QUAD-PLUS Dialogue

Economic Cooperation among the Quad (Plus) Countries: Limits and Possibilities

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Security issues and a desire for strategic balance have largely been the drivers behind the "Quad," as well as subsequently the Quad-Plus. The Quad countries—all democracies—came together on the basis of shared values, as well as a shared concern about the future of the regional order. This concern was significantly—but not solely—driven by the reality of a rising China and questions about how to manage or deal with that development. With the drivers of that shared concern largely security-related, the focus of Quad discussions about potential cooperation has been more security-oriented as well. The question now is what kind of broader cooperation—particularly economic—is possible, if any. Equally important is the question of whether economic cooperation in the Quad-Plus context is feasible and desirable, given other priorities for the four countries working together.[1] Moreover, recently, additional differences have emerged on economic issues between the Quad-Plus countries. Thus, where on the security side, there is a certain logic to the Quadrilateral and the Quad-Plus, the key question is whether there is similar logic on the economic side.

On the one hand, for a number of reasons outlined below, identifying avenues and tools of economic cooperation (let alone acting on them) will be a challenge. On the other hand, however, because of the nature of developments in the region and the blurring of the lines between "security" and "economic," it is also natural—and perhaps essential—to consider this aspect. A first step would be for the Quad-Plus countries to share information about their activities and the tools at their disposal, as well as their perspectives on regional economic developments. The Quad-Plus dialogue offers a

[1]Walter Lohman, "Responding to China's Rise: Could a 'Quad' Approach Help?," *The National Interest*, June 25, 2015, http://goo.gl/qvqltc (accessed October 6, 2017).

platform to undertake this discussion; one that could provide the basis for identifying what the countries can do together.

This paper outlines the challenges to Australia, India, Japan, and the United States cooperating in the economic arena, examines the reasons for nonetheless beginning a conversation about it, and identifies areas that might be fruitful for discussion. While this paper focuses on the Quad countries, much of the discussion can be applicable even to the "plus" countries like Indonesia, the Philippines, Singapore, and Sri Lanka.

The Challenges and/or Complicating Factors

First, the four countries are at different stages of development, and have had different economic approaches and levels of openness. Their policies—on trade, investment, and immigration in particular—vary, as do their ideas of how open their economy should be. They have different tools at their disposal. And while, in some cases, their economic interests are complementary, there is a range of areas in which they are competitive as well.

Second, the China factor. China clearly has not been the only driver for the Quad—and arguably should not be—but it has been a crucial one. On the security and regional order issues related to China, the Quad countries share many concerns related to China. But, in terms of economic ties, the nature and extent of each of the Quad (and Quad-Plus) countries' relationship with China are quite different. In addition, while security-wise the countries have often perceived China as a challenge, economically it has often been seen as an opportunity. The countries might have differences and disputes with Beijing on economic issues, but each has also benefited from China's growth, albeit to different degrees.

Third, when it comes to the major strategic (economic) initiatives in the broader region, the Quad countries are not all involved or at least not involved in similar ways. For example, in terms of the developing regional trade architecture, India had not been a member of the Trans-Pacific Partnership (TPP), while the U.S. is not a member of the Regional Comprehensive Economic Partnership (RCEP). India is also not a member of the Asia-Pacific Economic Cooperation (APEC) forum. In terms of financing initiatives, Australia and India are members of the Asian Infrastructure Investment Bank (AIIB), while Japan and the U.S. are not. Only India is a member of the New Development Bank (NDB). On the regional connectivity side, there is not necessarily a shared view of China's One Belt One Road (OBOR) initiative and the Quad countries also have their own proposals and projects in play. More broadly, the Quad-Plus countries are engaging with a broad range of other countries in the region in different ways. Another factor that might come into play is a U.S. emphasis on bilateral agreements rather than regional or multilateral ones.

Fourth, each of the Quad countries' involvement (especially economic) in non-Quad countries in Southeast Asia, South Asia, and the Indian Ocean region varies, as does the reasons for that involvement. Those countries, in turn, do not necessarily see the Quad countries in similar ways.

