<div style="border:1px solid">

Towards the Stability of International Order and Promotion of International Cooperation in the Post-Pandemic Indo-Pacific

</div>

Policy Recommendations to the Government of Japan on the Indo-Pacific Cooperation

<<Executive Summary>>

Policy Recommendations to the Government of Japan]

○ **Promotion of Indo-Pacific cooperation emphasizing collaboration with ASEAN**
・ In promoting Indo-Pacific cooperation, collaboration with ASEAN should be emphasized, an concrete cooperation that increases synergy between the Free and Open Indo-Pacific (FOIP) initiative and the ASEAN Outlook on the Indo-Pacific (AOIP) should be pursued in sectors such as maritime cooperation, SDGs, connectivity, regional economic integration, macroeconomics, and finance.

○ **Enhancing cooperation among Japan, US, Australia, and India**
• A new summit process for Japan, the US, Australia, and India should be established, and future addition of the UK and France should also be considered. Under commitments by leaders, strengthened cooperation on issues within the Indo-Pacific initiative, realization of cooperation projects with the AOIP, establishment of frameworks for cooperation with third countries, and collaboration with other relevant countries (EU, Canada, New Zealand, etc.) should be pursued at the Minister and high working-level.

○ **Stabilization of the security environment**
• In light of China's rapid military expansion, Japan should work to strengthen its own defense capability and the Japan-US alliance relationship. Particularly in light of China enhancing its theater-strike capability with intermediate-range ballistic missiles and cruise missiles, etc., disarmament and arms control frameworks for the Indo-Pacific region with the participation of the US, China, and Russia should be advocated.
• Along with building frameworks for dialog and cooperation among Japan, the US, Australia, India, and the UK on cyberspace and outer space, optimization of regulations and systems for trade and investment control and support for the capacity building in developing countries should be carried out.

○ **Crisis response and reform utilizing digital technology**
• There are some developing countries facing a macroeconomic/financial crisis due to the expansion and continuation of the COVID-19 crisis. Policy packages should be worked out for these countries, including strengthened financial support to address the fiscal crises and increased economic disparities, as well as support for reform of tax and insurance systems.
• Visions and action plans for a people-centered digital society aiming to utilize digital technology to solve post-COVID-19 economic and social problems (medical care/health, urbanization, environment/energy, economic disparities, education, gender, etc.) should be created by business-academia-government, and creation of actual projects through Asia DX should be promoted.

○ **Strengthening of connectivity across the Indo-Pacific and toughening of supply chains**
• A medium- and long-term scenario should be laid out, with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as an ongoing foundation, for a high-level mega-FTA in which Regional Comprehensive Economic Partnership (RCEP) participating countries that are not yet members of the CPTPP, the US, and Europe will also participate.
• Action plans for enhancing the resilience of supply chains across the Indo-Pacific should be set, with content such as adding India and Australia, etc., to Japan-ASEAN cooperation frameworks, smooth trans-border distribution of medical supplies, pluralization and diversification of supply chains for manufacturing, energy, etc., and smoother movement of business persons.
• In order to facilitate the flow of people, goods, money, and information within the region, Japan should give support for the setting of an expanded connectivity master plan from ASEAN to East Africa via India and the rest of South Asia based on the Master Plan on ASEAN Connectivity.

○ Strengthening of Indo-Pacific cooperation structures

• The National Security Secretariat, Cabinet Secretariat should set a national strategy for realization of the FOIP and conduct unified coordination of action plans and budget measures.
• Participation by broad stakeholders in Indo-Pacific cooperation should be encouraged through establishment of an "Indo-Pacific Business Advisory Council" formed by the industrial sector in Indo-Pacific countries and an "AOIP Vision Group" formed by universities and research institutions.

<<Body>>

1. Introduction

Upon entering the 2010s, a view taking the territory centering on the Indian Ocean and Pacific Ocean as a single strategic space arose. It has been four years since Prime Minister Abe laid out the Free and Open Indo-Pacific (FOIP) initiative at the meeting of the 6th Tokyo International Conference on African Development (TICAD), held in Kenya in August 2016. During this time, the term "Free and Open Indo-Pacific" spread to North America, Asia, Oceania, and Europe, and understanding of values and pillars of concrete cooperation such as the advancement of the rule of law, freedom of navigation, peaceful conflict resolution, and free trade under the FOIP promoted by Japan has deepened. The US, Australia, India, and ASEAN (Association of Southeast Asian Nations) have worked out their own Indo-Pacific initiatives.

Upon entering 2020, with the COVID-19 crisis spreading around the world, crises in the international order, such as US-China conflict, were further exposed and amplified, while the economy rapidly worsened in terms of both supply and demand, with a major slowing of demand recovery. Under these circumstances, into the future in the medium and long term, in order to achieve stability and prosperity in the Indo-Pacific region, it is necessary to continue to marshal support for ASEAN nations, which are located in its geographical center and are likely to determine the success or failure of the initiative, and further expand the countries that advocate the Free and Open Indo-Pacific initiative. Those countries need to collaborate to realize the initiatives they promote, including responding to the COVID-19 crisis, and not only governments in the relevant countries, but also a broad range of actors such as the industrial sector, universities, and research institutions need to tackle this promotion.

Due to the COVID-19 crisis, changes in various factors that have made international relations have accelerated. With global uncertainty increasing, dynamism through relations between the Pacific Ocean and Indian Ocean has great hidden potential to be an engine of global economic growth, and maintaining and strengthening rule-based order in the Indo-Pacific region will contribute to the entire international community. The Free and Open Indo-Pacific initiative is a security and economic foreign policy strategy that Japan should pursue over the medium and long term while always contributing to maintaining and strengthening ASEAN's unity and cooperating with countries that agree with the initiative.

In a press conference when he took office, Prime Minister Suga said that the Japan-US alliance will continue to be the cornerstone, that he intends to strategically promote the Free and Open Indo-Pacific initiative, and that at summit meetings with leaders of various countries, he will call for collaboration under that initiative. Additionally, during his late-October visit to Vietnam and Indonesia ahead of the East Asia Summit (EAS) in November of this year, he announced his intention that "ASEAN is an extremely important partner for the Free and Open Indo-Pacific that Japan promotes, and Japan wants to firmly express its intention to contribute to the peace and prosperity of the region as an Indo-Pacific nation." In light of this, under Prime Minister Suga into the future, it is desirable that the new Government further enhance and improve the Free and Open Indo-Pacific initiative.

In these policy recommendations, first, we review (1) why Indo-Pacific cooperation is important, (2) the responses of various countries to the cooperation initiative, (3) Japan's efforts to date on the cooperation initiative, and (4) changes to the regional situation due to the pandemic. Additionally, we lay out a direction towards the promoting the formation of a new international order and international cooperation in the Indo-Pacific, concluding with policy recommendations for the Government of Japan. These policy recommendations, in addition to stirring the debate in ministries and agencies

concerned with the Indo-Pacific initiative, are expected to help the Government of Japan, in collaboration with the relevant ministries and agencies, form a more robust and specific national strategy concerning the Free and Open Indo-Pacific.

2. Why Indo-Pacific cooperation?
(1) The importance of the Indo-Pacific region
(i) The Indo-Pacific as world growth center

Since entering the 21st century, emerging nations have achieved high economic growth through the development of globalization and digitalization. In particular, in addition to the region from China to Southeast Asia, through rapid growth in South Asia including India, eastern to southern Africa, and Latin America along the Pacific Ocean coast, the region around the Indian Ocean and the region around the Pacific Ocean have become the world's growth center. Accompanying economic growth in the Indo-Pacific region, income levels are rising, and a rising middle class is expanding consumer markets. Additionally, supply chains developed by Japanese industry are seen to be gradually spreading not just to China and ASEAN, but also to emerging regions nearby. It is necessary to contribute to the establishment of a free and open wide-area economic zone that also includes the US and Europe.

(ii) The Indo-Pacific region is located in major sea lanes of maritime nations

In addition, major sea lanes between the energy-producing Middle East and Japan are located in the Indian Ocean and Pacific Ocean, so the region faces various security issues such as piracy, terrorism, proliferation of weapons of mass destruction, natural disasters, and moves to change the state of the maritime order. In particular, as a maritime nation, it is imperative for Japan to further collaborate with countries that share a stance of aiming for the securing of rule-based international order, freedom of navigation, and peaceful conflict resolution in the face of China's rapid buildup of military capability, especially its building of a blue-water navy and its attempts to change the state of the maritime order with power in the East China Sea and South China Sea regions that connect the Indian Ocean and Pacific Ocean.

