Assessing the Quad: Prospects and Limitations of Quadrilateral Cooperation for Advancing Australia’s Interests

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EXECUTIVE SUMMARY

After a ten-year hiatus, the Australia-India-Japan-US Security Quadrilateral Dialogue — informally known as the Quad — was resurrected in 2017 with the aim to support a ‘free, open and inclusive Indo-Pacific Region’. While there are important differences among the four countries on threat perceptions, military capability, strategic priority, capacity to bear the costs of potential retaliation, strategic culture and constitutional imperatives, these differences place limitations on Quadrilateral cooperation, but do not preclude it. All four countries have common interests in maintaining a stable balance of power in the region, freedom of the seas, an open rules-based economic order, to counter ‘debt-trap’ diplomacy and to limit the use of coercion by a state to assert territorial claims. Under the leadership of President Xi Jinping, China has become more assertive and ambitious, vigorously pressing its claims in the East and South China seas and promoting its Belt and Road Initiative (BRI). Concerned to preserve the existing liberal rules-based order, the Quad states have already responded by increasing their cooperation. Despite the COVID-19 shock and the domestic upheavals and distractions it poses, this cooperation will continue to deepen. While India is an outlier among the four states because of different perceptions of the threat China poses, this does not prevent the four states from cooperating more deeply on standard setting, diplomatic messaging, practical economic measures, and military cooperation, to sustain the liberal rules-based order which has been beneficial to all of them.
INTRODUCTION

Over the past two years, there has been increasing agreement among the four most capable states in the Indo-Pacific that as China continues to rise, the rules and norms of the US-led order in Asia are steadily being eroded, and that action is needed to strengthen and defend it. While there are slight differences in emphasis, this sentiment was first reflected in Japan’s 2016 Free and Open Indo-Pacific Strategy,¹ and then in Australia’s 2016 Defence White Paper and 2017 Foreign Policy White Paper, a number of recent diplomatic statements by India’s Prime Minister and his foreign minister,² and most forthrightly in the US National Security Strategy of December 2017.

To varying degrees, all four states have reacted to a more assertive China under the leadership of President Xi Jinping, who has discarded much of his predecessor’s ‘smile diplomacy’ approach. Events in the East and South China Seas and issues related to the geostrategic and economic implications of the BRI are seen to challenge key aspects of the existing order. After a ten-year hiatus, the revival of the Australia–India–Japan–US security quadrilateral in November 2017 — informally known as the Quad — is an initiative which aims to support a “free, open, prosperous and inclusive Indo-Pacific region”.³ The unstated assumption behind this development is that deeper cooperation among four highly capable countries sharing common interests, values, threat perceptions, capabilities, and geostrategy has a greater chance of creating a balance of power favourable to the preservation of the current rules-based order across the Indo-Pacific. This analysis will scrutinise this assumption.

How much weight should one place on the Quad in advancing a free and open Indo-Pacific? While some view the return of the Quad as the bulwark against further deterioration of the rules-based order, a deeper assessment is needed of how truly compatible all four countries are in terms of their interests, values, threat perceptions, capabilities, and geostrategy. This compatibility, or lack of it, has clear implications for the future of the Quad.

The current COVID-19 crisis has already had an effect on the Quad by shifting the immediate agenda toward the management of the health crisis and planning collectively for how to kick-start the economic recovery once the lock-downs ease.⁴ All four countries will be preoccupied with these immediate priorities and predictably there will be an impact on defence budgets as the extent of the economic shock unfolds.
Nevertheless, and even in the midst of the global health crisis, tensions with China are deepening. Beijing has quickly resumed its coercive behaviour toward Taiwan and against rival claimant states in the South China Sea as the domestic coronavirus crisis has stabilised within China. This has included the sailing of a naval battle group, including China’s first aircraft carrier, around Taiwan’s east coast in April 2020, and the deployment of an oil survey ship supported by a coast guard vessel within waters contested by both Malaysia and Vietnam later the same month. On the economic front, the virus has exposed more than ever the risks associated with over dependence by all four states on trade with China and accelerated collective thinking and planning on how to disentangle supply chains for strategic and critical sectors. The devastating economic and health impacts from China’s lack of transparency over the origins and lethality of the virus, and failure to limit its spread beyond China’s borders, has reinforced the importance of using the collective weight of the Quad countries to bolster a rules-based order that has the best chance of holding Beijing to account. It is with this in mind that Australia is taking the lead in demanding greater powers for, and reform of, the World Health Organisation (WHO) — an approach which might well be supported by other Quad partners.

This analysis will argue that, despite the COVID-19 shock, Quadrilateral cooperation will continue to deepen. While there are important differences between the four countries on threat perceptions, military capability, strategic priorities, capacity to bear the costs of potential retaliation from China, strategic culture and constitutional imperatives, these differences place limitations on Quadrilateral cooperation, but do not preclude it. Given the forward-leaning policies and mindsets of the United States, Japan and Australia, the pace and extent of quadrilateral cooperation depends greatly on Indian will or alternatively, its reluctance. Together the four states can cooperate more deeply on standard-setting, diplomatic messaging, practical economic measures to sustain a liberal rules-based order, and incrementally build interoperability and other forms of military cooperation while bearing these limitations in mind. Indeed, there is a case to be made that there is growing scope for India to view the Quad as enhancing rather than limiting its strategic autonomy.
PROSPECTS AND LIMITATIONS OF THE QUAD AS PART OF THE FREE AND OPEN INDO-PACIFIC STRATEGY

COMMON INTERESTS

Assessing the prospects for the Quad starts with the common interests that have drawn the four countries together. These can be grouped into geostrategic interests and those concerning the nature of the international order. First, all four nations share a deep interest in maintaining a stable balance of power in the Indo-Pacific and preventing a regional state from becoming dominant. Such a state would have the capacity to establish a sphere of influence in the region, to construct rules that favour its own interests at the expense of smaller states, and to exclude or limit geographic, economic and political access to countries outside the region. This reasoning applied to Imperial Japan prior to the Second World War and now applies equally to a rising China. As a non-resident state, the US military pre-eminence in the Indo-Pacific has been viewed very differently because much of its power projection capabilities into the Western Pacific are dependent on the continued agreement of its alliance partners along the first island chain.