Fifth, even beyond the regional context, while the Quad countries are all members of the G-20, they have different roles and stances on global financial issues. Japan and the U.S. are major global financial actors, with global reserve currencies. (China's renminbi has now joined that list.) When it comes to reform of the governance of international financial institutions, China and India's perspectives have been more aligned. (The implementation of quota reform of the International Monetary Fund has alleviated some of the concerns India has had vis-à-vis Japan and the U.S. on this subject, but it remains a concern.)

Sixth, there is the question of government willingness and capacity to engage in a Quad format in the economic arena. With the sheer number of ongoing initiatives—some bilateral, some trilateral, some regional, others multilateral—the appetite and bandwidth within the governments to do anything additional might be limited. This has even been a challenge in the security space, where the logic is more evident. Economic cooperation would also involve additional bureaucracies and require much more coordination. There is also the question of whether those who are interested in security cooperation would welcome the involvement of the economic bureaucracies or the inclusion of economic issues—or whether they will be concerned about negative spillover from any difficulties in the economic arena into the security one.

Finally, unlike the security arena where they are the critical actors, the governments concerned are only one of many actors in the economic arena. Each of the Quad countries has a robust private sector (though the robustness and business-government relations differ in each), which will make decisions primarily based on commercial interests. In addition to firms, there are other significant actors and stakeholders involved in this space, such as international and regional financial institutions.

The Importance of the Conversation, if not Collective Action

Despite these challenges—and, perhaps at this stage, limited official interest to act together economically in a Quad context—there are nonetheless reasons why it is important for the four countries, along with "Plus" partners, to engage on these issues.

For one, they share certain objectives, including the broader goals of regional stability, economic prosperity, and an inclusive order, with no one country dominating the Asia-Pacific and Indian Ocean regions.

Each country arguably has an interest in helping strengthen the others' capabilities—across the "power" spectrum. This means not just enhancing military and intelligence resources, which the security discussions cover, but economic resources as well; indeed, the latter is crucial for the former.

Each country has an interest in diversifying its own economic partnerships, but also an interest in the others not being overly economically dependent on China.

Each country is involved in or affected by the ongoing major economic initiatives that have the potential to re-shape the broader region. These initiatives are not merely economic, but have strategic implications. The Quad-Plus countries' involvement varies; in some cases their activities might be complementary, in other cases they might be duplicative, and in yet others the countries could be working at cross-purposes.

Moreover, while the logic behind security cooperation might be clearer than the logic behind economic cooperation, the lines between those two is increasingly blurred. For instance, as Rory Medcalf has pointed out in a related context, it is economic growth and integration that has been at the root of strategic interactions between the major actors, including the Quad countries, in the Indo-Pacific.[2] Economic growth has also provided the resources for growing military capabilities. And expanding economic interests have led to countries thinking about their security interests more expansively—both in degree and in geographic space. Additionally, China's expanding regional economic footprint has created additional security concerns or uncertainties. Thus, economic imperatives have created opportunities and challenges, as well as the need for collaboration in the security space (e.g., maritime security cooperation in the Indian Ocean). Security imperatives, in turn, have created opportunities for economic sectors like defense trade.

Finally, two ideas about the security-economic link in the broad region that had been dominant in the past are being challenged. One is that economic interdependence would lead to and ensure greater political and geopolitical stability. The second is that the security lanes and economic lanes could be kept separate. Earlier security cooperation could run in parallel with economic integration. But, as Evan Feigenbaum has noted, in Asia we have been seeing economic integration and security fragmentation, with the danger of the two tracks colliding.[3]

Thus, while not the primary focus, the economic arena is worth some attention. But a necessary step before or while acting together is for a Quad dialogue to focus on sharing assessments of the state of play in the region and information on their own economic activities. This discussion could help each country understand the others' strategies, as well as the others' constraints—and, potentially, what the Quad-Plus countries can do to mitigate them. It could also help identify shared interests, potential areas of collaboration, and the tools they have at their disposal, as well as discuss where their activities overlap, how they might be able to deconflict, and where cooperation might be better done on a bilateral basis, trilateral one, Quadrilateral (or Quad-Plus) one, or broader regional one.

Such a conversation needs to recognize that the Quad countries (and firms from their countries) also compete in the economic space—competition that the "Plus" countries can indeed benefit from. It also needs to put differences on the table. The Quad countries should not be forced to find consensus.

