More than Trade

Why and How to Step Up German Security Co-operation with Asia

By Heiko Borchert

Germany’s trade and investment ties with the Asia Pacific region are deep and growing; it is a relationship that has benefited both sides immeasurably. But Germany’s engagement with the region — unlike that of the United States — has so far been largely one-sided, focusing on trade and economic ties, rather than security issues.

Given the vulnerabilities that threaten the sea lines upon which Germany’s trade with Asia depend, it is high time that Berlin focus on greater security co-operation with the region, writes Heiko Borchert.

EVERY DAY, DB Schenker Logistics, a subsidiary of Deutsche Bahn, transports around 50 containers to China on behalf of German luxury carmaker BMW. The railway link that spans 11,000 kilometers is just one example of the growing trade relationship between Germany and the Asia-Pacific region (APAC), ranging from India and the members of the Association of Southeast Asian Nations (ASEAN) to Australia, New Zealand and Northeast Asia. Slowly but steadily, trade with APAC partners has outpaced Germany’s economic relations with all other non-European trade regions.

In 2014, Germany exported and imported goods worth roughly €2 trillion (US$2.6 trillion). Although trade with neighboring European Union countries still dominates with a share of around 58 percent, trade with APAC partners already comes second with more than €300 billion (see Figure 1). Trade with China was worth around €153 billion and trade with the United States reached a total of €144 billion. Japan and South Korea are Germany’s two other main trade partners in the APAC region. Of countries in the APAC region, Japan is also the single most important foreign direct investor in Germany, owning an investment stock worth roughly €16.5 billion. In turn, German foreign direct investment (FDI) in the APAC region amounts to €130 billion, or 11 percent of German total FDI stock abroad — with China, Australia, Japan and Singapore as Germany’s most important investment destinations.

Trade with APAC partners is diversified, but given Germany’s reliance on imports of energy resources and minerals, raw material supplies are important. Two of Germany’s top three raw material suppliers are in APAC. Chile leads the group. Australia ranks second with supplies of bauxite, iron, copper and nickel. China is number three, providing Germany, among other things, with rare earth metals, bismuth, wolfram, titan and manganese. Other important raw material suppliers in the region include India and Indonesia.

The growing economic entanglement perfectly fits the increasingly popular narrative of Germany as a geo-economic power. Originally developed by Edward Luttwak in the early 1990s, analysts such as Hans Kundnani and Steven Szabo argue that today Germany is increasingly adhering to an economic definition of its national interests. Commercial realism, they argue, gives preference to favorable economic relations with the most important trade partners and leads Germany to become more risk averse so as not to torpedo trade partnerships.
The concept of geo-economic power is appealing, but it stands in contrast to current realities: In the age of geostrategic uncertainty, a purely geo-economic concept of power cannot work because of the fragility of the underlying politico-economic framework. There is no better example to illustrate the challenge than the current struggle for the freedom of the “global commons.”

The global commons is an umbrella concept that captures the strategic significance of important domains such as the sea, airspace, space and cyberspace to which state and non-state actors have access. Prosperity builds on the unrestricted exchange of resources, goods, capital, information and the mobility of people. These interactions create flows that connect locations of production, transit and consumption. Prosperity thus requires connectivity. Connectivity, in turn, depends on means of transportation and linkages across the global commons.

Right now the principles governing access to, maneuverability within and use of the global commons are contested. On the one hand, there are state and non-state actors working towards enabling global connectivity by keeping the global commons open to everyone. On the other hand, there is a growing group of state and non-state actors that are interested in reorganizing global flows based on their very specific interests and ambitions. In the military domain, investments in anti-access and area denial capabilities (A2AD) make it more difficult to project power into zones of strategic interests while at the same time expanding the leeway of those interested in keeping interference from the outside at a minimum. In the economic domain, a similar process is underway: It is characterized by regional instead of global trade agreements, preferential bilateral trade deals and a shift away from the financial institutions of the Bretton Woods system. The rise of hybrid challenges that are difficult to discern is likely to reinforce complexity, as more and more actors strive for strategic positioning in the global commons by indirect means, such as a combination of economic and military means, the use of proxy partners to conceal true intentions and the launch of co-operation initiatives to divide and rule.

