Adversaries* (Santa Monica: RAND Corporation, 2008), 53–56.

ships equipped with the Aegis Ballistic Missile Defense System can reach the waters of Northeast Asia in a matter of days from most locations in the Pacific.<sup>40</sup>

*Strengthen capabilities to defeat amphibious invasions.* Many of the military threats to democracies in the Indo-Pacific involve disputes over the territorial status of islands. One way in which the other claimants might seek to resolve these disputes in their favor, therefore, is through an amphibious invasion. To deter and, if necessary, defeat such attempts, the United States should strengthen its capabilities to prevent amphibious invasions (which could include helicopter-borne and airborne dimensions). This includes the capability to detect preparations for an invasion as well as capabilities to detect, track, identify, and destroy or disable ships, landing craft, and transport aircraft in the face of advanced anti-air and antisubmarine warfare capabilities.

*Strengthen the capability to project air power into the western Pacific.* North Korea's use of force against South Korea or Japan or China's use of force against Taiwan or the Philippines would likely entail efforts to prevent the United States from operating air forces from nearby bases and aircraft carriers. This could involve missile, air, submarine, and other types of attacks on the bases and aircraft carriers as well as efforts to control the airspace in the combat theater using fighter aircraft and long-range surface-to-air missiles. Successfully defending these countries, therefore, requires the U.S. military to possess the means to neutralize attacks on bases and aircraft carriers (using a combination of air and missile defenses, passive defenses, electronic warfare, antisubmarine capabilities, operational flexibility, and systems capable of operating from longer ranges), as well as the means to defeat fighter aircraft and long-range surface-to-air and air-to-air missiles.<sup>41</sup>

*Strengthen blockade-breaking capabilities.* North Korea's use of force against South Korea or Japan or China's use of force against Taiwan or the Philippines might also entail the imposition of a blockade on all or part of these countries using missile, air, and naval forces. The U.S. military should ensure that it has the capability to deliver forces and supplies both to large islands, like Japan, Taiwan, or South Korea (which is effectively an island, given that North Korea sits astride its only land border), and to small islands, such as the Spratly or Senkaku Islands, in the face of a concerted blockade. This requires the capability to protect transport aircraft and ships, as well as the airports and seaports at which the forces and supplies would be unloaded, from missile, air, and naval attack. Since such attacks might nonetheless render major airports and seaports unusable, moreover, the United States also needs the capability to rapidly clear mines, repair damaged facilities, and deliver large quantities of forces or supplies to unimproved airstrips, shallow water ports, or directly onto land without going through an airport or seaport.<sup>42</sup>

*Pressure authoritarian countries over democracy and human rights.* A strategy of democracy strengthening in the Indo-Pacific implies efforts not just to bolster and secure democratic countries but also to promote democratic norms and human rights in the authoritarian countries of the region. Human rights should be a regular topic of discussion in diplomatic dialogues with these countries, the United States should publicize their human rights violations, and there should be limitations on exchanges, trade, and investment with them based on their human

---

<sup>40</sup> "Terminal High Altitude Area Defense (THAAD)," U.S. Department of Defense, Missile Defense Agency, <https://www.mda.mil/system/thaad.html>; and "Aegis Ballistic Missile Defense," U.S. Department of Defense, Missile Defense Agency, [https://www.mda.mil/system/aegis\\_bmd.html](https://www.mda.mil/system/aegis_bmd.html).

<sup>41</sup> David Ochmanek, "Sustaining U.S. Leadership in the Asia-Pacific Region," RAND Corporation, January 1, 2015.

<sup>42</sup> For a discussion of some of the requirements for such a capability, see Eric V. Larson et al., *Assuring Access in Key Strategic Regions: Toward a Long-Term Strategy* (Santa Monica: RAND Corporation, 2004), 120–29.



rights records.<sup>43</sup> In the case of North Korea, although the primary objective of negotiations should be the dismantling of the country's nuclear weapons, the United States and its partners must make clear to Pyongyang that a complete lifting of sanctions will require improvements in its human rights record.

The United States should urge other democracies to pressure the authoritarian countries of the Indo-Pacific over human rights as well. Coordinated, unified pressure is more likely to be effective than disparate efforts that provide opportunities for authoritarian countries to attempt to play countries against each other or to evade sanctions. Some authoritarian leaders may feel that their hold on power is such that they either are unable to or have no need to allow significant improvements in human rights. The United States and other democracies should not assume that fundamental improvements are impossible in these countries, however, and even minor improvements are nonetheless improvements. The United States can also provide support to exile communities in these cases. Although authoritarian countries cannot be forced to become democracies, U.S. support for democratic norms and human rights can help lay the groundwork for a future democratic transition and improve the United States' prospects for having friendly relations with the country when it does become a democracy.<sup>44</sup>

*Prepare for the possibility of a collapse of governance in North Korea.* Although there is currently little evidence that the Kim Jong-un regime is on the verge of collapse, that could change with little advance warning. As noted earlier in this chapter, if such a scenario were to transpire, North Korea's nuclear, biological, or chemical weapons could conceivably be used by one faction against another, against intervening foreign forces, or against neighboring countries or the United States. These weapons might also be smuggled out of the country and provided to actors hostile to the United States. Consequently, Washington should further strengthen its capabilities to locate and secure North Korea's nuclear, biological, and chemical weapons and materials in the event of a collapse of governance. In addition, if they are not already doing so, the United States and China should quietly discuss ways to avoid miscommunication or misunderstanding during any actions they may take to secure North Korea's fissile materials in such a scenario.