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[2]Rory Medcalf, "The Indo-Pacific: What's in a Name?," *The American Interest*, Vol. 9, No. 2 (October 2013).

[3]Evan A. Feigenbaum, "The New American Order: And How America Can Compete," The Chicago Council on Global Affairs, January 19, 2016.

Furthermore, the conversation should consider cooperation and initiatives that are not solely driven by China, not just because each country seeks to maintain relations with Beijing but also because each's relations with that country are dynamic. The discussion should leave open the possibility of working with China in some cases as well—that country's economic role in the region is too large and significant to be excluded or ignored.

The discussion also has to recognize that economic cooperation that makes sense from a defense and security policy prism might not make sense from an economic policy prism—or make sense for the region. For any cooperation to be sustainable and not generate a backlash, this discussion has to involve local actors who, ultimately, will set their own priorities. It will also have to involve security and economic officials and experts, as well as business groups and financiers.

It is worth the Quad-Plus discussing the limits and possibilities of economic cooperation itself, as well as the linked security-economic dynamics in the region. But it is also worth drilling down on some key developments, some of which this paper identifies below.

A Potential Agenda for Discussion

Regional Trade Architecture

Three of the four members of the Quad had seen the **Trans-Pacific Partnership** (TPP) as a vehicle for economic cooperation. U.S. withdrawal from the agreement, however, has sparked questions about its viability, as well as differences among the remaining participants about its value going forward. Also left unfulfilled are the hopes and/or expectations that, had the TPP gone into effect, its potential impact in terms of trade diversion would have spurred an internal re-assessment in India on its trade policy and international economic engagement more broadly. Today, related questions are being asked in and about the future of U.S. policy as well, with indications of a preference for bilateral deals rather than regional or multilateral ones. Given that the decisions made by each of the Quad countries has the potential to affect the others, as well as the global economy more generally, a Quad-Plus platform could provide the opportunity to share concerns and perspectives on issues like the future of global trade, technology, labor migration, and job creation.

The TPP, however, had not been the only pact on the block and it is also worth discussing the current status of the **Regional Comprehensive Economic Partnership (RCEP)**. Given the size of the economies it includes, particularly China, Japan, and India, its impact will be significant as well. It requires participants to make less stringent commitments than the TPP. Negotiators had missed a 2015 deadline for completion, but in a post-TPP Asia-Pacific, it might get more attention.[4] There is also a discussion to be had about the future of the **Asia-Pacific Economic Cooperation (APEC)** forum and the

[4]Robin Harding et al., "Asia Looks to Beijing for New Trade Deals after Trump Quits TPP," *Financial Times*, January 24, 2017, https://goo.gl/e8URrL (accessed October 6, 2017).

prospects of a free trade area (FTA) for the Asia-Pacific down the road. This would still leave the question of where India fits in, given that it is not an APEC member.

The developing regional trade agenda had seemed to spur India to move from "wait[ing] for consensus to emerge within APEC"[5] to reaching out to members in order to become part of that forum. Some in the U.S. had seen it as a "first step toward India's fuller economic integration in the region."[6] In India, there are some concerns about it being excluded from the economic integration of region.[7] Advocates believe APEC membership, which does not require commitments on standards or tariffs but rather a demonstration that country is making progress on these and creating a better business climate, can be one way to integrate India. They believe that APEC membership, which India has sought since 1991 knowing its requirements, will alleviate bilateral economic frictions, incentivize liberalization, and facilitate Indian integration into the global economy.[8]

India's application has been stymied in the past by moratoria on expanding membership and then concerns about its participation in this consensus-driven institution. In 2015, the U.S., which had invited India to be an observer in 2011, "welcome[d] India's interest in joining."[9] It is unclear what the new administration's stance might be. Japan has gone further, supporting Indian membership on the grounds that it would be "a positive contribution to the economic integration in the region."[10] Both strategic and economic imperatives have driven their change in approach.

