

European and Australian connectivity strategies for the Indo-Pacific

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Introduction

In 2016, the European Union's (EU) Global Strategy recognised the economic, political, and security implications of connectivity, and emphasised the need for greater engagement with Asia in this regard. (1) Two years later, the European Commission unveiled a EU-Asia connectivity strategy, which was seen by many as the EU's institutional response to China's Belt and Road Initiative. (2) The EU has moved forward in launching concrete connectivity initiatives with Asian countries, most notably establishing a formal partnership with Japan and furthering negotiations with the Association of Southeast Asian Nations (ASEAN) in this regard. (3) It is therefore timely to consider other countries' approach to the topic so as to identify areas of cooperation and complementarity. This policy brief outlines the way in which the EU and Australia conceptualise and translate connectivity into practice, explores the differences and synergies between their strategies, and places the debate into the broader context of the upcoming European Indo-Pacific strategy.

The 2018 EU-Asia connectivity strategy: connectivity ‘the European way’

On the 19th of September 2018, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy adopted a Joint Communication outlining the EU's vision for connecting Europe and Asia. (4)

The European Commission defines **connectivity as networks**, including:

- Transport networks, encompassing air, land and sea links.
- Digital networks, from cables to satellites.
- Energy networks, including resources (e.g. gas), infrastructure (e.g. electricity grids, pipelines), and energy efficiency.
- People-to-people networks, such as cooperation in the fields of education, research and innovation, as well as travel and tourism. (5)

Enhancing connectivity is presented as essential to further cooperation between the two regions and to unlock opportunities for economic growth, job creation, productivity and competitiveness, and cross-border movement of goods, services, capital and people.

The Joint Communication outlines an approach to connectivity that is:

1. **Sustainable:** financially viable, environmentally responsible, and socially inclusive.
2. **Comprehensive:** encompassing all types of networks (transport, digital, energy, human-centric) and exploring synergies between them.
3. **Rules-based:** incorporating internationally agreed practices, rules, conventions and technical standards to ensure interoperability, openness and transparency, and a level playing field.

The Joint Communication sets out a three-pronged strategy to promote and improve connectivity:

1. Building efficient connections through priority transport corridors, digital links, and energy cooperation.
2. Establishing international partnerships that are sustainable, open, inclusive and rules-based.
3. Addressing investment gaps through new EU financing, partnerships with public and private finance institutions, and initiatives that ensure a level playing field for businesses.

Current examples of connectivity projects and partnerships include:

- The Partnership on Sustainable Connectivity and Quality Infrastructure between the EU and Japan, which outlines the principles, themes and methods for increased cooperation on connectivity (both on a bilateral basis and with third countries).
- The Indicative TEN-T Investment Action Plan, which plans for the construction of 4,800 kilometres of road and rail, six ports, and eleven logistics centres across Eastern Europe by 2030.
- The EU-funded Research & Education Networks that connect researchers and students across Europe and Asia, with a budget of €60.5 million for 2015-2025. (6)

Competing with China? Connectivity projects as soft power tools

Through initiatives such as the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure launched in 2019, the EU hopes to contribute to addressing the infrastructure gap in Asia, which is estimated to amount to US\$26 trillion by 2030. (7) By emphasising sustainability, high governance standards and a level playing field, the EU aims to provide an alternative to the Chinese model of infrastructure development. Whilst the European Commission has emphasised the need to collaborate with China to make sure the European connectivity strategy and the Chinese Belt and Road Initiative (BRI) are interoperable, it is clear that the strategy is a direct response to – and is in competition with – the BRI. (8) The EU has labelled China as a “systemic rival promoting alternative models of governance” and requiring a “pragmatic whole-of-EU approach enabling a principled defence of interests and values”. (9) The connectivity strategy can be seen as one element of such an approach. Therefore, in continuity with Ursula von der Leyen’s announcement that the European Commission will be a “geopolitical one” under her lead, **the EU’s connectivity strategy can be understood as a soft power tool promoting a particular vision of global order based on rules and standards of good governance, fair competition, and sustainable development.** This can be seen in Jyrki Katainen’s (10) comments about the strategy: “We want to work with our Asian partners to improve connections between Europe and Asia, while **bringing our values** and approach in doing so”. (11)

That being said, the EU is aware of the need to engage and cooperate with China, given the latter’s financial resources and political will when it comes to promoting connectivity in Eurasia. The EU does not – and cannot – aspire to supply an equivalent to China’s BRI, but rather strives to promote a standard-raising agenda to secure its own and its partners’ interests. (12)

Australia's connectivity strategy for the Indo-Pacific

Australia has committed AUD\$1.44 billion in development assistance to Indo-Pacific partner countries for 2020-2021, with the aim of helping its neighbours achieve critical goals including climate and disaster resilience, sustained economic growth, and a healthy, educated and inclusive population. These investments are guided by Australia's **Pacific Step-up strategy**, which was first announced at the 2016 Pacific Island Forum Leaders' Meeting and has since been consistently emphasised as one of Australia's highest foreign policy priorities in various White Papers. (13)

The Pacific Step-up includes a wide variety of connectivity projects, such as:

