

# Technology Must Advance Freedom



## Economic Security through Trusted Connectivity for a Free & Open Indo-Pacific

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# **Economic Security through Trusted Connectivity for a Free & Open Indo-Pacific**

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## **Table of Contents**

I.	Introduction	2
II.	Economic Security Through Trusted Architecture	4
	i) Trusted Trade	6
	ii) Trusted Energy: Energy Security on the Pathway to Carbon Neutrality	9
	iii) Trusted Technologies	12
	iv) Trusted Connectivity	14
III.	Policy Actions for Enhanced Economic Security through Trusted Connectivity for a Free & Open Indo-Pacific	15
	i) Trusted Trade through a Free & Open Indo-Pacific Partnership	16
	ii) Indo-Pacific Trusted Energy Initiative	17
	iii) Indo-Pacific Trusted Technology Forum	19
	iv) Indo-Pacific Fund for Trusted Connectivity & Blue Dot Network	20
IV.	Conclusion	21

## I. Introduction

The Ukraine crisis is a wake-up call for liberal democracies to strengthen their individual and collective economic security in an integrated global economy. The European nations find themselves in the untenable position of vehemently opposing Russia’s unlawful invasion of Ukraine while continuing to import Russian energy and funding its war machine. Going forward, economic security will necessitate that economic relations better integrate broader national interests. German Vice-Chancellor Robert Habeck observed that “We knew, or we could have known, that it was not only stupid to place all our security policy cards on just one country, but that it also wasn’t a smart idea to put them on that particular country. We have to acknowledge that we acted wrongly in the past.”<sup>1</sup> In a world economy defined by global supply chains, economic security will demand an increasingly high premium on trusted—and not merely profitable—trading relations with reliable partners. The Trusted Connectivity framework<sup>2</sup> and its dual assurances of best business practices and legal-political commitment to a rules-based global order can inform the process of shoring up the economic security of free world nations.

Russia’s invasion of Ukraine marks an end to the era of “change through trade.”<sup>3</sup> The G7 nations, since the fall of the Berlin Wall, have followed a foreign policy dictum of globalized economic interdependencies, including with nations with divergent views on individual and market freedoms and the rule-of-law. The long-standing expectation has been that collective economic well-being will persuade nations to preserve economic relations and discourage political and military actions that put them in jeopardy. Moreover, it was hoped that an integrated global economy would catalyze a global convergence across political, economic,

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<sup>1</sup> Hans Von Der Burchard, “Annalena Baerbock: Germany knew about Russian energy risks — and did nothing,” *Politico*, March 29, 2022, <https://www.politico.eu/article/germany-annalena-baerbock-russia-energy-risk-2014/>.

<sup>2</sup> Kaush Arha, “Trusted connectivity: A framework for a free, open, and connected world,” Atlantic Council, August 31, 2021, <https://www.atlanticcouncil.org/in-depth-research-reports/trusted-connectivity-a-framework-for-a-free-open-and-connected-world/>.

<sup>3</sup> Noah Barkin, “Germany’s Strategic Gray Zone With China,” For decades, Germany’s preferred strategy toward China and Russia has been of “Wandel durch Handel,” or change through trade. The U.S. motivated with similar goals championed China’s accession to the WTO, Carnegie Endowment for International Peace, March 25, 2020, <https://carnegieendowment.org/2020/03/25/germany-s-strategic-gray-zone-with-china-pub-81360>.

legal, cultural, social, and moral norms around individual freedoms and free markets. This hoped for change has not come to pass.

The specter of rising Chinese mercantilism and continuing Russian annexations of sovereign neighbors represents a trend substantially different from the hoped for *change through trade*. In hindsight, the *change through trade* advocates overestimated the import of global economic interdependencies as an irresistible force for both democracies and autocracies to equally commit to preserving the rules-based global order. Autocratic regimes with a penchant for totalitarianism, like China and Russia, have subordinated their global economic arrangements to their political and military goals. Their actions demonstrate the discordant motivations and maneuverability of economic interdependencies between democracies and autocracies.

The case of European dependence on Russian energy, and by extension funding the Russian war machine in Ukraine, points to—in the short-term—economic interdependencies making democratic economies less resilient and autocratic economies more untouchable. Moreover, the lure of the Chinese market has led to a worrying culture of cooption, complacency, and self-censorship among free world business leaders. The inability of European economies to rid their dependence on Russian energy amidst the Ukraine war holds valuable lessons for any future confrontation with China, were it to invade Taiwan. This necessitates a systemic rethink of the free world economic playbook.

The demise of *change through trade* signals the end of an era of treating economic relations separate from broader national interests and trading freely in a vacuum with political systems not committed to upholding the rules-based global order. China and Russia have been forthright in their intentions to rebut and replace the free world rules-based order underwritten by the United States of America. The recent “no-limits” China-Russia nexus

aspires to that end.<sup>4</sup> Notwithstanding, both China and Russia continue to benefit and game the very rules-based economic order they seek to undermine and overturn. Meanwhile, free world economies persist, with a hope and a prayer, on economic relations under existing rules with China and Russia contrary to all evidence. This asymmetry in economic relations is unsustainable.