Second, all four states share an interest in deterring the use of forceful or coercive practices to resolve political and territorial disputes in the region. This has come to the fore most obviously as a result of China’s coercive actions to assert its territorial claims in the South and East China Seas. An outbreak of conflict there would risk economic prosperity in a region that has largely thrived as a result of the US military’s historic role in suppressing strategic competition among regional states, and deterring outright conflict in the Taiwan Strait and Korean Peninsula.

Third, as trading nations all Quad members share a deep interest in maintaining a maritime order based on the free movement of goods and services across the world’s oceans. This is a public good underwritten by US naval pre-eminence in both the Indian Ocean and Western Pacific and has enabled the expansion of international trade. If China’s ambiguous nine-dash line claim to the South China Sea were to be enforced, that jurisdictional claim over the maritime commons would severely impede access to what are now considered international waters under international law. This would affect not only free trade, but also the United States’s ability to militarily support its alliance partners or play a balancing role. The increased strength and frequency of US freedom of navigation patrols in the South China Sea are as much...
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about defending the principle as they are about maintaining the credibility of the US commitment to allies and partners.

Fourth, all four states are committed to the current rules-based economic order in the Indo-Pacific. This is based on free trade, open investment environments, open competitive tendering, the rule of law, and standards of good governance from which all continue to benefit. For all four countries, China’s BRI is increasingly understood as more than just a mutually beneficial connectivity and development project as Beijing claims, but also a means by which China is extending its sphere of influence and undermining the current economic order as it does so.8 Thus far, BRI projects are structured to provide advantages for Chinese state-owned and private firms, leading to the creation of a separate and closed economic ecosystem with a dominant China at the centre. Belt and Road Initiative infrastructure lending comes with strings attached including preferential treatment for Chinese consumer and high-end industrial goods, professional service providers, telecommunications equipment and infrastructure providers, and creates markets for China’s surplus industrial production, all underwritten by Chinese technical and engineering standards.9 Preferential treatment for Chinese state and non-state entities over foreign competitors is achieved via a lack of open tendering for projects, and opaque lending terms.

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Further, the implications of the BRI for the strategic balance in the Indo-Pacific are now unfolding. China has been accused of pursuing a strategy of debt-trap diplomacy to achieve broader political and strategic ends, by deliberately offering infrastructure lending for strategically important but commercially unfeasible projects to countries with an inability to repay. The most notable example is that of Sri Lanka which was forced to give Beijing a 99-year lease on Hambantota Port in partial repayment of its extensive debts. Governments in Malaysia and the Maldives are now attempting to avoid the same fate in response to infrastructure deals with Chinese state-owned enterprises taken on by their predecessors.

On taking power in 2018, Malaysia’s Pakatan Harapan coalition government cancelled two major oil and gas pipeline projects contracted to be financed and constructed by Chinese state-owned enterprises, and subsequently negotiated with Beijing to reduce the cost of the East Coast Rail Project, reportedly by one third. These projects have been mired by accusations of inflated contract prices, questionable national benefit or economic viability and large scale corruption linked to the 1Malaysia Development Berhad (1MDB) scandal. In what is arguably a worse case, sovereign debts and guarantees by the Maldives to Beijing could be as high as US$3 billion in a country with a GDP of US$4.19 billion in 2017. It remains to be seen whether the new government is able to renegotiate existing loans with Beijing in very similar circumstances to Malaysia. China’s interest in developing maritime infrastructure — namely port facilities — along the Indo-Pacific littoral as part of the ‘maritime silk road’ at or near Gwadar (Pakistan), Myanmar (Kyaukpyu), and more recently the South Pacific has raised the prospect that such tactics could be used elsewhere to extend the ‘far seas’ capabilities of the People’s Liberation Army Navy (PLAN).

Fifth, a less emphasised (or recognised) common interest of all four nations is that of supporting and strengthening liberal democratic governance within the Indo-Pacific. A region that becomes inhospitable to liberal democratic values at a domestic level is one that is much less likely to support and reflect the principles of a free, open and inclusive international order. The region has not been immune to the global decline in observance of political rights and civil liberties for the thirteenth year in a row recorded by Freedom House in its 2019 Freedom in the World report. In recent years, notable democratic declines were observed in countries such as Thailand, the Philippines, Myanmar, Cambodia and the Maldives. According to a 2017 Pew survey, only 15 per cent or fewer respondents from India, Indonesia, the...
Philippines and Vietnam were classified as “committed democrats” in that they supported representative democracy to the exclusion of other forms of government such as rule by the military, experts, or a strong leader unconstrained by parliament or the courts. Autocratic alternatives to democratic rule gained relatively high support, with, for example, 55, 52, 50 and 42 per cent respectively judging a “strong leader” system as very or somewhat good. In this context, President Xi’s advocacy of China’s development model of authoritarian capitalism as a superior alternative to liberal democracy in the pathway to modernity could find receptive ground. Further, China is actively playing a role in supporting autocratic regimes to suppress internal dissent and resist pressure to democratise by attaining a deeper level of social control over their citizens. The take-up of China’s artificial intelligence surveillance technology such as facial recognition is one example of China’s ‘authoritarian exports’ to the region.

