

# Great Power Competition in the Indo-Pacific

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The past decade has witnessed the gradual [re-emergence](#) of great power competition, with the United States and China being the chief protagonists. While there exist significant disparities, assessed [on broad metrics of power, the two](#) countries are today the dominant global actors. Together, the US and China [account for over](#) 42% of global GDP and [over half of global defence spending](#). Although their economies and innovation ecosystems are deeply interlinked, competition across all domains — ideology, geopolitics, security, economics, and science and technology — is increasingly becoming the dominant prism within both Beijing and Washington.

For instance, the [2022 US National Security Strategy](#) unambiguously states that “the PRC is the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it. Beijing has ambitions to create an enhanced sphere of influence in the Indo-Pacific and to become the world’s leading power.” To contend with this challenge, the strategy outlines a framework of invest, align and compete. Likewise, in his [speech](#) at the 20th Party Congress in October 2022, Chinese President Xi Jinping argued that a “significant shift” was taking place in the “international balance of power.” “China’s international influence, appeal, and power to shape have risen markedly,” he added. Discussing the agenda to realise the goal of “national rejuvenation,” he, however, warned of “dangerous storms” amid “drastic changes in the international landscape”, which are coinciding with “external attempts to blackmail, contain, blockade, and exert maximum pressure on China.”

In essence, intensified contestation between Washington and Beijing will be the dominant characteristic of the post-COVID world. That said, the mental model of Cold War bipolarity does not account for the peculiar complexities of the present.

There are three primary reasons for this:

1. First, nearly three decades of economic globalisation has resulted in an unprecedented web of interconnected supply chains, powering the global economy. More importantly, the Chinese economy is central to these networks and the health of the world economy. The [IMF estimates](#) that in 2023, China will account for 30% of aggregate global growth, contributing three times more than the US economy. Despite a slowing down of the Chinese economy, this trend is unlikely to shift substantially in the near future.
2. Second, while the China-US rivalry possesses an ideological tinge, both sides have significant stakes in the existing international institutional architecture. Undoubtedly, both China and the US are engaging in a certain degree of revisionism, but neither appears to be driven by a revolutionary zeal to upend the existing UN-centered system. Even if revolution were an ambition, it is important to note that both the US and China are today limited by their own resources, capacities, domestic politics and global appeal in crafting a new world order.
3. Finally, the complex interdependencies between and limitations of the great powers in the post-COVID world have generated space for and shaped the decision-making of an increasing number of middle powers, like Japan, South Korea, India, France and Turkey to name a few. These actors have sought to leverage the opportunities to strike new bargains and maximise their interests, while working to minimise commitments and costs. Unlike the Cold War, the post-COVID world permits greater activism, adventurism and transactionalism from middle powers. The launch of the Indo-Pacific Economic Framework for Prosperity, which is flexible in its design, is a case in point.

**In sum, competition among great powers in the post-COVID world is not, for the moment, resulting in the creation of clear power blocs or an existential systems rivalry. Rather, what is evident is a state of tremendous fluidity. Great powers are seeking to compete by investing in domestic capacity, constraining and delegitimizing each other's actions and expanding influence. Middle powers, meanwhile, are eyeing capability enhancement, autonomy of action and greater bargaining power. In essence, what we are witnessing today is in an era of great power competition in an increasingly multipolar world.**

Within this framework, there are three major trends that are worth highlighting.

**First, the probability of direct great power conflict is higher today than it has ever been since the end of the Cold War.**

Several factors point to this.

- a) Russia's invasion of Ukraine in February 2022 was a watershed event. It marked the beginning of a new era of volatility and confrontation between major powers. Moscow essentially used force to try and enforce its sphere of influence. This desire to push back against what it saw as Western efforts to undermine security and stability in its immediate neighbourhood was clearly articulated in the [February 4, 2022, joint statement](#) between Vladimir Putin and Xi Jinping. Although the US and NATO have refrained from direct engagement with Russia, they have provided extensive diplomatic, economic and military support to Ukraine. Ukraine has, thus, become a theatre for a proxy war between the geopolitical West and Russia.
- b) The conflict in Ukraine is also of great salience to the Indo-Pacific region. As mentioned earlier, the Xi-Putin joint statement revealed a commonality of strategic purpose between Moscow and Beijing. This was evident from the parallels drawn between NATO's eastward expansion and the "formation of closed bloc structures and opposing camps in the Asia-Pacific region." Given this strategic objective, China has fundamentally been supportive of the Russian effort, while working to limit the costs of its actions. At the same time, it has sought to [delegitimize the US' Indo-Pacific strategy](#) as a product of Cold War mentality, while proposing its own initiatives to mobilise the developing world and using military and economic coercion to shape the choices of countries in the region.
- c) In the past few years, there has been a fundamental reorientation of the US force posture in the Indo-Pacific region. This has been accompanied with a strengthening of traditional alliances like NATO and development of new partnerships, such as AUKUS and the Quad. [The June 2019 Indo-Pacific Strategy Report](#) of the US Department of Defense called for the deployment of "combat-credible forces" that are "forward-postured in the region." In keeping

