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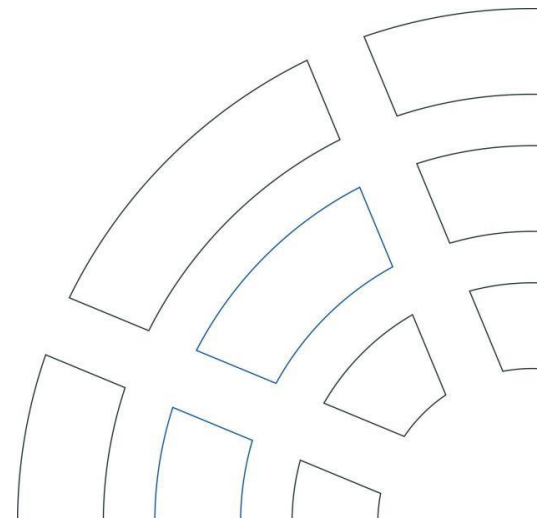
PRELIMINARY DRAFT

BUILDING A VALUES-BASED TRANSATLANTIC ECONOMIC AND STRATEGIC PARTNERSHIP WITH THE INDO-PACIFIC

Preliminary Draft Report
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After more than two decades of robust economic growth, the Chinese economy is entering a phase of slower growth. Mounting debt, an asset bubble exacerbated by poor governance, excessive savings due, in part, to an inadequate social safety net, collapsing consumer demand, capital misallocation, industrial over-capacity and a rapidly aging population have collectively weakened Chinese output and demand and lowered that country's long-term growth prospects.

Western governments, concerned by China's military build-up and ever-more aggressive posture in the Indo-Pacific, are reassessing their economic ties with Beijing. China's central role in global supply chains has become deeply concerning, particularly in the wake of the Covid-19 pandemic when China slashed supplies of a range of critically needed products and locked down globally consequential ports. This, in turn, triggered a global supply crisis, drove prices ever higher and further exposed significant structural vulnerabilities within both the Asian and global trading systems.

Mounting tensions between Taiwan and the People's Republic of China (PRC) and China's increasingly bellicose threats to overthrow the current status quo pose a very serious challenge to the Indo-Pacific and, indeed, global security. Taiwan itself sits astride one of the world's busiest commercial shipping lanes, and a major disruption in these waters would be devastating.

Strategists discern close links between mounting tensions in these waters and the war in Ukraine. China has closely followed developments in Russia's war. It wants to know whether international solidarity with Ukraine will prove durable or if Russia can show strategic patience, wait for the international community's support for Ukraine to wither and then essentially move in for the kill. If China judges that Russia's strategy has been rewarded, it will be tempted to pursue a more aggressive path to achieve its aims in Taiwan. In the high stakes game of deterrence, therefore, the battlefields of Eastern Ukraine and the Straits of Taiwan are inextricably linked.

There is also a growing sense that the region's traditional hub-and-spoke security architecture is no longer sufficient to maintain regional order in the face of a more aggressive and military-capable China. Denser security links among those countries in the region concerned about China's aggressive military and mercantilist economic policies are now required.

For their part, North American and European leaders have recognised that they must collaborate more closely with their Asian partners to achieve greater situational awareness and collaborate where possible. NATO has also deepened its dialogue with its regional partners in Asia. Allies have a strong reason for collaborating closely with like-minded partners in the Indo-Pacific to manage strategic competition, reduce the risk of dangerous escalation and address a range of shared challenges like energy security, cyber threats, the proliferation of weapons of mass destruction, climate change and, more generally, threats to the international rules-based order.

I-	INTRODUCTION	1
II-	THE CHINESE CHALLENGE	2
III-	TAIWAN AND THE LINK TO RUSSIA'S WAR ON UKRAINE	4
IV-	THE INDO PACIFIC IN SEARCH OF NEW SECURITY ARCHITECTURE	6
V-	ASEAN	7
VI-	ASIA'S GEO-ECONOMIC IMPORTANCE TO NORTH AMERICA AND EUROPE AND EVOLVING COMMERCIAL RELATIONS	8
VII-	EUROPE'S ENGAGEMENT IN THE INDO-PACIFIC	11
VIII-	THE NATO ANGLE: PARTNERSHIPS, SHARED DEMOCRATIC VALUES AND OVERLAPPING SECURITY CONCERNS	14
IX-	CONCLUSION	15
	BIBLIOGRAPHY	18

I- INTRODUCTION

1. European and North American allies recognise the threats and challenges that China poses to global stability. Beijing's military build-up and aggressive military posture in the South China Sea, its revisionist perspectives on the global security order including support for Russia's war of aggression against Ukraine and its apparent rejection of the foundational principles that undergird the international rules-based order lie behind these concerns. But so too does China's propensity to wield its considerable economic weight to further its strategic objectives, its unwillingness to fully embrace the principle of intellectual property protection and its deployment of mercantilist approaches to trade and commerce. All of this has compelled democracies across the world to reassess diplomatic and economic relations with that country. These worrying trends are also fostering new ties among the world's leading democracies, which adhere to a set of values that neither China, nor its partner Russia for that matter, embrace. This, in turn, has led to a recognition that all Allied governments need new ways to engage with Asia diplomatically, economically and in security terms.

2. While NATO remains firmly focused on the Transatlantic space, it has also worked to intensify the dialogue it conducts with countries like Japan, the Republic of Korea, New Zealand, Australia and all the democracies in the Indo-Pacific. But this is only one element of a rapidly evolving diplomatic, security and economic landscape in East Asia. A range of new and innovative Indo-Pacific frameworks and so-called "minilateral" initiatives have emerged – some engaging external powers and others primarily involving regional actors. Examples include the Quadrilateral Security Dialogue (Quad), AUKUS and the Indo-Pacific Economic Framework for Prosperity (IPEF). Meanwhile, older arrangements like the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) have taken on new significance as concerns mount about China's ambitions and the disruptive way it pursues these. These multilateral structures aim to foster dialogue, strengthen strategic cooperation, solidify old and emerging commercial ties and boost deterrence.

3. Asia's security landscape differs fundamentally from Europe's. NATO powerfully conditions the European security order. Article 5 of the North Atlantic Treaty welds together the thirty-two allies from North America and Europe. It establishes a unique kind of strategic unity and coherence on the continent that helped allies to prevail over the Soviet Union during the Cold War and now to counter Russia's malignant endeavour to subvert Ukrainian sovereignty and fundamentally alter the European and global security equation in the process. Collective defence under Article 5 has allowed Europe to build a cross bracing security order while the European Union has fostered continent-wide economic integration facilitated by shared trading rules, common tariffs, regulatory harmonisation, and permanent and institutionalised political dialogue to ensure that this consequential apparatus remains effective and relevant.

4. Asia, by contrast, has no comparable institutional or alliance driven strategic unity or overarching economic framework. Although China and the United States are the most consequential military actors in the region and are strategic competitors striving to exercise influence throughout this vast area, Asian countries do not easily fit into a bloc-like schema. Indeed, US strategic relations in the region have long had a hub-and-spoke structure. The United States organised its alliances and partnerships in the region bilaterally while even its closest partners did not necessarily have good relations with each other. Varying degrees of tension and rivalry long beset regional international relations, much of this arising out of a difficult shared history. Mounting Chinese and North Korean threats to regional stability, however, have helped to improve relations in recent years. Government leaders met at the first US-Japanese-Korean summit in August 2023. At that meeting, leaders announced that a "new era of trilateral partnership" would involve ongoing high level trilateral consultations including an annual leaders' meeting, expanded trilateral military exercises and consultations on regional conflicts and challenges (Manyin et al., 2023). This is a part of a more

general thickening of ties both among the region's democracies and with key external partners. In this manner, spoke-to-spoke relations are now beginning to reinforce the traditional hub-and-spoke structure of regional relations. Though not as powerful and comprehensive as the rules and obligations tying NATO allies together, an emerging set of reciprocal agreements in Asia mark a new level of concertation among the region's key democracies. The region's leading democracies have moved in this direction out of concerns about China's increasingly aggressive military posture, its challenge to regional order and its mercantilist inclinations.