This paper offers a broad framework for free world nations to bolster their individual and collective economic security by following the precepts of Trusted Connectivity. The first part of the paper articulates the foundational sectors to shore up free world economic security including trade, energy, technology, and connectivity. The second part, drawing upon the first, recommends select high-impact policy actions to advance economic security of the Indo-Pacific region that is free and open, secure, connected, and resilient—to consummate a truly Free and Open Indo-Pacific (FOIP).

## **II. Economic Security Through Trusted Architecture**

The long-term economic security of the free world nations rests on their ability to modernize and strengthen their collective economic architecture. The resilience and security of a nation’s economy, including that of the United States, will depend both on boosting domestic production and optimizing the efficiencies of production across like-minded economies. The geopolitical currents call for a revitalized free world trusted economic architecture that puts a premium on the trading partners’ legal and political commitments to upholding the rules-based international order. The times call for modernizing the global economic architecture, not abandoning it.<sup>5</sup>

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<sup>4</sup> “In their Own Words: Joint Statement of the Russian Federation and the People’s Republic of China on the International Relations Entering a New Era and the Global Sustainable Development,” China Aerospace Studies Institute, February 4, 2022, <https://www.airuniversity.af.edu/Portals/10/CASI/documents/Translations/2022-02->

<sup>5</sup> John Micklethwait and Adrian Wooldridge, “Putin and Xi Exposed the Great Illusion of Capitalism,” Bloomberg, March 24, 2022, <https://www.bloomberg.com/opinion/articles/2022-03-24/ukraine-war-has-russia-s-putin-xi-jinping-exposing-capitalism-s-great-illusion>.

A revitalized trusted free world economic architecture needs to prioritize two foundational elements. First, a more informed integration of national security interests in economic relations. That means prioritizing economic relations, particularly in critical sectors and including supply chains, with nations adhering to a core set of values and principles that uphold the rules-based international order, one that has conferred unprecedented peace and prosperity on advanced and developing nations alike. This does not preclude trade with less trusted partners, but it does impose appropriate trading costs on them to level the field. Second, to construct and update multilateral and plurilateral fora and institutions to advance free world economic security. The U.S. Treasury Secretary Janet Yellen recently observed that the “war between Russia and Ukraine has redrawn the contours of the world economic outlook” including the “conception of international cooperation going forward.”<sup>6</sup> She noted the need to update the Bretton Woods institutions to better fit the demands of the 21<sup>st</sup> century and to modernize the multilateral approach in general with appropriate use of plurilateral agreements.

The four largest free world economies including the United States, the European Union, Japan, and India should act with due haste in heeding to Secretary Yellen’s call for modernizing the global economic architecture in defense of the rules-based international order. These four should institutionalize their cooperation by modernizing the G7 to G10 by incorporating the European Union, India, and Australia as formal members. The new G10 will have the added value of marshalling the formidable resources of two leading free world blocs—the Transatlantic and the Indo-Pacific. The new G10, working with willing partners, should act as the collective guarantor of a revitalized trusted free world economic architecture. It may cooperate with the Organization for Economic Co-operation and Development (OECD) in developing widely endorsed principles and mechanisms of “trust” for

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<sup>6</sup> “Transcript: US Treasury Secretary Janet Yellen on the next steps for Russia sanctions and ‘friend-shoring’ supply chains,” Atlantic Council, April 13, 2022, <https://www.atlanticcouncil.org/news/transcripts/transcript-us-treasury-secretary-janet-yellen-on-the-next-steps-for-russia-sanctions-and-friend-shoring-supply-chains/>.

global economic architecture in defense of the rules-based international order, including commitments to individual dignity, individual freedom, and free markets.

One of the new G10's primary goals should be to ensure that the economic prosperity of the majority of nations is integrated into and benefits from the revitalized trusted economic architecture. To that end the United States and the new G10 should initially prioritize forward action on four foundational sectors of global economic architecture: trade, energy, technology, and connectivity.

*i. Trusted Trade*

The need for diversified and resilient supply chains has dominated economic security discussions in capitals across the globe. The past champions of free trade now call for robust industrial policy to boost domestic production. Present global supply chains, while efficient at reducing costs, have occasionally undermined economic security, as demonstrated by the European dependence on Russian energy and the increasing concerns over Chinese dominance of intermediate parts across a range of key industries. It is unforeseeable that Russia under its current political system can ever fully be relied upon as an energy supplier. Similarly, most nations are keen to avoid being beholden to an increasingly mercantilist China for the growth, independence, and security of their respective economies. The Italian Prime Minister Mario Draghi recently expressed this sentiment, stating that, "economic dependence must not become political subjugation ... we need to diversify ... and find new suppliers."<sup>7</sup>

Concerns over trade with unreliable partners are best allayed by developing trusted trade networks among like-minded nations committed to a core set of values and principles upholding the rules-based international order. Secretary Yellen recently warned against allowing "countries to use their market position in key raw materials, technologies, or products to have the power to disrupt our economy or exercise unwanted geopolitical

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<sup>7</sup> Sarah-Tassir Bencharif, "Diversification from Russian gas 'possible and feasible,' says Draghi," *Politico*, April 17, 2022, <https://www.politico.eu/article/russia-gas-energy-europe-dependence-diversification-possible-feasible-mario-draghi-ukraine-war/>.

leverage.”<sup>8</sup> To address this vulnerability she called for “free but secure trade” with “countries we know we can count on.”<sup>9</sup> Yellen offers a functioning definition of a trusted trade architecture—free and secure trade among countries that can be counted upon to adhere to a common set of democratic values and liberal principles.