with this, the 2023 National Defense Authorisation Act [includes specific provisions](#) to deter Chinese aggression in the Indo-Pacific. Among other actions, it calls for intensified support for Taiwan, which is increasingly becoming an active flashpoint, and to review “logistics and basing operations in the Pacific to ensure that U.S. forces are ready to fight and have the tools they need to win the fight.” To this end, in January 2023, the US and Japan [agreed](#) to “forward-stationing more versatile, mobile and resilient capabilities.” The two countries [have already been working](#) to deepen the integration of their command structures and scaling up combined operations in the region. In addition, the US has [secured](#) access to four additional military bases in the Philippines.

- d) Finally, three decades of economic globalisation nurtured deep interdependencies among major powers. These continue to weigh heavily on policymakers’ minds when it comes to decisions regarding war and peace. The fraying of these threads of interdependencies, as is discussed below, lowers the cost of conflict.

**Second, geopolitical frictions are clearly spilling over into economic decision-making. However, the impact of this is not necessarily manifesting in de-globalisation. Rather, it is resulting in weaponizing of economic dependence, return to industrial policy and the emergence of a splintered technological ecosystem.**

Despite heightened political tensions, there has been no broad-based decoupling of economies. For instance, bilateral trade between the [US and China](#) or [China and India](#) continued to expand to record highs last year. Likewise, there is little evidence that either [American](#), [European](#) or [Japanese](#) companies are exiting the Chinese market owing to geopolitical risks. Surveys of foreign companies in China instead point to economic factors along with the erosion of policy predictability, reliability and efficiency being the risks that are resulting in decisions to diversify current operations or re-consider future investments in the country. In essence, while states may be viewing trade from a strategic prism, enterprise decisions continue to be motivated more by economic factors and incentives rather than geopolitical risks.

This, however, is not necessarily the case with emerging technologies. Increasingly, the most innovative economies appear to be doubling down on industrial policy to outpace each other in the development of new technologies. In addition, there

appears to be greater willingness among the US and China to use tools like export controls in order to obstruct and choke the advancements of rivals, while cutting exclusive deals with trusted partners. The US' decision to prohibit companies from exporting the technology, software, and equipment used in producing advanced computing chips and supercomputers to China is a case in point. China, meanwhile, [is considering new export restrictions](#) on solar manufacturing technologies in order to preserve its dominance in the sector. Likewise, while the US has been in dialogue with the EU and Quad partners on critical and emerging technologies, Beijing has been expanding its technology footprint through initiatives like Digital Silk Road and the Data Security Initiative. In essence, the global technology ecosystem appears to be moving towards a state of "small yards and high fences."

**Third, middle powers are increasingly working to seize the moment and engage in strategic deal-making with the great powers. This trend is likely to sustain multipolarity rather than accelerate the emergence of bipolarity.**

Fluidity in the system, as discussed earlier, has created opportunities for bargaining and activism for middle powers. However, this window is unlikely to remain open, or at least remain open to this extent, for an extended period of time. In the long run, or in case of a black swan event such as hostilities in the South China Sea or over Taiwan, intensified geopolitical frictions between China and the US will narrow the manoeuvrability of middle powers. It will also result in higher costs for accessing capital, markets, commodities and technologies.

Therefore, it is imperative for middle powers to act promptly and cut deals that further their strategic interests. The [recently inked](#) India-US initiative on Critical and Emerging Technology is a case in point. While some might view such dealmaking as picking sides and accelerating the emergence of a bipolar international order, this would be a misguided conclusion. Agreements with great powers to enhance the developmental outcomes and security capacities of middle powers and cultivating interdependencies are more likely to strengthen multipolarity. Whether such multipolarity will imply greater international stability and security is an open question.