II- THE CHINESE CHALLENGE

5. Despite Asia's dynamism and China's extraordinarily rapid development, there are mounting signs that its decades-long economic boom may be slowing. A range of structural factors and policy missteps undertaken by the Communist government are at play here. China's rapid development since the 1990s was due to important market-oriented reforms. It was not the product of visionary state intervention but rather a simple decision to begin to allow markets rather than the state allocate capital, develop businesses and embrace global trade. China's current problems, in fact, arise out of Xi Jinping's desire to revive old ideological orthodoxies and to reassert Communist Party control over the market and the firms that operate in it. Indeed, China's current slowdown is partly due to backtracking on the liberal market policies that were responsible for raising China's per capita GDP from USD 156 in 1978 to USD 12,720 in 2022 (Fang, 2023).

6. Economists had generally assumed that coming out of the Covid-19 pandemic, China would explode back onto the global economy once restrictions were lifted. This simply has not transpired. High debt, a burgeoning real estate crisis linked to poor governance, excess savings, which is partly the consequence of an inadequate social safety net and poor health care, collapsing consumer demand, capital misallocation triggered by politically motivated lending, industrial over-capacity, and a shrinking and aging population have all undermined Chinese output and demand.

7. The end of the boom is obviously unwelcome news in Beijing and, in typical authoritarian fashion, Chinese leaders are seeking to suppress negative news about the national economy. The Washington Post recently reported that Beijing "has censored and tried to intimidate renowned economists, financial analysts, investment banks and social media influencers for bearish assessments of the economy and the government's policies. In addition, news articles about people experiencing financial struggles or the poor living standards for migrant workers are being removed." Suppressing tough economic realities, of course, makes it more difficult to correct policy blunders. Beijing will find it exceedingly difficult to conjure up workable solutions to real economic dilemma when national leaders are so reluctant to confront underlying truths and choose instead to silence those who dare to do so (Wakabayashi and Fu, 2024). These factors suggest that this large and important country faces structural and self-induced decline that could endure for years. Mounting deflation and asset bubbles pose risks of bankruptcy to a growing list of overextended companies. Moody's has accordingly issued a negative outlook for China's medium term financial well-being and predicts that growth will be no higher than 3.5% by 2030 – well down from the growth rates that country achieved over the past two decades (Bradsher, 2023). China grew on average 8.92% between 1992 and 2023.

8. When western government officials speak of de-risking their economic exposure to China, they tend to focus on the problem of overreliance on Chinese exports of strategic commodities, inputs and finished products, particularly when there are no or few alternative producers of consequence. But Western economies are also exposed to financial crisis in China. For a growing number of economists, the likelihood of a financial crisis unfolding in China seems to be increasing, particularly given a burgeoning real estate bubble, prolific capital misallocation, the banking system's exposure

to the consequences of poor state decisions as well as the possibility that the government will shutter or nationalise any resident corporation (Ip, 2023). The apparent dangers of overreliance on China for a range of strategic goods serves to accelerate a Western corporate trend for near shoring, friend shoring and de-risking. It is instructive in this regard that already in 2021, Canada and Mexico had passed China as the largest trading partners of the United States (White et al., 2022).

9. The Covid-19 epidemic has played an important part in these shifting trade patterns. It exposed important structural vulnerabilities in both the Asian and in the global trading system. China's heavy-handed approach to the crisis led to the shutdown of critical ports and transportation facilities in that country. The impact of these decisions was global, with supply chains thrown into chaos as a result. China boasts several of the world's largest and most sophisticated shipping ports, and these play a pivotal role in global supply chains, particularly in an era of just-in-time delivery. Their shutdown not only backed up trade in crucial industries, but also triggered a spike in global inflation. That experience sparked a recognition that vulnerabilities deepen when the global economy relies on facilities concentrated in authoritarian countries where decision making is, by nature, opaque and subject to the whims of a leadership that answers only to itself.

10. The challenge is even greater as Beijing is financing an extensive network of infrastructure to construct a trading order that aligns with its broader strategic ambitions. The Belt and Road Initiative (BRI) launched in 2013 has initiated infrastructure projects from Asia to Europe including railways, energy pipelines, ports and electricity grids. These Chinese-controlled global infrastructure, transportation, trade and production networks now encompass over 100 countries and include a land-based "Silk Road Economic Belt," a "21st Century Maritime Silk Road," and a "Digital Silk Road" that aim to develop a hegemonic position over information and communications technology (ICT) supply chains, including software, hardware, and optical cable and satellite networks. The BRI also calls for "economic policy coordination, trade and investment facilitation, dispute settlement, tourism, student and personnel exchanges, and cooperation in research and development, standards, and media" (Sutter et al., 2021-2023). Originally devised to link Asia to Europe, in the last decade the project has expanded to include Africa, Oceania and Latin America, with more than 150 countries agreeing to participate in the initiative. Through the BRI, China holds out an alternative hub-and-spoke model with Beijing casting itself as Asia's new "hub" (Pal and Singh, 2020).

11. But the BRI has not delivered the kinds of benefits it has promised to the countries targeted for investment. Several participating countries, for example, have been saddled with unserviceable debt obligations stemming from the project. Partners often engage only to learn subsequently that they have little leverage and influence over these investments. Accepting Chinese infrastructure investments can leave countries burdened with large debts for what turns out to be inadequate infrastructure. China conducts these projects in opaque and unaccountable ways that encourage corrupt practices, ill-serve national economies and leave political systems vulnerable to external manipulation. China's mounting economic difficulties have led some analysts to discern signs of overreach in this grand project while others see it as incoherent and simply a label which can be slapped on all manner of investment projects, many of which fail to cohere to a central organising principle beyond the fact that China is engaged in the investment. There are also persistent concerns that many of the projects serve a dual use as far as port facilities, energy hubs and other infrastructures critical to regional and global trade could also serve the Chinese military which has been engaged in a decade-long build-up to back up the ruling Communist party's regional and global ambitions.

12. Widespread concerns regarding China's "debt-trap diplomacy" and economic abuses are now prevalent across Asia, prompting countries such as Japan and the Republic of Korea (ROK) to provide alternative sources of development assistance (The Economist, 21/09/2023). Despite these myriad challenges, the BRI continues to generate significant financing for infrastructure in Asia.

13. China is also using energy markets for strategic purposes. It is currently the world's largest producer and consumer of coal, as well as a significant consumer of oil and gas, making it the world's leading CO2 emitter. Beijing's 14th Five-year Plan, however, prioritises the rapid introduction of clean energy. China currently dominates clean energy input and technology supply chains and is the global leader in the production of solar PV, wind, batteries, heat pumps and electrolyzers for hydrogen production. Additionally, China plays a prominent role in the processing of key materials like aluminium, steel, cobalt, lithium, copper, graphite and rare earths (IEA, 2023). China is also the world's top miner and processor of rare earths, which are, together with a range of other raw materials, needed to produce technologies to generate renewable energy. It currently supplies nearly all of the rare earth minerals that the EU and US import. Western governments have identified this as a serious vulnerability, and the situation has led them to prioritise cooperation with Asian countries to build new and robust supply chains supporting the renewable energy sector, an ambition that will take years to achieve (Wischer, 2024). It has also clarified the important contribution nuclear power can make to enhanced allied and partner energy security.