(2) Intensification of strategic competition in the Indo-Pacific region

The US after the end of the Cold War expected that China's internal economic development would lead to democratization of the political system and adopted a policy of engagement, but that has not always been successful. Since joining the World Trade Organization (WTO) in 2001, China has received the benefits of globalization and achieved rapid economic growth. In sectors such as IT (information technology and high-tech, private-sector companies have driven innovation, but along with the expansion of national economic and military power, especially since the launch of Xi Jinping's government, internally China has strengthened repressive rule by the Communist Party in Hong Kong and Xinjiang Uyghur Autonomous Region, etc., and movement of "state enterprises advance, private sector retreats," in which state-owned enterprises are favored and strengthened, is also seen. Additionally, on the foreign policy side as well, China has shifted from "keep a low profile" to "try hard" (active foreign policy), proposing the establishment of a new great-power relationship with the US, and through the Belt and Road Initiative expanding its economic and security hegemony in a region extending from Asia to Europe and Africa.

China has adopted a model aiming for a "prosperous and safe life" and is attempting to spread it to some emerging nations in Asia and Africa as a model for the development of emerging nations, although it is doubtful that a development model lacking freedom and democracy will lead to the achievement of sustained stability and prosperity for state or the international community. It is necessary to aim for a "prosperous and safe life" for each country and to achieve stability and prosperity in the Indo-Pacific region through collaboration by Japan and Western countries that share vales such as democracy and basic human rights. Furthermore, China has connected to the global value chain (GVC) through reform, openness, and a market-oriented economy, benefitting from globalization, and it is important to continue persuading China to understand that strengthening authoritarianism and hegemonism in the Indo-Pacific region will not benefit China itself.

Based on this thinking, countries that aim for an inclusive economy and society with a free, democratic, and more decentralized system should collaborate and cooperate to form a stable

international order in the Indo-Pacific region.

3. Positions of various countries/regions on Indo-Pacific cooperation
(1) US
In the US, in 2019 the Defense Department published an "Indo-Pacific Strategy Report," and the State Department published "A Free and Open Indo-Pacific: Advancing a Shared Vision." The State Department's report emphasizes that the US is the Indo-Pacific region's biggest direct investor country and biggest development assistor country, that it is committed to supporting a Free and Open Indo-Pacific, and that it will strongly resist attempts to curtail the independence and freedom of the region's countries. In addition, with Japan as well, cooperation in the Indo-Pacific is promoted in sectors such as maritime security, infrastructure, energy, and the digital economy. The Japan-US alliance is fundamental to Japan's foreign policy, and in the future, in the sense of drawing out the US's medium- and long-term constructive contributions to Asia's security and economic development as well, with a new Administration after the November 2020 US presidential election, it is extremely important to continue and strengthen Japan-US collaboration on Indo-Pacific cooperation.

(2) China
With an economic scale 2.8 times that of Japan (67 percent of that of the US) and military expenditure 5.5 time that of Japan (36 percent of that of the US; 2019 statistics) China has risen to become an economic and military great power. Since the launch of Xi Jinping's government, domestically the Communist Party has proceeded to strengthen control, altering Hong Kong's one country two systems governance, strengthening assimilationist policy in minority autonomous regions, abolishing term limits for the president, etc. Additionally, on the foreign policy side, problems are occurring such as its carrying out of the Belt and Road Initiative, expanding its economic and security hegemony in a region extending from Asia to Europe and Africa, changing the state of the maritime order by force in the East and South China Seas, etc., and expanding state-controlled digital hegemonism through the "Digital Silk Road" and "digital renminbi." On the other hand, China has an enormous domestic market and is the source of various final products, components, etc., and so on, so economic interdependence between Japan and China is deep. Additionally, solving global issues related to Sustainable Development Goals (SDGs), such as climate change, energy, etc., will be difficult without the cooperation of China with its large-scale economy and population. In the Indo-Pacific region, even as confrontation with China continues in the security and economic security sectors, it is preferable to maintain political dialog at the summit and ministerial levels to avoid gratuitously increasing military tension, etc., and to seek potential cooperation if there are sectors where mutual benefit is shared, such as the economy, personal exchanges, and SDGs.

(3) ASEAN nations
The ASEAN nations are located at the geographical center of the Indo-Pacific, and whether their support can be received will greatly affect the success or failure of the Indo-Pacific initiative. In addition, ASEAN provides venues, such as the East Asia Summit, for discussion of Indo-Pacific cooperation. The 2019 ASEAN summit meeting adopted the "ASEAN Outlook on the Indo-Pacific" (AOIP), deciding to collaborate with dialog partners to promote maritime cooperation, connectivity, SDGs, and other economic cooperation. ASEAN has maintained neutrality in US-China conflict, avoiding choosing between FOIP and Belt and Road Initiative and emphasizing ASEAN's unity. For Japan, it is necessary to advance the actualization of cooperation that demonstrates synergies with FOIP and AOIP while also as much as possible not forcing ASEAN nations into situations where they must choose between the US and China.

(4) Others in Northeast Asia
Taiwan shares values such as freedom and democracy, and rule of law with Japan, its high-tech industries such as semiconductors are strong, and it plays an important role in the establishment of industrial supply chains in Asia. With the US advancing economic partnership talks and the establishment of semiconductor supply networks with Taiwan through high-level dialog, Chinese fighter jets have crossed the dividing line in the Taiwan Strait, repeatedly engaging in saber rattling by intruding into the Taiwanese side. Taiwan's current status must be maintained for the sake of the

stability of the Asian region. Additionally, for Japan, there is room to advance further initiatives on cooperation in sectors such as third-country market cooperation and economic and trade cooperation in the New Southbound Policy that Taiwan is pushing for ASEAN, South Asia, and Oceania.

As for South Korea, since the launch of the Moon Jae-in Administration, relations with Japan have worsened due to the Comfort Women issue and the conscripted worker issue, and also because of economic dependency on China, its largest trading partner, and the necessity of cooperation with China for reconciliation with North Korea, its cautious stance towards the Indo-Pacific initiative has not changed. On the other hand, South Korea's economic scale and its military spending are both about 10th in the world, and towards ASEAN and India it has worked out the New Southern Policy, which focuses on the establishment of a "people-centered community," a "community of prosperity," and a "community of peace," so in the future a positive contribution to the Indo-Pacific initiative is expected.

(5) Australia

In Australia, the 2017 foreign policy white paper set forth "A stable and prosperous Indo–Pacific," which, along with maintaining and strengthening US contributions to economy and security, expresses hopes for China to demonstrate leadership through strict compliance with international principles, etc. Additionally, Australia is advancing its Step-up policy of aid to geographically near Pacific island nations. Australia is an important country for achieving stability and prosperity in the Indo-Pacific region, and it is advancing cooperation with Japan in fields such as energy infrastructure.

(6) Pacific island nations

Pacific island nations are located in a strategic crossroads, at the intersection of the resource transport route between Japan and Australia and the US military's route to East Asia, so they are a key point geopolitically. In recent years, China has been expanding its influence through economic aid for infrastructure development, etc., and summit-level diplomacy. Against the backdrop of independence-related movements in French-ruled New Caledonia and Papua New Guinea's Autonomous Region of Bougainville, watchfulness against China as it expands its influence is indicated. For Japan, it is necessary to collaborate with the US, Australia, etc., to strengthen economic and security support.

(7) India and South Asia

In 2019, India announced the Indo-Pacific Oceans' Initiative, which promotes maritime security mainly in the Indian Ocean and expanded access to the GVC, but on the other hand it has withdrawn from Regional Comprehensive Economic Partnership (RCEP) negotiations and neighboring countries are wary of India, so there are complicated aspects. As for South Asian countries other than India, recently they have been working to rethink their overdependence on China, but one cannot be optimistic. As for Japan, India shares values such as freedom and democracy, so it is important to collaborate with India, which also has networks of non-resident Indians or persons of Indian origin in Africa, etc., and strengthen regional connectivity from Southeast Asia to Africa via South Asia while bringing in neighboring countries.

