

# **Sino-U.S. Strategic Competition in the Asia-Pacific: Omnidirectional Hedging of Traditional Middle Powers**

Maheera Munir\* and Aiysha Safdar\*\*

## **Abstract**

*The strategic landscape of the Asia-Pacific is now shaped by the competition between China's Belt and Road Initiative (BRI) and the United States' Free and Open Indo-Pacific strategy. The Sino-U.S. strategic competition has greatly impacted the strategic outlook and foreign policies of middle powers in the region. This paper argues that the Asia-Pacific middle powers are functioning along the lines of omnidirectional hedging which is relatively a new concept in the IR discourse. Omnidirectional hedging entails maximisation of strategic space and avoiding entrapment in the great power rivalry through diplomatic, economic and security diversification. Through qualitative analysis, this research observes that the traditional middle powers — Japan, India, and Australia — are now largely focusing on multilateralism, minilateral alliances, free trade agreements, infrastructure investments, maritime security cooperation and new defence agreements. Such a foreign policy behaviour is paving way for a closely knitted middle-power network in the region to prevent great powers from engaging in direct confrontation which would threaten regional peace and stability.*

**Keywords:** Sino-US Strategic Competition, Indo-Pacific, Omnidirectional Hedging, Middle Powers, Foreign Policy, BRI.

## **Introduction**

On his visit to the United States (U.S.) in the summer of 2013, Chinese President Xi Jinping asserted that “the Pacific Ocean is wide enough to incorporate [the interests of] both China and the U.S.” and emphasised on

---

\* The author is an independent IR scholar. Email: maheeramunir8@gmail.com

\*\*The author is HOD International Relations Department, Kinnaird College for Women. Email: aiysha.safdar@kinnaird.edu.pk

the “New Type of Great Power Relationship” based on three elements: dealing with differences through dialogue and cooperation, not confrontation; respecting each other’s social systems and path of development; and aiming for a win-win scenario through deepening areas of mutual interests.<sup>1</sup> However, China’s assertiveness in the Asia-Pacific increased with the introduction of the Belt and Road Initiative in 2013 which, since then, has largely reordered the region along Chinese interests.<sup>2</sup> However, a China-centered Asia-Pacific is unacceptable to the U.S. and its allies. China’s growing economic investments, infrastructure development, rapid military and naval modernisation threaten the U.S.-led liberal international order. In order to balance Chinese threat, the U.S. formulated the Free and Open Indo-Pacific strategy (FOIP) in November 2017.<sup>3</sup> Under FOIP, U.S. has fostered strategic alliances such as Quad, Australia-UK-US (AUKUS), and the new, relatively moderate, Indo-Pacific Economic Framework (IPEF).

The changing Asia-Pacific security architecture and increasing intensity of Sino-US strategic competition in the region have deeply impacted foreign policy objectives of regional middle powers. The regional actors, most of which have acquired significant economic capabilities, military strength, and geopolitical influence, appear to be divided between the U.S. and China — the new great power and a newfound ally. Traditional middle powers including India, Japan, and Australia, being close American allies, have been functioning as stabilisers of the international system as they aim to protect the liberal international order governed by the U.S. thus, exhibit a balancing behaviour.<sup>4</sup> However, since the U.S.’ America First policy and China’s increasing economic coercion to achieve its goals and objectives in the

---

<sup>1</sup> Willy Lam, “Beijing’s Aggressive New Foreign Policy and Implications for the South China Sea,” *China Brief* 13, no. 13 (June 21, 2013): 12, <https://jamestown.org/program/beijings-aggressive-new-foreign-policy-and-implications-for-the-south-china-sea>

<sup>2</sup> Yong Deng, “How China’s Belt and Road Is Reordering Asia,” *Harvard International Review* 39, no. 4 (2018): 30-35, <https://www.jstor.org/stable/26617376>

<sup>3</sup> Brian Harding, “The Trump Administration’s Free and Open Indo-Pacific Approach,” *Southeast Asian Affairs*, 2019, 61-68, <https://www.jstor.org/stable/26939687>

<sup>4</sup> Eduard Jordaan, “Faith no More: Reflections on the Distinction between Traditional and Emerging Middle Powers,” in *Rethinking Middle Powers in the Asian Century: New Theories, New Cases*, eds., Dorothee Vandamme et al., (London: Routledge, 2019), 111-120.

region, middle powers are employing newer strategies that align with and adapt to changing dynamics of the Indo-Pacific.<sup>5</sup>

Under such dynamics of great power rivalry, hedging remains the most common response of middle powers to escape the balancing-band wagoning dichotomy. However, as a consequence of increasing Sino-U.S. strategic competition in the Asia-Pacific, Olli Suorsa introduced omnidirectional hedging as a new concept in middle power alignment strategies.<sup>6</sup> Omnidirectional hedging allows middle powers to establish closer relations with the like-minded powers and states within and beyond the region. It encourages diversification of relations in economic, political and security areas to better deal with the risks, threats and ambiguities of great power rivalry.<sup>7</sup>

This paper attempts to analyse how Sino-US strategic competition has shaped the strategies of Japan, Australia and India in the Asia-Pacific region and how omnidirectional hedging is allowing these traditional middle powers to expand their strategic space and avoid entrapment in great power contestation through economic, diplomatic and security diversification.

### **From Rebalancing to Strategic Competition: Sino-U.S. Relations (2011-2023)**

The Great Recession of 2008 provided China an opportunity to help the Asia-Pacific states out of the crisis, lead the regional economic development and enhance its influence.<sup>8</sup> In 2010, China outperformed Japan as the second biggest global economic power in terms of GDP.<sup>9</sup>

---

<sup>5</sup> Stephen Nagy, "Middle-Power Alignment in the Free and Open Indo-Pacific: Securing Agency through Neo-Middle-Power Diplomacy," *Asia Policy* 29, no. 3 (2022): 162.

<sup>6</sup> Olli Suorsa, "Hedging Against Over-dependence on US Security: Thailand and Philippines," (RSIS Commentary no. 317, RSIS, 2016), <https://hdl.handle.net/10356/84840>

<sup>7</sup> Suorsa, "Hedging against Over-dependence on US Security."

<sup>8</sup> Ming Wan, "The Great Recession and China's Policy Toward Asian Regionalism," *Asian Survey* 50, no. 3 (2010): 530, doi:10.1525/as.2010.50.3.520.

<sup>9</sup> Xiaoyu Zhao, "Why Obama's Rebalance towards Asia-Pacific Was Unsuccessful?" *International Studies* 55, no. 2 (2018): 88.

The economic success added to the military modernisation of China. With advanced technology and A2/AD capabilities, People's Liberation Army (PLA) Navy became more assertive in the South China Sea.<sup>10</sup> In the wake of these developments and increasing strategic significance of the Asia-Pacific, Obama administration emphasised that the Bush administration's overly ambitious democratisation agenda for the Middle East had diverted the U.S.' attention from the Asia-Pacific, providing China strategic leeway.<sup>11</sup>

In late 2011, the Obama administration announced rebalancing strategy based on five pillars: building Asia-Pacific alliances, stronger partnerships with emerging powers, a stable and productive relationship with China, strengthening regional institutions, and establishing a stronger regional economic architecture that functions on the neoliberal principles of international order.<sup>12</sup> The third pillar placed crucial emphasis on engaging China as a part of the rebalancing process. However, as China went global in its agenda when President Xi Jinping announced the BRI project in 2013, it became difficult to uphold the 'engage and contain' strategy. China did not only become a major trading partner of Asia-Pacific states, it also headed establishment of new financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) to support financing and investment for its BRI infrastructure projects.<sup>13</sup> Meanwhile, its A2/AD capabilities continued to strengthen as a result of China's evolving military power in all domains (land, air, sea, nuclear, and cyberspace).<sup>14</sup>

As Trump administration came into power in 2017, the growing Chinese influence, size of its economy, and military capabilities rendered China as a 'strategic rival' that poses threats to American power, security

---

<sup>10</sup> Renato Cruz De Castro, "The Obama Administration's Strategic Rebalancing to Asia: Quo Vadis in 2017?" *Pacific Focus* 33, no. 2 (2018): 183.