III- TAIWAN AND THE LINK TO RUSSIA'S WAR ON UKRAINE

14. Ongoing tensions over Taiwan's status between Taiwan (officially The Republic of China - ROC) and the People's Republic of China (PRC) constitute the most worrisome current flashpoint in Asia. Beijing's growing naval activity in the East China Sea and its ever more bellicose rhetoric directed against Taiwan's democratically elected government are of mounting concern to the entire region and to the international community. That should not be surprising. The geo-strategic and economic implications of a military conflict in those waters would be devastating and could well draw in the United States, thereby pitting two nuclear armed superpowers in a profoundly serious struggle. Tensions have risen over the past year with a substantial increase in Chinese military deployments to the region and worrisome incidents at sea and in the air – some involving US and partner military assets.

15. Local politics are also a factor. The 2024 election of a government led by Taiwan's Democratic Progressive Party (DPP) to a third consecutive term angered Beijing, which sees the DPP as a revisionist movement intent on establishing a sovereign Taiwan. The DPP advocates for an independent and democratic Taiwan and has cultivated strong ties to American leaders including members of Congress. Beijing claims that it has made its One China policy the foundation of its strategy towards Taiwan. It has vowed to eventually unify the island with the mainland when the conditions are propitious for doing so. It argues that unification should take place through the so-called 1992 Consensus negotiated with a previous Kuomintang (KMT)-led government. In that agreement, both sides agreed on the idea of One China. But how each side subsequently defined this has long remained a source of tension. Chinese President Xi Jinping suggests the 1992 Consensus reflects an agreement that "the two sides of the strait belong to one China and would work together to seek national reunification". For the KMT, the ruling party in the government that negotiated on behalf of Taipei, the agreement means "one China, different interpretations" and for it, the ROC embodied this "one China" (Maizland, 2024). The DPP, however, has never recognised the 1992 Consensus and has sought to apply its own definitions to the relationship, although Beijing rejects these as illegitimate. These disputes have had military consequences. Since 2016, tensions across the Straits have mounted, and China has provocatively deployed maritime assets in those waters while conducting brazen and inflammatory overflights to assert its claims and to warn the government in Taipei, the 23 million people that live on the island, and Taiwan's international supporters that independence is not an option.

16. Although the United States has not recognised Taiwan's sovereignty since 1979, it nonetheless strongly supports its rights to autonomy and self-government and has sold Taipei a

significant amount of military equipment to enhance its capacity to defend those rights. The US Congress has signalled strong bi-partisan support for Taiwan with a Democratic Party House Speaker visiting Taiwan and a Republican House Speaker hosting Taiwan's President in California. Both visits elicited strong condemnation from the government in Beijing.

17. There would be enormous economic consequences were a conflict between China and Taiwan to break out. Bloomberg recently conducted an assessment to explore the potential global impact were a war to break out and estimated that the price tag could be as high as USD 10 trillion or 10% of global GDP – dwarfing the impacts that the war on Ukraine, the Covid-19 pandemic and the 2008 global financial crisis each had on the global economy. That study suggested that a blockade of Taiwan would reduce global GDP by 5.9%. China's GDP would fall by 16.7% while the United States, the host of a range of firms employing Taiwan-manufactured high technology inputs, would undergo a 6.7% fall in GDP (Welch et al., 2024). In fact, these estimates could well understate the real long-term costs to the global economy that a Chinese invasion of Taiwan would impose.

18. Taiwan's huge semi-conductor industry raises the economic stakes. Indeed, employing microchips as direct production inputs accounts for USD 6 trillion of global GDP. Taiwan plays a dominant manufacturing role in this highly strategic sector. The total market capitalisation for the top twenty customers of the chip manufacturing firm Taiwan Semiconductor Manufacturing Co (TSMC) alone stands at USD 7.4 trillion (Kuper, 2024.) A halt in production at that firm would immediately freeze production across an array of global industries including the automobile, computer and telecommunications sectors.

19. Taiwan itself sits astride one of the world's busiest commercial and energy shipping lanes traversing both the South China Sea and the Western Pacific. The impact of a major disruption in these waters due to a conflict would far exceed what has transpired in the Black Sea due to Russia's war on Ukraine or in the Red Sea which Houthi rebels have recently shut down by attacking commercial, energy and military shipping.

20. Strategists discern close links between mounting tensions in these waters and the war in Ukraine and believe that the international response to the crisis in Ukraine is having a demonstrable effect on China. Indeed, China has closely followed developments in Russia's war. It wants to know whether international solidarity with Ukraine will prove durable or if Russia can show strategic patience, wait for the international community's support for Ukraine to wither and then essentially move in for the kill. If China judges that Russia's strategy has been rewarded, it will certainly increase the temptation to pursue a more aggressive path to achieve its aims in Taiwan. In the high stakes game of deterrence therefore, the battlefields of Eastern Ukraine and the Straits of Taiwan are intricately linked (Kim, 2022).

21. NATO's closest partners in the Indo-Pacific also recognise the linkages between what is transpiring in Ukraine and stability in their own backyard. They have accordingly provided significant military and humanitarian support to Ukraine while sanctioning Russia. That support has been consequential and constitute both a direct Asian contribution to transatlantic security and a demonstration of democratic solidarity. It is noteworthy, however, that Southeast Asian states have been more reluctant to align with the West against Russian aggression, an approach that is similar to ASEAN's reluctance to align definitively with either China or the United States on Asia's most compelling security matters (Kim, 2022).

IV- THE INDO PACIFIC IN SEARCH OF NEW SECURITY ARCHITECTURE

22. NATO is now forging deeper partnerships with its Asian-Pacific Partners. It does so at a moment of important change in that region, driven in part by China's aggressive military posture and increasingly predatory commercial policies. There is a growing sense that the region's loose security architecture is no longer sufficient to maintain regional order. Indeed, China has exploited its powerful bilateral trading ties as leverage to block efforts to build counterweights within the region. This puts Beijing in a more powerful position to advance its far-fetched sovereignty claims in the South China Sea while seeking to achieve hegemonic positions across an expanding range of critical markets. The lack of a dense network of mutual security pacts in the Indo-Pacific has represented a systemic weakness in the face of a more aggressive and militarily capable China. Tensions among the members of ASEAN, for example, historically undermined the capacity of that body to act effectively as an agent of security and economic integration. This, in turn, impeded the ability and will of those countries to engage with Beijing in a unified fashion (Grossman, 2023).

23. Japan, Australia, the ROK and New Zealand, NATO's key partners in the region, have historically enjoyed remarkably close strategic ties with the United States and their dedication to democratic principles of governance have facilitated these links as well as close relations with Europe. Their own commercial leverage has provided them with more space to stand up to the Chinese. But broader regional cooperative efforts on both the strategic and economic fronts will help build a more effective counterweight to China. Leaders in North America and Europe have recognised that they must collaborate more closely with each other and with Asian partners both to deal with these specific challenges and to defend the international rules-based order. These shared concerns are leading to new forms of cooperation both within Asia and between Asia and the West.