Yet there remain objections and skepticism arising from members' doubts about India's trade policies and its approach to trade negotiations and geographic logic, as well as whether others' membership should take priority (e.g., Cambodia, Laos, Myanmar).[11] Some APEC members' doubts have been reinforced by India's negotiating stance on RCEP.[12] The Indian commerce minister's statements that the government was open to reviewing or renegotiating its existing FTAs might add to those concerns, including on

[5]Answer from Indian Minister of State in the Ministry of External Affairs to Question in the Lok Sabha on Membership in APEC, February 25, 2015, http://goo.gl/dEGxRf (accessed October 6, 2017).
[6]Kevin Rudd and Ajay Banga, "Bring India Into APEC," *Wall Street Journal*, July 8, 2015, http://on.wsj.com/1eGfZPe (accessed October 6, 2017).
[7]Gupta. [Incomplete footnote citation]
[8]Rahul Mishra, "APEC's Manila Summit: Why India Should Care," *Rediff*, November 20, 2015, http://goo.gl/bZNb4F (accessed October 6, 2017).
[9]"U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region," The White House, January 25, 2015, http://go.wh.gov/eJYHdJ (accessed October 6, 2017).
[10]Ministry of External Affairs, "Joint Statement on India and Japan Vision 2025," Government of India, December 12, 2015, http://www.mea.gov.in/incoming-visit-detail.htm?26176/Joint+Statement+on+India+and+Japan+Vision+2025+Special+Strategic+and+Global+Partnership+Working+Together+for+Peace+and+Prosperity+of+the+IndoPacific+Region+and+the+WorldDecember+12+2015 (accessed October 6, 2017).
[11]Gupta. [Incomplete footnote citation]
[12]Interview with policymaker, January 2016.

the part of Japan, South Korea, and ASEAN (which India has FTAs with) or Australia (which it is negotiating one with).[13]

India has benefited from trade, which is crucial for Indian economic growth. But, at the end of the day, only India can make the decisions about how much it wants to—and can—liberalize its trade and investment policies. But it has to ask itself the question of whether its internal market is sufficient to drive the kind of growth its leaders envision or whether it wants and needs to be part of regional and global supply chains. There is also the question on the strategic side of whether India's Act East policy can really succeed without better economic engagement and integration in the region. It is worth discussing the state of the debate on trade in India—and in the U.S as well, given the questions and concerns about its future trade policy.

THE IMPORTANCE OF TRADE (2014)

Quad Country	Merchandise Trade as % of GDP	Trade in Services as % of GDP
Australia	32.8	14.8
India	38	8.1
Japan	32.7	7.7
U.S.	23.2	6.8

Source: World Bank, World Trade Organization

Regional Connectivity

It is not just the regional trade architecture that has been undergoing change. There are a number of bilateral, trilateral, regional, and multilateral connectivity initiatives—involving both land and sea—underway that will change the way countries in the Asia-Pacific and Indian Ocean regions will interact with each other, as well as those outside the region.

The initiative that is perhaps getting the most attention is China's **Belt and Road Initiative (BRI)** or **One Belt, One Road (OBOR)**—a combination of the Maritime Silk Road and the Silk Road Economic Belt, which themselves include a number of sub-initiatives like the **China-Pakistan Economic Corridor (CPEC)**. OBOR has been variously seen as driven by a search for new markets, resources, and places to invest Chinese excess capacity, a desire to stabilize China's western regions, as well as to spread influence (including that of the renminbi). While mainly seen in economic terms, this project will have strategic implications, with governments of countries involved and affected having to consider how it might shape their security options, their domestic politics, their economic relationships, and their businesses' and publics' perceptions of China. It is not clear how many of the proposals will materialize. Nonetheless, even if a fraction do, the impact could be significant.

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[13]"Nirmala Sitharaman: Govt Open to Revisiting FTAs," *Press Trust of India*, January 12, 2016, http://goo.gl/n8PQfS (accessed October 6, 2017).

There has already been evidence of the political impact of growing Chinese economic engagement and influence via OBOR and other initiatives—as well as signs that Beijing is willing to use its economic clout and tools to shape countries' policies. In Nepal and South Korea, Beijing has turned the tourist tap on and off to express unhappiness and shape those countries' policies (on Tibetans' transit and THAAD, respectively). In the case of Mongolia, to indicate its displeasure about that country having welcomed the Dalai Lama, Beijing took a series of steps, including closing a border crossing and calling off talks about a loan. Unhappy with Singapore's links with Taiwan, China impounded military equipment bound for Singapore via Hong Kong. China's economic clout has arguably also allowed it to claim the support of countries like Afghanistan, Bangladesh, and Sri Lanka for its position on the South China Sea. In Sri Lanka, efforts of the new government to re-balance its economic portfolio after years of increasing engagement with China have been stymied by the immense debt burden Colombo is now carrying. To meet its obligations, it indeed has found itself having to deepen some of those economic ties.