<sup>11</sup> Richard Weixing Hu, "Assessing the 'New Model of Major Power Relations' Between China and the United States," in *Handbook of US-China Relations*, ed., Andrew Tan (Edward Elgar Publishing, 2016), 222-242.

<sup>12</sup> Hu, "Assessing the new model," 227.

<sup>13</sup> Dong Wang, "US-China Economic Relations," In *Handbook of US-China Relations*, ed. Andrew Tan (Edward Elgar Publishing, 2016), 149.

<sup>14</sup> Benjamin Schreer, "Facing the Dragon: Debating the US Military Response to China," in *Handbook of U.S.-China Relations*, ed., Andrew Tan (Edward Elgar Publishing, 2016), 362.

and national interests. Documented in the 2017 National Security Strategy and 2018 National Defence Strategy, the FOIP called China a ‘revisionist’ power and stressed on the need to contain Chinese assertiveness and increasing expansionism.<sup>15</sup> Under the FOIP, the U.S. strengthened its bilateral relationships with key allies — Japan, India, Australia, South Korea, and Taiwan through various defense and economic agreements such as the 2+2 dialogues with India, Strategic Energy Partnership with Japan, and the deployment of Terminal High Altitude Air Defense (THAAD) weapon system in South Korea.<sup>16</sup>

Moreover, the ‘America First’ ideology resulted in protectionist trade policies which led to a trade war between the U.S. and China and withdrawal of the U.S. from the Trans Pacific Partnership (TPP). The rivalry continued into the COVID pandemic as the U.S. accused China of the virus outbreak.<sup>17</sup> President Trump also ended the preferential trade status of Hong Kong, which China viewed as the U.S. interference in Chinese ‘internal’ matter.<sup>18</sup> The Sino-American relations continued deteriorating as the U.S. called for closing the Chinese consulate in Houston over allegations that it was a hub of intellectual property theft and spying.<sup>19</sup> In January 2021, the U.S. also designated human rights violations against Uighur Muslims in Xinjiang as ‘genocide’, raising tensions between the U.S. and China.<sup>20</sup>

As President Biden assumed office in January 2021, the U.S. abandoned ‘America First’ approach but pursued active diplomacy against China through virtual Quad summits, 2+2 dialogues with Japan and South Korea,

---

<sup>15</sup> Maheera Munir and Aiysha Safdar, “The U.S. Free and Open Indo-Pacific Strategy: Implications for China (2017-present),” *Polaris – Journal of Maritime Research* 3, no. 1 (2021): 111.

<sup>16</sup> Munir and Safdar, “US Free and Open Indo-Pacific Strategy,” 111.

<sup>17</sup> Jordan Fabian and Lisa Du, “Trump Halts U.S. Payments to WHO, Citing Reliance on China,” *Bloomberg*, April 15, 2020, <https://www.bloomberg.com/news/articles/2020-04-14/trump-says-he-s-halting-payments-to-who-for-data-sharing-failure#xj4y7vzkg>

<sup>18</sup> Elizabeth Economy et al., “How 2020 Shaped U.S.-China Relations,” (Council on Foreign Relations, December 14, 2020), <https://www.jstor.org/stable/resrep29954>

<sup>19</sup> Edward Wong, Lara Jakes, and Steven Myers, “U.S. Orders China to Close Houston Consulate, Citing Efforts to Steal Trade Secrets,” *New York Times*, July 22, 2020, <https://www.nytimes.com/2020/07/22/world/asia/us-china-houston-consulate.html>

<sup>20</sup> Michael R. Pompeo, “Determination of the Secretary of State on Atrocities in Xinjiang,” United States Department of State, January 19, 2021, <https://2017-2021.state.gov/determination-of-the-secretary-of-state-on-atrocities-in-xinjiang/index.html>

and launch of the Build Back Better World (B3W), as an alternative to China's BRI.<sup>21</sup> With a greater emphasis on multilateral security frameworks came the AUKUS alliance which China greatly criticised.<sup>22</sup> Other factors that have enhanced Sino-U.S. strategic competition include diplomatic boycott of Beijing Olympics 2022, Chinese support to Russia in the Ukraine war, China's aggression in the Taiwan Strait following the former U.S. House Speaker Nancy Pelosi's visit to Taiwan in August 2022, and restricting export of American chip technology to China in October 2022.<sup>23</sup> The tensions continued in 2023 as the U.S. Air force, on February 4, 2023, shot down a Chinese operated balloon flying over the South Carolina coast, accusing China of spying over sensitive military sites.<sup>24</sup> Thus, the strategic competition between the two great powers in multiple dimensions suggests that present tensions might escalate into a full-spectrum contestation, further adding to the need of the U.S. allies and Chinese partners to carefully formulate their relations with both great powers.

---

<sup>21</sup> The Japan Institute of International Affairs, "Intensifying U.S.-China Strategic Competition in the Indo-Pacific and ASEAN Faced with Challenges (Strategic Annual Report 2021)," [https://www.jiia.or.jp/en/strategic\\_comment/2022/02/18/StrategicAnnualReport2021en04.pdf](https://www.jiia.or.jp/en/strategic_comment/2022/02/18/StrategicAnnualReport2021en04.pdf); Zongyou Wang and Yunhan Zhang, "The Biden Administration's Indo-Pacific strategy and China-U.S. Strategic competition," *China Quarterly of International Strategic Studies* 7, no. 2 (2021): 159.

<sup>22</sup> The Japan Institute of International Affairs, "Intensifying U.S.-China Strategic Competition in the Indo-Pacific and ASEAN Faced with Challenges (Strategic Annual Report 2021)," [https://www.jiia.or.jp/en/strategic\\_comment/2022/02/18/StrategicAnnualReport2021en04.pdf](https://www.jiia.or.jp/en/strategic_comment/2022/02/18/StrategicAnnualReport2021en04.pdf)

<sup>23</sup> Lauren Baillie, Mirna Galic, and Rachel Vandenbrink. "U.S. Diplomatic Boycott of Beijing Olympics: No Longer 'Business as Usual'," *United States Institute of Peace*, December 9, 2021, <https://www.usip.org/publications/2021/12/us-diplomatic-boycott-beijing-olympics-no-longer-business-usual>; The White House, "Readout of President Joseph R. Biden Jr. Call with President Xi Jinping of the People's Republic of China," 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/18/readout-of-president-joseph-r-biden-jr-call-with-president-xi-jinping-of-the-peoples-republic-of-china-2/>; Lily Kuo, Christian Shepherd, and Ellen Nakashima, "China Launches Military Exercises Around Taiwan after Pelosi's Visit," *Washington Post*, August 4, 2022, <https://www.washingtonpost.com/world/2022/08/04/taiwan-china-military-exercises-pelosi/>; Ana Swanson, "Biden Administration Clamps Down on China's Access to Chip Technology," *New York Times*, October 7, 2022, <https://www.nytimes.com/2022/10/07/business/economy/biden-chip-technology.html>