Ultimately, a geo-economic power depends on the freedom of the global commons to reap the benefits of economic interaction with partners. But if other actors are challenging the rules that guide international behavior in the global commons, the foundation of the geo-economic order becomes shaken. That is why a power like Germany can no longer act without a strategic concept that stipulates why, how and with whom the freedom of the global commons needs to be defended. As a consequence, Germany stands at a strategic inflection point. At the very moment Berlin reaches the zenith of its geo-economic power, it needs to focus on hitherto neglected strategic security in order to continue benefiting from its economic strength.

**APAC FRAGILITY: KEY CHALLENGES FOR SECURITY AND PROSPERITY**

Economic and development co-operation never occur in a vacuum, but require a political framework set in a regional order. However, the political order in the APAC region is built on shaky ground. Overall, the strategic vulnerability and the inherent instability of the region are prime factors of concern that are reinforced by different long-term trends.

There is no better indicator to illustrate the region’s vulnerability than energy consumption. According to the BP Statistical Review of World Energy, the world consumed 12.7 billion tonnes of oil equivalent in 2013. Already today, energy consumption in the APAC region has outpaced demand in Europe and in the US. With a share of 22 percent, China is the world’s biggest energy consumer, followed by the US with around 17 percent. Right now, China is consuming around nine times more energy than Germany. Other countries in the region such as India, Japan, South Korea and Indonesia are equally energy-hungry. To varying degrees, all of these countries depend on energy imports, in particular for oil and gas. For example, more than 80 percent of the oil and gas supplies to China, Japan and South Korea run through the Strait of Malacca.

As a consequence, maritime instability has a direct impact on energy supply, which affects prosperity and political stability.

Energy supply security must be guaranteed in a region that is inherently unstable. Instability results from domestic fragility and geostrategic antagonisms. A look at the 2014 Fragile States Index produced by the Fund for Peace shows that the APAC region has two anchors of stability: Japan and South Korea in the northeast and Singapore and Australia in the south. All other nations located between these poles show varying degrees of domestic fragility. Domestic fragility comes with different strategic consequences. Political upheaval and opposition are detrimental to economic prosperity, and domestic weakness inhibits these nations’ willingness and ability to co-operate internationally. This, in turn, delays political solutions to pressing needs such as common approaches to the exploration of the region’s offshore resources. In addition, domestic weakness invites stronger nations to test the boundaries of what is acknowledged as acceptable behavior in the region. As a consequence, alliances across the region are being reconfigured in order to counterbalance those that bully others.

Geostrategic rivalry reinforces domestic fragility. Competition for strategic zones of influence is predominant. The Sino-American antagonism describes the basic fault line. As Henry Kissinger argues in his latest book, World Order, Washington wants to prevent hegemony in the region, whereas Beijing is interested in keeping potential adversaries far from its borders. As a result, China constantly raises the costs for US engagement in the region. This increases the stakes for Washington to eliminate doubts over its willingness to remain a credible strategic partner in the region.

As if this were not enough, the region’s inherent vulnerability is likely to grow in the future. In this regard, three trends are worth mentioning. First, the APAC region’s growing economic posture is about to fundamentally alter global trade relations and trade corridors. A 2011 Citigroup report, Trade Transformed: The Emerging New Corridors of Trade Power, suggested that by 2050, trade among advanced and emerging Asian countries could account for 14.9 percent of world trade. At 12.5 percent, trade among emerging Asian countries could rank second, followed by trade between emerging Asian countries and Western Europe with 8.3 percent. Trade between Western Europe and North America that accounted for 5.8 percent of total global trade in 2010 is no longer on the list of the world’s top 10 trade partnerships in 2050. If maritime stability is a prerequisite for global trade, the shift in trade corridors implies a shift in responsibilities to provide for stable sea routes. This prompts fundamental questions: Who is going to set the rules to guide future behavior at sea and who is ready to enforce them?