(8) Europe

In 2018, the EU set forth a Strategy on Connecting Europe and Asia, and it is putting effort into cooperation based on connectivity and shared rules and standards in logistics, digital, energy, etc. The UK will withdraw from the EU (European Union), but has shown interest in participating in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and has shown intent to welcome Japan's participation in Five Eyes. France announced a security policy for the Indo-Pacific in June 2019, and Germany put out guidelines for Indo-Pacific diplomacy in September 2020. There is a lot of room to collaborate on the promotion of maritime security, establishment of economic rules, democracy, and so on with such European countries that have the same values of freedom and democracy, etc. In Europe at this time, more than a few countries are trying to cooperate with China's foreign policy for economic benefit. For Japan, closer political dialog and stronger economic and cultural exchanges with such countries are important.

(9) Africa
   In the FOIP, in Africa, as an emerging region achieving rapid development, in addition to the development side, Japan aims to carry out support for nation building on the political and governance sides while respecting the partner country's ownership, aiming to make an artery of growth and prosperity in a belt from Asia to Africa. On the other hand, with some African countries facing a financial crunch due to rising public debt, it has been pointed out that China's low-concession loans are further worsening the situation, and it is necessary to introduce international standards for infrastructure development.

4. The Government of Japan's initiatives and results so far
(1) Establishment of FOIP norms and three pillars of cooperation
   The Government of Japan has indicated norms that should be shared under the Free and Open Indo-Pacific (FOIP) initiative and promoted three pillars of cooperation.
   The Government specifies securing an international order based on rules, including the rule of law, and the advancement of freedom of navigation, peaceful conflict resolution, and free trade as norms shared with various countries. In addition, establishing the three pillars for achievement of FOIP, i.e., (i) Spreading and solidifying the rule of law, freedom of navigation, free trade, etc., (ii) Pursuit of economic prosperity (strengthening economic collaboration, including connectivity, economic partnership agreements [EPAs]/free trade agreements [FTAs], and investment agreements), (iii) Commitment to peace and stability (capacity building for enforcement of maritime law, humanitarian/disaster assistance, etc.) is leading to specific initiatives.
   In the two sectors (ii) Pursuit of economic prosperity and (iii) Commitment to peace and stability in particular, in coordination with relevant countries, the Government has advanced concrete cooperation initiatives such as strict compliance with the UN Convention on the Law of the Sea, dissemination of principles of high-quality infrastructure investment, hard and soft infrastructure improvement for stronger connectivity and bridge building through international rules such as the setting of trade rules such as the CPTPP and the RCEP, and capacity building related to maritime security and human security.
   Additionally, as policy tools for advancing such cooperation initiatives, in addition to existing bilateral official development assistance (ODA), the Japan-ASEAN Technical Cooperation Agreement, and the Japan-ASEAN Integration Fund (JAIF), the Government set forth the Initiative on Overseas Loan and Investment for ASEAN at the 2019 East Asia Summit.

(2) Lobbying of relevant countries and promotion of international cooperation and strict compliance with international rules
   The Government of Japan, along with lobbying various countries concerning the FOIP initiative, has advanced cooperation projects with countries that agree with the FOIP and third countries, and has also emphasized the importance of strictly complying with international rules to China and some other countries.
   In part because of lobbying by Japan, as noted above, countries such as the US, Australia, and India, have set forth their own Indo-Pacific initiatives, and through bi- and multilateral dialog between and among those countries, they have worked out cooperation frameworks and specific cooperation projects in third countries. In addition, even ASEAN, which preserves its neutrality in US-China conflict, has adopted the ASEAN Outlook on the Indo-Pacific (AOIP), attempting to advance concrete cooperation towards the region's peace and prosperity with dialog partners. Japan is also proceeding with dialogs concerning the Indo-Pacific initiative with nations with shared values, such as European countries, Canada, and New Zealand. In relations with Africa and island nations of Oceania, where China's influence is strong, top-level diplomacy through TICAD and the Pacific Islands Leaders Meeting, etc., Japan urges the sharing of norms under FOIP and advances specific development cooperation cases.
   Japan is carrying out strategic dialog with China as well. In part because of US-China trade friction, etc., during a high-level forum on international cooperation concerning the Belt and Road Initiative held in Beijing in 2019, President Xi Jinping emphasized the importance of "quality development," "universal international rules," and "sustainability," and also referred to active support for WTO reform,

strict enforcement of the Foreign Investment Law, elimination of market-distorting unreasonable rules, subsidies, and practices, etc. Thus, the FOIP initiative is promoting China's strict compliance with international rules, and has an aspect of turning it towards a "free and open" Belt and Road Initiative, but on the other hand China has not budged from its cautious stance on the AOIP adopted by ASEAN at the initiative of Indonesia and others, so it does not appear certain that it will accept the idea of Indo-Pacific cooperation.

(5) Changes in situation in the Indo-Pacific region after the pandemic
(1) Exposure and amplification of threats to the international order in the Indo-Pacific region through the COVID-19 crisis

Since early 2020, the COVID-19 crisis that originated in Wuhan, China, and spread around the world has exposed and amplified threats to the international order in the Indo-Pacific region.

US-China conflict does not stop at trade disputes. Conflict over problems such as tracing the origin of the COVID-19 crisis, technological hegemony over the fifth generation mobile telecommunications system (5G), etc., enforcement of the National Security law in Hong Kong, and territorial rights in the South China Sea is intensifying.

China caused the spread of COVID-19 to the world because of the opacity of information disclosure, and the domestic COVID-19 crisis was converged by the state-controlled society model. After that, it advocated the Health Silk Road, taking a lead in "mask diplomacy" that supplies masks and other medical equipment to the world's countries. On the other hand, it does not stop at US-China conflict. With import restrictions on Australian beef, border disputes with India, intrusion of Chinese public ships into the East China Sea, establishment of an administrative district in the South China Sea, and so on, China is putting forth a confrontational stance that has come to be called "wolf warrior diplomacy."

Meanwhile, in the US, delay has been seen in its domestic response to the COVID-19 crisis, it faces disparities in its economy and society including human rights issues, it continues a foreign policy of America First and isolationism, and it clearly believes that the root of the competitive US-China relationship is China's system of governance. Thus, the competing systems aspect between the US and China is becoming sharper and shaking the international order.

Under these COVID-19 crisis conditions, acts of provocation by China and North Korea continue, and a tendency to seize on the international confusion due to the COVID-19 crisis, especially confusion in the US, to intensify hegemonic acts is seen, so it is necessary to watch China's moves with great interest.

The COVID-19 crisis has weakened international response to global risks in general, and in addition to existing climate change issues, risks are rising in new sectors, such as pandemics, cybersecurity, and biotechnology. By nature, global risks should be responded to with multilateral international coordination, but under current circumstances, cracks in international coordination are spreading. Even before now, WTO dysfunction and US withdrawal from the Paris Agreement (climate change), etc., had been problems, and the US officially informed the UN in July 2020, that it would withdraw from the World Health Organization (WHO) in one year, saying that the WHO had not been able to adequately respond to the pandemic.

(2) While the economy worsens in terms of both supply and demand, digital economy and society expand and deepen

Due to the COVID-19 crisis, the economy is worsening in terms of supply, demand, income, and employment, but in order to solve COVID-19 crisis issues, the digital economy and society are expanding and deepening.

As the COVID-19 crisis first began to expand, emergency export restrictions on medical supplies, border closings, etc., caused supply shocks that severed global supply chains. After that, in Asian countries demand for face-to-face services and durable goods fell rapidly, income and employment fell rapidly, etc., and the economy stagnated due to demand, income, and employment shocks. For example, according to the World Economic Outlook announced by the International Monetary Fund (IMF) in October 2020, economic growth rates in 2020, were positive in China at 1.9 percent, but negative in India at -10.3 percent and the ASEAN-5 (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) at -3.4 percent. As a result, most countries have had to undertake fiscal stimulus,

expanding deficits. Additionally, the spread of infection with COVID-19 directly impacts impoverished people, promoting transfer from the formal sector to the informal sector, and the socially vulnerable receive a major impact, with disparities in income distribution increasing. In developing countries in particular, there is concern about the risk that a sudden increase in infections will immiserate people and increase poverty, profoundly worsening the national economy.