<sup>24</sup> Randall Hill, Phil Stewart and Jeff Mason, "U.S. Fighter Jet Shoots Down Suspected Chinese Spy Balloon," *Reuters*, February 6, 2023, <https://www.reuters.com/world/us/biden-says-us-is-going-take-care-of-chinese-balloon-2023-02-04/>

## Omnidirectional Hedging

The concept of hedging entered into the International Relations lexicon in the post-cold war period.<sup>25</sup> Scholars and analysts started using the term to explain foreign policy behaviour of a state in which a state adopts a middle position between balancing and band wagoning, practicing “mixed elements of selective engagement, limited resistance and partial deference.”<sup>26</sup> So, when employing hedging, a state neither takes sides between competing powers nor adopts opposite and counteracting measures. Instead, engagements are entailed along preservation of gains and cultivation of ‘fallback’ position.<sup>27</sup> While some states, usually light hedgers, only focus on maintaining economic or military hedge against competing great powers, heavy hedgers invest in all the dimensions i.e., political, economic and military by employing multiple risk-contingency and returns-maximising policy options. That’s where omnidirectional hedging comes in.

Introduced by Olli Suorsa, the concept of omnidirectional hedging moves beyond the ‘two-dimensionality’ of hedging behaviour to explore the ‘multi-dimensional’ hedging. Omnidirectional hedging as a concept can be defined as a foreign policy strategy which “helps small and medium powers to avoid being entrapped in an ensuing great power rivalry in which the more straightforward strategic alignment choices would render them pawns of that power contestation.”<sup>28</sup> Thus, omnidirectional hedging aims at maintaining or maximising a state’s strategic space in order to avoid long-term economic, political, or strategic losses such as isolation or abandonment which would leave a state to either balance against or bandwagon with a great power.<sup>29</sup> States prefer to diversify their economic, political and security relations beyond the two great powers and with other secondary and tertiary powers, within or outside the region to maximise their strategic space, protect their sovereignty, and play a significant role in easing the tense regional strategic environment. While Suorsa mainly

---

<sup>25</sup> Cheng-Chwee Kuik, “Getting Hedging Right: A Small-State Perspective,” *China International Strategy Review* 3 (2021): 301.

<sup>26</sup> Kuik, “Getting Hedging Right: A Small-State Perspective.”

<sup>27</sup> Kuik, “Getting Hedging Right: A Small-State Perspective,” 302.

<sup>28</sup> Olli Suorsa, “Maintaining a Small State’s Strategic Space: ‘Omnidirectional Hedging,’” International Studies Association Hong Kong, 2017, <http://web.isanet.org/Web/Conferences/HKU2017-s/Archive/f40db849-cb90-4826-9b7a-e449b602f398.pdf>

<sup>29</sup> Suorsa, “Maintaining a Small State’s Strategic Space: ‘Omnidirectional Hedging.’”

focuses on the small and medium powers of the Southeast Asia in exploring the concept of omnidirectional hedging, this research aims at expanding the idea to the entire Asia-Pacific region, especially the traditional middle powers — India, Japan and Australia.

Now, a middle power can employ different set of foreign policy tools to achieve this goal, depending on the available resources. While some states rely on their strategic advantage such as geographical proximity, others build on their economic, military or technological capabilities to diversify strategic relations. According to Suorsa, Omnidirectional hedging has three dimensions: diplomatic diversification, economic diversification, and security diversification. Based on different scholarly works,<sup>30</sup> this paper determines indicators of each of these dimensions for a better understanding of what actions entail omnidirectional hedging.

**Table No. 1**  
**Dimensions and Indicators of Omnidirectional Hedging**

<b>Dimensions</b>	<b>Indicators</b>
<b>Diplomatic</b>	Greater diplomatic support, joining new institutions/organizations, strategic engagement with adversary, neutrality and soft power
<b>Economic</b>	Free trade agreements, joining financial institutions, participation in regional economic frameworks, expanding trade partners, Foreign Direct Investment (FDI)
<b>Security</b>	Joint exercises, security/defense pacts, arms trade, internal balancing

*Sources: Suorsa, 2016; Suorsa, 2017; Nagy, 2017; Gerstl, 2020*

If a state is employing a combination of these factors in different aspects to avoid choosing sides in great power contestation, it is understood to be

---

<sup>30</sup> Suorsa, “Hedging against over-dependence,”; Suorsa, “Maintaining a Small State’s Strategic Space,”; Stephen Nagy, “Japan’s Proactive Pacifism: Investing in Multilateralisation and Omnidirectional Hedging,” *Strategic Analysis* (2017): 223-235; Alfred Gerstl, “Malaysia’s Hedging Strategy Towards China Under Mahathir Mohamad (2018-2020): Direct Engagement, Limited Balancing, and Limited Bandwagoning,” *Journal of Current Chinese Affairs* 49, no. 1 (2020): 106-131.



following omnidirectional hedging as its key, or underlying foreign policy strategy.

## Strategies of Traditional Middle Powers

The traditional IR theories adopt a dichotomic view of the international system, dividing it into great powers and secondary states on the basis of material capabilities.<sup>31</sup> The contemporary trends in IR discourse, however, highlight a mix of objective and normative criterion to determine that a middle power is neither a great power nor secondary. According to Robert Keohane, “a middle power is a state whose leaders consider that it cannot act alone effectively, but maybe able to have a systemic impact in a small group or through an international institution.”<sup>32</sup> Similarly, Swielande identifies five determinants of a middle power: mid-range capabilities, self-conception, middle status in international hierarchy, systemic impact and regional influence.<sup>33</sup>

Under these determinants, Japan, Australia and India are the three traditional middle powers of the Asia-Pacific. Although the term ‘traditional’ simply refers to old, long-established, and conventional, there is a more elaborative reasoning. While their middle power status derives from behaviour, status and strategy, traditional middle powers differ from the new, emerging middle powers like Indonesia, Malaysia etc. Traditional middle powers are generally seen as stabilisers and legitimisers of the international order and function to maintain the existing regional order.<sup>34</sup> Increasing competition between the U.S. and China has compelled the Asia-Pacific traditional middle powers to reshape their strategies in order to

---

<sup>31</sup> Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999).

<sup>32</sup> Robert O. Keohane, “Lilliputians’ Dilemmas: Small States in International Politics,” review of *Alliances and the Third World, Alliances and American Foreign Policy, Alliances and Small Powers, The Inequality of States*, by G. Liska, R. E. Osgood, R. L. Rothstein, and D. Vital, *International Organization* 23, no. 2 (1969): 296.

<sup>33</sup> Struye de Swielande, “Middle Powers A Comprehensive Definition and Typology,” in *Rethinking Middle Powers in the Asian Century: New Theories, New Cases*, eds., Dorothee e tal., (London: Routledge, 2019), 20.

<sup>34</sup> Bruce Gilley and Andrew O’Neil, “China’s Rise through the Prism of Middle Powers,” in *Middle Powers and the Rise of China*, eds., Bruce Gilley and Andrew O’Neil (Georgetown UP, 2014), 1-22.

uphold their national interests and strategically hedge between competing powers. For the very reason, ‘middle power cooperation’ has been the most commonly observed trend in the Asia-Pacific geopolitics since 2013. It entails establishing a “middle ground between great powers” as middle powers do not engage unilaterally or directly in the great power competition.<sup>35</sup> It is only through cooperation that middle powers act as relevant players and maintain a collective ground while, otherwise, they do not hold the power or capabilities to shape or maintain the regional order.<sup>36</sup>

Following is a detailed exploration of how Japanese, Australian, and Indian strategies have been reshaped and reformulated in the wake of Sino-U.S. strategic competition.