24. The AUKUS partnership is particularly interesting in this regard and could be a harbinger of deeper multilateral approaches to security and defence industrial cooperation in the region. Established in September 2021, AUKUS is an enhanced trilateral security partnership engaging Australia, the United Kingdom and the United States. It builds on long-standing security, intelligence, and industrial-economic cooperation among these countries and aims to strengthen each government's defence capabilities and capacity to operate jointly in the Indo-Pacific region. AUKUS will forge tighter strategic and defence industrial ties among these important democracies to counterbalance in a very visible manner China's growing power and influence in the Indo-Pacific.

25. Australia and the United Kingdom are the only countries with which Washington has shared nuclear propulsion submarine technology. AUKUS will make Australia the world's seventh nation to operate nuclear-powered submarines. This will vastly extend the reach and speed of its fleet and help it deter aggression across a broader maritime expanse. It is noteworthy that two NATO members are part of this effort, and the arrangement could become a model for greater regional and trans-national defence industrial, technology and deterrence cooperation.

26. Charles Edel recently suggested that: "AUKUS should be understood simultaneously as part of broader strategic shifts in the Indo-Pacific region, as an effort to spur other countries into action, as an indicator of evolving US defence policy and architecture, and perhaps most important as a bet that shoring up deterrence will ultimately help stabilize the region" (Edel, 2023). AUKUS tacitly recognises that deterrence in the region requires significant contributions from regional actors like Australia and that they, in turn, will need to reach out to others in the region and beyond that share similar concerns about Indo-Pacific stability and the rules-based international order. Indeed, the thickening of security ties that AUKUS is intent on producing is meant to inspire new collaboration among regional players. This is beginning to unfold. Australia and Japan, for example, are now jointly developing area denial and long-range strike capabilities that aim to counter China's capacity to project power in the region. If collaboration like this begins to cascade across the region, this will reinforce the sense that Chinese hegemony in Asia is not an inevitability.

27. NATO members are participating in other efforts to expand the Asian security dialogue. The Quadrilateral Security Dialogue (Quad) is a formalised strategic security dialogue engaging the United States, Australia, India and Japan. Founded in the wake of the Indian Ocean tsunami to encourage deeper maritime cooperation and create vehicles for coordinating humanitarian and disaster assistance, the Quad fell into inactivity in 2008 because of shifting domestic and diplomatic priorities. But leaders revived the Quad during the Trump administration, in part to provide an additional counterweight to China, although the members decided to deemphasise this element in March 2021 (Seah and Koga, 2023).

28. India's non-aligned orientation and cautious approach to Quad engagement is a limiting factor. But New Delhi is clearly prepared to participate in structured dialogues within the Quad on matters where it has direct interests (Seah and Koga, 2023). Following the 2020 border disputes with China that resulted in the most intense clashes in decades, India increased cooperation with partners and with the Quad. Wariness of China is also pushing India closer to the United States, despite the country's traditional non-aligned orientation. India and the United States achieved a major milestone when the two governments launched the Initiative on Critical Emerging Technology (ICET) in January 2023 to end their reliance on China for critical technologies (CRS, 2023). India has made great strides in opening its economy to global trade and has prospered as a result. Continued Western engagement with this large and important democracy is critical, and there is much allied countries and their Asian partners can do to ensure that India is part of a broad coalition defending the international rules-based order.

29. Following the Covid-19 pandemic, the Quad began to focus on the delivery of regional public goods and services, disaster response, and economic, health and climate issues. In 2023, Quad countries had a combined nominal GDP of USD 36.7 trillion or 34.7% of global GDP. Other countries have also expressed interest in joining the group. The new Quad plus framework is currently engaging New Zealand, Vietnam, and the ROK. These states operate from "a shared vision for a Free and Open Indo-Pacific," and a "rules-based maritime order in the East and South China seas." (The White House, 2021)

30. Although not participating in the formal Quad framework, the ROK is increasingly thinking about security in regional rather than purely national and bilateral terms. Its concerns about the conventional and nuclear military threats North Korea poses are shared by other Indo-Pacific and Western countries. The ROK's strong economy, resilient democracy and alliance with the United States makes it a particularly promising potential candidate for Quad membership. The ROK is now seeking to expand its role in the greater Indo-Pacific, develop new links with key regional actors including Japan, deepen cooperation on non-military issues such as economic security, emerging technologies, vaccine development and climate change, while enhancing its capacity to respond to unforeseen challenges (Govella et al., 2022).

V- ASEAN

31. Despite real limitations, ASEAN has advanced regional cooperation by fostering dialogue among its heterogeneous membership and establishing norms to provide order to this highly dynamic but still developing corner of the world. It expressly seeks to promote economic and security cooperation among its ten remarkably diverse members: Brunei; Cambodia; Indonesia; Laos; Malaysia; Myanmar; the Philippines; Singapore; Thailand; and Vietnam. That ambition, however, is not always easy to achieve given the multiplicity of interests and governing values of its membership.

32. ASEAN members generally enjoy close trading ties with China but remain divided over how best to align between the United States and its democratic regional allies on the one hand, and China

on the other (Council on Foreign Relations, 2023). This tends to limit the coherence of ASEAN. Arsjad Rasjid, chair of the ASEAN Business Advisory Council, recently noted that ASEAN member countries would not welcome an “economic Cold War” that would require distinctive supply chains that designate “China and non-China” portfolios for their products. “We need investment, we need to trade, we need to sell. We want to sell to both China and non-China,” he said, adding that economic growth remains a top priority for ASEAN countries given their status as developing countries (Take, 2023). Although often concerned by China’s assertive foreign and defence policies, particularly in the South China Sea, ASEAN countries depend on trade with China, feel compelled to maintain good working relations with both the Western community of democracies and China and are generally pursuing policies that might best be characterised as a form of multi-alignment (Grieco and Kavanagh, 31/05/2023). Both China and the West see ASEAN as an essential regional body and conduct close dialogue with it. China, for example, lobbied ASEAN to remain engaged with the military rulers of Myanmar after a military coup there overthrew a democratically elected government (Allard and Latiff, 2021). Europe, the United States and Japan all recognise ASEAN as key to their efforts to lower trade dependence on China, de-risk supply chains and maintain a stable, free, and open Indo-Pacific region (Koga, 2022).

33. It is instructive that at the ASEAN Summit held in Indonesia in September 2023, leaders from the ten member countries held separate meetings with government leaders from China, Japan, South Korea, the United States, Canada, India, Australia and Russia. Each brought its own security and economic concerns to the table. For example, South Korea’s President, Yoon Suk Yeol, pushed ASEAN to “join forces” with Seoul to counter Pyongyang’s nuclear threats. These meetings occurred just after China released a new official map claiming sovereignty over a substantial portion of the South China Sea—a position that elicited sharp rebukes from several ASEAN members. ASEAN members are thus walking along a tightrope between long-term geo-strategic concerns and immediate national economic interests (France 24, 2023).

34. It is thus noteworthy that the final declaration agreed by ASEAN leaders at the 2023 Summit called for strengthening regional and global supply chain connectivity to make supply chains more resilient, sustainable, secure and less vulnerable to shocks. It reaffirmed the members’ commitment to democratic values, good governance, the rule of law, human rights and fundamental freedoms, tolerance, mutual respect, adherence to social justice, as well as recognising and respecting diversity of ethnic, religious, cultural traditions and values, views and positions, which contribute to and support equitable and inclusive economic growth; and it called for the strengthening of the rules-based, non-discriminatory, free, fair, open, inclusive, equitable, sustainable, and transparent multilateral trading system (MTS), with the World Trade Organization (WTO) at its core. These are values that align closely with those that Indo-Pacific and Western democracies typically advance and suggests that there is a foundation for deepening cooperation with these important countries across a spectrum of economic and diplomatic matters (ASEAN, 2023).

