

The Indo-Pacific: An Opportunity for Our Economic Security Strategies?

Institut Montaigne partnered with the Institute of Geoeconomics, a Japanese think tank, to cohost a public conference in Tokyo: *The Indo-Pacific: An Opportunity for Our Economic Security Strategies?*. The conference, which took place on June 3, 2024, was the third international conference conducted within the framework of the Observatory of Multilateralism in the Indo-Pacific, an initiative of the French Ministry for Armed Forces.

Context

With this event, our ambition was **to take a fresh look** at the public policies now at the heart of the French and European **economic security** agendas at a time when their policy instruments are often designed within a national framework.

Is the Indo-Pacific a relevant scale for more effective implementation? What are the points of convergence and divergence between France, the EU, and our partners in the Indo-Pacific when it comes to economic security?

This **set of key takeaways** discussed during the conference highlights the challenge of public-private cooperation applied to economic security and the role of actors from the defense sector.

The **Observatory of Multilateralism in the Indo-Pacific** is a research and events program initiated by the Directorate General for International Relations and Strategy (DGRIS). Institut Montaigne contributes to this major program alongside two prominent think tanks, the Foundation for Strategic Research (FRS) and the European Council on Foreign Relations (ECFR), as well as two French academic institutions, Sciences Po and Inalco.

How Does the French Ministry for Armed Forces Contribute to Economic Security?

The conference kicked off with a speech by Rear Admiral Jacques Rivière, High Representative for the Indian Pacific area of the French joint commander of the Asia-Pacific zone and armed forces in French Polynesia, who highlighted the growing interdependence between Europe and the Indo-Pacific—two regions more than ever exposed to common threats—and the progress made in France-Japan cooperation, primarily in defense. Admiral Jacques Rivière demonstrated how France's defense policy contributes to economic security in the Indo-Pacific:

→ The **French Ministry for Armed Forces** plays an important role in foreign direct investment (FDI) screening when such investments target companies operating in the defense sector. The Ministry supports the development of companies and that of their subcontractors, contributes to the financing of industries and innovation, and protects certain elements of critical infrastructure, such as submarine cables.

→ The **French armed forces** have a constant presence in the Indo-Pacific through numerous deployments and exercises (Marara, Pegase,

etc.). The aim is as much to protect the region's main trade routes and critical infrastructure as it is to ensure regional maritime security, notably through the French navy, as well as to support France's partners in the surveillance of their exclusive economic zones, combat illegal fishing and piracy, and act in the event of natural disasters. Finally, France's action is deployed through bilateral and multilateral cooperation arrangements that encourage interoperability between armed forces.

Is the Indo-Pacific a Relevant Scale for Developing Economic Security Policy Frameworks?

Speakers:

Anupam MANUR, Assistant Professor,
Takshashila Institution

June PARK, Visiting Fellow (Political Economist),
Governance and Development Program,
Middle East Council on Global Affairs

Moderator:

Kazuto SUZUKI, Director & Group Head,
Economic Security, Institute of Geoeconomics

This first session was an opportunity to raise the question of the relevance of the Indo-Pacific scale to the pursuit of our economic security objectives. For Indo-Pacific nations, the answer could seem quite obvious, since the Indo-Pacific constitutes in their eyes the space where everything happens. Yet the Indo-Pacific also manifests itself as a broad and blurred mix of diverse geographies and issues, particularly as it is structured by **numerous cooperation formats of heterogeneous scope**.

Determining what does and does not fall within the scope of economic security can vary from country to country. Defining economic security in one way or another, and giving it substance through one instrument or another, is also a political and often strategic choice. Economic security can carry with it **excessive temptations**, such as a tendency toward disproportionate protectionism or the desire to isolate a rival economic power at all costs. **Geopolitics** is, therefore, rarely absent from these considerations. One of the major challenges of economic security applied to the Indo-Pacific is the relationship with the Global

South. **Many states in the Global South engage all sides and refuse any alignment they perceive as potentially detrimental to their interests.** How can the rest of the world meet their expectations?

Discussions focused on the **strengths and shortcomings of certain cooperation formats** whose emergence is helping to structure the Indo-Pacific as an economic region, with particular attention to the Indo-Pacific Economic Framework for Prosperity (IPEF). The discussions revealed that this cooperation format currently lacks a precise ambition, and that its limitation to the Indo-Pacific perimeter may appear unsatisfactory in view of the issues that this platform intends to address—for instance, **standardization, supply chain resilience, and the green transition are all issues whose scope inherently goes beyond the Indo-Pacific perimeter**. The adoption of specific cooperation formats, i.e., by sector and/or by issue, has emerged as a way of overcoming the limitations of existing formats.