There is a connection between the BRI, weak democratic institutions, and the extension of Chinese political, economic and strategic influence in the region. Prominent cases of debt-trap diplomacy — such as Sri Lanka, the Maldives and Malaysia — have involved compromised democracies with weak institutions. Their systems lacked robust accountability mechanisms, and were unable to curb corruption among governing elites until they had already entered into large debt commitments to Beijing that have proved to be unsustainable. This has placed these countries in a weak position to refuse Chinese demands as they have encountered difficulties in meeting future repayment obligations. In this way, elites were able to potentially trade away the national interest for self-interested gain. However, even these weak democracies were subsequently able to expose, and in one case wind back, the worst excesses of the BRI through elections. Democracy promotion could be a direct counter-strategy to prevent this phenomenon occurring elsewhere in the Indo-Pacific, and is one that is as yet underappreciated among the four countries.

DIVERGENCE ON ACCEPTABLE RISKS AND COSTS

All four of the Quad countries agree that recent Chinese policies and actions are a threat to their common interests. However, there are clear divergences between the Quad states and these are important for the prospects of effective Quad cooperation. Principal among these divergences are their differing threat perceptions — this is the core hindrance to collective action and a key factor delimiting the scope of any action the four countries might take together to defend their common interests. This divergence in threat perceptions is based on a range of factors, including the existence or absence of direct territorial
disputes with China, perceptions of the potential risks of retaliation by Beijing, the economic and military capabilities that each state has to bring to bear (alone and together with others) should retaliation occur, other higher order national priorities and threats, and finally the limitations of each nation's strategic culture. While there are divergences between Japan, the United States and Australia on these issues, the clear outlier among the four is India.

**JAPAN**

Since mid-2012, Japan has faced a sustained challenge to its sovereignty and control over the Senkaku/Diaoyu Islands that China also claims as its own. Direct challenges both by land and sea increased considerably after the Japanese government nationalised the Senkaku Islands in 2012. Since then, Chinese fishing vessels, maritime militia and maritime law enforcement vessels have regularly entered the territorial sea surrounding the islands and aggressively challenged Japanese coast guard vessels. In addition, after China unilaterally declared an Air-Defence Identification Zone (ADIZ) over a large section of the East China Sea in 2013, Japan has increasingly been forced to scramble jets to defend its airspace from unauthorised intrusions by Chinese military aircraft. The dramatic increase in military sea and air operations around the Senkaku Islands has threatened to overwhelm Japanese capabilities.

Japan has responded to this direct and sustained threat to its sovereignty by taking purposeful measures toward bolstering its capabilities to act alone and in concert with others. Tokyo has significantly increased measures to defend the Senkaku Islands (as well as increasing measures to deal with threats from North Korea), and in 2017 Prime Minister Abe declared that he had no intention of keeping to the unofficial policy of restricting defence spending to 1 per cent of GDP. Japan's latest defence plan includes significant outlays for modernisation of weapons and defence equipment including the upgrade of two self-defence force (SDF) ships to accommodate F-35B stealth fighter jets on board. Further, the Abe government's commitment that Japan should make a more “proactive contribution to peace” has involved a cabinet level reinterpretation of article 9 of its pacifist constitution to allow the SDF to undertake collective security measures in aid of allies and security partners, as well new policies to allow arms exports, joint weapons development and production to allies and partners for the first time since 1967. It has also successfully pushed both the Obama and Trump administrations to...
affirm that territorial defence of the Senkaku Islands falls within article 5 of the US–Japan Mutual Defence Treaty.31

Japan has advocated strongly for the re-establishment of the Quad and this is directly attributable to Tokyo's calculations of the risks and costs of failing to respond to Chinese assertiveness. Even prior to taking office for the second time in 2012, Shinzo Abe called for the formation of a “democratic security diamond” between the four democracies in the Indo-Pacific linking the shared consequences for all if China's assertive territorial claims in both the East and South China Seas remained unopposed. As Abe explained:

“If Japan were to yield [in its dispute over the Senkaku Islands], the South China Sea would become even more fortified. Freedom of navigation, vital for trading countries such as Japan and South Korea, would be seriously hindered. The naval assets of the United States, in addition to those of Japan, would find it difficult to enter the entire area, though the majority of the two China seas is international water [sic].”

He accused China of seeking to establish sea control over the South China Sea to create a “Lake Beijing”, with Chinese forces able to use their enhanced power projection capabilities to intimidate regional states.32

Japanese Prime Minister Shinzo Abe addressing the TICAD VI Summit, 2016. Photo courtesy Prime Minister’s Office of Japan/Facebook.
While Japan has shown the resolve to bear the costs of defending its sovereignty, and has the backing of the United States, drawing in Australia and India into a common cause would help to compensate for its still constitutionally limited capabilities to act militarily beyond the East China Sea. The Abe government’s 2014 constitutional reinterpretation of article 9 allows the SDF to engage in collective self-defence where an armed attack occurs against a foreign state that is in a “close relationship” with Japan, which threatens Japan’s survival and endangers the “fundamental rights” of Japanese people to “life, liberty and the pursuit of happiness”.

Such collective self-defence measures would only occur as a last resort and involve the minimum use of force necessary.

In assessing how this affects Japan’s ability to militarily assist Quad countries who might come under attack, the government has ruled out the use of force by the SDF on the territory of another state because it would not comply with the requirement to use force to the minimum extent necessary. However, this would not bar the use of force by the SDF for collective self-defence in areas of the global commons — such as the high seas — where there would be no breach of sovereign territory. It has been argued that an attack on allies and partners in the South China Sea could be interpreted by Japan as an existential threat which impedes freedom of navigation and undermines the rule of law at sea, justifying the use of force.