VI- ASIA’S GEO-ECONOMIC IMPORTANCE TO NORTH AMERICA AND EUROPE AND EVOLVING COMMERCIAL RELATIONS

35. The Indo-Pacific is a key driver of the global economy and plays a fundamental role in global supply chains. The region is expected to grow by 4.6% in 2023, up from 3.9% in 2022. Economists have pointed out that China’s weaker than expected economic recovery following the relaxation of extraordinarily strict pandemic controls, its transition from a developing to a mature economy, serious structural challenges, including a rapidly deflating real estate bubble made worse by poor government policies, and its falling productivity growth will negatively impact the region’s economic outlook (Washington Post Editorial Board, 21/02/2024). Despite China’s current woes, Asia’s growth still accounts for two-thirds of global growth (IMF, 2023). To varying degrees, many Asian countries

are transitioning from serving primarily as export-oriented manufacturing centres to more service- and technology-oriented hubs characterised by higher levels of domestic consumption. This will have a range of geo-economic implications both for the region and for its relations with the rest of the world (The Economist, 19/09/2023).

36. East Asia is a key player in the global digital economy both as a manufacturing base but also as a key innovation centre. Indeed, China, Japan and Korea are intensifying efforts to develop key technologies, including semiconductors, biotechnologies, AI, advanced computing and 5G. They are also playing leading roles in developing e-commerce platforms and smartphone apps, with the potential to outpace competitors in the West (Economist Impact, 2021). China's mounting technological prowess is spurring on these efforts. According to the Australian Strategic Policy Institute's (ASPI) Critical Technology Tracker, China, which has allocated huge sums of capital for research and development, is currently the industrial leader in thirty-seven out of forty-four emerging technologies that the Institute monitors. Those technologies cover a range of industries including defence, space, robotics, energy, the environment, biotechnology, AI, advanced materials and key quantum technology areas (ASPI Critical Technology Tracker).

37. The international base of technology development has indeed broadened over the past two decades, and a race has begun to establish leading market positions, to control or at least to maintain access to critical materials needed to manufacture these technologies, and to establish regulatory frameworks and industry standards that will define future production and trading patterns. This has important long-term geo-strategic implications. To meet this challenge, like-minded North American, European and Asian partners will need to ensure that basic research is well funded while deepening collaboration in basic and applied research, supply chain security and defence sector applications for emerging technologies. They also need to uphold market rules to ensure respect for liberal open market principles, including the protection of intellectual property. China grants enormous tax benefits for research and development and it behoves the West to recognise and match those levels as long-term investments in science and technology are critical to future prosperity and security.

38. Indo-Pacific countries will also play a central role in addressing challenges related to climate change, the clean energy transition and ensuring stable and secure resources needed for these purposes. While the region includes the largest greenhouse gas emitters, including China, India, Indonesia, Japan and South Korea, Indo-Pacific nations aim to achieve the net-zero emission goal (IEA, 2023). This may still reshape the future energy mix and open new opportunities for international cooperation in security, trade and innovation. Financial support, technology transfer and best practices exchange among like-minded partners will be crucial to the clean energy transition and related efforts including the establishment of agreed market, safety and environmental standards.

39. Allied governments and their Asian partners are deepening collaboration to ensure energy security globally while reducing reliance on China for critical materials and technology. Australia's critical mineral resource base, robust mining capacity and low-cost renewable energy for onshore refining makes it a key global player in renewable energy development. By collaborating with its Asia neighbours that boast critical manufacturing capabilities, Australia has an opportunity to fortify an alternative set of renewable energy supply chains. Unlike Australia, Japan and the ROK are not important sources of critical minerals needed for the energy transition, but they do have important capabilities in mineral processing and production. In 2023, both the United States and the European Union strengthened cooperation with Japan on critical raw materials supply chains. For its part, India has announced a net-zero emissions target by 2070 and is now implementing policies to expand its contributions to the development and production of technology needed to produce clean energy. Southeast Asia is also slated to be a key global hub for clean energy technology manufacturing (IEA, 2023).

40. Collaborative approaches can help mitigate Chinese leverage, and de-risk supply chain vulnerabilities in strategically consequential areas like renewable energy, critical minerals,

microchips and batteries. They can also establish industry standards, regulations and trading rules to help ensure market transparency that make trusted partnerships easier to forge (IMF, 2023). Efforts along these lines should aim to reduce the capacity of China to play countries with which it trades off each other, threaten countries that do not adhere to its undemocratic and mercantilist outlook and use its economic leverage to undermine the international rules-based order, including rules governing patent protection. China's powerful commercial leverage represents a complicating factor here. It is the leading trading partner with most of the region's countries, endowing it with important leverage. North America and Europe, however, are the leading trade partners outside of the region and can provide an important counterweight to China (Asia Development Bank, 2023).

41. The Indo-Pacific is building out its own trading order with several arrangements engaging China and others excluding it. New trade agreements that entered into force in 2022 point to a deepening of trade ties among China's neighbours. These include the establishment of a Free Trade Agreement between Cambodia and the ROK and a Preferential Trade Agreement between Bangladesh and Bhutan. Larger trading initiatives have had a more mixed result. The Transpacific Partnership was initially conceived as providing a counterweight to China. After the collapse of negotiations for the TPP, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam signed an agreement to form the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Although echoing several of the ambitions contained in the draft text for the TPP, the CPTPP struck or altered twenty-two provisions from the proposed TPP treaty including rules on investment and intellectual property that the United States had originally championed (Goodman, 2018). Like the proposed TPP, the CPTPP is premised on open free-market trading. It aims to liberalise trade in goods and services among its signatories and includes digital trade commitments, labour and environmental standards and rules on state-owned enterprises (SOEs). It also has attractive powers as the United Kingdom concluded negotiations to join the CPTPP on 31 March 2023 while Indonesia, the Philippines, the ROK and Thailand have all expressed interest in joining (McBride, et al., 2021). Interestingly both China and Taiwan have applied for membership. For varied reasons, neither is likely to enter the partnership anytime soon (García, 2024).

42. China is also directly making trading and consultative arrangements with other regional actors. The ASEAN-led Regional Comprehensive Economic Partnership (RCEP) agreement has established a free trade agreement among the ten member states of ASEAN as well as with Australia, China, Japan, New Zealand and the ROK. The RCEP has lowered tariffs and reduced rules-of-origin barriers among its members which together account for 30% of the world's population and 30% of global GDP. It engages all of Asia's large producing countries except for India (The Economist, 2020). The arrangement has generated concerns in Washington and Brussels as it puts China at the centre of a formal structure overseeing Asian trading rules.

43. To create a trade counterpart to US security initiatives in the Indo-Pacific, the United States has led an effort now engaging fourteen countries to stand up the Indo-Pacific Economic Framework for Prosperity (IPEF). The other IPEF members are Australia, Brunei, Fiji, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, the ROK, Thailand and Vietnam. The goal, however, is not to establish a free-trade agreement as such but rather to achieve commitments in four areas: 1) Connected Economy (including selected trade matters); 2) Resilient Economy (supply chains); 3) Clean Economy (clean energy, decarbonisation, infrastructure); and 4) Fair Economy (tax, anti-corruption issues) (Cimino-Isaacs, et al., 2024) The IPEF aspires to defend a rules-based trading order while challenging China's more aggressive regional ambitions.