On the other hand, from the perspective of preventing the expansion of the COVID-19 crisis, so-called corona-tech non-contact technology is spreading, and the expansion and deepening of digital economy and society is accelerating, to the point of being referred to as Digital Transformation (DX). Specifically, business models meeting new needs generated by the COVID-19 crisis have come into being, including apps for tracing and managing infected people, monitoring and disinfection in contaminated regions utilizing unmanned technology, and remote communication-based healthcare, education, and telework. On the other hand, in some countries, data collected using digital technology is controlled by the state, and concern has been raised that new "digital state-controlled societies" that strengthen social control by using it to monitor and control the people may arise.

6. A direction towards the promoting the formation of a new international order and international cooperation in the Indo-Pacific

(1) Basic thinking

The COVID-19 crisis that began early in 2020 has had negative impacts on the trends of globalization, capitalism, and democracy that have formed the postwar international order, so first it is necessary to dispel those impacts.

First, the COVID-19 crisis has slowed the cross-border movement of people and goods that had promoted globalization, with some countries turning inward to policies that prioritize their own country, which has led to rising nationalism. Into the future, it is necessary to overcome the COVID-19 crisis, join hands with countries interested in tackling solutions for global issues, and establish a new international system for coordination and cooperation to achieve peace and prosperity.

Second, excessive capitalism has widened economic and social disparities in various countries, and people are dissatisfied with existing powerholders and mechanisms, and the COVID-19 crisis has accelerated this, further increasing populism in some countries, affecting their domestic and foreign policies. In order to prevent such a situation, it is necessary to achieve inclusive capitalism that aims to solve economic and social issues by bringing social welfare to a wider range of actors in society.

Third, the COVID-19 crisis has brought dissatisfaction with and uncertainty about civil society, inviting a loss of a sense of solidarity as people in a democratic society. The roles of a sovereign state in solving problems have increased, and in some countries power has concentrated in the hands of leaders and government, and although they have survived the crisis by increasing state control through digital technology, in the medium and long term it is necessary to aim for a people-oriented economy and society based on rule of law, which seeks rule-building for a global economy and response to global risk through the power of the people as before.

(2) Basic direction
(i) Maintenance of multilateral international coordination system and strengthening of international cooperation

With global governance centered on developed countries wavering, it is important for Japan to collaborate with ASEAN, Oceania, and Europe to seek the proper form for new multilateral international coordination and strengthen international cooperation. Unlike the Asian currency crisis of the past, Japan does not hold overwhelming superiority in Asia, so it is essential to collaborate with other middle powers to promote international coordination and cooperation. Already, declarations concerning response to the COVID-19 crisis have been made at ministerial-level meetings of the Group of Twenty (G20), Asia-Pacific Economic Cooperation (APEC), ASEAN, etc., and cooperation has begun. It is necessary to boost that. Additionally, it is important to strengthen the functioning of international organizations, especially from the perspective of preventing the spread of disease, promoting improved governance of international organizations focused on the WHO and other UN agencies is an urgent issue.

Amidst this, Japan should advance strategic dialogs with both the US and China, drawing out from

the US constructive involvement in stabilizing the international order and strengthening China's compliance with international rules. Medium- to long-term and stable US involvement in the Indo-Pacific (especially the ASEAN region) not only will relatively lessen China's influence (e.g., diversify political and economic options other than China, develop an environment where it will be easier to speak out against China's one-sided actions), but also it is essential to the region's formation of international rules and solving of social and economic problems. Japan should proactively draw out US involvement.

So far, the Government of Japan has promoted collaboration with the US, Australia, and India, and has sought the proper form of an FOIP that can respect the unity of ASEAN located at the center of the Indo-Pacific. Into the future, it is necessary to further strengthen collaboration with those countries, especially India, which emphasizes strategic independence and leans towards inward-looking policies. Additionally, Japan should continue dialogs with other countries, and strengthen collaboration with European countries with shared values, norms, and interests (especially the UK) and among Japan, the US, Australia, and India.

(ii) International collaboration through the formation of and compliance with rules in the economic and security sectors

It is necessary to deepen international collaboration through the formation of and compliance with rules in the economic and security sectors and thus stabilize the international order in the Indo-Pacific region.

In the security sector, China's rapid expansion of military power invites disequilibrium in the regional balance of power, and that could affect, for example, strengthen China's political and economic influence on ASEAN nations. In particular, the fact that the international community could do nothing about China's act of reclaiming and militarizing international waters has had a major impact. In addition, China's growing military strength in the outer space and cybersecurity sectors is a point of concern. International initiatives in collaboration with the US, etc., should be undertaken swiftly to overcome these negative trends. When doing so, take care to use a carrot-and-stick approach. Namely, along with working to strengthen defense capability on the one hand, Japan should advocate multilateral disarmament efforts in the Indo-Pacific region. At that, no serious international disarmament effort has taken place in Asia since the Washington Naval Treaty and the London Naval Treaty between World Wars I and II, and during this time the emergence of the Chinese military has been shaking the region's stability to its foundations.

Specifically, for the sake of the stability of the maritime order, along with continuing existing efforts such as strict compliance with the UN Convention on the Law of the Sea and strengthened enforcement capability, etc., into the future it is necessary to consider how to respond to new issues such as arms control for restriction of intermediate-range ballistic and cruise missiles, space, cybersecurity, technology and investment control.

In the economic sector, international rules should be formed and strict compliance lobbied for in sectors such as trade (WTO reform, mega-FTAs), technology (investment/technology control), digital (data free flow with trust), infrastructure(principles for quality infrastructure), etc. Additionally, it is necessary to collaborate with countries interested in creating fair rules with the fact that destructive innovation is advancing around the world incorporated and advance the creation of new international standards and rules in sectors such as high-tech industry, digital, and energy/environment.

With US-China competition for technological dominance intensifying, the economic security sector, which concerns both security and the economy, is receiving focus. For Japan, which has deep economic interdependence with Indo-Pacific nations, in order to ensure economic security it is necessary, while continuously avoiding the risk of supply chain severing through decoupling in a wide range of sectors, to advance optimization of regulations and systems and build international rules in sectors related to sensitive technologies such as semiconductors, 5G, and digital platforms.

(iii) Solving SDG and pandemic issues through technological innovation

The spread of the COVID-19 crisis in the Indo-Pacific region, in addition to existing SDG issues such as aging/population decrease, urbanization, energy/environment, etc., has newly highlighted threats to human security such as epidemics, economic disparities, and social divisions (gender, ethnicity, religious extremism, etc.), and macroeconomic/financial risks. On the other hand,

deepening and expansion of the digital economy and society in order to respond to the COVID-19 crisis and advanced technological innovation in fields such as biotech, as seen in the race to develop a vaccine, are advancing, generating opportunities for new economic and social development.

Amidst this, after COVID-19, countries of the Indo-Pacific region that share various issues that have been exposed and amplified should collaborate, advance responsive initiatives such as adopting solutions utilizing advanced technology such as digital, biotech, and energy, and aim for the development of inclusive societies and economies. In particular, as a developed country in terms of such issues, it is desirable for the people-oriented Japan to utilize the Asia Digital Transformation (DX) in structural reform in Japan's internal economy and society while simultaneously involving industrial sector such as Asia's digital platformers, along with disseminating technology, know-how, and successful cases in the Indo-Pacific region.

China, has advanced the Digital Silk Road under the Belt and Road Initiative, following the COVID-19 crisis, it has set forth the "Health Silk Road," proceeding to not only supply medical resources such as masks and send medical teams but also provide medical technical support utilizing artificial intelligence (AI) and disseminate infection-detection apps, etc., to countries along the route. Additionally, in priority sectors such as space, aviation, shipping, communications, and computerization, China is collaborating with countries along the route of the Belt and Road Initiative to jointly set international standards in an attempt to spread Chinese-style systems. Furthermore, China is having countries along the route adopt the digital renminbi, and it is pointed out that there is concern that China may advance internationalizing the renminbi as an international settlement currency and state management of renminbi usage data. If Chinese digital solutions and digital currency are adopted in countries along the route, there will be de facto management of data by the state, so there is risk it could lead to expansion of digital state-controlled society. In order to aim for a people-oriented economy and society based on the rule of law, along with showing models of a people-oriented digital economy and society as an alternative to the Chinese model, it is necessary to expand soft power such as social/cultural cooperation and information transmission that shine a light on values centered on democracy and civil society.