- The AUD\$2 billion **Australian Infrastructure Financing Facility for the Pacific (AIFFP)**, which supplies grant and loan financing for infrastructure projects in the telecommunication, energy, transport, and water sectors.
- The **Pacific Labour Mobility Scheme**, which provides employment opportunities for Pacific and Timorese workers to fill labour shortages in Australia.
- The **Australia-Pacific BRIDGE School Partnership Programme**, where schools in Australia connect and establish a sister partnership with a counterpart in the Pacific region to foster intercultural learning and promote exchanges between teachers on best practices in education. (14)
- The Pacific Connect programme, designed to strengthen strategic-level partnerships between government, business and civil society leaders to deliver development outcomes across the Pacific, with a particular focus on female empowerment and digitalisation. (15)

Additionally, Australia's International Cyber Engagement Strategy aims to **leverage digital technologies to achieve sustainable development and inclusive economic growth** in the Indo-Pacific. (16) This strategy outlines three main avenues of action:

1. Improving connectivity and Internet access throughout the region. Facilitating increased connectivity means rolling out key infrastructure and working to ensure the availability, affordability and reliability of energy supply. An emphasis is placed on reducing the digital divide *between* and *within* countries, by tackling access limitations on the basis of gender, age, ethnicity, religion, ability and socio-economic status.
2. Encouraging technologies for e-governance and the digital delivery of services.
3. Supporting entrepreneurship, digital skills and integration into the marketplace.

Concrete projects to this date include:

- In partnership with the World Bank and the Asian Development Bank, Australia provided technical expertise and financial resources to lay a fibre-optic submarine cable connecting Samoa and Fiji.
- The Australian Aid programme 'Governance for Growth' contributed to the liberalisation of Vanuatu's telecommunication sector by supporting the development of telecommunication policy and regulatory approaches.

Cooperation with the EU: synergies and opportunities

The European and Australian connectivity strategies share similar methods and goals. They both promote an open, transparent, and rules-based approach to connectivity, and they both seek to leverage connectivity as a way to achieve the broader goals of sustainable development and social inclusion. These synergies make it possible for the EU and Australia to consider **drafting a comprehensive connectivity partnership** similar to that between the EU and Japan. This would contribute to addressing the investment gap in the Indo-Pacific and ensuring the interoperability of connectivity projects. It would also constitute another standard-setting international partnership based on openness, transparency, sustainability, inclusiveness, fair competition, and a rules-based international order.

Developing a partnership with other international partners such as the EU could enable Australia to **diversify its connectivity diplomacy and enmesh itself within the emerging infrastructure system of the Indo-Pacific without appearing to side with one superpower**. So far, Australia has struggled to articulate a coherent policy with regards to China's infrastructure and connectivity programmes in the Indo-Pacific. (17) It has at times described the BRI as having "much merit" and at times as "detrimental" to countries' "long-term sovereignty". (18) Whilst the BRI presents an opportunity to close infrastructure gaps in the region, fears of over-indebtedness, lack of transparency and security concerns surrounding infrastructure with mixed civilian and military uses have all contributed to Australia's reticence to fully join the Chinese project. Yet as it enthusiastically collaborates with the United States to develop infrastructure initiatives, Australia is keen not to be viewed as 'picking sides' in order to maintain its economic ties with China and promote stability in the region. A partnership with the EU would thus contribute to diversifying Australia's investment portfolio and furthering its strategy of hedging. (19)

Connectivity in context: how does the EU's connectivity project fit in with its broader engagement strategy in the Indo-Pacific?

The EU-Asia connectivity strategy is but one piece of the puzzle when it comes to the EU's engagement with the region. As **calls to devise a common Indo-Pacific strategy are increasing within the European community**, it is timely to evaluate individual countries' visions for a more comprehensive engagement. Doing so also enables an assessment of broader cooperation avenues between the EU and Australia, especially as the latter is keen to expand upon its Pacific Step-up and cyber engagement strategies.

An EU Indo-Pacific strategy? Purpose and internal divergences

Whilst the EU has yet to devise an engagement strategy for the Indo-Pacific region, three countries have already done so: France in 2018, and Germany and the Netherlands in 2020. (20) The concept of an 'Indo-Pacific' region has not been popular amongst EU states, who feared that this designation would antagonise China and be conceived as signalling an alignment with the United States. (21) Indeed, the concept is broadly understood as a new geographical and strategic construct aimed at replacing the term 'Asia-Pacific' in foreign and security policy discourses. Whilst sometimes used to emphasise multilateral cooperation and connectivity in this vast region, it has also been associated with attempts to prevent a restructuring of the region around China. (22) Most notably, Japan and the United States' Free and Open Indo-Pacific Strategy has been perceived by China as an attempt to contain its ambitions and threaten its security and sovereignty. (23) The geopolitical connotations of the concept thus made certain EU member states – including Germany and the Netherlands – cautious regarding its usage. (24) But Germany's endorsement of the designation, coupled with the severing of relations with China in the past year over matters of economic reciprocity and its handling of the COVID-19 pandemic, could lead other states to consider drafting an EU Indo-Pacific strategy. This could enable Europe to **redefine its relationship with the region so as to rebalance its relationship with China**. (25) The aim is not to threaten or contain China, as all states that support the concept of an Indo-Pacific strategy are keen to maintain significant cooperation with Beijing. The goal is, however, to design a coherent strategy to **engage with the region on Europe's own terms and protect its interests**, including diversifying its supply chains of critical goods, supporting global norms and standards in regional structures, and safeguarding open markets and trading routes (particularly maritime). (26)