44. IPEF partners are highly diverse in size and level of economic development. In 2022, Japan, the ROK and India ranked among the top 10 US trading partners in goods and services, while US-Vietnam trade has grown by 400% over the past decade. In 2022, IPEF partners overall accounted for 21% of US goods trade and 17% of US services trade. But of the signatories, only Japan and the United States have diminished their dependence on Chinese imports (Uren, 2023)

and China nevertheless remains Japan's main trade partner (IMF, 2022). Most economists would agree that only a collective initiative to lower tariffs among signatories would draw trade and investment flows away from China. Of course, the US Congress is constitutionally responsible for trade policy and the current administration has not requested a reauthorisation of Trade Promotion Authority that it would need to negotiate tariff reductions (Cimino-Isaacs et al., 2024).

45. Given the risks of relying on Chinese trading infrastructure, alternatives to the BRI have emerged including the G7's Partnership for Global Infrastructure and Investment (PGII). That effort aims to mobilise USD 200 billion of investment in global infrastructure projects, and prioritises climate and energy security, digital connectivity, health and women's equality. This initiative is a rebranded version of Build Back Better World launched in 2021. The priorities agreed to by the PGII signatories are laudable, but reduce the flexibility of the program, and to date, the project has not garnered full support from its member governments and will not rival China's lead in the infrastructure construction domain (The Economist, 2022). Washington has also sought to promote transnational cooperation in areas like global health, clean energy and infrastructure through the Quad (Ganguly, 2022). Congress enacted the Better Utilization of Investments Leading to Development Act of 2018 (BUILD Act, P.L. 115-254) to create the US International Development Finance Corporation (DFC) and to increase support for quality market-oriented and environmentally and financially sustainable infrastructure. These ambitions are glaringly absent from parallel Chinese investment programs (Sutter et al., 2023). The EU's Global Gateway scheme, initiated in December 2021 seeks to mobilise EUR 300 billion (USD 340 billion) in sustainable and high-quality infrastructure investment by 2027. Similarly, Britain's Clean Green Initiative, introduced a month earlier, commits GBP 3 billion (USD 4.1 billion) to support sustainable infrastructure development in developing countries. The problem is that Chinese funding levels are significantly higher than these Western efforts, some of which are not fully funded and are more easily accessed without requiring any environmental mandates which often add expense to the projects.

46. Finally, the Asia-Pacific Economic Cooperation (APEC) forum has served as an agent of broader regional economic cooperation. That body engages twenty-one countries across the Pacific, including the United States, Japan, Australia, the ROK, the ASEAN countries, and, notably, China and Russia. It provides a platform that helps members exploit opportunities for diplomatic engagement, information sharing and coordination on issues of mutual concern.

VII- EUROPE'S ENGAGEMENT IN THE INDO-PACIFIC

47. The EU accounts for an important share of extra regional trade and investment with the Indo-Pacific. Together the two account for more than 70% of global trade in goods and services, and over 60% of foreign direct investment flows. The Indo-Pacific is the second-largest destination for EU exports, and indeed, four of the EU's top ten trading partners are from Asia (European Commission, 16/09/2021). In 2021 the European Union adopted its Strategy for Cooperation in the Indo-Pacific. The effort covers an area extending from the east coast of Africa to the Pacific Island States. It aims to inform EU engagement in the region in seven areas: sustainable and inclusive prosperity; green transition; ocean governance; digital governance; connectivity; security and defence; and human security (EEAS, 2023).

48. Experts have also broached the notion of an eventual EU bid to join CPTPP, but Brussels has never expressed any interest in doing so and has focused instead on negotiating bilateral trade deals with the countries in the region. Critics of this bilateral approach, however, note that more multilateral approaches, including accession to the CPTPP would allow both the EU and the US to play a far more significant geo-economic role in the region, shape its trading rules, generate new avenues for investment and trade, and, in the process reinforce the region's commitments to those free market economic and democratic norms that sustain the rules-based international economic order (Draper

and McDonagh, 2021). EU membership in CPTPP would raise the combined GDP of the CPTPP members, provide both with greater depth, forge a range of new trading links, and potentially strengthen its members' leverage when dealing with China (Grare, 2023). According to the advocates for such a move, the EU would bring its experience in building integrated trading markets to the table, and this is precisely the direction in which the current membership of the CPTPP would need to move if it genuinely intends to build a compelling counterweight to China. The EU is the world's largest integrated trading bloc and its combined GDP rivals that of China. It is also the leading source of foreign direct investment and development assistance into the Indo-Pacific region, and, after China, the second largest trading partner for the countries of Southeast Asia (Draper and McDonagh, 2021). It is noteworthy in this regard that China applied for membership in the CPTPP precisely to ensure that its own model of state-driven capitalism and trade becomes the reigning archetype for the region.

49. But the EU, like the United States, has opted not to enter into a formal multilateral regional free trading agreement in the Indo-Pacific. The United States has focused on bilateral trade deals like the US-Japan Trade Agreement (USJTA) which provides for limited tariff reductions and quota expansions to improve market access and the United States-Korea Free Trade Agreement (KORUS FTA) signed in 2007 (Cimino-Isaacs, 2022). At the multilateral level the US government is now more committed to work more on economic governance matters through the Indo-Pacific Economic Framework for Prosperity (IPEF) than any broad multilateral tariff reduction effort.

50. Likewise, the EU has signed a range of bilateral Partnership and Cooperation Agreements (PCAs) with its Indo-Pacific partners including Thailand, Indonesia, Vietnam, the Philippines, Singapore and Malaysia. The EU has a comprehensive Free-Trade Agreement with the ROK, and trade agreements with New Zealand and Japan. It has also concluded Free Trade Agreements with Singapore and Vietnam and has launched negotiations with the Philippines, Thailand and Malaysia although these are currently dormant. The EU is also negotiating an FTA with Indonesia. The EU and ASEAN established a strategic partnership in 2020 and collaborate on various economic and other matters through the ASEAN Regional Forum. In 2022, the EU resumed trade negotiations with India and initiated talks for a separate investment protection agreement and a second on geographical indications for product labelling. The EU has also finalised a new Partnership Agreement with the African, Caribbean, and Pacific (ACP) countries, aiming to strengthen their capacity to address global challenges including democracy and human rights, sustainable growth and development, climate change, human and social development, peace and security, migration, and mobility. The Pacific ACP countries are the Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu – countries where both Australia and the United States have also been active (European Council, Post-Cotonou Agreement). The EU has expressed an interest in collaborating with the Quad countries on issues like climate change, technology and vaccines.

51. In June 2018, the European Union and Australia launched negotiations for an ambitious bilateral trade agreement. The EU is already Australia's third largest trading partner. Total trade in goods between the two accounted for EUR 36 billion in 2020 while trade in services added another EUR 26 billion in 2019 (Gijs, 2023). An agreement would boost EU exports to Australia by a third. Both sides, moreover, have embraced the notion of promoting greater trade diversification for commercial and strategic reasons. The EU is looking to compensate for lost Russian markets following Putin's invasion of Ukraine, while Australia is determined to reduce its reliance on trade with China. The EU hopes to increase access to raw materials needed for its green and digital transition and is seeking to lower its dependence on Chinese and Russian supplies of these critical inputs. Australia is the world's largest producer of lithium and its substantial reserves of other critical minerals like cobalt, manganese and rare earth elements are consequential, particularly as it is a dependable supplier that shares the core values of both Europe and North America.

52. Despite this every apparent shared interest in bilateral trade liberalisation, in October 2023, Australian-EU negotiations collapsed on matters pertaining to agricultural trade. The Australians wanted more access to Europe's large market for beef, sugar and sheep meat than Europe was prepared to extend, and Europe wanted more access to Australia's reserves of strategic minerals (Gijs, 2023). The impasse led to the suspension of talks, and a deal does not seem likely in the near term (Fildes and Bounds, 2023). There are, nonetheless, strategically and economically compelling reasons for both sides to conclude an agreement and discussions could well resume following upcoming Australian elections (Sapir, 2023). But these problems illustrate the roadblocks to further trade liberalisation between the West and the Indo-Pacific.