(iv) Enhancement of implementation structures and expansion of participating actors
Although the Free and Open Indo-Pacific (FOIP) initiative promoted by Japan specified norms that should be shared and made clear the three pillars of cooperation, a concrete national strategy does not exist. Into the future, along with coordinating relevant ministries and agencies under the leadership of the Prime Minister's Office and setting a concrete national strategy, it is necessary to work out budgetary measures and an action plan with clear priorities and timelines. Furthermore, in order to steadily implement the action plan, collaboration between relevant government organs and the industrial sector should be strengthened.

In order to achieve growth in the Indo-Pacific region, the private sector's vitality and innovation are essential, but industrial sector's interest in Indo-Pacific cooperation is not necessarily high. In order tto increase the contributions of the industrial sector in Indo-Pacific countries, the advancement of business environment enhancement in isthis region and cooperation projects of government–private sector collaboration based on the industrial sector's requests, and the holding of international forums and the establishment of mechanisms to try to disseminate their outcomes are necessary.

Additionally, aiming to achieve a Free and Open Indo-Pacific, it is necessary to promote intellectual contributions and exchanges by universities and research institutions, etc. Conventionally, track II forums centered on universities and research institutions, such as the East Asian Vision Group (EAVG) and the Network of East Asian Think Tanks (NEAT), have been formed mainly around ASEAN + 3 (Japan, China, and South Korea) frameworks, but the establishment of track II forums promoting Indo-Pacific cooperation centered on AOIP cooperation are expected under ASEAN + 8 East Asia Summit frameworks.

7. Policy recommendations to the Government of Japan concerning Indo-Pacific cooperation
(1) Stabilization of the security environment
(i) Strengthening security policy and making international organization more active
• Further enhancement of the Japan-US alliance and Japan's defense capability
• Support for capacity building for international law including the UN Convention on the Law of the

Sea and enforcement of law of the sea including IUU countermeasures
• Raising issues at the EAS, ARF, and UN concerning moves attempting to change the maritime order in the South China Sea, etc.
• Regarding risk management on the ocean, enhancement of multilateral agreements and contact mechanisms and carrying out of joint training

○ Along with enhancing the Japan-US alliance and Japanese defense capability, it is necessary to utilize Japan-US-Australia-India frameworks and work on multitiered cooperation with ASEAN nations, etc. Additionally, for countries along the South China Sea, in addition to traditional bilateral ODA, ing, making maximum use of tools such as the Japan-ASEAN technical cooperation agreement that went into effect in 2019 and the Japan-ASEAN Integration Fund, supporting capacity building concerning international law including the UN Convention on the Law of the Sea, and supporting improvement of maritime law enforcement capacity for measures against illegal, unreported, and unregulated (IUU) fishing should be promoted.
○ Regarding China's moves to change the maritime order, including South China Sea issues that are becoming further apparent after the pandemic, utilize multilateral conferences and forums such as the East Asia Summit (EAS), the ASEAN Regional Forum (ARF), and the UN, working to raise issues along with other countries that have the same intention.
○ In order to protect the rule-based, open maritime order, establishment of multilateral frameworks for risk management at sea should be advocated. Specifically, signing of a multilateral (including China) incidents at sea agreement (INCSEA), establishment of a maritime and aviation contact mechanism that covers the navies and maritime law enforcement agencies of regional nations (including China), and joint training based on such agreements and mechanisms should be aimed for.

(ii) Establishment of frameworks for stabilization efforts and arms reduction and control in the Indo-Pacific region
• Establishment of international arms control frameworks for intermediate-range ballistic and cruise missiles with the participation of the US, China, and Russia

○ The military balance in the Indo-Pacific region is rapidly and continuously changing due to China's military expansion. In order to prevent destabilization of the region, along with advancing Japan's defense efforts, multilateral arms reduction and control frameworks should be established.
○ During the US-USSR Cold War era, efforts were carried out to stably balance the two countries' nuclear weaponry. The two countries signed arms control treaties concerning strategic nuclear forces, and at the end of the Cold War, the Intermediate-Range Nuclear Forces (INF) Treaty was signed. In the conventional forces sector as well, a troop reduction treaty was signed between NATO (North Atlantic Treaty Organization) and the Warsaw Pact. In today's Indo-Pacific region, absolutely no arms control and reduction efforts are taking place. Not only is North Korea proceeding with nuclear missile development, China's upgrading of its intermediate-range ballistic missiles and cruise missiles is striking, and along with the militarization of the East China and South China Seas, this threatens the stability of the region.
○ As for the Government of Japan, it will continue to aim for North Korea's denuclearization and it will aim to ease regional tension caused by China's rapid military buildup. As a first step, it should obtain the participation of the US, China, Russia (and the UK, France, India, and Pakistan as the case may be) and advocate the establishment of international arms control frameworks to constrain the buildup of the theater striking power of intermediate-range ballistic missiles, cruise missiles, etc. Such efforts and Japan's defense efforts should be two of the most important efforts aiming to stabilize the region. For that, it would be desirable to take diplomatic initiatives that would spur international discussion even in multilateral forums such as the UN, ARF, and EAS.

(Note) At a press conference at the UN in July 2019, then–Foreign Minister Kono stated the intention that "I think that the INF has played a big role in arms reduction, so Japan hopes that both the US and Russia will carry that spirit forward, and not only the US and Russia, but the P5 (permanent members of the UN Security Council) including China, the UK, and France will seriously discuss how to address this in the future."

(iii) Addressing new security issues

> • Establishment of frameworks for dialog and cooperation among Japan, the US, Australia, India, and the UK on cybersecurity and outer space
> • Ensuring information security related to undersea cables, land communication cables, positioning satellites, etc.
> • Optimizing regulations and systems for trade control and investment control through policy dialog with relevant countries

○ Dialog and cooperation frameworks adding the UK to Japan, the US, Australia, and India should be established in order to address new security issues such as cybersecurity and space, and in the Indo-Pacific region, initiatives should be advanced for promotion of the rule of law, confidence-building measures, and support for capacity building in developing countries. In particular, efforts should address information security problems related to undersea cables, land communication cables, positioning satellites, and so on in the region.

○ In order to prevent transfer to certain countries of civilian technology that could be converted to military use, Japan should promote optimization of regulations and systems for trade control and investment control through policy dialog with relevant countries. Additionally, it is necessary to continue and to enhance support for capacity building concerning this in developing countries, especially in ASEAN.

(iv) Addressing terrorism and transnational crime

> • Implementation of measures against terrorism and international crime through utilization of regional cooperation frameworks and collaboration with international organizations

○ Concerning terrorism, illegal drug trafficking, human trafficking, money laundering, acts of piracy, arms smuggling, international economic crime, cybercrime, etc., in the Indo-Pacific region, through utilization of cooperation frameworks such as Japan-ASEAN, ARF, APEC, the ASEAN Defense Ministers' Meeting-Plus (ADMM+), and the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) and collaboration with international organizations such as the UN, Japan should advance information exchange and sharing of best practices through international dialog, stricter border control and immigration inspection, enhancement of law enforcement and capacity building for prevention and policing, and education of the industrial sector and civil society.

(v) Strengthening collaboration, etc., with Japan-US-Australia-India and ASEAN/Europe

> • Creation of a summit process concerning Indo-Pacific cooperation that adds the UK and France to Japan-US-Australia-India.
> • Realization of cooperation with the AOIP, third-country cooperation, promotion of collaboration with other relevant countries (EU, Canada, NZ)

○ When working to ensure the security of the Indo-Pacific region, obviously dialog and cooperation with ASEAN nations, especially coastal nations such as Indonesia, Singapore, Vietnam, and the Philippines, are important, but at the same time, a new summit process for Japan, the US, Australia, and India should be established, and future addition of the UK and France should also be considered.

Under commitments by leaders, strengthened cooperation on issues within the Indo-Pacific region, realization of cooperation projects with the AOIP, establishment of frameworks for cooperation with third countries, and collaboration with other relevant countries (EU, Canada, New Zealand, etc.) should be pursued at the ministerial and high working-level.