The Quad countries have different perspectives on these Chinese initiatives and do not necessarily share common levels or kinds of concern about them. India has perhaps been the most vocal (albeit without naming China) about its concerns that these initiatives are unilateral and not transparent, and are potentially "an exercise in hard-wiring that influences choices."[14] Delhi's concerns are particularly acute over CPEC, the Chinese initiative that aims to connect China's west to the Arabian Sea via Pakistan. Delhi objects to this corridor going through disputed territory in Kashmir that it claims. More broadly, it sees this initiative as deepening the China-Pakistan relationship to a much greater extent than before, with not just economic implications but political and military ones as well. There are still questions about the feasibility of the initiative and scenarios range from success to Pakistan becoming a client state of China to the Pakistani military being strengthened to China getting bogged down in Pakistan to China abandoning projects either because of the difficulties of doing business there or because of an economic crisis at home. Whether it fails or succeeds, Delhi sees CPEC as creating complications for India.

However, many in the U.S. (and some in India) see CPEC as a potentially stabilizing factor if it aids Pakistani development and gives Beijing an incentive to press Islamabad and Rawalpindi to ensure greater security.

On the flip side, the U.S. does not have the same perspective of connectivity projects in the region involving Iran. Lacking transit rights to Afghanistan through Pakistan, India has been helping develop the Iranian port of Chabahar and a road and rail corridor that will connect Afghanistan's west to that that port—thus giving Kabul a critical non-Pakistan transit option. India sees this initiative as aiding Afghanistan's economic

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[14]Speech by Foreign Secretary at Raisina Dialogue in New Delhi, March 2, 2015, http://mea.gov.in/Speeches-Statements.htm?dtl/26433/Speech_by_Foreign_Secretary_at_Raisina_Dialogue_in_New_Delhi_March_2_2015 (accessed October 6, 2017).

development and diversifying that land-locked country's options. The U.S., however, has in the past had and might again have concerns about this project because of the involvement of Iran. Thus, while the Quad countries—and China—might share an interest in stability in Afghanistan, where each has contributed militarily or economically, they do not necessarily share a view of how to achieve it.

As the Afghanistan case makes evident, China is not the only country engaged in efforts to connect and integrate the broader region. The U.S. had proposed the Indo-Pacific Economic Corridor to encourage "connections—physical infrastructure, regulatory trade architecture, and human and digital connectivity—[that] will create linkages all the way from Central Asia to Southeast Asia, via South Asia."[15] It had envisioned its involvement as convening governments, businesses, and international financial institutions, and facilitating technology cooperation and innovation. Its fate is unclear, but the U.S. can continue to play a role in facilitating development and connectivity through technical and development assistance, export credit, and perhaps funds available through the Millennium Challenge Corporation.

In India, the Modi government has also said that regional connectivity projects will be a priority. It has indicated the focus will be both on new projects, as well as implementing the ones previous governments have proposed. To give just a few examples, India is investing in the India-Myanmar-Thailand Trilateral Highway project, as well as the Kaladan multi-modal transit project that will link India's Kolkata and Myanmar's Sittwe ports and surrounding regions through a road network.[16] The government is trying to improve connectivity between Nepal, Bhutan, India, and Bangladesh, and facilitating Indian investment in Cambodia, Laos, Myanmar, and Vietnam.[17] To the west, if there is progress with Chabahar and Iranian connectivity, it is hoping to help develop the North-South Transport Corridor between India, Iran, and Central Asia. While nowhere near the scale of China's maritime connectivity initiative, India has also floated some ideas to increase linkages among the Indian Ocean countries.

The Japanese government, in turn, has committed to helping facilitate South and Southeast Asian connectivity, not least through financing (covered below). And Prime Minister Abe has traveled to both sub-regions to highlight this interest.