Trusted trade architecture should be a foreign policy priority and treated as integral to national security across all free world nations. Nowhere is it more needed than in the United States, which is undergoing an uncharacteristic hiatus from its rightful and long-held influential voice in the global trading architecture. Reshaping and strengthening regional and global trading architecture is a necessary prerequisite for the United States to prevail in its economic competition with China. In absence of such systemic efforts, the much warranted critical discussions concerning diversification of global supply chains constitute an inefficient substitute at best.

A trusted trade architecture may follow a tiered approach buttressed by two major regional trade agreements. Additional plurilateral agreements on new digital and technology sectors of the modern economy may be pursued as appropriate. Even before the concerns over China and Russia’s manipulation of economic arrangements had risen to critical levels, major transatlantic and Pacific Rim nations, recognizing the WTO’s institutional and structural limitations, had initiated regional trade deliberations. The current geopolitical and economic security concerns impel an expeditious revival and update of the stranded Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) as bulwarks of a renewed trusted trade architecture. The United States, building upon its recent success with the United States-Mexico-Canada Agreement (USMCA) should re-engage with trusted partners in shoring up trade and investment architecture across the Atlantic and Pacific oceans to strengthen its economic security and that of the free world.

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<sup>8</sup> “Transcript: US Treasury Secretary Janet Yellen on the next steps for Russia sanctions and ‘friend-shoring’ supply chains,” Atlantic Council.

<sup>9</sup> Ibid.



The Transatlantic Trade and Investment Partnership (T-TIP) was an ambitious, comprehensive, and high-standard trade and investment agreement binding the U.S. and E.U. economies closer together. The heightened transatlantic concerns and solidarity over Russia’s invasion of Ukraine and rising Chinese mercantilism, including its bullying of Lithuania, offers an opportune time to re-engage and modernize the stranded T-TIP. The U.S. and the E.U. should consolidate their wide-ranging deliberations under the newly formed U.S.–E.U. Trade and Technology Council (TTC) into a modern T-TIP—a redirected Free, Prosperous, and Secure Atlantic Partnership (FPSAP) to strengthen the bond between vital strategic and economic partners. A FPSAP may direct concerted attention to regulatory convergence, whereby product approval in one jurisdiction is recognized by the other.

The U.S. may complement and reinforce the FPSAP by establishing a secure trade arrangement among its closest security partners in the “five-eyes” group. One way to achieve that may be by extending the applicable features of the USMCA to include Australia, New Zealand, and the United Kingdom.<sup>10</sup>

There is no substitute to a revitalized Trans-Pacific Partnership in affording a credible alternative to China’s dominant economic position in the Indo-Pacific region. The TPP, set to cover about 40 percent of the global economy and involve 12 Pacific Rim nations, among them the United States, Japan, Australia, Canada, Mexico, Peru, Chile, New Zealand, Vietnam, Malaysia, Brunei, and Singapore, was to be the world’s largest free trade agreement. It would have been the most consequential step in the economic domain the U.S. could have undertaken to counter China’s regional economic influence. The irony of the U.S. withdrawal from the TPP, only to later launch its Indo-Pacific Strategy, is not lost on any in the region.

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<sup>10</sup> Thomas J. Duesterberg, “What Janet Yellen Gets Right About the World Economic Order,” *Wall Street Journal*, April 20, 2022, <https://www.wsj.com/articles/what-janet-yellen-world-economic-order-trade-agreements-allies-free-trade-uk-britain-five-eyes-tpp-trans-pacific-partnership-cptpp-wto-11650462595>.

Without the United States, the remaining TPP nations forged ahead to form the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). To further drive the stake through the heart of a lost opportunity on the part of the U.S., China applied to join the group in 2021.

The United States cannot sustain its role as the security guarantor of the Free and Open Indo-Pacific without also offering credible economic alternatives to China in the region. A modernized TPP—repurposed as the Free and Open Indo-Pacific Partnership (FOIPP)—remains the strongest, if not the sole, economic tool of the United States in the Indo-Pacific to convince the regional nations to hitch their wagons to the American economy rather than that of the Chinese. Additionally, the U.S. should do its best to convince India, Indonesia, and South Korea to also join the modernized, robust FOIPP.

Consequently, the U.S. should make the expedited conclusion of a FOIPP the primary objective of its Indo-Pacific economic strategy. A modernized FOIPP should be a standing agenda item in regular QUAD discussions with the objective of having both India and the U.S. join hands with CTPP nations in establishing the preferred trusted trade network of the Indo-Pacific region.

Both the FOIPP and FPSAP may serve as open networks that incentivize other African, Latin America, and Caribbean nations to join to reap the reliable benefits of higher trust standards.