## Japan

Since 2012, Japan’s Prime Minister Shinzo Abe focused on a more active and pragmatic foreign policy. Security activism, unleashed in Japan’s National Security Strategy 2013, remains its most significant component. A doctrinal shift from pacifism to proactive pacifism suggests greater Japanese engagement with regional allies and partners, a proactive role in international organisations and regional institutions, investments in multilateralism and strategic hedging.<sup>37</sup> In 2014, a legal reinterpretation granted expansion of Japan’s right to collective self-defence from protection of Japanese territories to securing the lives and wellbeing of Japanese population and for that, accessing the resources and capabilities essential for nation’s survival.<sup>38</sup> As Japan’s Self Defence Forces (SDF) now operate as a military force, such constitutional changes have allowed Japan to provide military assistance to its allies and partners in conflicts which also threaten Japanese security provided force is the last resort.<sup>39</sup>

---

<sup>35</sup> Yoshihide Soeya, “Middle-Power Cooperation in the Indo-Pacific Era,” *Issues & Studies: A Social Science Quarterly on China, Taiwan, and East Asian Affairs* 56, no. 2 (2020): 9.

<sup>36</sup> Soeya, “Middle-Power Cooperation,” 10.

<sup>37</sup> Nagy, “Japan’s Proactive Pacifism,” 231.

<sup>38</sup> John Nilsson-Wright, “Creative Minilateralism in a Changing Asia: Opportunities for Security Convergence and Cooperation Between Australia, India and Japan,” *Chatham House*, July 2017, <https://www.chathamhouse.org/sites/default/files/images/2017-07-28-Minilateralism.pdf>

<sup>39</sup> Abraham Denmark, “Japan Accelerates Its Hedging Strategy,” *Wilson Center*, November 6, 2018, <https://www.wilsoncenter.org/blog-post/japan-accelerates-its-hedging-strategy>

Interestingly, these constitutional changes and increasing security diversification have not only come under increasing Chinese aggression and other regional security challenges but also due to U.S.' focus towards its long-standing Afghanistan intervention and then the U.S. President Trump's America First policy which added to the dilemma whether the U.S. will extend military assistance to Japan in the hour of need. Since 2013, and even more vigorously since 2017, Japan has adopted the strategy of internal balancing to increase its military capabilities in the wake of rising threats and challenges — from China, North Korea and Russia given the Ukraine war — to be able to compete more effectively in the region and in the international system. This is evident from the fact that Japan's defence budget has increased each year over the past nine years from 4.8 trillion yen in 2013 to 5.4 trillion yen in 2022 and is to increase to 6.8 trillion yen in 2023.<sup>40</sup>

As of 2022, Japan's defence budget stood at 0.96% of its GDP but the draft budget for the fiscal year 2023 shows increase in defence budget to 1.19% of the country's GDP.<sup>41</sup> This is in accordance with Japan's goal to increase its defence budget to NATO's standard of 2% of GDP by 2027.<sup>42</sup> Japan insists that higher defence budget will allow the country to protect its sovereignty and interests as well as become a reliable and credible partner for its regional allies. Moreover, while Japan's joint exercises were mainly conducted with the U.S., Japan now eagerly participates in multilateral and bilateral exercises with other regional partners. In 2017, Japan participated in the Malabar exercises with the U.S. and India in the Indian Ocean Region which highlights Japan's enhanced focus from Pacific Ocean to the wider Asia-Pacific.<sup>43</sup> In May 2021, Japan conducted a multilateral exercise

---

<sup>40</sup> Isabel Reynolds, "Japan Begins Defense Upgrade With 26% Spending Increase for 2023," *Bloomberg*, December 23, 2022, <https://www.bloomberg.com/news/articles/2022-12-23/japan-begins-defense-upgrade-with-26-spending-increase-for-2023>

<sup>41</sup> Takahashi Kosuke, "Japan Approves 26.3% Increase in Defense Spending for Fiscal Year 2023," *The Diplomat*, December 24, 2022, <https://thediplomat.com/2022/12/japan-approves-26-3-increase-in-defense-spending-for-fiscal-year-2023/>

<sup>42</sup> Kosuke, "Japan Approves 26.3% Increase in Defense Spending for Fiscal Year 2023."

<sup>43</sup> Vivek Raghuvanshi, "U.S., India and Japan Launch Joint Naval Exercises to keep China in Check," *Defence News*, July 11, 2017, <https://www.defensenews.com/air/2017/07/11/us-india-and-japan-launch-joint-naval-exercises-to-keep-china-in-check/>

‘ARC21’ with the U.S., France and Australia — the first ever joint exercise of Japanese and French naval forces.<sup>44</sup>

Moreover, Japan has participated in multiple multilateral exercises such as Pacific Crown 21, LSGE21, and Talisman Sabre etc. with a number of regional and extra-regional actors such as the UK, India, Netherlands, New Zealand, Australia, Canada, South Korea etc.<sup>45</sup> Japan also conducted its first ever joint exercise with Philippines in October 2022 and the first joint fighter jet exercise with India in January 2023.<sup>46</sup> In addition to this, Japan has not only conducted the 2+2 dialogues with the U.S. but has been a part of different security dialogues with regional middle powers as well as with China. In January 2023, China and Japan held the first security dialogue in four years<sup>47</sup> amid Chinese concerns over Tokyo’s growing military build-up and Japanese concerns over Beijing’s military relationship with Russia, military aggression in the Taiwan Strait and suspected use of Chinese spy balloons detected in Japanese airspace between November 2019 and September 2021.<sup>48</sup>

Japan has also improved its bilateral security partnership with other traditional middle powers of the Asia-Pacific. In case of Australia-Japan nexus, the security convergence comes from Australian acceptance of Japanese security normalisation which can make their relationship profitable

---

<sup>44</sup> Japan Ministry of Defence, “Major Exercises in East China Sea and those for Remote Island Defense,” [https://www.mod.go.jp/en/d\\_architecture/major-exercises/major\\_exercises\\_01.html](https://www.mod.go.jp/en/d_architecture/major-exercises/major_exercises_01.html)

<sup>45</sup> Japan Ministry of Defence, “Major Exercises in East China Sea and those for Remote Island Defense.”

<sup>46</sup> Stephen W. Miller, “Philippines and Japan Conclude Concurrent Joint Exercises with the United States,” *Asian Military Review*, October 19, 2022, <https://www.asianmilitaryreview.com/2022/10/philippines-and-japan-conclude-concurrent-joint-exercises-with-the-united-states/>; Gabriel Dominguez, “India-Japan Defense Ties Enter New Phase With First Joint Fighter Drills,” *Japan Times*, January 16, 2023, <https://www.japantimes.co.jp/news/2023/01/16/national/india-japan-fighters-joint-exercise/>

<sup>47</sup> “China-Japan Hold First Security Talks in Four Years,” *Al-Jazeera*, February 22, 2023, <https://www.aljazeera.com/news/2023/2/22/china-japan-hold-first-security-talks-in-four-years>