○ When advancing collaboration, ASEAN considers its own centrality to be very important, so it is vital to avoid giving the perception of discussion that excludes ASEAN.

(2) Addressing SDGs and human security
(i) Addressing pandemics, etc.

> • Establishment of eminent persons' conferences on solving issues concerning SDGs, such as infectious disease and economic disparities
> • Support for establishment of an ASEAN Center for Infectious Diseases and expansion of related cooperation with neighboring developing countries
> • Creation of roadmaps for establishment of public health system in developing countries and realization of cooperation
> • Support for improvement of social security systems and provision of services such as healthcare using digital

○ SDGs are one of the four pillars of the AOIP, andto, and solve SDG-related issues such as infectious disease and economic disparities that are highly urgent/high priorities during the pandemic, along with the establishment of eminent persons' conferences under the framework of the East Asia Summit, working-level cooperation should be expanded.

○ In order to promote and expand such cooperation, Japan in particular should take the initiative, and in collaboration with the US, Australia, etc., quickly establish an ASEAN Center for Infectious Diseases properly based on ASEAN's needs through dialog with ASEAN. Additionally, it would be desirable to expand related cooperation to other developing countries in the Indo-Pacific region (Oceania, South Asia, Middle East, Africa, etc.).

○ In order to enhance infectious disease countermeasures, establishment of a basic public health system is considered vital, and Japan should mobilize the knowledge it has gained domestically and through cooperation in developing countries, creating roadmaps and carrying out initiatives for realization together with the countries involved and international organizations.

○ Japan should carry out support for improvement of social security systems to achieve universal healthcare and provision of new healthcare and educational services utilizing digital technology.

(ii) Correcting economic and social disparities

> • Advocacy of support initiatives in the Basic Human Needs (BHN) sector in least developed countries
> • To stabilize societies and economies, support for improvement of legal systems, human resource development, and social implementation of solutions
> • In collaboration with international organizations, analysis of and proposed solutions to the impacts aging societies and population decreases will have on the intra-regional economy

○ The widening of economic and social disparities and deepening of poverty issues in developing countries due to the COVID-19 crisis are very much causes for concern. Based on a human security perspective, Japan should advocate support initiatives for least developed countries that focus on Basic Human Needs (BHN) sectors such as poverty, food, health/welfare, education, gender, and public health.

○ In order to stabilize societies and economies, Japan should enhance efforts on support for improvement of legal systems, human resource development, social implementation of solutions, etc., in the above sectors. It is necessary to advance solutions to social and economic issues by considering new approaches such as South–South cooperation with ASEAN, third-country cooperation with the US, Australia, Europe, etc., and civilian-base joint development by corporations and NGOs.

○ From a medium- and long-term perspective, along with analysis in cooperation with international organizations such as the Economic Research Institute for ASEAN and East Asia (ERIA) of the impact on intra-regional economic production/supply and incomes/distribution of the population decrease accompanying the aging of society that countries of Northeast Asia and some in Southeast Asia are facing, solutions for achievement of sustained economic growth should be put together.

(iii) Addressing global issues such as environment/energy

> • Promotion of mitigation of and adaptation to climate change through energy conservation, renewable energy, and disaster-resistant urban development
> • Deployment support for climate change measures involving the industrial sector, such as ICEF,

> TCFD, and RE100
> • Performance of social implementation projects for a recycling-oriented economy that produces resources and energy from waste material
> • Advancement of cooperation on plastic garbage in the ocean, with which ASEAN is highly concerned
> • For stable energy supply, etc., utilization of LNG, electricity infrastructure improvement, realization of a hydrogen society
> • Advancement of international joint research with developing countries for solving global issues and raising science and technology standards

○ Japan should promote mitigation of and adaptation to climate change through dissemination and development of Japan's low-carbon technology utilizing the Joint Crediting Mechanism (JCM), developing countries' conversion to clean energy, and development of hard and soft infrastructure for urban development resistant to natural disasters from climate change.

○ Japan should support development in the Indo-Pacific region of initiatives on climate change measures involving the industrial sector, such as the Innovation for Cool Earth Forum (ICEF), the Task Force on Climate-related Financial Disclosures (TCFD), and Renewable Energy 100 percent (RE100).

○ In some countries where industrial concentration has advanced, enhancement of the economy's resilience should be promoted through social implementation projects concerning a recycling-oriented economy that enables production of resources and energy from waste material.

○ Cooperation on plastic garbage in the ocean, with which ASEAN is highly concerned, should be actively advanced under maritime cooperation, one of the sectors of AOIP cooperation.

○ In order to ensure a stable energy supply in the region, Japan should advance support for capacity building for utilization of liquefied natural gas (LNG) and business matching, electricity infrastructure development, capacity building, and technical support in the Mekong region, and cooperation, etc., for realization of a hydrogen society.

○ Japan should further advance international joint research between Japan and developing countries and social implementation of research results by expanding and improving the Science and Technology Research Partnership for Sustainable Development (SATREPS) in order to obtain new knowledge and technology leading to solving global issues related to SDGs and raising science and technology standards.

(3)Strengthening of connectivity across the Indo-Pacific
(i)Strengthening physical connectivity

> • Promotion of specific infrastructure projects utilizing cooperation frameworks such as the US-Australia-Japan Blue Dot Network
> • Infrastructure development under subregional cooperation frameworks such as the Mekong region and Southeast Asian islands
> • Stronger ASEAN-India connectivity, infrastructure development in East Africa, Pacific island nations, etc.
> • Setting of an expanded connectivity masterplan to connect ASEAN, India and South Asia, and East Africa
> • Development of rules to promote quality infrastructure investment in collaboration with the IWG, APEC, and G20
> • Realization of PPP infrastructure projects utilizing the initiative on overseas loans and investments for ASEAN, etc.
> • Promotion of the adoption of advanced Japanese models for smart-city initiatives in ASEAN and India

○ Connectivity is one of the AOIP's four pillars of cooperation, and it is a sector where Japan can demonstrate its strength while collaborating with Indo-Pacific nations such as the US, Australia, and India. Japan should promote a larger number of specific infrastructure projects utilizing cooperation frameworks such as the Blue Dot Network (BDN) already launched by the US, Australia, and Japan.

14

○ Japan should continue collaboration with existing subregional cooperation frameworks such as the Greater Mekong Subregion Economic Cooperation Program (GMS), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), and the BIMP East ASEAN Growth Area (BIMP-EAGA), advancing specific hard and soft infrastructure projects to strengthen overland connectivity in the Mekong region and sea connectivity among Southeast Asian islands.

○ As future issues, focus should be on 1) the Mekong Southern Economic Corridor (Dawei), the East-West Economic Corridor (Mawlamyine), India's northeast states road network, and the Andaman and Nicobar Islands, which contribute to strengthening connectivity between ASEAN and India, 2) East Africa's Northern Corridor and Nacala Corridor, and 3) infrastructure development such as ports and telecommunications in Pacific island nations.

○ In order to facilitate the flow of people, goods, money, and information within the region, it would be desirable for Japan to collaborate with ERIA and give support for the setting of a master plan for expanded connectivity from ASEAN to East Africa via India and the rest of South Asia based on the Master Plan on ASEAN Connectivity.

○ It is necessary for Japan, the US, and Europe to collaborate, bringing in China, to create rules to ensure debt sustainability and promote quality infrastructure investment. Specifically,the setting of rules for lenders of funds (export credits) in the International Working Group on Export Credits (IWG), tightening rules for borrowers through the APEC guidebook on quality of infrastructure, and strengthening of discipline concerning quality infrastructure investment through the G20 principles should be advanced.

○ Because there is cconcern about arrears in funding for infrastructure development in developing countries due to enormous fiscal spending for pandemic countermeasures, financial assistance in collaboration with ASEAN and ASEAN dialog partners' aid organizations and international development financial institutions and introduction of public-private partnership (PPP) mechanisms are considered necessary. From that perspective,more active utilization of the JICA initiative on overseas loans and investments for ASEAN that Japan worked out in 2019 should be considered.

○ Urbanization is rapidly developing in Asia, and with needs such as transportation, environment, water management, and disaster prevention increasing, adoption of Japan's advanced smart cities model utilizing digital technology should be promoted under the ASEAN Smart Cities Network (ASCN) and India's Smart Cities Mission.