Second, projections by the United Nations suggest that world population will grow beyond 9 billion people by 2050. At the same time, the distribution between urban and rural populations will change dramatically. By 2050, around 6.3 billion people could live in urban areas. This will accelerate the growth of urban agglomeration areas and megacities. UN HABITAT expects that already by 2025, around 230 million people...
could live in the world's top 10 urban agglomeration areas; seven of them are in the APAC region. As a consequence, social, economic and political infrastructure in these areas will come under pressure. Given the domestic weakness of many APAC countries, densely populated but unstable coastal megacities should be regarded as a very realistic future threat scenario.

Finally, climate change acts as a threat multiplier. APAC coastal zones are at the forefront of global risk areas, experiencing more natural disasters than most other regions around the globe. People living in the region and infrastructure built along coastal zones will be directly affected. This will affect energy supplies, as most energy-receiving installations are built in coastal zones. In addition, dysfunctional transport infrastructure slows down economic co-operation and deprives the hinterland of its coastal connections, which affects national prosperity.

GERMAN INTERESTS IN THE ASIA-PACIFIC

Economics drives German co-operation with the APAC region. But the region's strategic vulnerabilities endanger German core interests and thus require Berlin to pay more attention to security and stability.

First, Germany has an overarching interest in preventing inter-state rivalries from destabilizing the whole region. However, this is also most difficult to realize because of the lack of a robust multilateral architecture. In the region, Germany engages mainly through the channels of the European Union. This strengthens European coherence but makes it slightly more difficult to hear Germany's voice.

Second, Germany has a fundamental interest in open and secure sea lines of communication and stable coastal zones. Both are threatened by competing maritime sovereignty claims centered around diverging resource claims, piracy, organized crime and other illicit activities at sea as well as the negative consequences of climate change. Third, Germany's interest in resilient national and regional supply infrastructure follows logically from the above analysis. Supply infrastructure such as energy installations, logistics and transport networks, traffic management systems and communications infrastructure, to name but a few examples, will come under enormous pressure across the region. The growing demands of megacities, offshore activities in the oil and gas sector and seabed mining, dedicated cyber attacks, and the consequences of climate change are among the most prominent threat drivers that need to be taken into account.

Fourth, the amalgamation of strategic technology proliferation, copyright infringement and espionage is detrimental to prosperity in the region and can prevent partners from entering into commercial relations with APAC nations. Technological innovation is making things even more difficult. Today's most advanced technologies are used in defense and commercial applications, thus rendering verification more difficult. In addition, the growing reliance on commercial technologies for security and defense can accelerate national military modernization, which bears the potential for political disruption in the absence of confidence-building regimes. Multi-purpose commercial technologies are attractive targets for copycats and espionage. But product piracy deprives nations of the benefits of initial investments and creates unfair advantages to the benefit of second movers. The same holds true for espionage that threatens to unsettle pan-regional trade arrangements. Germany thus has an inter-

One in a million: A box of clothing ready for export to Germany at one of Laos' largest textile factories, located on the outskirts of the capital, Vientiane. Germany's two-way trade with Asia-Pacific countries totalled more than €300 billion last year.

Photo: EPA/Barbara Walton
est in preventing these risks from materializing and in containing the negative consequences.

Finally, Germany’s adherence to rules-based politics built on the notion of equitable economic policy explains its interest in the rule of law, democratic accountability, human rights and a sound economic framework in the APAC region. But following through on these principles is difficult, given the region’s heterogeneous political and economic maturity and diverging cultural backgrounds. Perhaps more than other regions, APAC partners will force Berlin to set priorities with regard to the core values that Germany would like to see flourish across the region. This, in turn, challenges Germany on the domestic front, because the government will need to explain why it might be ready to compromise on some occasions and stay firm on others. As a consequence, a more proactive approach to political communication will be needed, which in turn requires a strategic agenda.