While this interpretation has not yet been tested, there is a clear trend under the Abe administration towards a more expansive view of what might be classified as existential threats, as well as what can legitimately be viewed as measures in self-defence. Should Chinese assertiveness escalate, it is likely that these trends will accelerate.

In the meantime, bringing together other like-minded states with formidable naval capabilities in the Indian Ocean and Western Pacific helps to compensate for Japan’s constrained abilities to militarily prosecute its wider strategic interests in maintaining freedom of navigation and a favourable strategic balance across the Indo-Pacific. It also complicates China’s own two ocean strategy by forcing it to stretch its naval resources over a broader geographic area, and away from the East China Sea.

**INDIA**

Japan and India are the only two Quad states with direct territorial disputes with China. However, India is more vulnerable to Chinese retaliation (directly and indirectly) and has less capacity to absorb that...
On one interpretation, India’s refusal to back down during the Doklam standoff was a successful counter to Chinese land-based ‘salami-slicing’ tactics. Such tactics involve stealthy incremental incursions — too minor to justify conventional military retaliation — to accumulate substantial territorial gains over time. In taking a firm stand, however, New Delhi will have also been reminded of its vulnerability to retaliation along the border should the Quad take on a military dimension.
This fear of retribution has constrained India’s responses to Chinese provocations in the past and persists for a number of reasons. While India has improved border infrastructure and the high-altitude warfare capabilities of its armed forces, China is still considered to have the clear advantage, especially in view of the militarisation of Tibet. China could increase its already considerable support for Pakistan’s military, and encourage the latter to challenge the Line of Control in Jammu Kashmir directly, or through proxies. There is a risk that such activities may escalate to a conventional war between the two countries, or in the worst case, a nuclear exchange — a situation both sides have sought to avoid. The danger for escalation was demonstrated in an incident in February 2019, when at least 40 Indian security personnel were killed in Kashmir by the Pakistani terrorist group Jaish-e-Muhammad. India responded with airstrikes aimed at the group’s base in Pakistan. Pakistan retaliated with a counter airstrike, and in the subsequent air battle an Indian MiG-21 was downed, and its pilot captured. Further escalation was only avoided when Pakistan defused the crisis by releasing the pilot as a gesture of goodwill.

India’s perceptions of the seaward threat from China have also increased considerably, with the extension of PLAN power projection capabilities into the Indian Ocean. Unsurprisingly, China seeks to bolster its capability to protect its seaborne trade and energy routes over the vast reaches of the Indian Ocean, particularly at the chokepoints of the Strait of Hormuz and the Malacca Strait. However, India views such moves as deliberately constricting its strategic space. Since the first appearance of a Chinese nuclear attack submarine in the Indian Ocean in 2014, more submarines have followed (including visits to Sri Lanka and Pakistan) along with more frequent, sophisticated and longer PLAN deployments in the eastern and northern Indian Ocean. Further enhancing the PLAN’s power projection capabilities, China established its first overseas naval base in Djibouti in August 2017, with the Pentagon predicting that another will follow in Pakistan. China has legitimate interests in the Indian Ocean. However, Indian strategists have assessed its activities as part of a larger strategy aimed at the strategic encirclement of India and “a desire to dominate the Indian Ocean’s critical maritime spaces and lines of communication”. The PLAN’s increasing presence directly undermines the Indian Navy’s aspirations for regional preeminence, while its ready access to bases in Pakistan limits New Delhi’s options in a crisis. China’s BRI is also viewed as a tool to effect strategic and political encirclement by exploiting the infrastructure deficits of India’s neighbours — Pakistan, Bangladesh, the Maldives, and Sri Lanka. This
would allow China to exercise greater geopolitical influence in these countries, with the possibility that civilian control of deep-water ports could eventually be transformed into access rights for the PLAN. China has also been instrumental in Pakistan’s naval modernisation programme, including its submarine capabilities, further eroding India’s room for manoeuvre in its surrounding waters.49

China’s ability to inflict direct costs on India — on its long land border, by sea, as well as through its relationship with Pakistan — makes India reticent to take actions that might provoke China into retaliation. This risk/cost calculation must be understood within the prism of India’s still profound development needs which any government in New Delhi must prioritise, limiting the capacity of India to compete by building up its armed forces. India’s decision to refuse Australia’s request to join the Malabar naval exercises in the last two years has been linked to New Delhi’s desire to ‘reset’ relations with Beijing to de-escalate tensions after the Doklam standoff.50

Unlike Japan and Australia, India also does not have the luxury of a formal alliance with the world’s pre-eminent military power, and for reasons of strategic culture does not seek one. While it has discarded its former policy of non-alignment, it has replaced it with a strategy of multi-alignment as a means of preserving maximum strategic autonomy. This is evident in its legacy relationship with Russia for military procurement, and its pursuit of deeper relations with Iran.51 A negative consequence of this strategic autonomy is that New Delhi cannot expect, nor does it appear to expect, the direct involvement of the other Quad countries should China contest its land border. For India, the reliability of ‘strategic partners’ — such as the United States — in a crisis remains in question, with some in the strategic establishment retaining long memories of US support for Pakistan during the Cold War and its leadership role in the international nuclear ostracism of India after its first nuclear test in 1974.