(ii) Enhancing the resilience of supply chains

• Setting of an action plan to enhance the resilience of supply chains, adding India and Australia to Japan and ASEAN
• Promotion of electronic trade fairs/business meetings and utilization of EPAs to support participation by small and medium enterprises in GVCs.
• Curbing of trade-restricting mechanisms on medical supplies and everyday necessities and facilitation of trade in goods and services through EPAs

• Action plans for enhancing the resilience of the supply chains across the Indo-Pacific should be set, with content such as adding India and Australia, etc., to current Japan-ASEAN cooperation frameworks, facilitating trans-border distribution of medical supplies and other emergency supplies, pluralization and diversification of supply chains for manufacturing, energy, mineral resources, etc., and smoother movement of business persons.

○ IIn order to support participation in global chains by the private sector, including small and medium enterprises, which were greatly harmed by the COVID-19 crisis, utilization of electronic trade fairs and business meetings and promotion of EPAs and FTAs should be advanced.

○ When Japan reviews its EPAs and FTAs and signs new ones, provisions concerning the curbing of trade-restricting mechanisms on medical supplies and everyday necessities and the facilitation of trade in goods and services in the medical sector should be considered.

(4) Other economic cooperation
(i) Regional economic integration
• Support for capacity building in order to achieve the ASEAN Economic Community Blueprint

• Achievement of the signing of RCEP within the year and its implementation next year; if India does not participate, consideration of enhancement of supply chains
• Early signing of a Japan-China–South Korea FTA with higher added value than the RCEP in terms of market access and rule development
• Promotion of early joining of the CPTPP by Thailand and the UK, and creation of a scenario for a mega-FTA based on the CPTPP, with participation by RCEP participating countries that do not participate in the CPTPP,
    the US, and Europe

○ Reviving the economy of the Indo-Pacific region, which received a severe shock from the pandemic, and promoting fair and equal growth, including correcting disparities among the nations of the region, will be important from now on when aiming for regional economic integration.
○ Initiatives on support for capacity building (e.g., trade in services, e-commerce, intellectual property rights, etc.) to achieve the Blueprint 2025 of the ASEAN Economic Community (AEC), which is at the core of the Indo-Pacific cooperation FTA network, should be enhanced.
○ Signing of the RCEP within the year and its implementation next year should be aimed for in order to create a wide-area economic zone in the Indo-Pacific. If India does not participate in signing the RCEP this year, it is necessary to consider measures to strengthen supply chains between India, Japan, ASEAN, Australia, etc.
○ A Japan-China–South Korea FTA based on the RCEP, with further value added in terms of market access (goods, services, investment) and rule development (trade facilitation, intellectual property rights, e-commerce, etc.) should be signed at an early date.
○ Early participation by Thailand and the UK in the CPTPP should be encouraged. Furthermore, it would be desirable to set a medium- to long-term scenario for promotion of a high-level mega-FTA, with the CPTPP as an ongoing foundation, in which RCEP participating countries that are not yet members of the CPTPP, the US, and Europe will also participate.

(ii) Digital economy and society
• Exhibition of citizen-centered digital economy and society models based on Society 5.0
• Promotion of business that solves social problems through joint development by Japanese and Asian corporations via Asia DX
• Promotion of "data free flow with trust (DFFT)" through the WTO, FTAs, etc.
• Creation of international standards in sectors related to the digital economy and high-tech manufacturing

• Visions for a people-centered digital society (Society 5.0) and action plans aiming to utilize digital technology to solve post-pandemic economic and social problems (medical care/health, urbanization, environment/energy, economic disparities) should be created by industry-academia-government, and exhibited to Indo-Pacific nations.
○ Asia DX (digital transformation) should be positioned not as a transient thing, but as a medium- and long-term strategy, and support should be given for further expansion of successful cases based on advanced projects by Japanese and Asian corporations. In order to do so, information collection, research, and information transmission functions concerning overseas DX trends should be drastically upgraded, with the focus on JETRO.
○ Through frameworks such as the WTO, the CPTPP, the RCEP, and a Japan-China–South Korea FTA, Japan should promote "data free flow with trust (DFFT)," in which data in principle flows freely domestically and abroad, ensuring safety in terms of privacy, security, intellectual property rights, etc., without a specified country holding it.
○ Japan should collaborate with countries interested in sectors such as next-generation information technology concerning the digital economy and high-tech manufacturing, smart cities, network interconnection, telecommunications services, smart manufacturing, and telematics on fair rule building and advance the creation of international standards in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), etc.

(iii) Macroeconomics/finance

• Promotion of consideration in the EAS, etc., of measures against debt problems of developing countries whose finances deteriorated due to the COVID-19 crisis
• Enhancement of regional cooperation mechanisms for macroeconomic oversight and economic policy coordination in collaboration with international organizations
• Enhanced financial support and support for system reform in developing countries with financial difficulties and widening economic disparities due to the COVID-19 crisis
• Verification of digital currency by the Bank of Japan and consideration of a wide-area digital currency initiative in collaboration with Western countries

○ Concerning addressing the debt problems of developing countries whose finances deteriorated due to the COVID-19 crisis, which was discussed at a G20 Finance Ministers' meeting, discussion should be carried out also in ASEAN + 3 Finance Ministers' meetings and the East Asia Summit (EAS), and concrete responses to debt problems in the Indo-Pacific region should be considered.
○ With the risk of financial collapse caused by large-scale fiscal stimulus and financial crises from corporate bankruptcies, etc., rising due to the pandemic, regional cooperation mechanisms for macroeconomic oversight and economic policy coordination should be further enhanced in collaboration with international development financial institutions such as the Asian Development Bank and international organizations such as ASEAN+3 Macroeconomic Research Office (AMRO).
○ There are some developing countries facing a macroeconomic/financial crisis due to the expansion and continuation of the COVID-19 crisis. Policy packages should be worked out for these countries, including strengthened financial support to address the fiscal crises and increased economic disparities, as well as support for reform of tax and insurance systems.
○ Regarding central bank digital currency (CBDC), along with the Bank of Japan carrying out demonstration testing to verify technical aspects, Japan should consider an initiative in which it would continuously collaborate with Western countries, etc., and in the medium and long term envision for the Indo-Pacific region a wide-area digital currency that ensures, transparency, rule of law, and healthy economic governance.

(5) Cooperation on social and cultural aspects
(i) Strengthening the fundamentals of democracy

• Support for improvement of legal systems for social system development in developing countries in the Mekong region, Central Asia, etc.
• Promotion of support for increased transparency and capacity building to prevent fraud and corruption in public procurement
• In collaboration with aid organizations and universities, development of high-level human resources who can succeed in government and the private sector in the Indo-Pacific
• In Muslim countries, enlargement of the base of moderate Muslims by enhancing higher education through support for universities, etc.

○ IIn order to share universal values such as freedom, democracy, and basic human rights with developing countries in the Mekong region, Central Asia, etc., support for improvement of legal systems related to civil law, civil procedure law, administrative procedure law, and so on should be promoted.
○ In order to prevent fraud and corruption in infrastructure procurement by governments in Indo-Pacific nations, Japan should promote increased transparency in public procurement and public finance, enhancement of law enforcement capacity against corrupt acts, enhancement of support for capacity building on anti-corruption measures, and measures in collaboration with international organizations such as the UN, the Organization for Economic Co-operation and Development (OECD) and the WTO based on the United Nations Convention against Corruption and the G7 (conference of leading nations) Action to Fight Corruption.
○ Through training and education programs of the Japan International Cooperation Agency (JICA) and the National Graduate Institute for Policy Studies (GRIPS), etc., long-term training in Japan of high-level human resources from Indo-Pacific nation governments and private sectors and training of Japanese who can succeed in the Indo-Pacific region should be advanced. In addition,

Japanese universities should open campuses in Southeast Asia and South Asia, gather outstanding Asian talent locally, and carry out high-level human resource development.
○ In order to prevent the spread of religious extremism in the Indo-Pacific region, it is necessary to enhance support for higher education such as universities in Muslim countries in the region and thus enlarge the base of moderate Muslims.