<sup>48</sup> Junko Ogura, “Japan ‘Strongly Presumes’ Chinese Spy Balloons Entered its Airspace,” *CNN*, February 15, 2023, <https://edition.cnn.com/2023/02/15/asia/japan-china-three-spy-balloons-intl-hnk-ml/index.html#:~:text=Three%20%E2%80%9Cballoon%2Dshaped%20flying%20objects,reconnaissanc%20aircraft%20flown%20by%20China>

in dealing with maritime law enforcement, regional inclusivism, cooperation on ballistic missile defence, the North Korean threat and widely Chinese assertiveness.<sup>49</sup> Although, both Australia and Japan face fiscal constraints which limit their defence budgets, both actors have substantially converged on diplomatic and economic forums to pool their political and economic resources in order to meet broader regional security threats through middle power cooperation.<sup>50</sup>

Just like in the security realm, Japan has also enhanced its activeness in the political domain. It has always played a significant role in enhancing institutional capacity and effectiveness of Association of South East Asian Countries (ASEAN) so much so that the ASEAN Outlook on the Indo-Pacific (AOIP) has been largely influenced by Japan's conception of the Free and Open Indo-Pacific.<sup>51</sup> On the occasion of 50th anniversary of ASEAN-Japan cooperation in January 2023, Japan has introduced the "ASEAN-Japan Economic Co-creation Vision" under which Japan and ASEAN will work towards sustainable development, improved cyber and physical connectivity, open innovation and building human capital.<sup>52</sup>

Japan is also playing out political diversification in the economic realm. Being the third largest economy of the world in terms of nominal GDP, Japan remains an attractive economic partner to the Asia-Pacific states. China is the biggest trading partner of Japan. Chinese exports to Japan increased from US\$150 billion in 2013 to more than US\$165.9 billion in 2021 whereas Japanese exports to China stood at US\$206.2 billion for the FY2021.<sup>53</sup> Japan has undertaken a number of connectivity initiatives such as East-West Economic Corridor, Southern Economic Corridor, Mombasa

---

<sup>49</sup> Tomohiko Satake, "The Japan-Australia Contribution to a Liberal and Inclusive Regional Order: Beyond the 'China Gap,'" *Australian Journal of International Affairs* 70, no. 1 (2016): 24-36.

<sup>50</sup> Satake, "The Japan-Australia Contribution to a Liberal and Inclusive Regional Order:." 24-36.

<sup>51</sup> Shihong Bi, "Japan's Diplomacy Towards ASEAN from the Perspective of its "Indo-Pacific Strategy"," *East Asian Affairs* 2 no. 1 (2022): 225.

<sup>52</sup> Ministry of Economy, Trade and Industry, "Release of the Interim Note for Developing the ASEAN-Japan Economic Co-Creation Vision," 2023, [https://www.meti.go.jp/english/press/2023/0106\\_001.html](https://www.meti.go.jp/english/press/2023/0106_001.html)

<sup>53</sup> Ministry of Foreign Affairs of Japan, "Japan-China Relations," 2022, <https://www.mofa.go.jp/region/asia-paci/china/data.html>

Corridor, Nacala Corridor, etc.<sup>54</sup> These initiatives aim at economic infrastructure development in the Indo-Pacific to counter growing Chinese economic influence.<sup>55</sup> Japan has also expanded political, economic and security relations with India. In 2018, Japan extended a US\$3 billion loan to India for infrastructure development. In 2020, both countries signed the Acquisition and Cross-Servicing Agreement (ACSA) to enhance security cooperation.<sup>56</sup>

Japan has also taken the leadership role in driving economic integration on regional level. This is largely evident from Prime Minister Abe championing a regional free trade agreement between 11 Pacific states, namely the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the U.S. withdrew from the Trans-Pacific Partnership (TPP) in January 2017.<sup>57</sup> In addition to this, Japan has signed six new FTAs since 2013 to drive a strong regional economic hedge against Sino-U.S. rivalry.<sup>58</sup> This way, Japan is expanding its bilateral and multilateral political, economic and security relations with regional actors in the wake of great power contestation.

## Australia

Just like other Asia-Pacific middle powers, Australia also faces a challenging foreign policy environment in the wake of Sino-U.S. strategic competition. For most part of its history, Australian foreign policy has been guided by regionalism and multilateralism with a commitment to uphold rules-based international order. For this purpose, Australia has held strongly to economic cooperation, building regional collaboration, safeguarding maritime security and advancing global

---

<sup>54</sup> Ministry of Foreign Affairs of Japan, “*The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy*,” 2013, [https://www.mofa.go.jp/announce/pm/abe/abe\\_0118e.html](https://www.mofa.go.jp/announce/pm/abe/abe_0118e.html)

<sup>55</sup> Ministry of Foreign Affairs of Japan, “*The Bounty of the Open Seas*.”

<sup>56</sup> Reiji Yoshida, “Modi and Abe Agree to Boost Ties as Tokyo Pledges Huge New Yen Loans for India,” *Japan Times*, October 29, 2018, <https://www.japantimes.co.jp/news/2018/10/29/national/politics-diplomacy/modi-abe-agree-boost-ties-tokyo-pledges-huge-new-yen-loans-india/>

<sup>57</sup> Yoshida, “Modi and Abe Agree to Boost Ties as Tokyo Pledges Huge New Yen Loans for India.”

<sup>58</sup> Ministry of Foreign Affairs of Japan, “Free Trade Agreement (FTA) / Economic Partnership Agreement (EPA) and Related Initiatives,” 2022, <https://www.mofa.go.jp/policy/economy/fta/index.html>

partnerships in areas of human rights, refugees, food and energy insecurity, climate change and cybersecurity etc. through its soft power tools.<sup>59</sup> However, recently, the strategic postures of Australia have signalled a pragmatic shift from globalism and multilateralism to enhanced focus on security and trade.<sup>60</sup>

The U.S. and Australia have been long-standing security allies with the 1951 Australia-New Zealand and the U.S. (ANZUS) treaty.<sup>61</sup> Lately, the allies reaffirmed their security cooperation and strategic partnership through revival of Quad in November 2017 followed by AUKUS alliance between Australia, the UK, and the U.S. in September 2021.<sup>62</sup> The Australia-U.S. relationship mainly revolves around defence and security; the U.S. in its Interim National Security Strategic Guidance document stated, “our democratic alliances enable us to present a common front... this is why we will reaffirm, invest in, and modernise the NATO and our alliances with Australia, Japan, and the Republic of Korea — which along with our other global alliances and partnerships, are America’s greatest strategic asset.”<sup>63</sup> There is no denying of the fact that Australia is strengthening its security relations with the U.S. but at the same time, Australia is following a region-oriented foreign policy as it became part of the regional economic architecture despite the U.S. absence from the frameworks including the CPTPP and the Regional Comprehensive Economic Partnership (RCEP).<sup>64</sup>

When it comes to Australia-China relationship, both countries have gone from closest trade partners to having hit their lowest ebb between 2013 and 2022. In 2015, the former Australian Prime Minister, Tony Abbot revealed that Australia’s policy towards China is driven by two key factors: fear and greed which in diplomatic terms can be understood as ‘engage and

---

<sup>59</sup> Department of Foreign Affairs and Trade Australia, *2017 Foreign Policy White Paper*, <https://www.dfat.gov.au/sites/default/files/2017-foreign-policy-white-paper.pdf>

<sup>60</sup> Gabriele Abbondanza, “Whither the Indo-Pacific? Middle Power Strategies from Australia, South Korea and Indonesia,” *International Affairs* 98, no. 2 (2022): 410.

<sup>61</sup> Office of the Historian, “The Australia, New Zealand and the United States Security Treaty (ANZUS Treaty), 1951,” <https://history.state.gov/milestones/1945-1952/anzus>

<sup>62</sup> Abbondanza, “Whither the Indo-Pacific? Middle Power Strategies from Australia, South Korea and Indonesia.” 410.