In summary, India shares some common interests with the other three Quad countries but is less able to withstand the costs that could be directed its way if it became a more active partner. This is due to internal weakness, proximate adversaries, the lack of an external alliance partner and a strategic culture which precludes the formation of formal alliances. As its greatest threats are in its immediate region, New Delhi has directed most of its defence resources toward countering these threats first. As a result, the Indian Navy still has very limited power projection capabilities in the South China Sea, and its potential maritime contribution to any Quad operations would be restricted to
protecting its established position in the Bay of Bengal and Indian Ocean as its primary theatres of operation. India’s reticence to agree to joint patrolling with the United States in the South China Sea can be attributed to these limitations in capability. It also seeks to avoid provoking China in secondary theatres of concern that could lead to direct consequences in its own neighbourhood.

AUSTRALIA

Australia is more secure in its immediate environment than either Japan or India, as it has no direct territorial disputes with China or with any of its neighbours. Its alliance with the United States adds another layer of relative comfort. However, China’s rapid rise is changing the calculus for Canberra. Australia has relied on the United States to play the role of external balancer in the region, a role which is coming under strain as Chinese national power and assertiveness continues to grow. Further, as Australia’s 2017 Foreign Policy White Paper alludes to, Canberra regards China as actively undermining the post-war US-led liberal rules-based order. It is this order which has allowed middle powers and small states to trade freely and maintain foreign policy autonomy relatively unfettered by outside coercion.

Since around 2016 Canberra has more actively challenged Chinese behaviour and action that threatens this order, leading to what some describe as a ‘freeze’ in relations. Australia was one of the first countries to publicly describe the 2016 Permanent Court of Arbitration decision (which found in favour of the Philippines against China in the South China Sea dispute) as legally binding and to call on China to abide by it. It was the first country in the world to bar Huawei from participation in the roll-out of 5G networks citing national security concerns, playing a leading role in characterising Huawei as an instrument of a foreign government rather than an independent commercial entity. Even prior to this decision, in 2012 Australia banned Huawei from tendering for contracts in the construction of the country’s National Broadband Network based on concerns about the risk of cyber attacks originating from China. Canberra has also raised Beijing’s ire by enacting foreign interference laws in 2018 that China views as being directed specifically towards it. This legislation was the result of a report commissioned by then Prime Minister Malcolm Turnbull which uncovered evidence of undeclared activities by Chinese entities designed to influence public debate, educational institutions and politicians from both major parties. Canberra has faced down considerable diplomatic pressure from Beijing at each of these decision points, and has continued to do so in the name of protecting Australia’s
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national interests and values. Prime Minister Scott Morrison’s statement that he encouraged Hong Kong’s Chief Executive “to be listening carefully” to the people of Hong Kong while rejecting the description of protestors as ‘terrorists’, is a recent demonstration of this approach.56

Canberra has long regarded Australia’s immediate neighbourhood, the South Pacific, as a relatively benign region in which Australia has played a leading role. Prime Minister Scott Morrison described it in late 2018 as “our patch … our part of the world … where we have special responsibilities”.57 Recent Chinese moves, however, have raised fears of its increasing influence and the prospect China might attempt to gain a military foothold in the South Pacific. Media reports in April 2018 claimed that China had approached the Vanuatu government about building a permanent military base there — reports which were denied by both parties. However, Vanuatu’s heavy indebtedness to Beijing has raised the prospect that China is practising debt-trap diplomacy in Australia’s backyard.58 Canberra’s remarkably speedy negotiation of an agreement with Papua New Guinea to redevelop the naval base at Lombrum on Manus Island as a joint facility (with the United States also joining subsequently) appears to have headed off potential Chinese involvement in the development of a large multi-use port there.59 A Chinese base in Manus — or in other parts of the South Pacific — would allow Beijing to project “military power north towards US forces in Guam or south towards Australia”, upsetting US sea control in the Pacific.60 Australia’s effective gifting of an undersea telecommunications cable to Papua New Guinea and Solomon Islands in July 2018, heading off a rival proposal by Huawei, again demonstrates its resolve to counter China’s creeping influence.61

Recognising the attractiveness of China’s BRI funding to Pacific Island nations and their vulnerability to debt sustainability problems and potential debt-trap diplomacy, Australia has re-doubled efforts to promote itself as a historical friend and partner to Pacific Island nations.62 The Morrison government’s ‘Pacific Step-up’ strategy includes a number of new initiatives building on existing defence and security diplomacy, funds an expanded diplomatic presence, a new AU$2 billion Australian Infrastructure Financing Facility for the Pacific and an extra AU$1 billion to Australia’s export financing agency directed towards supporting small and medium investment in the South Pacific.63 The success of this strategy remains to be seen.
Although Australia has shown a measure of resolve domestically and in its immediate neighbourhood, it too could be a target of China’s economic retaliation — a point Beijing has bluntly emphasised in response to Australia’s push for an independent COVID-19 inquiry.\(^6^5\) China is Australia’s major trading partner, and the primary immediate deterrent to Australia’s military participation in the Quad is an economic one. In 2019, total exports to China accounted for almost 7 per cent of Australia’s GDP and 36 per cent of all exports, 69 per cent of which were exports of iron ore, coal and gas.\(^6^6\) In the services sector, Australia enrolled the second highest number of Chinese tertiary students globally in 2019,\(^6^7\) while Chinese tourists accounted for 27 per cent of international visitor spending.\(^6^8\) In recent years, China has retaliated economically against countries that have opposed China’s position on the South China Sea (for example, the 2012 ban on banana exports from the Philippines\(^6^9\); its position on the East China Sea (banning Chinese rare earths exports to Japan\(^7^0\)); or where China has considered its defences have been threatened (China imposed unofficial sanctions against South Korea for its deployment of the anti-ballistic missile system, THAAD\(^7^1\)). Australia has the potential to join this list. Beijing’s ambassador to Australia, Cheng Jingye, implied that Australian exports including tourism, education, wine and beef might be subject to a boycott by the Chinese public in retaliation for Australia’s COVID-19 inquiry call.\(^7^2\) This is not the first time such punitive measures have been mooted: a 2018 editorial in China’s state-run Global Times newspaper, for example, called for cuts to wine and beef imports to “make Australia pay for its arrogant attitudes”.\(^7^3\) China appears to have made good its threats by announcing steep tariffs on Australian barley and limiting meat imports in May 2020.\(^7^4\)