Supply Chain Resilience and the Military: Risks and Opportunities in the Indo-Pacific

Speakers:

Fabien GIORDANO, Chief Executive Officer – North Asia, Bolloré Logistics

Kristy HSU, Director, Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research

Seungjoo LEE, Professor, Chung-Ang University/ Chair of the Trade, Technology, and Transformation Research Center, East Asia Institute

Hirohito OGI, Senior Research Fellow, Institute of Geoeconomics

Moderator:

Mathieu DUCHÂTEL, Director of International Studies, Institut Montaigne

The second session of the conference was structured around four main questions:

→ In the quest for greater supply chain resilience, who is the **main actor or catalyst for change**? In other words, do public policy documents or international cooperation formats act as triggers, or can the private sector act on its own?

→ Have specific public policy documents **already directly encouraged or even induced** companies' diversification efforts?

→ Do major defense cooperation projects have supply resilience as their compass, or is it seen merely as a collateral benefit?

→ **Bilateral, minilateral, or multilateral cooperation**: Which format best serves international cooperation in defense?

It is interesting to highlight the commonalities and nuances that bring together or distinguish the ways in which South Korea, Japan, and Taiwan have each espoused the objective of reducing their dependence on China. This dependence is **considered excessive and is now increasingly being addressed (with initial encouraging results), even if many believe that dependencies on China will never be eliminated** due to the persistent attractiveness of the Chinese economy. However, these three country case studies highlight the capacity of governments to effectively formulate incentives targeting the behavior of private companies. Often, the government is more of a **facilitator** than a catalyst of change: regulatory relaxation in South Korea, the revitalization of the research and innovation ecosystem in Taiwan, and even the capacity of the state's signaling effect in Japan illustrate this very well. In the decisions made by business leaders regarding their development strategy, the decisive factors are often the market, requests from clients, or mere competition issues.

Efforts to reduce excessive dependency and diversify in the name of supply chain resilience **require time, financial resources, and adequate technologies**. In the context of the search for economic security, the defense sector undoubtedly deserves specific efforts and instruments, given the organic particularities of this field and the scale of the related challenges in terms of security and sovereignty. The **defense** industry makes a major contribution to economic security, notably through its ability to set standards and forge technological alliances.

Critical Infrastructure across the Indo-Pacific

Speakers:

Ernesto BRAAM, Member of the Board of Directors, Alternate Executive Director, Asian Development Bank

Alexandre DAYANT, Deputy Director, Indo-Pacific Development Centre, Lowy Institute

Joseph DELLATTE, Resident Research Fellow – Climate, Energy, Environment, Asia Program, InstitutMontaigne

Shinya SHIMADA, Deputy Director-General for International Digital Infrastructure Promotion, Global Strategy Bureau, Ministry of Internal Affairs and Communications (MIC) of Japan

Moderator:

Satoshi YAMADA, Visiting Senior Research Fellow, Institute of Geoeconomics

The Indo-Pacific region's need for new infrastructure and infrastructure financing is immense. The situation for the South Pacific island states alone would require, according to some estimates, three billion dollars of funding per year, or around 10% of the area's GDP.

Geopolitical risk makes **securing critical infrastructure** a key challenge there. However, digital infrastructure such as 5G or undersea cables reproduces the effects of excessive dependency encountered in other sectors. How can we help Indo-Pacific countries build high-quality, secure, reliable infrastructure that is resilient to climate change?

Infrastructure supply and financing is dynamic and growing but **remains insufficient to meet the region's needs**. Added to this is the fact that China offers financing that comes without clauses or conditions, making it attractive to certain Indo-Pacific countries. Finally, in the field

of climate technology, **China has taken the lead**, resulting in other countries' support commitments in the region, sometimes amounting to encouraging the development of new, predominantly Chinese, supply chains.

Following an analysis of the types of financing involved and the dynamics at play, our discussions gave rise to a number of recommendations and ideas for public policy, whether in terms of **administrative procedures** governing infrastructure financing in the Indo-Pacific region, the setting of **international standards**, or the leading role that **multilateral development banks** must increasingly play.