ELEMENTS FOR A GERMAN-APAC SECURITY AGENDA

Germany is a latecomer in the discussion about the future APAC security order. Therefore, it is all the more important for Berlin to focus on issues that advance pan-regional co-operation, provide value added for Germany’s partners, increase Germany’s own visibility and play to Germany’s advantages. So what should Germany do?

Enhance Strategic Dialogue: First of all, Germany needs a solid foundation to launch further activities. Ramping up bilateral activities is a logical first step. Deepening existing and establishing new strategic dialogues where necessary is an ideal way to do so. Understanding the interplay between the maritime domain as the main road to integrate the region into the global economy and naval force modernization priorities across the region is pivotal. Therefore, Germany needs to mainstream maritime and naval aspects into strategic dialogues. But strategic dialogue only works if Germany is present in the region. There is therefore a need for ministers, members of parliament and high-ranking officers to travel to the region more frequently, participate in high-level events across the region and engage with local security and defense experts.

Make the Maritime Domain the Catalyst for APAC Prosperity: The stability of the maritime domain is of paramount interest to APAC nations, as the flurry of bilateral agreements on maritime security co-operation across the region perfectly illustrates. For Germany, the sea is the most important transport corridor for trade with APAC partners. Enhancing confidence-building through the expansion of maritime domain awareness (MDA) is thus an ideal way for Germany to tie into these activities. This supports pan-regional endeavors, such as the exchange of information agreed upon at the First ASEAN Defense Ministers’ Meeting Plus in October 2010 and could help establish a Maritime Security Forum as envisaged in the 2009 ASEAN Political-Security Community Blueprint. Pan-regional mechanisms to advance MDA serve many different purposes. The smooth exchange of information related to maritime incidents, for example, could facilitate emergency co-operation, as in the case of the tragic loss of Malaysia Airlines flight MH370 in 2014. In addition, MDA helps advance mutual understanding with regard to different underwater activities that bear the potential for serious bilateral misunderstandings.

To show support for MDA, Germany should join the Regional Co-operation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). Since its inception, ReCAAP has established itself as an important instrument of information exchange in the fight against piracy, in particular in the Strait of Malacca. Active participation in ReCAAP would lend further credibility to Germany’s support for other programs, such as the Malacca Straits Security Initiative.

As most APAC nations are coastal states, Germany must focus on the critical role of the littorals. First, coastal surveillance is an important building block in maintaining sovereignty over national waters and plays a stabilizing role in an area rife with maritime disputes. Second, a program to create prosperous and stable coastal zones fits Germany’s comprehensive security approach perfectly. The program should focus on urban planning to make sure urban needs go hand in hand with the development of the local infrastructure. It will need an ecosystem-based approach to manage marine resources that coincides with Germany’s interest in sustainable resource exploitation and distribution of the respective income. Organizing maritime security in a way that helps patrol and protect the littorals is an important additional contribution that needs to be complemented with a focus on protecting underwater and offshore infrastructure. All in all, a coastal development program also provides opportunities for co-operation with the United Nations and international financial institutions active in infrastructure financing and development.

Enhance Disaster Response Co-operation: Natural disasters are a key threat to human well-being, political stability and economic prosperity in the APAC region. With the new Global Initiative on Disaster Risk Management, the German government is already emphasizing this important aspect. Stepping up efforts to build resilient communities with a focus on coastal megacities in the region logically follows. Areas of co-operation include risk analyses and mitigation strategies, training and equipping emergency responders, provision of key assets for transport as well as emergency communication and concepts, capacities and capabilities to recover and strengthen citizens’ self-reliance. Establishing institutional links to support regional bodies such as the ASEAN Co-ordinating Centre for Humanitarian Assistance underlines Germany’s commitment. This could be extended to bilateral talks with governments in the region over establishing joint local centers of excellence in disaster management as focal points to build local capacities, advance co-operation between government and non-governmental actors and thereby strengthen societal resilience.