*Increase the U.S. capacity for disaster response.* The vast majority of people affected by natural disasters worldwide each year are in the Indo-Pacific, including more than half of those killed. The populations and the economic, social, and cultural assets within areas of the Indo-Pacific that are most likely to experience natural disasters are increasing rapidly.<sup>45</sup> Further complicating matters, as a result of global climate change, South and Southeast Asia are expected to see an increase in the frequency and intensity of certain types of natural disasters.<sup>46</sup> Demand for U.S. disaster assistance has been increasing throughout the world in recent years. In 2019 the United States appropriated more than \$9 billion in disaster assistance for foreign countries, nearly double the amount appropriated in 2009. Only about 4% of the more than \$36 billion in humanitarian assistance the United States disbursed between 2015 and 2019 went to the Indo-Pacific, however. Given that providing humanitarian assistance and disaster relief increases U.S. soft power, and that

---

<sup>43</sup> Daniel Bessner and Isaac Stone Fish, "How the Left Should Respond to Ethnic Cleansing in China," *Nation*, January 15, 2019, <https://www.thenation.com/article/archive/left-foreign-policy-china>.

<sup>44</sup> Kurt M. Campbell and Jake Sullivan, "How America Can Both Challenge and Coexist with China," *Foreign Affairs*, August 1, 2018; Schell and Shirk, "Course Correction," 39–40; and Muravchik, *Exporting Democracy*, 211.

<sup>45</sup> Asian Development Bank (ADB), *Asian Development Outlook 2019: Strengthening Disaster Resilience* (Manila: ADB, 2019), 59, 61, 70.

<sup>46</sup> Intergovernmental Panel on Climate Change, "Global Warming of 1.5°C," 2018, 189–204, <http://www.ipcc.ch/report/sr15>.

the frequency and severity of disasters is likely to increase in the future, the United States should expand its capabilities and be prepared to increase its level of assistance in the Indo-Pacific.<sup>47</sup>

*Strengthen environmental cooperation with Indo-Pacific countries.* As noted in other parts of this report, the Indo-Pacific is a major source of environmental pollution. Approximately one-third of all greenhouse gas emissions and two-thirds of oceanic plastic waste, both of which affect people throughout the world, originate in the Indo-Pacific. Air pollution levels in the region are also well above global averages, and not only are regional countries affected, but even the United States is. Thus, it is in the self-interest of the United States to work with the countries of the Indo-Pacific to reduce their production of pollutants and greenhouse gases. Doing so, moreover, will increase U.S. soft power in the region. In particular, global climate change is an existential threat for many Pacific Island nations because of the resultant sea-level rise. A strengthened U.S. commitment to reducing carbon emissions, therefore, would contribute significantly to U.S. influence and soft power in these countries.

Cooperation could include coordination of policies, exchanges of best practices, and the licensing of pollution-reducing technologies. In particular, the United States should increase the amount of assistance for environmental protection that it provides to the region's developing countries. In 2018, total U.S. assistance for environmental protection amounted to \$585 million, about 1% of all U.S. foreign aid. Much of this assistance went to Indo-Pacific countries, but the total amount was modest and should be increased.<sup>48</sup>

*Support Japan and India becoming permanent members of the UN Security Council.* India and Japan, both of which are major powers by most measures, have long sought to become permanent members of the UN Security Council. The United States has expressed support for their bids but has not vigorously promoted the reforms to the Security Council that would be required. Becoming permanent members would encourage both countries to play greater roles in world affairs and would counterbalance the influence on the Security Council of authoritarian China and Russia. Japan has long been a close ally of the United States. Although India may not always align with the United States on issues before the Security Council, on balance its presence would also advance U.S. interests.

The most likely scenario for these countries becoming members of the Security Council would be as part of a broader reform that would see Germany, Brazil, and perhaps South Africa become permanent members as well. Even if U.S. efforts on behalf of Japan and India are unsuccessful in the near term (given that China and Russia both have the capability to veto amendments to the UN charter), strong and public support for their bids would strengthen U.S. relations with both countries.<sup>49</sup>

## Conclusion

The challenges that the United States will face in the Indo-Pacific in the coming decade will likely be more daunting than any it has faced since the end of the Cold War. The wise approach

---

<sup>47</sup> ForeignAssistance.gov; and USAID, "Office of U.S. Foreign Disaster Assistance," <https://www.usaid.gov/who-we-are/organization/bureaus/bureau-democracy-conflict-and-humanitarian-assistance/office-us>. Another 20% of U.S. humanitarian assistance went to programs and organizations that operate worldwide. Presumably some of those monies were spent in the Indo-Pacific, but at least 76% of U.S. development assistance went to other regions.

<sup>48</sup> ForeignAssistance.gov.

<sup>49</sup> Ayres, *Our Time Has Come*, 97–99; and Peter Harris, "Why Japan Will Never Be a Permanent Member of the UN Security Council," *National Interest*, August 4, 2014.

will be to not attempt to single-handedly overcome those challenges but to face them together with a broad and powerful array of allies. The most natural allies of the United States in this endeavor will be those countries that share its values of freedom and democracy and that face many of the same challenges. A strategy that focuses on strengthening U.S. relations with Indo-Pacific democracies and making those countries stronger and more secure, therefore, is consistent both with the principles on which the United States is based and with its strategic interests.





THE NATIONAL BUREAU *of* ASIAN RESEARCH

*Seattle and Washington, D.C.*

1414 NE 42ND STREET, SUITE 300  
SEATTLE, WASHINGTON 98105 USA  
PHONE 206-632-7370, FAX 206-632-7487

1819 L ST NW, NINTH FLOOR  
WASHINGTON, D.C. 20036 USA  
PHONE 202-347-9767, FAX 202-347-9766

NBR@NBR.ORG, WWW.NBR.ORG