India, Japan, and the U.S., via their trilateral relationship, have constituted an experts group "to identify collaborative efforts that can help strengthen regional connectivity."[18]

[15]"Shaping the Future of Trade and Connectivity in the Indo-Pacific," speech by Fatema Sumar, Deputy Assistant Secretary, Bureau of South and Central Asian Affairs, CII Kolkata Business Luncheon, Kolkata, India, May 8, 2014, http://go.usa.gov/3mmfV (accessed October 6, 2017).
[16]Indian Ministry of Development of North Eastern Region, "Kaladan Multi-Modal Transit Transport Project," http://mdoner.gov.in/content/introduction-1 (accessed October 6, 2017). For an update, see Cabinet note on "Implementation of the Kaladan Multi Modal Transit Transport Project in Myanmar," October 14, 2015, http://pib.nic.in/newsite/PrintRelease.aspx?relid=128699 (accessed October 6, 2017).
[17]N. Ramakrishnan. [Incomplete footnote citation]
[18]U.S. Department of State, "Inaugural U.S.-India-Japan Trilateral Ministerial," September 29, 2015, http://go.usa.gov/cKJGZ (accessed October 6, 2017).

They are also considering what they can do together to empower citizens economically, including via skill development.

Discussions in a Quad context can share information on these various initiatives and their implications, as well as the tools that they are deploying (including financing and capacity building). They can explore overlaps or conflicts, the economic and political comparative advantage each might have vis-à-vis certain kinds of projects, as well as synergies. The countries can see where they can avoid duplication, pool resources, and share best practices. The Quad-Plus countries can also identify where they can add value or provide target countries with options to diversify, and whether there are areas where two or more countries can together direct their attention and investment.

Resources: Financing and Fuel

Financing

Related to the subject of connectivity has been financing. The Asian Development Bank (ADB) estimates are that, till 2020, infrastructure needs in Asia will require $8 trillion of funding for national initiatives and $290 billion for regional ones.[19]

This agenda item has been dominated by discussion of the $100 billion **Asian Infrastructure Investment Bank (AIIB).** The Quad countries are not all members of this China-driven bank. India signed on fairly early and is the second-largest shareholder, with 7.51% of voting rights. Australia, which announced it would join last spring (as did a number of U.S. allies), has 3.46%. The U.S. and Japan are not members (though the latter seems to have left the option open to join at a future date and some argue it would help limit China's influence if it did join). As for the "Plus" countries, Indonesia, the Philippines, and Sri Lanka are all members.

The U.S. had lobbied hard for its allies, including Australia, not to join the bank—ultimately unsuccessfully. Washington's concerns had revolved around the bank's potential governance and operating practices and the standards it would apply (environmental, social protection), as well as the likely level of transparency. There was also worry that China would try to use it to get around or undermine the existing order, including the World Bank.[20]

The Obama administration's efforts to block the bank came in for some criticism in the U.S.[21] More recently, the administration had taken a different tack. The U.S. and Japan

[19]Susan Harris-Rimmer, "Why Australia Took So Long to Join the AIIB," *The Interpreter*, March 30, 2015, http://goo.gl/BbpGkq (accessed October 6, 2017).
[20]James McBride, "Building the New Silk Road," *CFR Backgrounder*, May 25, 2015, http://on.cfr.org/1JRDHnR (accessed October 6, 2017).
[21]Ying Ma, "An Influential Voice Slams U.S. Handling of New China-Led Infrastructure Bank," *Wall Street Journal's China Real Time*, March 19, 2015, http://on.wsj.com/1MMczqe (accessed October 6, 2017).

have shown a willingness to facilitate the World Bank and ADB working with the AIIB on some loans—one way to ensure certain project guidelines are met.[22]

India, on its part, is often more on the same page as China rather than Australia, Japan, or the U.S. in terms of these standards, as well as the kinds of projects that should get funding. It joined the AIIB to diversify and supplement its options, particularly for infrastructure financing, to get financing on easier terms, and to get a bigger say in its governance. There was also a belief that India "couldn't have afforded to stay out" and have no influence. Delhi has concerns about China exercising its de facto veto,[23] but hopes that it can put together the 25 percent of votes required to block any big decisions. (Some are skeptical of the feasibility of this, given China's overarching influence on the bank and with other members.[24]) It also had concerns about the bank funding projects in territories India claims that others hold, but helped insert a clause that requires project financing in disputed territory to have the agreement of the disputants.[25]

The U.S. and Japan can work with Australia and India (and other allies and partners who are bank members) to ensure that the bank's work does not primarily reflect Chinese priorities or become a tool to expand Beijing's influence in a way that would be detrimental to Quad interests. Working together, they can encourage transparency and international standards and processes. (Some argue that, already, the negotiations into articles of association were helped by the presence of Washington's European and Asian partners and allies.)

