



Briefing Note

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An age of global realignments: The Indo-Pacific

The Macdonald-Laurier Institute and Konrad-Adenauer-Stiftung

This is a summary of key insights, assessments, and policy recommendations from the Strategic Dialogue on the Indo-Pacific.

The event was a part of a project between the Macdonald-Laurier Institute (MLI) undertaken with the support of the Konrad-Adenauer-Stiftung (KAS). This was a closed-door virtual Strategic Dialogue held under Chatham House Rule with a select group of thought leaders and experts on the region. The 24 panelists represented 10 countries including Canada, Singapore, Thailand, New Zealand, South Korea, Japan, India, Cambodia, Brunei Darussalam, and Australia. The panel was moderated by MLI Senior Fellow and Indo-Pacific Program Director Jonathan Berkshire Miller.

This Strategic Dialogue is structured around two themes: Security and Trade/Economy.

The purpose was:

- To determine how realignments in the Indo-Pacific shape the security environment and the opportunities for cooperation ahead;
- To explore multilateral economic partnerships that may provide an alternative vision to China's Belt and Road Initiative (BRI); and
- Examine how Canada can specifically contribute both in economic and security terms to the Indo-Pacific.

The authors of this document have worked independently and are solely responsible for the views presented here. The opinions are not necessarily those of the Macdonald-Laurier Institute, its Directors, Supporters or Konrad-Adenauer-Stiftung.

Setting the Stage: Perceptions of the Indo-Pacific Region

At the beginning of the dialogue, emphasis was placed on the need to properly define the Indo-Pacific region. When the term is discussed, immediate attention is placed on the United States or the Quadrilateral Security Dialogue (Quad). While these are certainly important aspects, they are not the only framework with which to view the region. Several countries, including European Union (EU) countries, have adopted Indo-Pacific approaches in recent months; it is certainly not a one- or two-member club. The Strategic Dialogue would undertake a holistic approach analysing different players in the region, with a special emphasis on the potential for Canadian contributions.

Security

Security Considerations in the Indo-Pacific

China has fundamentally transformed the regional order; the relative balance between China and its neighbours has been dramatically altered. The Shanghai Cooperation Organization (SCO) is regularly excluded from regional dialogue. The SCO is a powerful and influential continental Eurasian bloc that undertakes security cooperation on terrorism, separatism, and military exercises – and in some respects, it resembles a continentalist group that is opposed to the Indo-Pacific vision being propagated by the US, Japan, and others.

The imbalance can be managed – in part – by old structures, specifically the multilateralism spearheaded by the Association of Southeast Asian Nations (ASEAN) and American-led bilateral alliances. However, ASEAN is increasingly under stress as its resources are being pulled in different directions, whether on the issue of the South China Sea or strategic competition around Myanmar.

Furthermore, great power competition between China and the US is likely to increase over the next five to 10 years. In this case, supplementary arrangements, notably the Quad, will play a significant role in addressing this challenge.

Despite the challenges presented to ASEAN, there is still a strong interest on the part of Southeast Asian states to avoid dominance by any outside player. ASEAN is still widely respected throughout the region; for example, the UK effort to become a dialogue partner demonstrates they view it as an important avenue to engage the Indo-Pacific.

Non-traditional security issues have risen to prominence in recent years, notably cybersecurity. This is a common issue that countries must effectively

collaborate to address. The Institute for Strategic Studies in Mongolia has worked to organize a conference, the Ulaanbaatar Dialogue, to engage and attain cooperation from countries not only in Northeast Asia but also East Asia and across the Indo-Pacific.

Areas for Canada's Engagement in Security Matters

Over the last 20 years, Canada has struggled to create a definitive role for itself in this part of the world. Canada must clearly define its national interests, in particular its security priorities.

Canada possesses the resources to support defending new security issues, such as health and the environment. In this role Canada can contribute to mitigating human security problems.

The idea of a single organization or old US alliances standing up to the threat of China is no longer a viable solution. This is why Japan has reached out to the United Kingdom, France and more recently Canada. It is important for Canada to utilize its connections to small and island states across the broader Indo-Pacific from Africa to the South Pacific. While America is a close ally, its domestic politics has proven to be volatile and thus middle-power countries like Canada need to undertake a concerted effort in shaping their interests in the region.

Beyond the Sino-American strategic competition, we are also witnessing a broader competition in the world around the question of values (i.e., the rule of law). Canada can take reports on these issues to parliament and create an umbrella mechanism. The National Endowment for Democracy would put emphasis on the Asia-Pacific region which requires immediate and careful attention.