***ii. Trusted Energy: Energy Security on the Pathway to Carbon Neutrality***

Europe's unenviable dependence on Russian energy amidst the Ukraine war has thrust energy security to the forefront of global concerns. Ms. Annalena Baerbock, the German foreign minister, lamented that her nation's inability to tackle its dependence on Russian

fossil fuel imports is “now taking its revenge in the most brutal way.”<sup>11</sup> Vice Chancellor Habeck added, “Energy policy is always power policy, is always interest policy, is therefore always security policy. And if you look back, you almost can't understand how we could be so blind to overlook that.”<sup>12</sup>

Energy security of several African nations is also dependent on Russia’s “blood” energy exports. Redirection of natural gas supplies to Europe may have substantial impact on energy trade balances in the Indo-Pacific region. To compound these concerns further, nations are called to balance their immediate energy security imperatives with their commitments toward carbon neutrality in the near future.

The United States enjoys the critical capacity to be a global stabilizing force for energy markets and energy security—particularly in natural gas. It has been the world’s leading producer since 2011 and accounted for nearly 24% of global production in 2020.<sup>13</sup> The U.S. should unequivocally convey its unwavering commitment to address the energy security needs of its trusted partners.

There are no credible pathways to carbon neutrality without first addressing pressing national energy security needs, including the utilization of nuclear energy and fossil fuels. The United States will be in a stronger position to persuade nations to meet their carbon targets in the future by doing all in its power to meet their pressing energy security needs in the present. The recent U.S.-E.U. “joint game plan” for insulating Europe from energy coercion by Russia calls for just such an approach.<sup>14</sup> According to the plan, the U.S. will first help the E.U. secure short-term liquefied natural gas, with the E.U. working “toward the goal of ensuring” a bigger market share for U.S. gas by 2030. Additionally, the U.S. will help Europe’s

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<sup>11</sup> Von Der Burchard, “Annalena Baerbock: Germany knew about Russian energy risks — and did nothing.”

<sup>12</sup> Ibid.

<sup>13</sup> Robert Rapier, “The U.S. Maintains Its Natural Gas Dominance,” *Forbes*, August 8, 2021, <https://www.forbes.com/sites/rrapier/2021/08/08/the-us-maintains-its-natural-gas-dominance/?sh=309f330819b3>.

<sup>14</sup> “Can US natural gas relieve Europe from Russian supply dependency?” *Financial Times*, March 28, 2022, <https://www.ft.com/content/d702e4cc-a688-4dba-a05a-dfbd1f9442f9>.

acceleration to clean energy. This approach of energy security and acceleration to clean energy represent the dual characteristics of trusted energy.

The trusted energy approach should negate concerns among parts of the U.S. administration over whether developing the full force of the U.S. energy capacity, including natural gas and nuclear, would run contrary to its climate goals. Any remaining mixed signals from the U.S. in its partner's hour of need would be misplaced and short-sighted.

The United States, building on the trusted trade arguments above, should launch a global Trusted Energy initiative. The Trusted Energy initiative should prioritize dual objectives of energy security and a credible energy transition strategy to carbon neutrality—in that order. Additional elements of a Trusted Energy initiative may include:

- The U.S., recalling the historic Lend-Lease Act to materially aid Europe during World War II, should convey similarly strong reassurances to cover European energy needs for the foreseeable future. Similar commitment should also be extended to its Indo-Pacific partners.
- The U.S., with its Atlantic and Indo-Pacific partners, needs to establish appropriate mechanisms of fiscal assurance to encourage necessary investments in new and augmented facilities to boost natural gas production by bridging and transitioning projects to cleaner energy.
- The U.S., similar to its extraordinary development of COVID-19 vaccines, should launch an analogous, Operation Warp Speed-esque expansion of its energy production, including new upstream projects. The reported approval of a dozen export projects with a total capacity of 206bn cubic meters a year, double that of the current capacity, is encouraging.<sup>15</sup> The U.S. has the opportunity to be the preferred trusted global provider of natural gas to the free world. It should leave no stone unturned in fulfilling this potential. The U.S. should forge close

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<sup>15</sup> Ibid.

collaboration with its Australian and Middle Eastern partners in ensuring secure and reliable gas supplies to its trusted partners.

- The U.S. should optimize its natural gas production and subordinate any and all previous executive guidance to the contrary. This may include support for the Eastern Mediterranean pipeline supplying gas from Israel and Cyprus to Europe through Greece and enabling Mexico to ship U.S. gas to trusted partners irrespective of them having free trade agreements with the U.S.
- To reinforce market signals to achieve carbon neutrality, the U.S. may explore regulatory actions that encourage proportional investment of fossil fuel proceeds into developing clean energy.
- Concurrently, the U.S., in cooperation with the G7 (G10) nations, should launch an expedited effort in co-development and market adoption of best-in-class clean energy technologies and applications. The resulting technologies and applications may be shared and adopted among trusted partners.
- The U.S. may establish regional fora to facilitate the development and deployment of credible national and regional strategies to achieve carbon neutrality.

### *iii. Trusted Technologies*

New and fast-evolving technologies influence and permeate the global economy at an unprecedented scale. Trust in and appropriate oversight of technologies that increasingly affect all aspects of human life are constantly playing catch-up. A trusted global architecture on emerging technologies is elusive. Authoritarian regimes like China and Russia are busy manipulating new technologies to strengthen state surveillance and the coercion of its citizens and detractors. Among leading democracies, there exists a wide gulf in shared definitions, applications, and regulations of critical elements of the digital economy and applications of emerging technologies.