Address the Region's Digital Achilles' Heel: Digital connectivity is Janus-faced. It plays an important role in the economic rise of the APAC region, but it is also a key threat vector. Cyber incidents such as espionage, the theft of citizen and consumer data and attacks against important supply infrastructure have become an integral part of the region’s threat landscape. For the time being, maritime cyber incidents are rare, but this could change. Eight out of the world’s 10 busiest container terminals are located in the region. With PSA International, Hutchison Port Holdings and Cosco, three of the world’s biggest container port operators originate from APAC nations. Coordinated cyber attacks against these operators and their infrastructure would create instant ripple effects around the globe.

German-APAC cyber security co-operation leverages the fact that maritime cyber security is playing a prominent role in the action plan of the European Union Maritime Security Strategy adopted in December 2014. As a lead nation, Germany could champion outreach activities on maritime cyber security as an integral part of the EU’s maritime security strategy, its integrated maritime policy and global maritime transport safety and security. Therefore, Germany should consider joining the Malaysia-based International...
If and to what extent Germany will be able to expand strategic ties in the region very much depends on how Berlin settles political relations at the meta-regional level with Washington and Moscow. Both relationships are strained right now.

Multilateral Partnership Against Cyber Threats (IMPACT) and deepening its support for the Interpol Global Complex for Innovation (IGCI) to advance cyber-related information exchange and best practices.

Broaden and Deepen Defense Co-operation: German defense co-operation with APAC partners needs to be embedded in a broader concept with doctrine and training, operations and armaments co-operation as the three pillars.

On doctrine and training, the region’s specific geography points the way for co-operative endeavors. The crowded, cluttered and contested environment of megacities will shape future capability requirements for humanitarian assistance, disaster relief, international crisis management and other forms of military engagement. For Germany to play a valuable role in this environment, it must understand how partner nations think about the respective challenges and shape their armed forces to address them. The best way to do so is to engage in joint exercises. In addition, most archipelagos in the region have jagged shores. Being able to operate in confined and shallow waters is thus very important. This is an area where the German Navy has acclaimed expertise across the whole spectrum of naval tasks including the underwater domain. Germany also leads the NATO Center of Excellence on Operations in Confined and Shallow Waters. Leveraging this expertise increases NATO’s visibility in the region and lends additional credibility to Germany’s activities to advance coastal surveillance and stabilize the littorals.

Co-operation on doctrine and training makes the most sense if nations are willing to engage in joint military operations. This is the second area for defense co-operation and it raises conceptual and operational challenges. Conceptually, Germany needs to come to terms with whether it is willing to patrol sea lines that are crucial for its most important partners and for its own supply security. This translates into the operational challenge to provide the respective capabilities to accomplish this task. Today, German naval assets are stretched thin. A German naval presence in the APAC region will require Berlin to reprioritize naval tasks. Enabling this presence reflects Germany’s dependence on maritime transport routes, provides support to German partners in the APAC region and suits the strategic perspective of growing security ties between APAC nations and NATO and the European Union. For the German government, the current debate on the new defense White Paper due to be published in 2016 is an ideal opportunity to pave the way for this important shift in the country’s naval posture.

Finally, defense co-operation with APAC partners also includes armaments co-operation. Arms exports are the stepchild of Germany’s security policy. But they play an important role in supporting regional partners and safeguarding German security interests. Contrary to the case-by-case mode that is prevalent today, Berlin needs a more strategic approach that delineates arms co-operation priorities from strategic interests:

The first priority is intelligence, surveillance and reconnaissance for MDA. Space-based assets are key, because they enhance co-operation in fields such as environmental monitoring to support disaster relief, coastal surveillance and early warning related to missile defense. In addition, the space dimension provides a welcome opportunity to co-operate with the Space Situational Awareness Center of the German Luftwaffe.

Across the region, strengthening naval capabilities is a key priority. Therefore, setting up naval-industrial partnerships is of mutual interest. In this regard, Australia’s submarine and future frigate procurement programs provide ideal opportunities to create a naval industry hub in Southeast Asia. In the future, the hub could expand ties to well-established and emerging naval shipbuilders across the region.