53. The EU Strategy for Cooperation in the Indo-Pacific acknowledges the ongoing importance of the Chinese market and its role as a supplier of an array of products. China's close relationship with Putin's Russia, however, has complicated matters, and the EU has strongly signalled that China should not provide military support for Russia's war of aggression (Bequelin, 2023). During a speech delivered to the Mercator Institute for China Studies (MERICS) and the European Policy Centre (EPC) in March 2023, Ursula von der Leyen, President of the European Commission, announced that Europe should seek to de-risk, but not fully decouple, from China (European Commission, 30/03/2023). She asserted this again during the State of the Union speech in September, stressing the importance of reducing reliance on single suppliers for critical minerals and collaborating more closely with like-minded partners, including Australia, Japan and the United States, to secure and stabilise essential supply chains (European Commission, 13/09/2023). Limiting trading ties with China may prove even more challenging for Europe than for the United States. The case of Europe's largest economy, Germany, is instructive in this regard. German imports from China account for almost 12% of Germany's total trade, and China purchases 8% of its exports (BNP Paribas, 2023). To varying extents, European economies maintain important trade ties with China, and this conditions discussions about managing trade with it (Demarais, 2023). France, Germany, the Netherlands and the UK have each developed their own Indo-Pacific strategies apart from the EU.

54. France itself has an important Indo-Pacific vocation. It has overseas territories in the region inhabited by 1.6 million French citizens and maintains a military presence accounting for 60% of its permanent military presence overseas (Morcos, 2021). The French government has asserted that NATO should remain cautious about its engagement in the region, arguing that the Alliance must maintain its focus on Euro-Atlantic security. It is, however, more amenable to an increased European Union presence in the region (Sevastopulo et. al, 2023; Droinet, et al., 2022).

55. For its part, the United Kingdom has identified strategic stability in the Indo-Pacific as a fundamental national interest and is deeply interested in developing its trading ties to the region as evidenced by its decision to apply for membership in the CPTPP which it joined in July 2023. It is the first European country to join and the second NATO member after Canada. The government expects that membership will lower trade barriers to the world's most dynamic economic region and describes this effort as a pillar of the Government's "Indo-Pacific tilt" (House of Commons Library, 2024). Although the short-term economic impact will not be significant, the accession to CPTPP is part of a larger British strategy to tap into Asia's growth potential. The UK currently has bilateral trade agreements with nine CPTPP members (House of Commons Library, 2024). London's participation in the AUKUS partnership will bolster its role in regional defence industrial trade and enhance its contributions to the Indo-Pacific strategic and commercial dialogue.

VIII-THE NATO ANGLE: PARTNERSHIPS, SHARED DEMOCRATIC VALUES AND OVERLAPPING SECURITY CONCERNS

56. The transatlantic partnership between Europe and North America is firmly rooted in a shared commitment to democratic values, the rule of law, an open market and free trade. Asia's democracies are trusted partners for both Europe and North America not only because the region lies at the epicentre of global growth and is a major centre of technological innovation, but also because key players in the region share a commitment to democratic governance, free markets, open rules-based trade, human rights and respect for the rule of law. The active engagement of both Europe and North America in the region underscores a shared sense of the real opportunities the region affords and a concern that an authoritarian China challenges the rules-based international order, writ large, and the security of the Indo-Pacific, more specifically.

57. NATO itself is intensifying its cooperation with its Asian partners: Australia; Japan; New Zealand; and the ROK. These democracies share allied concerns about China and welcome cooperation with NATO as an explicit recognition that what transpires in the Indo-Pacific is of consequence to the Euro-Atlantic community. The alliance, of course, remains focused on the Euro-Atlantic and not on the Indo-Pacific per se. China challenges allied security, the democratic values that are the foundation of the alliance and the rules-based order undergirding both global stability and the generation of economic wealth. China does so through cyber activities, its deepening partnership with Russia, its opaque infrastructure investment projects, its trumpeting of authoritarian values, intellectual property theft and its tendency to wield its economic might to pressure those countries that it sees as obstacles to its hegemonic ambitions (Catauta, 2023). It is also establishing a presence in the Arctic and seeking to play an increased role in that remote but important region.

58. NATO's interests in developments in the Indo-Pacific have mounted in recent years. Already at the 2019 London summit, allied leaders noted in the final communique that China's "growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance". That statement then set off discussions within NATO about the strategic consequences of China's military ambitions and economic influence. This has also triggered a discussion about the degree to which NATO should focus primarily on Euro-Atlantic security or broaden its scope to consider how the balance of power in the Indo-Pacific impinges on security in the Euro-Atlantic area. The NATO 2030 report that an independent group of experts presented to NATO laid these considerations out in detail. That report suggested that given the borderless nature of threats confronting allies, NATO should also serve as the primary platform to help allies consider global security challenges, including those linked to China (Simón, 2023).

59. The June 2021 Brussels Summit Communique developed this theme further. At that meeting allied governments agreed that China poses a genuine security challenge: "China's stated ambitions and assertive behaviour present systemic challenges to the rules-based international order and to areas relevant to Alliance security. We are concerned by those coercive policies which stand in contrast to the fundamental values enshrined in the Washington Treaty. China is rapidly expanding its nuclear arsenal with more warheads and a larger number of sophisticated delivery systems to establish a nuclear triad. It is opaque in implementing its military modernisation and its publicly declared military-civil fusion strategy. It is also cooperating militarily with Russia, including through participation in Russian exercises in the Euro-Atlantic area. We remain concerned with China's frequent lack of transparency and use of disinformation. We call on China to uphold its international commitments and to act responsibly in the international system, including in the space, cyber, and maritime domains, in keeping with its role as a major power".

60. NATO's 2022 Strategic Concept indicated that the challenges to security in the Pacific justified deepening partnerships with NATO's Asian Pacific Partners even if the Indo-Pacific itself lies outside of the NATO area of focus. That document agreed by allied heads of government read:

“The Indo-Pacific is important for NATO, given that developments in that region can directly affect Euro-Atlantic security. We will strengthen dialogue and cooperation with new and existing partners in the Indo-Pacific to tackle cross-regional challenges and shared security interests” (NATO, 2022).

61. The 2023 Vilnius NATO Summit Communique again acknowledged the region’s importance to allied security while noting that “The People’s Republic of China’s stated ambitions and coercive policies challenge our interests, security, and values. We are working together responsibly, as Allies, to address the systemic challenges posed by the PRC to Euro-Atlantic security and ensure NATO’s enduring ability to guarantee the defence and security of Allies. We are boosting our shared awareness, enhancing our resilience and preparedness, and protecting against the PRC’s coercive tactics and efforts to divide the Alliance. We will stand up for our shared values and the rules-based international order, including freedom of navigation.” Allies noted moreover that “The deepening strategic partnership between the PRC and Russia and their mutually reinforcing attempts to undercut the rules-based international order run counter to our values and interests”. Allied leaders welcomed the contributions of Australia, Japan, New Zealand and the ROK to Asia-Pacific security and recognised the important support for Ukraine that those countries have offered. Allied leaders then promised to deepen the dialogue with these important partners (NATO, 2023).