The countries can also work to ensure there are additional financing options, including through the ADB. The countries are already contributing in different ways individually. India announced a $1 billion line of credit to improve physical and digital connectivity with ASEAN countries. In 2015, Japan committed to providing $110 billion worth of funding (via aid and loans) over five years for "innovative" and "high-quality" infrastructure projects in Asia.[26] It has pledged to be more flexible and competitive in providing funding.[27] Public project financing is not a tool available at that scale to the U.S., but it, too, has made funds available for activities in the broader region through the Millennium Challenge Corporation, the Ex-Im Bank (providing export credit to purchase American goods and services), and the Overseas Private Investment Corporation (to encourage U.S. companies to invest in countries/projects that are seen to be in the national interest).

[22]Shawn Donnan, "White House Declares Truce with China over AIIB," *Financial Times*, September 27, 2015, http://on.ft.com/1gZMicM (accessed October 6, 2017).
[23]China has 26.06% and so can exercise a veto since three-fourths is required for major decisions. On the flip side, it has to build consensus to get any such decisions passed.
[24]Interview with economist, February 2017.
[25]Ananth Krishnan, "The Dragon Raises a Lair: India Backs the China-led Superbank," *India Today*, January 20, 2016, http://goo.gl/M0AYAo (accessed October 6, 2017).
[26]Leika Kihara and Linda Sieg, "Japan Unveils $110 Billion Plan to Fund Asia Infrastructure, Eye on AIIB," Reuters, May 21, 2015, http://reut.rs/1HwcDux (accessed October 6, 2017).
[27]Ben Bland, "Japan and China Step Up Fight for ASEAN Infrastructure C ontracts," *Financial Times*, November 22, 2015, http://on.ft.com/1PHoYQh (accessed October 6, 2017).

Fuel

While there are a number of other "resource"-related issues that could be discussed, energy in particular is a relevant and crucial concern for the Quad-Plus. The Quad countries are major energy consumers and producers, and in some cases share energy links. Some are building energy infrastructure, including pipelines and electricity grids, as part of their connectivity initiatives.

When it comes to fossil fuels, India imports natural gas and coal from Australia and coal from Indonesia. India and Japan are getting U.S. liquefied natural gas from facilities in the U.S. that have received Department of Energy permission to export to non-FTA countries. The import of gas from the U.S. has helped both countries diversify their supplier base further (particularly reducing their dependence on the volatile Middle East somewhat). Both countries could also benefit from the lifting of the U.S. ban on crude oil exports. In the cases of oil and natural gas, even if they do not get deliveries from the U.S., the additional supply on the market affects prices in their favor and gives them leverage in negotiations with other suppliers. While this is beneficial to India and Japan, on a commercial basis, it would be seen as detrimental a producer like Australia.

When it comes to the nuclear-energy sector, American and Japanese companies are negotiating entry into the Indian market and Australia potentially could be a supplier of uranium. The countries could also potentially work together on clean or cleaner energy technology development and production. (They are already doing so in some cases on a bilateral basis.) But it is crucial to remember that this would involve issues like intellectual-property protection on which the countries involved have differences. In addition, these discussions cannot just be among governments alone and will need to involve the private sector. In general, in this broad sector, it is worthwhile to keep in mind that countries and companies will choose whom to do business with (and how) based on commercial factors.

China as an Economic Actor and Factor

Each of the Quad-Plus countries has substantial economic ties with China, in some cases more so than with each other. Some have an interest in maintaining these ties, others in expanding them. Given this fact, and the size of China's economy, as well as the scale of its involvement through trade, investment, and financing, it is a factor and actor that will shape the economic context, questions, and options facing the Quad-Plus. And its role is worth discussing.