Anti-access and area denial capabilities pose an imminent threat to regional stability and need to be countered. With Taurus, an air-launched cruise missile recently procured by South Korea, the Interactive Defense and Attack System for Submarines (IDAS) and long-range torpedoes, Germany has different systems on offer for naval force-on-force scenarios and to strengthen coastal and air defenses.

Finally, combined operations of manned and unmanned assets in space, air and naval domains will grow in importance. The increasing use of unmanned systems and other long endurance systems operating at great distances will reinforce the need for cyber security in order to secure communications, navigation and the exchange of target information. This provides opportunities to co-operate with APAC’s leading technology nations.

THE WAY AHEAD: STRATEGIC PARTNERING IN THE ASIA-PACIFIC POWER WEB

Germany’s ability to play a more strategic role in the APAC region very much depends on its ability to decipher a complex power web, cultivate strategic partnerships and carve out a role for itself. To do so, Germany will need to act at two different but interrelated levels.

At a meta-regional level, the US and Russia are key. Their pivotal role is obvious when considering defense and armaments relations. Statistics by the Stockholm International Peace Research Institute show that between 2000 and 2014 the two nations accounted for almost 75 percent of all weapons deliveries by value to APAC nations. Each country operates through a network of partners. Australia, Japan, Singapore and South Korea are the main US allies. Russia has built strong bonds with China, India and Vietnam. Countries like the Philippines, Indonesia, Malaysia and Thailand are at the intersection of both key players’ zones of strategic interest. At the regional level, China’s rise is leading to a recalibration of the power web. Growing economic ties with China will make it more difficult for nations in the region to uphold strategic cooperation with the US. This is already becoming obvious in the case of South Korea, as China accounts for 16 percent of South Korea’s imports and 26 percent of its exports. The establishment
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Washington, in turn, holds the key for further strategic co-operation between Germany and Australia, Japan and South Korea. Right now, Washington seems to be following a three-way approach. First, it strengthens bonds among its key allies, as reflected by the Japan-Australia partnership and the most recent trilateral intelligence-sharing agreement with South Korea and Japan. Second, the growing defense footprint of its allies in the region seems to fit perfectly well into Washington’s overall rebalancing approach. For example, South Korea’s defense exports to Indonesia and the Philippines close ranks in a way that might be more palatable than direct US involvement. And third, by strengthening bonds with countries like Vietnam and India, Washington underlines its readiness to challenge Russia’s influence in the region head on.

As a consequence, Berlin needs to engage with both Washington and Moscow, but in a different manner. Vis-à-vis Moscow, Berlin will prefer a “watch and hold” approach. Despite the deep divide that currently characterizes the bilateral relationship, the strategic dialogue remains important to keep communication channels open and understand how Sino-Russian co-operation is likely to evolve. This, by the way, could be in Moscow’s interest as well. Despite political rhetoric about a partnership of equals between China and Russia, China currently seems to have the upper hand, which means Russia could be interested in partners that help balance the relationship.

Across the Atlantic, Germany and the US need to restart co-operation. Dependence on APAC nations helps align German and US strategic interests. These include regional prosperity, the stability of the maritime domain and the fight against the proliferation of weapons of mass destruction, terrorism and cyber insecurity. High-level interests can be matched with specific opportunities to co-operate. Three-way defense co-operation with advanced technology leaders in the region, in particular in the field of unmanned systems, is one example. In addition, regional procurement programs like Australia’s conventional submarine replacement program and its future frigate program, naval modernization in Indonesia and the Philippines and Japan’s growing defense export posture create options to combine political clout with operational experience and technical expertise.

In the end, APAC nations carry the main burden to ensure stability and prosperity across the region. They need to strike a delicate balance between economic power, political assertiveness, the resulting intra-regional tensions and their long-term strategic interests. Entering into a strategic stalemate by mutually balancing and counterbalancing each other is detrimental to the region’s prosperity. Intensifying co-operation with partners from outside the region such as Germany can diversify the portfolio of political partnerships and thus broaden the scope of political options to solve the region’s key strategy challenges. By engaging with Germany, APAC nations tie into Europe’s leading economic power and thus advance strategic co-operation with the European Union.

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