Trade and Economy

Trade and Economic Considerations in the Indo-Pacific

The region is governed by a host of economic frameworks including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Quad. All of these have led to the impression that an Indo-Pacific economic construct marrying both the Indian and Pacific Oceans is not difficult to achieve.

However, the Indo-Pacific is an extremely heterogenous and evolving region, which makes rendering a comprehensive economic partnership difficult.

This heterogeneity does not preclude change and regional cooperation. For

example, the Pacific Ocean side possesses progressive architecture that the Indian Ocean side lacks. But a broad convergence on a host of large issues makes it possible for stakeholders on both sides to go to the World Trade Organization (WTO) and work together on topics that are issue-based and of common concern. This may be in respect to standards, management of vaccines, or movement of students across the region.

Another challenge facing the region is infrastructure deficiency. Over the past six years, China has come to dominate the market for providing infrastructure assets. This arrangement proved especially challenging in the face of COVID-19 when the Chinese economy shut down. It drastically affected global supply chains and demonstrates the need to create alternative supply hubs.

The market can become more competitive if the number of suppliers increases. This may be supported by the new India connectivity partnership, which proposes third-country cooperation in infrastructure projects.

European countries, with the arguable exception of the UK, would prefer to continue to trade with China. Australia employed this line of thinking for a long period of time but Canberra has recently realized it is no longer feasible to be economically overly dependent on China. The same also applies to Europe.

This change in demeanor is not necessarily motivated by human rights abuses in China or the country's increasing threat to Taiwan. Rather it is caused by criticism of European countries in the Indo-Pacific. The US, Japan, and Australia have all stopped the mantra of integrating their economies with the Chinese market and there are calls for European countries to follow suit.

But the challenge is the fact that many European countries, particularly Germany, are overly dependent on the Chinese market. The German economy has continued to perform well in the face of COVID-19 because a thriving Chinese market continues to purchase its products. Thus, it is clear Germany and others will not become hawkish on China anytime soon.

In theory, Europe's inclusive approach to China can provide added value as a mediator to ensure ASEAN's centrality in the region. However, when these ad hoc European multilaterals or minilaterals depart from military and security issues to engage in trade, supply chain, and vaccine diplomacy topics, they end up marginalizing ASEAN. It is thus the responsibility of European countries to support and engage with ASEAN to sustain and ensure the success of its multilateralism.

Areas for Canada's Economic Engagement

India and Japan are collaborating on an infrastructure project and Canada, as a middle power, has an extremely important role to play in this process.

Canada can provide support in solidifying pre-existing diversification strategies to enhance their capacities and resources to reshape supply chains.

Additionally, the CPTPP is an excellent framework to strengthen economic partnerships in the region. Canada and Japan have been leaders in crafting CPTPP policy and should proactively cooperate to advocate for an increase in the number of members. This intra-regional integration will increase the robustness of their economies and enhance their ability to have more strategic autonomy to respond to challenges they face in regard to asymmetries posed by China.

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WHAT PEOPLE ARE SAYING ABOUT MLI

The Right Honourable Paul Martin

I want to congratulate the **Macdonald-Laurier Institute** for 10 years of excellent service to Canada. The Institute's commitment to public policy innovation has put them on the cutting edge of many of the country's most pressing policy debates. The Institute works in a persistent and constructive way to present new and insightful ideas about how to best achieve Canada's potential and to produce a better and more just country. Canada is better for the forward-thinking, research-based perspectives that the **Macdonald-Laurier Institute** brings to our most critical issues.

The Honourable Jody Wilson-Raybould

The **Macdonald-Laurier Institute** has been active in the field of Indigenous public policy, building a fine tradition of working with Indigenous organizations, promoting Indigenous thinkers and encouraging innovative, Indigenous-led solutions to the challenges of 21st century Canada. I congratulate **MLI** on its 10 productive and constructive years and look forward to continuing to learn more about the Institute's fine work in the field.

The Honourable Irwin Cotler

May I congratulate **MLI** for a decade of exemplary leadership on national and international issues. Through high-quality research and analysis, **MLI** has made a significant contribution to Canadian public discourse and policy development. With the global resurgence of authoritarianism and illiberal populism, such work is as timely as it is important. I wish you continued success in the years to come.

The Honourable Pierre Poilievre

The **Macdonald-Laurier Institute** has produced countless works of scholarship that solve today's problems with the wisdom of our political ancestors. If we listen to the **Institute's** advice, we can fulfill Laurier's dream of a country where freedom is its nationality.

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