TRADE (2015)

Quad Country	Of total imports, % share from:				
	China	U.S.	Japan	Australia	India
Australia	23.02%	11.24%	7.37%	x	1.78%
India	15.70%	5.28%	2.46%	2.41%	x
Japan	24.78%	10.54%	x	5.37%	0.75%
U.S.	21.50%	x	5.85%	0.48%	2.00%

Quad Country	Of total exports, % share to:				
	China	U.S.	Japan	Australia	India
Australia	32.25%	5.43%	15.91%	x	4.22%
India	3.64%	15.18%	1.78%	1.19%	x
Japan	17.48%	20.23%	x	2.06%	1.30%
U.S.	7.72%	x	4.15%	1.66%	1.43%

Source: IMF, Direction of Trade Statistics

FOREIGN DIRECT INVESTMENT (2012)

FDI flows from:	In US$ million, FDI flows into:			
	India	Australia	Japan	U.S.
China	148	3808	71	1,370
India	x	91	20	353
Australia	35	x	124	1,645
Japan	1,340	10,573	x	19,169
U.S.	478	13,467	-133	x

Source: United Nations Conference on Trade and Development

A few aspects of its role that might be topics of conversation:

- How to reconcile two—perhaps competing—interests. Despite concerns about trade deficits, many in the Quad countries have believed that, on balance, their economic relationships with China have been beneficial to their own economies, as well as in re-integrating Asia. But, even as Chinese growth has contributed to the region, it has powered China's rising military capabilities—which, in turn, have facilitated assertive strategic behavior on the part of Beijing that has caused concern in the Quad-Plus countries.

- How each country has balanced its desire for economic investment from China, with the security, political, or socio-economic concerns that have stemmed from that investment or financing. Related to this might be a conversation on how each country has dealt with concerns about Chinese investment in strategic sectors. In recent years, each of the Quad countries has not approved certain Chinese investments. Each has mechanisms in place to review not just economic suitability of projects, but security implications (for example, the Committee on Foreign Investment in the United States, Australia's Foreign Investment Review Board, and India's Foreign Investment Promotion Board (though the latter is being disbanded)). Japan is updating its review process. The countries can compare notes on these mechanisms and their effectiveness, discuss Chinese projects that have been of concern, as well as consider offering assistance to smaller countries in the region looking to develop such mechanisms.

- The extent to which China has used its economic ties and clout to advance political or geopolitical goals in the Quad-Plus countries.

- The Quad countries share certain economic objectives related to China. For example, Beijing allowing foreign companies greater market access or ensuring that China's involvement in regional projects is constructive. What are these shared objectives vis-à-vis China? Are there actions the Quad countries can take to shape China's behavior in this regard? Where can the Quad-Plus countries work with China on broader regional initiatives?

- Share perspectives on China-led regional initiatives like OBOR and CPEC. In the U.S., some see OBOR as primarily economic-driven and argue that it will lead to deeper integration in the region, which the U.S. would directly or indirectly benefit from. Others are more concerned about the initiative's strategic intent and its implications. There is a similar debate in India.

- Whether and how some of the Quad countries can work together on projects in South and Southeast Asia, providing a non-China option to local actors.

- The implications of the structural adjustment that China's leaders have said they are seeking to undertake vis-à-vis its economy. Its impact will be economic, but will likely play out in the security sphere as well. The slowdown has already affected commodity prices and stock markets around the world, and some of the Quad-Plus countries have already expressed concern about the impact of the devaluation of the renminbi on their exports. It is an open question whether and how Chinese policymakers will manage this transition.

- China's likely strategic behavior during this transition is also uncertain. When Beijing seemed to be at the peak of its confidence in 2009-10, the region witnessed a period of Chinese assertiveness. But, if history is any guide, there is unlikely to be a ratcheting down on this front from a Chinese leadership facing a more bearish economic context. Indeed, one potential concern is that a leadership that needs buy-in from its public for this economic transition, while maintaining its own political legitimacy, might have less policymaking space vis-à-vis security issues (or, may use security issues to maintain its legitimacy).

Conclusion

There are a number of other potential areas of cooperation related to the economic arena that can be discussed, some of which are being covered in different panels. Defense trade and cybersecurity are two such sectors. There are additional related activities the Quad-Plus countries can undertake like educational exchanges, technology development, and sharing and capacity building. But, given various other priorities and limited resources and bandwidth, it is important to assess where working together would add value and identify a purpose for such cooperation rather than have it be just for its own sake.