62. For all these reasons, therefore, Allies have a strong reason and foundation for collaborating closely with like-minded partners in the Indo-Pacific to cope with the challenges of strategic competition, reduce the risk of dangerous escalation and address shared challenges like cyber threats, the proliferation of weapons of mass destruction, energy security, climate change and more generally threats to the international rules-based order (Kuok, 2023).

IX- CONCLUSION

63. Western analysts long assumed that shared economic interests alone would somehow trump any outstanding differences among China the democratic countries of NATO and their partners in Asia. This assumption was flawed, and allied countries and partners need new strategies to manage mounting strategic competition affecting both the Euro-Atlantic space and the Indo-Pacific region. Finding impactful vehicles for confidence building with China and more generally in the broader region will help foster stability over the long term. Of course, such efforts should not distract attention from China’s persistent ambition to unwind the regional security order and the US alliance system that has long served as a pillar of stability in the Pacific. China has sought to do so by building up its forces in the region and use them in an aggressive fashion to challenge accepted territorial and maritime borders in Asia. Allies and partners need clear-eyed approaches to strike a proper balance between countering Chinese challenges to the regional order while engaging with it where possible. It must be stressed that NATO itself is not an Indo-Pacific security alliance and does not play a role in regional deterrence even if individual allies like the United States do.

64. Allied countries see the Indo-Pacific as economically essential and value their relations with the region’s democracies. Securing vital supply chains for essential production remains a strategic priority for all allied governments, and this now means reducing dependence on China in certain strategic sectors, in part, by finding other suppliers or developing new industrial and raw material capabilities at home.

65. Allied nations should also continue to work closely with their Asia Pacific partners to support democratic governance in the region. NATO Partners Australia, Japan, New Zealand and the ROK have been particularly active in this regard, and their work is helping to shore up stability in the broader region precisely because democratic governance correlates so strongly to domestic and international stability. An open and democratic Asia would, by definition, be better placed to resist

the predations of China's Communist party, thwart its ambitions to build a world order that reinforces autocracy and defend their own stake in a rules-based international order that correlates to democratic rule and open markets. Less democratic states are more vulnerable to corruption, bribery and the logic of Chinese regional economic and strategic hegemony. Supporting democracy and good governance should therefore remain a pillar of the approach of allies to the region (Green and Twining, 2024). This would be a fruitful area of work for a NATO Center of Democratic Resilience that this Assembly strongly endorses.

66. Smaller developing Asian countries cannot alone counter China's formidable military and economic might. They need support. This does not require a recrudescence of the old Cold War bloc system. But there is space to build a looser yet nonetheless dynamic array of crosshatching partnerships focused on addressing specific matters of shared concern. These partnerships should be sufficiently flexible to accommodate significant differences within the region (Blanchette and Johnstone, 2023). As this report has demonstrated, this process is well underway even if it is unfolding through a patchwork of initiatives including AUKUS, ASEAN, the Quad, and through increasingly dynamic bilateral commercial and economic arrangements. Several countries, including the Philippines, which was drifting into the Chinese orbit, have come to recognise the challenge an increasingly aggressive China poses to their own security and are now deepening cooperation with democratic partners in the region and beyond. Australia is working assiduously with Pacific Island nations to foster greater resilience in the face of Chinese bullying. Other countries in the region are looking to deepen ties with the democratic state on commercial, technology and commercial matters. Finding ways to deepen ties across the board would, in turn, help a region increasingly worried about China's ambition, overly dependent on it economically, and currently not comfortably positioned to resist it (Lee, 2023).

67. North American and European Allies should explore creative ways to incentivise greater defence spending, more stout resistance to threatening Chinese policies and deeper economic and security integration within the Indo-Pacific and where possible with the West. They can do so, for example, by linking progress on the security front to ways to deepen commercial ties and advance other forms of economic, technology and security cooperation. Opening a NATO liaison office in Japan would clearly bolster Allied cooperation with Japan and would enhance situational awareness of the vital Indo-Pacific theatre. While NATO remains in essence a transatlantic alliance, it nevertheless confronts security challenges that are linked to developments in the Far East. A liaison office would strengthen the longstanding relationship between NATO and Indo-Pacific partners that share the same ambition to uphold the rules-based international order.

68. The Indo-Pacific is one of the global centres for technology innovation and here too there is ample space for deeper collaboration in research and development, academic exchanges and efforts to secure supply chains for the critical inputs needed to expand production of key technologies. Joint technology innovation centres at all levels of academia will offer advantages to global security as well as local security.

69. Cyber security represents another area of shared concern between NATO allies and Pacific Partners. China has used key commercial actors like Huawei to introduce backdoors that are vulnerable to cyber sleuthing, attacks and spoofing. Governments should ramp up a cyber-security task force to address shared threats and vulnerabilities in the Indo-Pacific and to share best practices. Developing common cyber security standards and protocols and identifying innovative ways to protect critical digital infrastructure, including those used by militaries, could be part of this effort.

70. NATO's Pacific partners have participated in NATO missions, and there is ample scope to conduct joint training exercises while making security forces from allied countries more interoperable with those of Indo-Pacific partners. Sharing infrastructure and logistical support systems would facilitate commercial transport and any future joint military or civil emergency deployments. On the

maritime front, China is challenging access to international waters that play a significant role in global commercial and energy traffic. It has used military assets to assert illegitimate claims of exclusive economic zone controls. Allied cooperation with the Indo-Pacific on how best to uphold the freedom of navigation would be welcome and the lessons derived from this cooperation should have applications elsewhere. Joint patrols and naval training exercises, in turn, can help deter piracy, smuggling and a range of other maritime threats.

71. There is also space to engage the Pacific partners more deeply in crisis response to ensure effective communication, coordination and shared protocols during international emergencies effecting both the transatlantic and Indo-Pacific regions. Establishing resilient communication channels to provide real-time crisis coordination would enhance stability and reinforce links among key democratic actors. Deepening military exchange programs to improve mutual understanding will foster improved understanding, encourage best practices and enhance capabilities both in the NATO and Indo-Pacific regions.

72. Energy in its various forms is a strategically consequential commodity, and NATO allies and Indo-Pacific partners have a shared interest in insuring that to the extent possible energy is plentiful, economical, climate friendly, deployed efficiently and not used as a weapon by strategic competitors like Russia. Broad and deep cooperation facilitating the exchange of knowledge, technical expertise and best practices can help make this possible and should be an area of transatlantic and Indo-Pacific structured cooperation across a multinational spectrum of government, corporate and research/university actors. This could, among other things, generate scale in critical research efforts and help to harmonise safety and environmental standards and regulations. Facilitating the development and adoption of clean energy technologies while maintaining high safety and security represents a shared goal of democratic societies.

73. Sharing financial and technological development burdens would open the door for the joint development of clean power plants. Equally, cooperation on energy grid resilience and interconnection would world generate new efficiencies in moving energy to market. Collaboration to advance the development of microgrids can increase resilience and security while providing new avenues for the distribution of renewable energies including solar, wind and hydro-electric power. Several Indo-Pacific partners also have the technological capacity to make important contributions to the development of clean and safe nuclear power, including the commercialisation of small, safe modular nuclear reactors. This would enhance energy security in the transatlantic and Indo-Pacific space, and much can be done to forge a deeper energy partnership to pursue these ends. Moreover, developing energy-related emergency response and crisis management plans for shocks of global significance also makes good sense. This collaboration should enhance preparedness and coordination in the event of accidents and other emergencies and facilitate swift and effective responses. This type of collaboration in the energy sector can strengthen ties between NATO nations and Indo-Pacific partners and help build shared prosperity and technological advancement, while laying the foundations for a more sustainable energy future.

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