Trusted connectivity and trusted technology offer a democratic alternative to digital authoritarianism. The competition between autocracies and democracies is the defining challenge of the 21<sup>st</sup> century, one that will play out through control over the digital and physical infrastructure and technologies that increasingly bind the world together. Citizens and nations will gauge their commitment to democracy by their success in delivering trusted connectivity and trusted technologies that drive their daily lives. “Connectivity” represents the full spectrum of digital and physical infrastructure connecting the world. “Technology” refers to the broad application of science to the practical aims of human life, often involving change and manipulation of human environments. “Trust” in this case refers both to connectivity infrastructure and technology performing as advertised and to the political and legal systems that inform and govern their operations.

The U.S.–E.U. Trade and Technology Council (TTC) offers a promising forum to develop a shared transatlantic framework for trusted technologies. Trusted technologies, as elaborated previously, offer the critical dual assurances of meeting the best industry standards and of operating under a legal and political system that upholds individual liberty, enshrined in the rule-of-law. The G7 (G10) nations should accord high priority, drawing on the deliberations of the respective technology working groups in the TTC and in the QUAD, to develop a shared framework for trusted technologies, giving particular attention to artificial intelligence, cloud computing, big data, satellites, among others.

The G7 (G10) nations may engage the OECD for technical support in systematizing the requisite principles and standards that would enable a trusted technology framework. The emerging field of tech diplomacy may find clear purpose in drawing the contours of a trusted technology framework and in fostering its subsequent application. The newly minted tech diplomats may cut their teeth on a wide range of plurilateral agreements to shape a trusted technology network among like-minded nations.

***iv. Trusted Connectivity***

There is tremendous and ever-growing demand for global connectivity among emerging and developing nations. Connectivity represents the full spectrum of digital and physical infrastructure, including its many manifestations of fostering people-to-people interactions. Free world nations are lagging behind their autocratic competitors in properly articulating and coordinating their manifold initiatives to address the demand for connectivity. There is no single free world response to China’s Belt and Road Initiative (BRI). While there are many initiatives directed to that end, these efforts are disjointed with no agreed reference point by which to capture the entirety of and assess the efficacy of these efforts.

The concept of trusted connectivity offers a valuable framework for a free, open, and connected world.<sup>16</sup> It calls for the use of trusted technologies in meeting global connectivity demand. Trusted connectivity, in short, puts a premium on public trust, not just in the connectivity and technology performing as advertised, but also in the political and legal systems that inform and govern their operations.

Trusted Connectivity, as a framework, is aimed at coordinating various initiatives across democratic countries, based on common language, interests, high standards, and democratic values, enabling like-minded countries to better communicate the full scope of their superior and manifold national and regional connectivity initiatives. It offers continuity, consistency, and complementarity across individual, national, and regional connectivity initiatives, including the E.U.’s Global Gateway, the Three Seas Initiative (3SI), the African Union’s Agenda 2063, the ASEAN Connectivity Master Plan, Central and South Asia: Regional Connectivity, the Bay of Bengal Multisectoral Technical and Economic Cooperation (BIMSTEC), etc. The Blue Dot Network<sup>17</sup> offers a certification mechanism that ensures

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<sup>16</sup> Arha, “Trusted connectivity: A framework for a free, open, and connected world.”

<sup>17</sup> “The Blue Dot Network: A proposal for a global certification framework for quality infrastructure investment,” OECD, June 7, 2021, <https://www.oecd.org/corporate/Towards-a-global-certification-framework-for-quality-infrastructure-investment.htm>.

individual infrastructure projects adhere to the principles of trusted connectivity, i.e., high standards, high quality, and transparent financing.

The G7 (G10) and QUAD nations should expeditiously adopt and integrate the concept of trusted connectivity with the mechanism of Blue Dot Network to facilitate the implementation of the various trusted connectivity initiatives, thereby enhancing the visibility and positive impact of the free world’s efforts in responding to the global connectivity demand. The G7 (G10) and QUAD nations should establish a partnership of their respective development finance institutions (DFIs) to enable the joint financing of trusted connectivity projects across the globe, certified by the Blue Dot Network mechanism.

### **III. Policy Actions for Enhanced Economic Security through Trusted Connectivity for a Free & Open Indo-Pacific**

The Indo-Pacific region, extending from California to Kenya, represents the fulcrum of free world economic, political, and security concerns in an era of systemic and adversarial rivalry with an increasingly autocratic China. The region encompasses more than half of the global economy and population. The region has been the primary geopolitical focus over the last half decade and has maintained its global attention, with regular conference among the QUAD leaders through the present Ukraine crisis.

The fundamental contest in the region is economic, with high stakes for the preservation of a rules-based international economic order. The strategic importance of the region continues to rise, embodied by a growing list of nations developing Indo-Pacific strategies to extend their reach in the region. There are over 20 Indo-Pacific strategies—and counting—including that of several European countries, such as those of the United Kingdom, France, Germany, and the European Union as a whole. The Council of the European Union, with its rotating Presidency, now regularly holds Indo-Pacific summits.