Australia’s vulnerability to economic retaliation might well be exaggerated, however.\(^7^5\) Australia’s resources are largely traded on world markets and are fungible products for which there are markets elsewhere. Restricting iron ore imports from Australia is also likely to be an act of self-harm for Beijing. Australia supplies iron ore more reliably and at a lower cost than its competitors, and there is demand for it from China’s provinces for ongoing infrastructure projects. The same applies to gas exports. That does not preclude short-term and ambiguous acts of retaliation. In 2019, for example, delays were imposed specifically on Australian coal by some Chinese ports for reasons yet to be articulated by China, but presumably because of Australia’s enactment of foreign interference laws in mid-2018.\(^7^6\) While China can more easily replace Australia’s exports of tourism and education, they represent less than 1 per cent of Australia’s GDP.\(^7^7\) Further, a likely side-effect of the coronavirus crisis will be immediate and concerted efforts toward...
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Market diversification by universities and businesses whose levels of financial dependency on China have now been exposed.

Over the last three years Australia has actively sought to counter Chinese behaviour by challenging Chinese policies that undermine the liberal rules-based order or interfere with the integrity of Australia’s democracy. Implicit or official Chinese threats of economic coercion have not led to significant changes in government policy such as the banning of Huawei from the 5G rollout, introduction of foreign interference legislation, and determination to champion an international investigation of the origins of COVID-19. Similarly, the fear of economic coercion is unlikely to dim Australia’s resolve and enthusiasm for advancing closer military cooperation with other members of the Quad in trilateral formations. At the same time, Canberra does not want to be a major focus of Chinese displeasure. Working with other Quad countries on economic initiatives and diplomatic positions where common values are threatened is preferable to Canberra than acting alone. Similarly, while Australia has been keen to add military cooperation to the Quad agenda, it will seek to do so incrementally and in modes that are less overtly about military conflict unless and until Chinese assertiveness escalates.

THE UNITED STATES

The US national interest in advancing a military dimension to the Quad is straightforward. The United States views itself as being in direct competition with China which it describes as a “revisionist” authoritarian state that seeks to erode and re-write the rules of the US-led post-war order “while exploiting its benefits”. In response, the 2019 US Indo-Pacific Security Strategy Report makes clear that along with bolstering and reorienting its own forces toward the Indo-Pacific region, Washington is looking to build consensus and deepen support for US forward presence among existing allies and partners in defence of the current order.

However comprehensible that strategy is, the Trump administration perceives that allies and partners have been free riding on US military power and has called on them to step up their own defence spending and military contributions. It has strongly encouraged a deepening of defence cooperation between allies and partners, with or without US participation. In this vein, Washington has been the strongest advocate for deeper military cooperation between the Quad countries as a means of strengthening combined defence of the rules-based order, and of spreading the burden given its global responsibilities and
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interests. At the strategic level, the US ‘free and open’ Indo-Pacific strategy involves economics, governance and security, but in practice the security pillar is the most developed thus far.

As the most militarily and economically capable of the four countries, the United States has the greatest capacity to withstand Chinese retaliation should the Quad become more robust in all senses. The Trump administration’s trade war with Beijing has already demonstrated its resolve to challenge China’s economic practices and withstand economic blow-back. In the Indo-Pacific, however, the United States is unable to achieve either its economic or strategic aims without deepening existing partnerships and developing new ones with like-minded countries. The US forward presence is dependent on existing allies and partners valuing its balancing role, and Washington seems aware that China is directly contesting the resolve of these countries to continue their US defence relationships at the risk of limiting their access to Chinese trade and investment.52

Several recent studies, including by RAND, have indicated that US military dominance is steadily receding in Asia, and that China is in a “strong military position vis-à-vis the United States in areas close to its own territory” as a result of rapid military modernisation and the advantages of geography.83 The RAND study predicted a tipping point in the balance of forces in a Taiwan conflict as early as 2020, and the same in a potential South China Sea conflict from 2030 onwards.84 Despite the Trump administration’s commitment to increase US defence spending to maintain a military advantage over Chinese forces, US credibility as an alliance partner will soon be at risk without adjustments to military strategy and procurement,85 combined with deepening regional relationships and the ability to act jointly with allies and partners. Greater cooperation among the four most militarily capable states in the Indo-Pacific would enable burden-sharing geographically among the four, helping Washington to extend its primacy.

As a consequence, Quadrilateral initiatives which directly counter Chinese strategies to exert political, economic and military influence are likely to be valued by the United States in its engagement with the region.

OUTLOOK: DEEPENING THE AGENDA OF THE QUAD

This analysis has described the differences between the four Quad countries in terms of military capability, strategic priorities, capacity to

Several recent studies have indicated that US military dominance is steadily receding in Asia, and that China is in a “strong military position vis-à-vis the United States in areas close to its own territory”…
bear the costs of potential Chinese retaliation, strategic culture and constitutional imperatives. These differences are important, and place real limitations on Quadrilateral cooperation, but they do not preclude it. There are a number of ways the four states can cooperate more comprehensively in order to both advance their own interests and to protect their shared interests in preserving the status quo rules-based order in the Indo-Pacific. This includes Quadrilateral cooperation between armed forces, on standard setting, diplomatic messaging, and practical economic measures to sustain the current rules-based order. A direct countering of Beijing’s ‘win-win’ BRI narrative — exposing the economic and political risks and costs of accepting Chinese funds — has already begun, but more can be done to shape the standards for conducting BRI projects and provide a practical and genuinely alternative source of infrastructure funding.