(ii) Promotion of civil society interaction

• Expansion of youth exchange programs across the Indo-Pacific through JENESYS, the ABE Initiative, etc.
• Promote understanding in civil society through relaxation of immigration controls after the COVID-19 crisis concludes and expansion of inbound tourism
• Implementation of large exchange events concerning arts and culture and export promotion of Japanese content industries
• Research and conservation of important cultural properties damaged by armed conflict, natural disaster, etc.

○ International youth exchange programs such as the Japan-East Asia Network of Exchange for Students and Youths (JENESYS Programme) and the Ship for South East Asian and Japanese Youth Programme, the African Business Education Initiative for Youth (ABE Initiative), the Ministry of Education, Culture, Sports, Science and Technology's Young Leaders Program, JICA's Project for Human Resource Development Scholarship (JDS), and so on should be grouped broadly, and youth exchange programs across the Indo-Pacific should be expanded and improved.
○ At the point when the conclusion of the COVID-19 crisis has advanced, Japan should advance relaxation of immigration controls and so on to facilitate the movement of tourists and increase opportunities for exchanges at the citizen level in the Indo-Pacific region. In particular, the expansion of inbound tourists from China, etc., will provide a good opportunity to experience and understand the daily life and values of Japan's people-oriented society.
○ Japan should plan large exchange events concerning arts and culture (art, music, cinema, anime, cuisine, etc.) and promote mutual cultural understanding at the citizen level. Additionally, Japan should strengthen policy support to promote export of Japan's highly competitive content, such as anime, comic books, and video games.
○ Japan should perform research and conservation of important cultural properties damaged by armed conflict, natural disaster, etc., in the region, mainly in Southeast Asia, South Asia, the Middle East, and Africa. Along with maintaining the cultural foundations of Indo-Pacific nations, Japan should promote mutual exchanges through tourism to visit cultural properties and so on.

(6) Strengthening of Indo-Pacific cooperation structures
(i) Setting of national strategy and action plans

• Setting a national strategy for realization of the FOIP and unified coordination of action plans and budget measures
• Appropriate placement of the FOIP in review of the National Security Strategy
• Industry, government, and academia collaborate to establish meetings and conferences to advance policy proposals concerning Indo-Pacific cooperation

○ Centered on the department in charge of the Free and Open Indo-Pacific (FOIP) initiative in the National Security Secretariat, Cabinet Secretariat, the Government should consider the proper regional order to be aimed for in the Indo-Pacific, set a national strategy advancing cooperation in sectors such as security, economy/industry, and society/culture for its achievement, and conduct unified coordination of action plans with clear priorities and timelines and necessary budget measures.
○ When reviewing the National Security Strategy, the Free and Open Indo-Pacific initiative should be placed appropriately in it, and the significance and role of the initiative in national security should be made clear.
○ Relevant ministries and agencies should work to collaborate with stakeholders such as relevant organizations, the industrial sector, universities, and research institutions, and build mechanisms

(conferences led by the Prime Minister's Office, councils, etc.) for steady implementation of policies on Indo-Pacific cooperation.

(ii) Collaboration with the industrial sector

• Lobbying of ASEAN-BAC and JBC for establishment of an "Indo-Pacific Business Advisory Council"
• Dissemination of results such as signing specific cases of cooperation at the Indo-Pacific Infrastructure and Connectivity Forum, etc.

○ Based on policy recommendations for post-pandemic economic recovery on which the ASEAN Business Advisory Council (ASEAN BAC) and Joint Business Councils (joint committees with ASEAN dialog partners such as the EU, Australia, Canada, NZ, the UK, the US, India, Russia, and Japan) have collaborated and initiatives on establishing high-level special committees (HLTC), establishment by the industrial sector of an "Indo-Pacific Business Advisory Council" (tentative name) and the setting of policy recommendations on Indo-Pacific cooperation should be lobbied for.
○ Results such as signing specific cases of cooperation at East Asia Summit side events (ASEAN Business Investment Summit and Indo-Pacific Business Forum) and the Indonesian-proposed Indo-Pacific Infrastructure and Connectivity Forum should be disseminated and promoted.

(iii) Collaboration with universities and research institutions

• Lobbying for establishment of an AOIP Vision Group under EAS frameworks
• Advice from universities and research institutions on the setting of medium- and long-term visions and policy recommendations on Indo-Pacific cooperation

○ A track II forum (tentative name: AOIP Vision Group) should be set up under the East Asia Summit (EAS) process for universities and research institutions to perform policy research and recommendations on Indo-Pacific cooperation. When establishing the forum, it is necessary to pursue collaboration with ASEAN nations, governments of the US, Australia, India, etc., universities, research institutions, the ASEAN Secretariat, and international organizations such as ERIA.
○ Based on the expert knowledge and evidence that universities and research institutions have, the track II forum should aim to make policy recommendations about setting medium- and long-term visions and specific policy mechanisms concerning maritime cooperation, SDGs, connectivity, and other economic and social sectors related to the AOIP in the Indo-Pacific region.

(iv) Promotion of bilateral policy dialog

• Through bilateral policy dialog with some countries, consider specific measures concerning post-pandemic economic rebuilding

○ In the future, if the COVID-19 crisis becomes prolonged, there is concern it will impact the economies, industries, fiscal affairs, finance, societies, etc., of various countries. In order to consider specific policies for post-pandemic economic rebuilding, holding of track 1.5 (centered on government and universities/research institutions, etc.) bilateral policy dialogs through JICA, based on the situations in the countries and in collaboration with international development financial institutions such as the Asian Development Bank when necessary, should be promoted.

Indo-Pacific Cooperation Study Group

[Intent of the study group's establishment]

In order to carry out policy research on how to proceed with the "Indo-Pacific initiative" discussed at the East Asia Summit, the forum was established in December 2019 with the GRIPS ALLIANCE at the National Graduate Institute for Policy Studies (GRIPS) as secretariat. It meets once per month, gathering relevant people from industry, government, and academia, and sharing information concerning the current situations of government efforts, business development in the industrial sector, and joint research by universities and research institutions related to the initiative. It also makes necessary policy recommendations in conjunction with major ASEAN summit and ministerial-level meetings.

The opinions in these policy recommendations are those of the Indo-Pacific Cooperation Study Group and are not presented as the opinions of the GRIPS ALLIANCE or the affiliated organizations of members.

[Participating members]

○ **National Graduate Institute for Policy Studies (GRIPS)**

Akihiko Tanaka, President (Chair, Indo-Pacific Cooperation Study Group)
Narushige Michishita, Vice President (Vice Chair, Indo-Pacific Cooperation Study Group)
Takashi Shiraishi, Senior Fellow, GRIPS ALLIANCE
Takehiko Nakao, Adjunct Professor
Yutaka Iimura, Senior Fellow, GRIPS ALLIANCE
Yonosuke Hara, Senior Fellow, GRIPS ALLIANCE
Nobuhito Hobo, Senior Advisor, GRIPS ALLIANCE
Kenichi Kawasaki, Professor, GRIPS ALLIANCE
Hideshi Tokuchi, Senior Fellow, GRIPS ALLIANCE
Yoshihiro Otsuji, Adjunct Professor
Masaru Tachibana, Senior Fellow, GRIPS ALLIANCE
Harukata Takenaka, Professor
Yusuke Takagi, Associate Professor
Kunihiko Shinoda, Professor/Executive Advisor GRIPS ALLIANCE
Ayako Kondo, GRIPS ALLIANCE Secretariat

○ **Industrial sector**

Reiji Takehara, Director, International Cooperation Bureau, Keidanren (Japan Business Federation)
Kazuo Nishitani, General Manager, International Division, Japan/Tokyo Chamber of Commerce and Industry

○ **Universities and research institutions**

○ Atsushi Sunami, President, Sasakawa Peace Foundation (Executive Advisor to the President, National Graduate Institute for Policy Studies)
Tsutomu Kikuchi, Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University/Senior Adjunct Research Fellow, Japan Institute of International Affairs
Ken Jimbo, Senior Research Fellow, Canon Institute for Global Studies
Mie Oba Professor, Faculty of Law/Graduate School of Law, Kanagawa University

○ **Observers**

Ministry of Foreign Affairs; Ministry of Finance; Ministry of Economy, Trade and Industry; Ministry of Defense