The Indo-Pacific region embodies unequalled economic and security interests of global import. The suggested policy actions aim to bolster the economic resilience and security of a Free and Open Indo-Pacific. This section presents suggested policy actions to fortify trusted regional architecture across trade, energy, technology, and connectivity sectors.

*i. Trusted Trade through a Free & Open Indo-Pacific Partnership (FOIPP)*

The United States, together with the other QUAD nations, should re-engage the eleven nations comprising the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to establish a robust regional trusted trade architecture—The Free and Open Indo-Pacific Partnership (FOIPP).

The Ukraine crisis, for reasons discussed above, signals the end of *change through trade* policies. It also signals the advent of a trusted trade architecture that fosters free and secure trade among countries that can be counted upon to uphold the core set of values and principles in defense of the rules-based international order. The Trans-Pacific Partnership agreement represented such a trusted trade network. Despite the United States' unfortunate and imprudent withdrawal from the TPP, trading arrangements within the region have continued to evolve at a brisk pace.

The original 11 TPP nations persevered their free trade agreement under the new moniker of CPTPP. Meanwhile, China and 14 other Asian nations entered the Regional Comprehensive Economic Partnership (RCEP) trade agreement, effective early 2022. China has also formally requested to accede to the CPTPP and the Digital Economic Partnership Agreement (DEPA) among Chile, New Zealand, and Singapore. The European Union is also

aggressively seeking new trade agreements and deepening existing trade agreements in the region.<sup>18</sup>

The U.S. will continue to cede valuable economic territory in the region to China and other economic competitors until it decides to forge a trading alliance with Indo-Pacific countries. While more serious actors are directly engaged in crafting the trading rules of the world's most dynamic and expanding economic region, the United States has chosen to demur with the odd submission of another revised Indo-Pacific economic framework. The absence of the United States from engaging in the design and execution of trade arrangements among the Indo-Pacific economies undermines the economic security of both the United States and the region. Instead, the United States' disengagement from regional trade discussions calls into question its commitment to the entire Indo-Pacific. For the United States to be a credible economic actor with the ability to exert a positive influence on the region's future economic architecture, there is no substitute for a trade agreement that binds the region to the United States.

The United States recently expressed an interest in exploring a digital trade pact with the region. This is encouraging, albeit insufficient. The United States, buoyed by its recent success and lessons learned from the USMCA, should consummate a Free and Open Indo-Pacific Partnership as a model of trusted trade architecture for the region. The U.S. should further strengthen the FOIPP by inviting India, Indonesia, and South Korea to join.

***ii. Indo-Pacific Trusted Energy Initiative (IPTEI)***

The United States, working with the QUAD, South Korea, and the ASEAN nations, should launch an Indo-Pacific Trusted Energy initiative to ensure regional energy security and foster credible regional strategies to achieve carbon neutrality over the coming decades. The

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<sup>18</sup> "Biden Administration Plans for an Indo-Pacific Economic Framework," Congressional Research Service, Updated February 25, 2022, <https://crsreports.congress.gov/product/pdf/IN/IN11814>.

United States, as the world’s leading producer of natural gas, should act as the guarantor of energy security for its Indo-Pacific partners. Its ability to meet the present energy-security needs of its trusted Indo-Pacific partners will afford it the high credibility to persuade them to enact credible strategies to achieve carbon-neutrality targets.

The U.S. is ideally positioned to launch a comprehensive IPTEI, drawing upon its strategic energy partnerships with Australia, India, and Japan, including the Japan–US Strategic Energy Partnership (JUSEP) and Japan–US–Mekong Power Partnership (JUMPP), as well as its flagship regional energy initiative ASIA EDGE (Enhancing Development and Growth through Energy). The U.S., responding to fast-evolving geopolitical concerns, should integrate its ongoing energy initiatives into a comprehensive regional effort to first ensure regional energy security, followed by driving the adoption of carbon-reducing national strategies.

The Indo-Pacific region accounts for the largest economic output and energy consumption in the world. The economic dynamism of the region is directly dependent on the economic security of the region. The region’s energy mix and energy policies hold high relevance to meeting global carbon emissions targets. The United States and Australia represent the two major energy suppliers within the Indo-Pacific region. The United States and Australia are best placed to co-lead the Indo-Pacific Trusted Energy Initiative to achieve the dual objectives of energy security and credible pathways to carbon neutrality.

The Indo-Pacific Trusted Energy Initiative should engage industry leaders and academia in developing a regional platform for the co-development and market adoption of best-in-class clean energy technologies and applications. The IPTEI should prioritize resilient, integrated regional electric grids that enable an optimal mix of electricity generation and smart electric distribution systems.

While the U.S. musters the necessary political resolve to re-engage the Indo-Pacific region in a trade agreement, the IPTTEI offers the best alternative to binding the region's economy to the American energy industry.

***iii. Indo-Pacific Trusted Technology Forum (IPTTF)***

The United States, along with the QUAD, should launch an annual Indo-Pacific Trusted Technology Forum to facilitate shared understanding, definitions, norms, and best practices for the fast-evolving digital economy and to encourage the wide adoption of emerging technologies across the region. One of the IPTTF's goals may include the use of technology to empower individuals by advancing dignity and freedom. Importantly, the IPTTF may serve as the leading forum for the emerging discipline of tech diplomacy to hone its craft and shape regional trusted technology architecture among like-minded nations.