<sup>63</sup> The White House, *Interim National Security Strategic Guidance*, 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>

<sup>64</sup> Abbondanza, “Whither the Indo-Pacific,” 411.

hedge.’<sup>65</sup> Australia is economically dependent on China for trade and resources so much so that goods to and from China make one-third of Australia’s international trade.<sup>66</sup> As of 2022, China still accounted for more than 35% of Australia’s exports and 25% of imports.<sup>67</sup> Moreover, even though Australia is not a part of China’s BRI, it has joined Chinese-led Asian Development Bank (ADB) and Asian Infrastructure Investment Bank (AIIB) to play a forward role in regional infrastructure financing.<sup>68</sup> Thus, Australia-China relationship has been primarily economic in nature.

However, since 2016, Australia has adopted a more open and direct foreign policy towards China and the relations deteriorated even further in the post-pandemic era. The relations reached their lowest point in September 2021 as Australian Prime Minister Scott Morrison, after a phone call with Donald Trump, initiated an independent investigation into the origin of COVID19. China largely criticised the act, calling it political maneuvering.<sup>69</sup> Not only this but Australia’s 2020 Strategic Defence Update called for a more direct and autonomous stance towards China, which signals that Australia is no longer shy of pointing direct fingers at China.<sup>70</sup> In 2022, the Australian Foreign Minister, Penny Wong underlined that the world’s perspective towards Australia needs to change and Australians should become “more than just supporting

---

<sup>65</sup> John Garnaut, “Fear and Greed Drive Australia’s China Policy, Tony Abbott tells Angela Merkel,” *Sydney Morning Herald*, April 16, 2015, <https://www.smh.com.au/politics/federal/fear-and-greed-drive-australias-china-policy-tony-abbott-tells-angela-merkel-20150416-1mmdy.html>

<sup>66</sup> Giulia Interesse, “China-Australia Trade Relations Growing Stronger,” *China Briefing*, February 8, 2023, <https://www.china-briefing.com/news/china-australia-trade-relations-growing-stronger/>

<sup>67</sup> Interesse, “China-Australia Trade Relations Growing Stronger.”

<sup>68</sup> James Laurenceson, Simone van Nieuwenhuizen and Elena Collinson, “Decision Time: Australia’s engagement with China’s Belt and Road Initiative,” *Australia-China Relations Institute*, 2017, [https://www.australiachinarelations.org/sites/default/files/20171109%20ACRI%20Research\\_Decision%20Time\\_Australia%27s%20engagement%20with%20China%27s%20Belt%20and%20Road%20Initiative.pdf](https://www.australiachinarelations.org/sites/default/files/20171109%20ACRI%20Research_Decision%20Time_Australia%27s%20engagement%20with%20China%27s%20Belt%20and%20Road%20Initiative.pdf)

<sup>69</sup> Guangyi Pan and Alexander Korolev, “The Struggle for Certainty: Ontological Security, the Rise of Nationalism, and Australia-China Tensions after COVID-19,” *Journal of Chinese Political Science* 26, (2021): 116.

<sup>70</sup> Pan and Korolev, “The Struggle for Certainty,” 116.



players in a grand drama of global geopolitics.”<sup>71</sup> This statement highlights Australia’s intent to expand its middle power role and strategic outreach in the Asia-Pacific. In November 2023, Australian Prime Minister, Anthony Albanese visited China, the first Australian Prime Minister to do so in seven years as an indication of reviving bilateral relationship after a period of discord.<sup>72</sup>

To expand its strategic outreach, Australia is becoming more inclined towards middle power cooperation. Australia and Japan have long shared a security partnership, however, it reformulated into a Special Strategic Partnership in 2014.<sup>73</sup> Both countries hold regular 2+2 foreign and defence ministerial meetings and recently signed the Reciprocal Access Agreement in 2022 which paves way for closer cooperation between Japan’s Self-Defence Force (SDF) and Australian Defence Force (ADF) in terms of training, logistics and base access.<sup>74</sup> Strategic relations between Australia and India have also grown rapidly since 2014 under joint military exercises, ministerial dialogues and civil nuclear cooperation. The China threat serves as the major catalyst for Australia-India relations as the two countries elevated their bilateral strategic partnership into “Comprehensive Strategic Partnership” in 2020.<sup>75</sup>

Moreover, addressing its need of trade diversification, Australia has deepened economic integration with India under the Australia India Cooperation and Trade Agreement signed in November 2022 which aims at “doubling the bilateral trade from US\$27.5 billion to US\$45 billion in the

---

<sup>71</sup> Margaret Simons, “Penny Wong Wants Australia to Be More Than a Supporting Player,” *Foreign Policy*, October 1, 2022, <https://foreignpolicy.com/2022/10/01/penny-wong-australia-foreign-policy/>

<sup>72</sup> Rod McGuirk, “Anthony Albanese will Soon be the First Australian Prime Minister in 7 Years to Visit China,” *AP News*, November 3, 2023, <https://apnews.com/article/china-australia-albanese-xi-9354e5f4da94f8d86399096fb367d66a>.

<sup>73</sup> Benjamin Schreer, “Australia’s “Special Strategic Relationship” with Japan: Another “China Choice?,” *Australian Journal of International Affairs* 70, no. 1 (2016): 38.

<sup>74</sup> Thomas Wilkins, “Another Piece in the Jigsaw: Australia and Japan Sign Long-Awaited Reciprocal Access Agreement,” *Australia Institute of International Affairs*, January 20, 2022, <https://www.internationalaffairs.org.au/australianoutlook/another-piece-jigsaw-australia-japan-sign-long-awaited-reciprocal-access-agreement/>

<sup>75</sup> Stephen Fallon, *Australia's Security Relationships*, Parliament of Australia, 2022, [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_departments/Parliamentary\\_Library/pubs/BriefingBook47p/AustraliaSecurityRelationships](https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/AustraliaSecurityRelationships)

next five years.”<sup>76</sup> Australia, along with India and Japan, launched a Supply Chain Resilience Initiative in April 2021 to reduce supply chain dependence on China.<sup>77</sup> In area of defence, Australia and India have established the “Mutual Logistics Support Arrangement” (MLSA) for enhanced military interoperability and improved combined responsiveness to regional humanitarian crisis. Both countries have also signed the “Defence Science and Technology Implementing Arrangement” (DSTIA) for increased collaboration between respective defence research organizations.<sup>78</sup>

Australia has also developed closer strategic ties with South Korea — the emerging middle power of the Asia-Pacific. The two countries signed a Free Trade Agreement in December 2014 and have recently established a Comprehensive Strategic Partnership in 2021 to strengthen security cooperation and maintain stability in the Asia-Pacific. As South Korea increases its military development capacity, Australia has been quick in purchasing K9 howitzers from South Korea’s Hanwha Defence company and is also going to buy AS21 Redback Infantry Fighting Vehicles (IFVs) from South Korea to replace its fleet of M113AS4 armoured personal carriers.<sup>79</sup> Not only with South Korea but Australia has also established a Comprehensive Strategic Partnership with ASEAN in 2021 for shared implementation of the ASEAN Outlook on the Indo-Pacific (AOIP). Further on its journey of economic diversification, Australia has entered into 12 new FTAs since 2013.<sup>80</sup> Altogether, economic, political and security diversification has strengthened Australia’s position in the competitive regional environment.

---

<sup>76</sup> Bernie Lai, *Australia and India*, Parliament of Australia, 2022, [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_departments/Parliamentary\\_Library/pubs/BriefingBook47p/AustraliaIndia](https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/AustraliaIndia)

<sup>77</sup> Lai, *Australia and India*.