There are **considerable differences between France and Germany's strategy vis-à-vis the Indo-Pacific**. The French strategy emphasises alignment with the United States and acting as a 'balancing power' by siding with countries whose interests are threatened by China's rise. In contrast, the German strategy opposes both unipolarity and bipolarity, reflecting Berlin's distrust towards the Trump administration – something which may change under Biden – but also its broader desire to not have to 'pick sides' and to keep good (economic) ties with China. Moreover, maritime security is of utmost importance for France, which considers itself a resident power in the region given its overseas territories. It heavily criticises violations of international law in the South China Sea and conceives military operations by the French Navy as part of a policy of "counter-intimidation". (27) Whilst the German strategy underscores the importance of regional peace and security, it

only provides for 'soft' cooperative security practices and dialogues, such as joint exercises and port calls. (28) It privileges broader engagement on security and peace issues, focusing on promoting diversification of partnerships, supporting open shipping routes and markets, and shoring up connectivity initiatives. Further, both countries defend multilateral diplomacy in the region, but in practice Germany places ASEAN at the centre of its partnership strategy, whilst France privileges bilateral and trilateral initiatives with Australia, India and Japan. (29) Considering these differences, drafting a common EU strategy for the Indo-Pacific constitutes an opportunity for Germany to promote its own approach to the region, focusing on connectivity and deepening multilateral partnerships.

Broader cooperation with Australia in the Indo-Pacific? Avenues for collaboration

To a great extent, France's strategy to engage with the region is more similar to Australia's than to Germany's. Australia has been an enthusiastic supporter of the concept of an Indo-Pacific region since the publication of its 2013 Defence White Paper. (30) In the face of intensifying strategic competition, it has increasingly emphasised security cooperation and bolstering ties with major powers. (31) Most notably, in November 2020, Australia joined for the first time since 2007 the Malabar naval exercises conducted annually by Japan, India and the United States. (32) The Sino-Australian relationship has hit new lows in 2020, which has seen an extensive trade dispute and a series of tit-for-tat diplomatic reprisals including raids on Chinese journalists' homes in Australia, evacuation of Australian journalists from China, and a row over a fake picture of an Australian soldier killing an Afghan child tweeted by foreign ministry spokesman Lijian Zhao. (33) To navigate what Australian Prime Minister Scott Morrison conceives as a "poorer, more dangerous and more disorderly" future, Australia's 2020 Defence Strategic Update and Force Structure Plan outlines a more active role for the country to defend a stable regional order in the Indo-Pacific. (34)

Australia's strategic landscape and vision for the Indo-Pacific thus enables significant areas of cooperation with the EU in the following areas:

- **Security and regional stability**, with a particular focus on the maritime domain. This can be achieved through joint military exercises and cooperation between law enforcement agencies.
- **Economic ties**, with an emphasis on securing and diversifying supply chains to hedge against disruption and manipulation. Ongoing negotiations relating to the Australia-European Union Free Trade Agreement present an avenue to form a common understanding of connectivity, as they include discussions on digital trade, sustainable development, energy and raw materials, good regulatory practices, and transparency. (35) The EU could also consider supporting and associating itself with the Japan-India-Australia initiative to strengthen supply chains in critical areas such as healthcare and information and communication technologies. (36)
- **Infrastructure development and connectivity projects**, with a focus on building upon Australia's connectivity initiatives, e.g. by funding Australia-led digital infrastructure projects in the region. The EU could also encourage Australia to diversify its project portfolio to include other networks e.g. energy.
- **Diplomatic partnerships**, aimed at furthering common values such as sustainable development, social inclusion, and a rules-based international governance system.

Concluding Summary

- The 2018 EU-Asia connectivity strategy aims to improve connectivity across the region by enhancing transport, digital, energy and people-to-people networks.
- By emphasising norms of sustainability, transparency, inclusivity and fair competition, the EU's connectivity strategy aims to offer an alternative to the Chinese model of infrastructure development in the region.
- Given the similarities in goals and methods between the European and Australian connectivity strategies, drafting a comprehensive EU-Australia connectivity partnership could be considered to further address the investment gap in the region, ensure the interoperability of projects, diversify Australia's connectivity diplomacy, and contribute to Australia's strategy of hedging.
- Devising a common and comprehensive EU strategy for the Indo-Pacific would help clarify Europe's vision for its engagement with the region and help rebalance its relationship with China.
- In the context of a broader Indo-Pacific strategy, cooperation with Australia could go beyond connectivity partnerships and extend to areas including security and the rule of law, trade and supply chain diversification, and value-promoting diplomatic initiatives.

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