MILITARY/STRATEGIC COOPERATION

From a strategic perspective, the primary value of the Quad is to signal to Beijing that the four states share the intent to counter and thereby deter future Chinese actions to further change the status quo. The steady elevation of discussion of Quad matters to the foreign minister level and the Quad’s expanding agenda introduces an element of uncertainty in Beijing’s calculations as to the collective response the four countries are willing to contemplate to prevent further erosion of the rules-based order. Bilateral and trilateral military cooperation have developed in earnest among the four countries, with only the Australia–India–US combination thus far missing from the menu. While these trilateral formats do develop interoperability and habits of trust, military cooperation among the four most capable Indo-Pacific nations would make the deterrent threat more credible.

India appears to be the most reticent to take this step, but New Delhi could consider two clear lessons from state responses to Chinese ‘salami-slicing’ tactics in the South China Sea and the Doklam crisis. The first is that firm action must be taken to block Chinese activities designed to change the territorial status quo while they are in progress. Once a change has been effected, the outcome cannot be reversed without outright war, a cost that no Quad state has indicated it is currently prepared to bear. Second, it was the absence of a credible countervailing force in the South China Sea that encouraged Chinese assertiveness to achieve its territorial objectives. The dissolution of Quad 1.0 — ostensibly to placate Chinese displeasure and concerns of a ‘ganging up’ — had the opposite effect in that Beijing seemed emboldened rather than mollified. New Delhi appears to have absorbed these lessons in its firm response to Chinese provocations on its
border, but not in regard to Chinese maritime threats. Bearing these strategic lessons in mind, the four countries should be able to take incremental steps to deepen their military cooperation, in ways that do not reasonably provoke an outsized reaction from Beijing, while developing the capacity to act credibly together if the need arises.

GEOGRAPHY
The divergence in geographic areas of maritime priority among the four states is sometimes viewed as an inherent weakness of the Quad. It should instead be viewed more constructively as an opportunity to capitalise on a natural maritime division of labour. While China can rely only on its own capabilities to project power across the Indo-Pacific, the Quad countries in combination can maintain a more beneficial multipolar order by bolstering each other’s maritime capabilities in their own respective geographic area of interest and advantage. India should be supported to take greater responsibility for the Indian Ocean (particularly the Bay of Bengal) where it has natural advantages, Australia the Eastern Indian Ocean, South China Sea and Pacific Islands, Japan the East and South China Seas, with the United States having broader capability over the whole of the Indo-Pacific.

ENHANCING JOINT CAPABILITIES
There are a number of initial areas in which the four countries can augment their joint capabilities and complicate China’s two ocean strategy: improving interoperability; enhancing intelligence, surveillance and reconnaissance capabilities; shared logistics for power projection; and capability development.

Interoperability
Given the maritime threats and challenges the four countries jointly face, enhancing the interoperability of maritime forces should be a priority. As a first step, taking into account India’s (and to some extent Australia’s) sensitivities, New Delhi should allow Australia to be an official observer of the Malabar exercises, and consider progressing its status to non-permanent participation. Exercises should first take place in the Indian Ocean rather than the South China Sea so as to be less overtly provocative to Beijing while still progressing interoperability. For similar reasons, these exercises should focus cooperation and coordination in the provision of public goods (disaster relief, humanitarian assistance, anti-piracy and search and rescue) in the first instance, with the implication being that the agenda could expand to include specific military exercises depending on China’s behaviour. Such exercises — amphibious warfare and anti-submarine warfare, for
example — should continue and deepen at the bilateral and trilateral levels for now.

Although New Delhi may continue to be reluctant to take this step, it is already clear that India’s post Doklam ‘reset’ with China, exemplified by an informal summit in Wuhan between President Xi and Prime Minister Modi in April 2018, has yielded few tangible results other than a temporary lull in tensions. China has continued to develop infrastructure around the site of the 2017 Doklam crisis and elsewhere, and continues to disregard India’s territorial claims to Kashmir by pursuing the China–Pakistan Economic Corridor (CPEC) project. It has stepped up its key role in modernising Pakistan’s military forces, and advanced bilateral relationships with India’s neighbours at the latter’s expense. Further, in the lead up to the second informal summit between Xi and Modi in October 2019, and in the wake of New Delhi’s removal of Jammu Kashmir’s autonomous status under the Indian constitution, Beijing has more assertively supported Pakistan’s position on the Kashmir dispute including by raising it in the UN Security Council. Putting a brake on Quadrilateral maritime cooperation by excluding Australia from the Malabar exercises has had no discernible effect on Beijing’s policies, and the result has been the erosion of New Delhi’s prized strategic autonomy.

Maritime domain awareness and logistics

Enhancing maritime domain awareness across the Indo-Pacific is another means by which Quadrilateral cooperation could be a force
multiplier for all, especially in regard to anti-submarine warfare. This could be in the form of access to military surveillance technology (for example, Australia and India both now operate US P-8 surveillance aircraft), development of jointly used military infrastructure across the Indo-Pacific (Australia’s Cocos Islands military base, HMAS Stirling and India’s Andaman and Nicobar Islands bases, the US base at Diego Garcia), and the expansion of information-sharing agreements. The India–US Communications Compatibility and Security Agreement (COMCASA) signed in 2018 will allow New Delhi access to secure and encrypted defence communications equipment from Washington, as well as real time data sharing with United States and allied forces such as Australia and Japan on previously restricted communications channels. This will enable both greater interoperability of Quad country military forces as well as enhancing their combined maritime domain awareness. India has signed ‘white’ (commercial) shipping agreements with a number of countries including Australia and the United States, which could be extended to ‘grey’ (military) shipping agreements among the four. India and the United States also signed the Logistics Exchange Memorandum of Understanding (LEMOA) in 2016, and Australia and India are set to sign a logistics agreement in 2020, facilitating reciprocal use of military facilities to further power projection. Similar agreements could be pursued between all Quad countries.