<sup>78</sup> Lai, *Australia and India*.

<sup>79</sup> Mike Yeo, “Australia Selects South Korea’s Hanwha in Military Vehicle Competition,” *Defence News*, July 27, 2023, <https://www.defensenews.com/land/2023/07/27/australia-selects-south-koreas-hanwha-in-military-vehicle-competition/>

<sup>80</sup> Department of Foreign Affairs and Trade, Australia’s Free Trade Agreements (FTAs), <https://www.dfat.gov.au/trade/agreements/trade-agreements>

## India

Since the Hindu nationalist Bharatiya Janata Party (BJP) came to power in India under Prime Minister Narendra Modi in 2014, India has made a shift from its traditional policy of non-alignment to a more assertive foreign policy. Indian foreign policy under Prime Minister Modi connects four main elements: economic growth, regional activism, foreign policy partnerships and development of India's soft power.<sup>81</sup> It focuses on replacing Cold War non-alignment strategy with open dialogue and economic engagement and promoting the "Indian tradition of Vasudevya Kutumbakum (the world is one and hence stands to lose/gain together)."<sup>82</sup>

When it comes to China, India seeks to reduce the risk threshold and avoid a zero-sum game. For the very purpose, India has engaged China through trade and strategic partnerships. Between 2014 and 2017, India and China conducted several rounds of India-China Strategic Dialogue focused on enhancing bilateral cooperation and addressing border issues. Moreover, the Strategic Economic Dialogue between both countries since December 2010 continues with the most recent Sixth Dialogue held in September 2019.<sup>83</sup> Since 2015, India-China bilateral trade has grown by 75.3% and interestingly, India's trade with China crossed the \$100 billion mark in 2021, further climbing to US\$135.98 billion in 2022.<sup>84</sup>

What has greatly helped in India-China strategic engagement is the neutral posture adopted by India against Russia in the wake of Russian-Ukraine war and closer political association with Myanmar's military junta, the two close political allies of China. Such foreign policy posture of India provides strategic assurance to China. However, the element of mistrust prevails between the two Asian giants as evident from the 2020-21 Ladakh

---

<sup>81</sup> Nilsson-Wright, "Creative Minilateralism in a Changing Asia."

<sup>82</sup> Aakriti Tandon, "India's Foreign Policy Priorities and the Emergence of a Modi Doctrine," *Strategic Analysis* 40, no. 5 (2016): 350.

<sup>83</sup> National Portal of India, "India-China Strategic Economic Dialogue," <https://www.niti.gov.in/ic/india-china-strategic-economic-dialogue#:~:text=Through%20this%20MoU%2C%20the%20India,growth%20of%20the%20two%20countries>

<sup>84</sup> "India-China Trade Climbs to USD 135.98 Billion in 2022, Trade Deficit Crosses USD 100 Billion for the First Time," *National Herald*, January 13, 2023, <https://www.nationalheraldindia.com/world/india-china-trade-climbs-to-usd-13598-bn-in-2022-trade-deficit-crosses-usd-100-bn-for-the-first-time>

skirmishes and Galwan Valley clash. Moreover, India acquires weapons like Agni V ICBM with a range (5000 km+) long enough to target China's mainland.<sup>85</sup> The two countries are now also engaged in a new competition in the outer space with India's first anti-satellite (ASAT) missile test in September 2019 and the landing of India's Chandrayan-3 on the southern pole of the moon in August 2023.<sup>86</sup> However, China is the second biggest space economy whereas India only acquires 2% of global space economy, highlighting a huge asymmetry in outer space capabilities.<sup>87</sup>

While strategic engagement with China is allowing India to reap economic benefits and lower risk threshold, India seeks to, maintain a heavy hedge against China given prevalent security threats and newer dimensions of India-China power disparity. That's where the close strategic partnership with the U.S. comes in. India and the U.S. maintain security partnership in the form of the QUAD and military cooperation through defence agreements including Logistics Exchange Memorandum of Agreement (LEMOA) signed in 2016, Communications, Compatibility and Security Agreement (COMCASA) signed in 2018 and Basic Exchange and Cooperation Agreement (BECA) signed in 2020.<sup>88</sup> The two countries have also conduct joint exercises such as the PASSEX held in the eastern Indian Ocean, often with other regional and extra-regional participants, and the annual Malabar exercise last conducted in November 2022 off the coast of Japan also joined in by Japan and Australia.<sup>89</sup>

---

<sup>85</sup> Franz-Stefan Gady, "India Tests Most Advanced Nuclear-Capable ICBM," *The Diplomat*, January 18, 2018, <https://thediplomat.com/2018/01/india-tests-most-advanced-nuclear-capable-icbm/>

<sup>86</sup> Nivedita Bhattacharjee, "Chandrayaan-3 Spacecraft Lands on Moon in 'Victory Cry' of New India," *Reuters*, August 23, 2023, sec. India, <https://www.reuters.com/world/india/india-counts-down-crucial-moon-landing-2023-08-23/>

<sup>87</sup> Archana Sharma, "Outer-Space: A New Dimension of India-China 'Power Disparity,'" *Modern Diplomacy*, March 9, 2023, <https://moderndiplomacy.eu/2023/03/09/outer-space-a-new-dimension-of-india-china-power-disparity/>

<sup>88</sup> Muhammad Ali Baig and Alyan Waheed, "LEMOA, COMCASA, and BECA in India's Foreign Calculus," *ISSI*, July 22, 2022, [https://issi.org.pk/wp-content/uploads/2022/07/IB\\_Ali\\_Baig\\_and\\_Alyan\\_July\\_22\\_2022.pdf](https://issi.org.pk/wp-content/uploads/2022/07/IB_Ali_Baig_and_Alyan_July_22_2022.pdf)

<sup>89</sup> "Quad Nations Hold Naval Exercise Malabar 2022," *Australian Naval Institute*, November 12, 2022, <https://navalinstitute.com.au/quad-nations-hold-naval-exercise-malabar-2022/>

While Indian foreign policy discourse does not endorse ‘middle power cooperation’ given India’s pursuit of being a great power, its tilt towards enhanced regionalism highlights India’s unspoken realisation of the need to develop middle power networking. Like former Japanese Prime Minister Abe, Prime Minister Modi adopted peripatetic diplomacy and made 19 visits abroad during his first year in office.<sup>90</sup> In 2014, India renamed its ‘Look East’ policy to ‘Act East’ policy to focus more on regional inclusivism through regular regional interactions, economic integration, cultural assimilation and strategic engagement.<sup>91</sup> ASEAN centrality sits at the heart of India’s Act East policy as it considers ASEAN essential to the regional stability. India-ASEAN trade amounted to US\$64 billion in 2020 but is considerably dwarf as compared to India’s bilateral with China, Japan, and South Korea standing at approximately US\$503 billion, US\$195 billion, and US\$153 billion respectively.<sup>92</sup>

The India-ASEAN relationship offers two-way benefits as India offers a huge growing market with a growing population while economies such as South Korea, Singapore, Japan, etc., are witnessing aging population. Similarly, trade with ASEAN will allow India to further develop its services sector and become a services export hub to the ASEAN countries. In addition to strategic engagement with its eastern neighbours, India has widely focused on infrastructure development under ‘Act East’ policy. The major connectivity project includes the “India-CLMV Connectivity Project” which seeks to improve rail, road and waterway connectivity between India and CLMV countries — Cambodia, Laos, Myanmar, Vietnam. This project further builds on: i. the India-Myanmar-Thailand Trilateral Highway which involves the construction of a 3,200 km road network connecting Moreh in India to Mae Sot in Thailand via Myanmar, ii. the Kaladan Multimodal Transit Transport Project which aims to connect seaport of Kolkata with the Sitwe port in Myanmar through inland waterways and highways.<sup>93</sup>

---

<sup>90</sup> Tandon, “India’s Foreign Policy,” 349.