The Indo-Pacific nations have embraced the digital economy at full tilt. The Indo-Pacific region is arguably the world's leading region in adopting e-payments, and several of its leading economies are committed to a digital national currency in the near future. Nations as large and diverse as China, India, and Indonesia have embarked on ambitious targets for digital biometric identification systems and connecting their entire large populations through the internet. The Indo-Pacific region is well poised to be a world leader and standard-setter for the digital economy and for emerging technologies.

The United States is well-situated to initiate the IPTTF, building on the early success of the Indo-Pacific Business Forum and the experience from the regional performance of the Digital Connectivity and Cybersecurity Partnership (DCCP). Additionally, lessons learned from the Japan-US Digital Trade Agreement and Japan–US Strategic Digital Economy Partnership (JUSDEP) are instructive in engaging Japanese and QUAD government agencies, industry, and academia for rich and constructive deliberations at the IPTTF.

***iv. Indo-Pacific Fund (IPF) for Trusted Connectivity & Blue Dot Network***

The United States, with its QUAD partners, and in close coordination with the Asian Development Bank (ADB), should launch an Indo-Pacific Fund to mobilize private investments in high-quality digital and physical infrastructure projects. The IPF will represent a shared pool of pledged funds by the development finance institutions (DFIs) of the QUAD nations. The QUAD nations have signed several memoranda of understanding among themselves, professing enhanced coordination in regional infrastructure development. Such assertions find real import and credibility when nations back them up with clear commitment to coordinated and complementary funds for the task. The QUAD nations should issue clear directives to their respective development finance institutions to establish requisite modalities for complementary, coordinated joint funding for regional high-quality and/or strategic infrastructure projects. To optimize collective efficiencies in meeting regional infrastructure demands, the QUAD nations must waive or substantially reduce their respective national nexus criteria. This refers to the ability of a national DFI to fund a project with little or no domestic private investments. The U.S. International Development Finance Corporation (DFC) has amended its criteria for such investments from “required” to “preferred.” Other QUAD nations should follow the United States' lead in optimizing collective efficiencies to meet the regional infrastructure demand.

The Asian Development Bank (ADB) should be persuaded to offer appropriate matching funds to the IPF. The ADB is a leader in infrastructure financing among its sister regional banks in the World Bank fraternity. Thus far, China has been more successful in utilizing the ADB to support its preferred regional infrastructure initiatives, whereas QUAD nations contribute the majority of the ADB's capital. This anomaly should be expeditiously corrected.

The Indo-Pacific region, according to the ADB's estimates, has an annual infrastructure outlay in excess of \$1 trillion. As Secretary Yellen recently observed, “funding needs [for

global infrastructure and other public goods] are in trillions and we've so far been working in billions. The irony of the situation is that while the world has been awash in savings ... we have not been able to find the capital needed for investments in ... infrastructure ... we need to evolve the development finance system ... to better mobilize private capital."<sup>19</sup> The IPF, based on the current accounting of collective QUAD infrastructure outlays in the region, would signal a substantial commitment to regional infrastructure.

The IPF will substantially advance the wide acceptance and recognition of Trusted Connectivity as a useful framework for democracies delivering on the regional demand for digital and physical infrastructure, manifested at the individual project level by a certification of excellence—provided by the Blue Dot Network mechanism. The India-led Coalition for Disaster Resilient Infrastructure (CDRI) offers an additional framework for incorporating infrastructure resilience to natural disasters. The IPF may prioritize funding East–West connectivity projects, thus linking the Mekong region to India and South-Asia. Island connectivity across the Indo-Pacific region is also deserving of special attention from the IPF.

#### **IV. Conclusion**

The Ukraine invasion has upended the conventional thinking guiding world business over the last forty plus years. It has jolted global business complacency and put national economic security on the center stage. It has reshaped the contours of the world economy and made it improbable to separate economic relations from broader national security interests in the future. The inexorable integration of the world economy has slowed and reversed in parts. Both American and Chinese leaders are pursuing decoupling from each other's economies. Going forward, free and secure trade among reliable and trusted partners

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<sup>19</sup> "Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy," April 13, 2022, <https://home.treasury.gov/news/press-releases/jy0714>.

will be at a premium. Geopolitics is pulling the world towards a period of concentric and overlapping trading blocs with an uncertain future.

Similar to the Edwardian world of the early 20<sup>th</sup> century thinking war impossible because the world was increasingly interconnected, the transatlantic elites of the early 21<sup>st</sup> century, adhering to the *change through trade* dictum, were likewise deluded. The first great age of globalization died on the blood-soaked fields of Somme. The second great age may well meet its end in the battle for Ukraine.<sup>20</sup> Shocked by the unexpected violence, how will the present slate of transatlantic leaders react? Will they follow the example of their peers after WWI or that of WWII? While the former stood by impassively as the world fragmented and hurtled towards conflict, the latter strove to build a more stable, peaceful, and prosperous world. The United States' position was critical to the two outcomes. In the aftermath of WWI, the U.S. refused to step into the role vacated by Great Britain to stabilize the world. Instead, it withdrew from world affairs. After WWII, the U.S. shaped the rules-based international order that ushered in over seventy years of unprecedented peace and prosperity.