Access to and joint development of defence technology

The 2016 designation of India as a “Major Defence Partner” by the United States and designation as a Strategic Trade Authorization (STA) Tier 1 country in 2018 puts New Delhi on par with US allies in terms of the procurement of advanced defence technologies. Along with COMCASA, this designation opens up greater possibilities for coordinated acquisitions of common platforms to address gaps in joint capability and limit duplication of resources. It also paves the way for greater defence research and development cooperation between India and other US allies. This will further Japan’s objective of playing a greater role as a ‘proactive contributor to peace’ via defence exports to countries that are not constrained by constitutional limits on military power. It will also be particularly useful for Quad states to coordinate efforts to build the defence capacity of small states in Southeast Asia, particularly those in dispute with China over the South China Sea (Vietnam, Philippines), island states in the Bay of Bengal and Indian Ocean (the Maldives, Mauritius, the Seychelles) and the South Pacific (Vanuatu, Fiji, Papua New Guinea, Solomon Islands). Many of these countries have extensive territorial seas and exclusive economic zones, and the Quad states have a strong interest in bolstering those
countries’ capabilities to monitor and enforce those zones, as well as to
defend the rules-based order in their own right. This could involve the
funding of naval and coast guard acquisitions on preferential terms, as
well as joint training.

**Infrastructure and defence of the rules-based order**

The Quad could also act together to counter Chinese economic
coercion and statecraft that undermines the rules-based order. The
four countries were reportedly considering the establishment of a joint
infrastructure funding scheme as an ‘alternative’ to the BRI.94 This has
yet to emerge, but in late 2018 Australia, Japan and the United States
took the lead in establishing a Trilateral Partnership for infrastructure
investment in the Indo-Pacific which aims to mobilise and assist private
sector investment in infrastructure projects, digital connectivity and
energy infrastructure.95 An example of the kinds of projects that could
be pursued is the joint initiative by Australia, Japan, the United States
and New Zealand to provide electricity infrastructure to Papua New
Guinea announced in November 2018 which aims to increase electricity
coverage from 13 per cent of the population to 70 per cent by 2030.96

Japan’s often overlooked Partnership for Quality Infrastructure,
involving infrastructure spending of US$200 billion between 2015 and
2020 across Asia and Africa, could provide a template for such a
quadrilateral infrastructure fund.97 Japan advocates the Ise-Shima
Principles, endorsed by the G7 in 2016, which emphasise infrastructure
investment where projects are economically feasible and sustainable,
use transparent and open tendering and terms, create local jobs,
transfer skills to host nation workers, considers social and
environmental impact and further real development needs.98 A
Quadrilateral initiative is the next logical step which will aid in arresting
the decline in governance standards and norms associated with the
BRI, as well as countering China’s broader narrative to developing
countries that it is only Beijing that understands their development
needs. The objective would be to offer a beneficial alternative to
developing countries to the BRI and to strengthen the rules-based
order in the process.

While it is unlikely that the four countries can match the amount of
state-led infrastructure spending Beijing has promised, a Quadrilateral
infrastructure fund could leverage each country’s particular expertise
and strengths in infrastructure development (hard and soft), and
ensure that scarce resources are directed towards projects and
countries with the greatest geostrategic significance matched with the
host country’s needs. In particular, small island nations and littoral
states lying in crucial sea lines of communication that could be targeted by China for power projection purposes should be given priority, particularly for developing ports and critical infrastructure. Collectively the four countries should continue to advocate for the wider acceptance and adoption of the Ise-Shima Principles as the template for international infrastructure investment in multilateral forums, putting the onus on Beijing to justify why it should be otherwise. A Quadrilateral infrastructure fund, involving extra-regional powers, has the further advantage of reassuring small states in the orbit of either Australia (for example, the South Pacific) and India (for example, the Bay of Bengal) that such funding will not be used to exert influence in ways that do not benefit those states or serve their national interests.

**CONCLUSION**

China’s Foreign Minister, Wang Yi, has described the Indo-Pacific geographic construct adopted by the Quad as a “headline-grabbing idea” that would dissipate “like the sea foam in the Pacific or Indian Ocean”.99 Two main factors will determine whether his assessment (dismissing both the Indo-Pacific as a concept and the Quad) is prescient or mere bluster: the assertiveness of China’s own behaviour in future, and India’s recognition that avoiding any Quadrilateral military response out of deference to its cultural preference for multi-alignment is ultimately counter-productive. After all, the object of such a strategy is to maximise India’s strategic autonomy. Continuing the status quo has already resulted in a narrowing of New Delhi’s strategic options and should not be viewed as cost-free.

What is being proposed is not an alliance — and thus incompatible with India’s strategic culture — but an incremental deepening of Quadrilateral relations, with escalation remaining flexible and responsive to Chinese action, and building the capability to act jointly should the need arise. The dissolution of Quad 1.0 had the opposite effect to what was intended. It did not reassure Beijing but actually emboldened it. The Quad countries have the opportunity to ensure that past mistakes are not repeated and that they take a holistic economic, political and military approach to countering policies which undermine the existing rules-based order before their collective strategic options become even more unpalatable.
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