<sup>91</sup> Chiteigj Bajpae, “Reinvigorating India’s ‘Act East’ Policy in an Age of Renewed Power Politics,” *The Pacific Review* 36, no.3 (2022): 635.

<sup>92</sup> Bajpae, “Reinvigorating India’s ‘Act East’ Policy in an Age of Renewed Power Politics.” 635.

<sup>93</sup> Press Information Bureau Delhi, “Projects Under the ‘Act East Policy,’” *Ministry of Ports, Shipping and Waterways*, March 24, 2022, <https://pib.gov.in/PressReleasePage.aspx?PRID=1810971>

Under ‘Act East’ policy, India has also increased economic cooperation with Bangladesh through textile trade and pipeline infrastructure such as the India-Bangladesh Friendship Pipeline which connects Siliguri in India to Parbatipur in Bangladesh for diesel transportation, improving energy security and reducing transportation costs.<sup>94</sup> These infrastructure projects will allow India to strengthen economic and regional integration as well as increase convergence on common security threats. It is imperative to note here that by 2015, India already became the seventh biggest world economy in terms of nominal GDP. Ever since, India’s economic trajectory has continued to improve, with its nominal GDP amounting to US\$3.469 trillion in 2022.<sup>95</sup> With India’s current economic standing, the Asia-Pacific states are increasingly turning to India to assist with South China Sea issues and other regional conflicts as an attempt to avoid binary options between China and the U.S.<sup>96</sup>

More interestingly, India has enhanced its lucrateness by showing great willingness for strategic partnerships with other middle and smaller powers in diplomatic, security and economic areas. In security realm, India has focused on diversification of its security partnerships through dialogues, defence agreements and joint military exercises. The India-France defence agreement allows New Delhi to extend its reach into southwestern IOR such as Madagascar and Djibouti where French forces maintain their military presence.<sup>97</sup> Not only this but India has recently signed the “Reciprocal Exchange of Logistics Agreement” (RELOS) with Russia, same in essence as the LEMOA agreement with the U.S., allowing the two nations to use military logistics when visiting each other’s ports, bases and military installations.<sup>98</sup> These agreements will

---

<sup>94</sup> Harsh Vardhan Shringla, “India–Bangladesh Relations: An Indian Perspective,” *Strategic Analysis* 42, no. 5 (2018): 527.

<sup>95</sup> International Monetary Fund. *World Economic Outlook Database*, 2023, <https://www.imf.org/en/Publications/WEO/weo-database/2022/October/weo-report?c=534,&s=NGDPD,PPPGDP,NGDPDPC,PPPPC,&sy=2022&ey=2027&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>

<sup>96</sup> Nyshka Chandran, “Southeast Asia is Increasingly Turning to India Instead of the US or China,” *CNBC*, May 29, 2020, <https://www.cnbc.com/2018/03/15/southeast-asia-increasingly-turns-to-india-instead-of-the-us-or-china.html>

<sup>97</sup> Rajeswari Rajagopalan, “India’s Military Outreach: Military Logistics Agreements,” *The Diplomat*, September 9, 2021, <https://thediplomat.com/2021/09/indias-military-outreach-military-logistics-agreements/>

<sup>98</sup> Rajagopalan, “India’s Military Outreach.”

largely facilitate in expanding India's military outreach and enhance its influence in the region while it avoids choosing sides in Asia-Pacific great power contestation.

In the economic realm, India focused less on free trade agreements in the past decade and only signed a few FTAs such as the India-ASEAN Trade in Services Agreement (2014),<sup>99</sup> Comprehensive Economic Cooperation Agreement with Singapore (2015), India-Korea Comprehensive Partnership Agreement (2018) and the India-Japan Comprehensive Economic Partnership Agreement (2019).<sup>100</sup> This shows that even while India was not open towards the free trade agreements on a broader level, it had established comprehensive economic partnerships with its regional actors significant for its economic development and regional integration objectives under the Act East policy. However, the overall Free Trade Area (FTA) policy took a huge turn in 2021 as India signed an FTA with Mauritius which accelerated trade negotiations with the UAE, Australia, the UK, the EU and Canada.<sup>101</sup> India signed the "India-UK Joint Economic and Trade Committee" and the "India-UK Enhanced Trade Partnership agreement" in 2021, concluded an "Economic Cooperation and Trade Agreement" (ECTA) with Australia in April 2022, and negotiations for further FTAs are under negotiation with several Middle Eastern states.<sup>102</sup>

Overall, India's diplomatic, security and economic diversification largely assists the country in achieving its free and rules-based Asia-Pacific vision. Like Japan, India neither views Asia-Pacific as a strategy nor as a hub of limited actors; rather, largely treats it as a concept revolving around a common rules-based order, freedom of navigation,

---

<sup>99</sup> ASEAN, *ASEAN-India Free Trade Area (AIFTA)*, 2015, <https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20AIFTA.pdf>

<sup>100</sup> K. V. Kesavan, "India's 'Act East' Policy and Regional Cooperation," *Observer Research Foundation*, 2020, <https://www.orfonline.org/expert-speak/indias-act-east-policy-and-regional-cooperation-61375/>

<sup>101</sup> Amitendu Palit, "Decoding India's Revived Free Trade Agreement Rush," *World Economic Forum*, September 15, 2022, <https://www.weforum.org/agenda/2022/09/decoding-india-s-revived-free-trade-agreement-rush/>

<sup>102</sup> Palit, "Decoding India's Revived Free Trade Agreement Rush."

open commerce and international law.<sup>103</sup> The changing geopolitical dynamics, COVID-19 and difficult Sino-Indian relations since the 2020 Galawan valley clash have pushed India to embrace minilateral initiatives and middle power cooperation to enhance its security capabilities as well as reduce economic dependence on China.<sup>104</sup>

## Conclusion

Japan, Australia and India are seen improving strategic relations with each other and with other actors in the Asia-Pacific through economic, diplomatic and security diversification. This should not be considered as abandoning security partnership with the U.S. and/or economic relations with China but as an attempt to avoid picking sides between contesting powers. Each of the traditional middle powers is taking a number of actions towards this objective under a foreign policy strategy which aligns with the regional pattern of omnidirectional hedging. Japan's adoption of proactive pacifism speaks of self-reliance and a greater role in regional institutions, economic frameworks, and multilateral investments which considerably add to its power and influence. Similarly, although India and China are historic rivals, India has long avoided joining the U.S.-led bloc in order to extract benefits from both — in fact, all sides. Australia, still being a treaty security ally of the U.S., has enhanced its security and economic cooperation with other traditional and emerging middle powers of the Asia-Pacific. This shows that omnidirectional hedging is proving to be an effective tool for the traditional middle powers to achieve their agenda of a stable and legitimate regional order, preventing a direct confrontation between great powers.

---

<sup>103</sup> Premesha Saha, "India's Role in the Emerging Dynamics of the Indo-Pacific," *Observer Research Foundation*, January 26, 2022, <https://www.orfonline.org/expert-speak/indias-role-in-the-emerging-dynamics-of-the-indo-pacific/>

<sup>104</sup> Saha, "India's Role in the Emerging Dynamics of the Indo-Pacific."