The United States remains the indispensable nation just as it was after the two World Wars. It needs to shed its aloof and ambiguous attitude of late—skeptical of its interest and ability to reconstruct the global economic architecture. Reconstruct it must, for no one else can. The United States' future peace and prosperity—and that of the free world—depends on it.

The United States, as suggested by its Treasury Secretary, should convene a renewed Bretton Woods gathering to modernize the contours of the world economic architecture and update the conception of international cooperation going forward. The Ukraine crisis marks the end of the unadulterated and unrestrained globalization driven by multinational

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<sup>20</sup> John Micklethwait and Adrian Wooldridge, "Putin and Xi Exposed the Great Illusion of Capitalism," Bloomberg, March 24, 2022, <https://www.bloomberg.com/opinion/articles/2022-03-24/ukraine-war-has-russia-s-putin-xi-jinping-exposing-capitalism-s-great-illusion>.

organizations. It demands the redesign and repurposing of global liberal economics. The liberal democracies of the new G10, and allies, account for over 60% of global GDP at current exchange rates, while autocracies like China and Russia muster barely a third of that.<sup>21</sup> The United States, accounting for 24% of the global share, is well positioned to rally the free world economies to construct a more resilient, secure, and sustainable economic architecture that bolsters the liberal alliance while continuing to increase global wealth.

Economic security concerns necessitate modernizing multilateral arrangements, prioritizing trust in partners and in the process. Going forward, trusted economic relations will be strongest among nations with a shared commitment to the core values and principles that uphold individual dignity and freedoms, enshrined in a rules-based international order. As the United States and the new G10 nations deliberate a systemic reordering of the global economic architecture with a renewed Bretton Woods, they may concurrently act upon the Indo-Pacific policies presented above.

The year 2023 presents a strategic opportunity to undertake bold actions to strengthen economic resilience and the security of the Indo-Pacific nations and to fortify their collective commitment to a rules-based international economic order. In 2023, Japan assumes the presidency of the G7, India the G20, and the U.S. the Asia Pacific Economic Cooperation (APEC) Summit. The QUAD nations should avail themselves of this synchronicity to both bolster the QUAD's collective economic arrangements and their institutional and structural relationships with the wider global economy.

Japan was one of the first nations to highlight the need for “trust” in global economic relations with its proposal for “Data Free-Flow with Trust” during the 2019 G20 summit in Osaka. The 2023 G7 meeting affords Japan the opportunity to institutionalize “trust” in the modern global economic architecture and institutions. To that end, Japan may consider inviting all QUAD members to be formal members of the G7 group. A newly constituted G10,

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<sup>21</sup> Ibid.



with the additions of Australia, India, and the European Union, will represent a formidable arsenal in ensuring the economic security of liberal democracies and will unify the world's largest economies in upholding the rules-based economic order.

For the United States to be a credible actor with the ability to influence the future economy of the Indo-Pacific, it must re-engage in trade negotiations with the region. What America's Indo-Pacific partners really want from the U.S. is a solid trade deal—and they have been waiting too long for it. It is a folly, with national security ramifications, not to bind the U.S. and the leading Indo-Pacific economies in a trade arrangement that benefits all parties by buoying their collective economic security against Chinese mercantilism. In the absence of a trade deal, the U.S. will not succeed in credibly challenging China's economic dominance in the region. A Free and Open Indo-Pacific Partnership offers a useful construct to reconstitute a more robust and resilient TPP.

A U.S.-backed Indo-Pacific Trusted Energy initiative committed to the dual goals of energy security and carbon neutrality will reap three reinforcing benefits. One, it will contribute to the exponential growth of the American and regional energy industry, including clean energy and associated workforces. Two, it will stabilize the region's energy security and empower its energy strategies to reduce carbon footprints. Three, it will bind regional energy security and the resulting economic prosperity of the region to the American energy sector and economy.

The Indo-Pacific Trusted Technologies Forum offers an excellent new venue to discuss the most enticing and invigorating technology applications in the region. It has the potential to evolve into the most catalyzing annual event for political leaders, diplomats, and captains of industry to engage in identifying the technology priorities of the region, ranging from standards, connectivity, and market adoption to the need for a technical workforce, government regulations, and beyond.

The QUAD nations should prioritize establishing an Indo-Pacific Fund to leverage private investments in high-quality infrastructure in the region. The QUAD nations need to come through with their continued rhetoric and cooperate in meeting the region’s infrastructure demand. In practical terms, their respective development finance institutions must be able to fund each other’s projects. This requires a degree of harmonization in the administrative processes of the four DFIs. QUAD leaders need to demonstrate political leadership to ensure this is done. Similar political leadership and determination is required to have the ADB match and closely engage with the IPF. Trusted Connectivity as a framework, and the Blue Dot Network as a quality-control mechanism, help communicate the full range of connectivity investments in the region. Japan, at the 2023 G7 Summit, may invite all interested member nations to contribute to the IPF.

The collective import of these four related actions across trade, energy, technology, and connectivity will not only strengthen the economic security of the Indo-Pacific region but also contribute to the resiliency of the global economic framework. The QUAD nations should make the year 2023 a consequential year of action in advancing their collective and regional economic interests.