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Testimony before the U.S.-China Economic and Security Review  
Commission

“China and the U.S. Rebalance to Asia”

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## **“Rethinking How America Engages China”**

I thank the Commissioners Co-Chairing this Hearing for the invitation to share my thoughts with the Commission.

### Perspective

That today’s Hearing is convened the same day that Chinese President Xi Jinping and other foreign dignitaries are in Washington for the opening of the Nuclear Security Summit is indicative of a fundamental reality in U.S.-China relations. At any given moment Beijing and Washington have a great diversity of issues at stake of consequence to themselves, the region, and the world. Some issues and interests bring Washington and Beijing together--others separate us. Each of our countries has to weigh the degree to which it will let disagreement in one area narrow the possibilities for cooperation in others. As we consider the Asia “rebalance” we need to keep this in mind.

“Constructive engagement” with the People’s Republic of China (PRC) has had a shelf life of nearly four decades. Such policy longevity and the accompanying positive change in Asia suggest that engagement has, up to recent times, been remarkably successful. Considering that two major wars (Korea and Vietnam) occurred in the period preceding U.S.-PRC normalization, and none thereafter, and that the region has modernized very substantially in the environment fostered, in part, by engagement, the success of past policy is considerable. While positive change has occurred for many reasons, the central fact is that regional welfare levels have grown along with increasing urbanization throughout the region. Middle classes have developed, driving both economic growth and political change to various degrees in various places. This progress, along with its predictable effect of creating stronger regional actors, sets the stage for today’s Hearing. Our challenge is to adapt to the changes that past success has wrought and respond to some of the accompanying problems, particularly changes in PRC behavior. Our goal should be to foster balance, stability, and rules-based behavior in the region, aspiring to create the basis for another four decades of stability and progress, progress that includes China.

### Overview and Recommendations

I recall an insightful phrase that Dr. Thomas Fingar, former deputy director of national intelligence for analysis, used in his recent edited volume entitled The New Great Game: China and South and Central Asia in the Era of Reform. In assessing China’s decision calculus in dealing with other countries Fingar argues that Beijing’s core consideration is: “What they can

do to China and what they can do for China” (p. 6). We should keep this wisdom in mind as we move into a new era in U.S.-China relations.

Among today’s changed circumstances in Asia and U.S.-China relations are: Growing Sino-American friction along several dimensions even as positive cooperation proceeds along other important fronts. Particularly worrisome is the increasing tension and prospect for miscalculation in the South China Sea; Mounting Chinese power accompanied by riskier Chinese maritime policy; the increasing use of a “deterrence” vocabulary by both Washington and Beijing; a Korean Peninsula with nuclear weapons and growing numbers of missiles; rising nationalism throughout the region; nascent regional arms spirals and territorial competition; a limited (and perhaps not durable) realignment between Russia and China; worrying Sino-Japanese mistrust and tension; and, mounting capital flows from the PRC (flight and investment funds) and slowing Chinese economic growth affecting the PRC’s trade and finance partners, as well as China’s own internal stability.

It is apparent that in the late-Hu Jintao era, and in more pronounced fashion under China’s current leader Xi Jinping, Beijing has embarked on internal policies of tightening, trying to tame the economic and political interests that have arisen in the course of the last four decades’ social and economic development. The trends toward more collective leadership and related leadership norms established during the preceding decades of the reform era seem to be in retreat, at least for now. There has been movement backward toward the old political playbook in China with a more intrusive Party and its attendant security and propaganda structures. Stability on the Mainland is not to be taken for granted, and churning in China will roil the waters throughout Asia and the global economic system. In its foreign policy, Beijing is driving many neighbors to seek shelter under the U.S. security umbrella and promoting closer security coordination among many of the region’s powers. The more China pursues these unsettling domestic and foreign policy lines, the more it is self-limiting and the more America and others in the region will respond, indeed are responding.

This catalogue of concerns does not even include old stand-by challenges such as the Taiwan and Hong Kong identity problems. The above challenges, and the need to keep the support of the American people for constructive China policy, have reached the point of requiring adjustments in U.S. policy and attitudes. The “Asia Rebalance” (or pivot/rebalance) was an initial effort in this regard, but this policy needs to be broadened and modified. Appropriate adjustments could go under the broad rubric of “*reciprocal engagement*.” Key elements of reciprocal engagement include:

- Adopting a broad frame of mind in the United States that China gradually has moved from being a “developing country,” arguably entitled to special consideration (as was extended to some extent in the World Trade Organization accession negotiations), to the status of a “great power” (*da guo* in Beijing’s own current lexicon) requiring far more reciprocity on Beijing’s part. Maintaining domestic U.S. support for U.S.-China relations when dealing with a stronger China means tenaciously seeking more *reciprocity* in bilateral arrangements, whether it be (for example) on the trade front, the treatment of journalists, or the environment for foreign direct investment (FDI) in both countries;

- Resisting becoming immobilized by Beijing’s overt and implied warnings that link one issue to another and more effectively linking our behavior to China’s. A good example is the recent interaction regarding sanctions on North Korea. Beijing became more motivated to be helpful when it understood that its failure to act was driving Seoul and Washington to move ahead with missile defenses in South Korea. Part of China becoming a great power is for it to acknowledge that its failure to act has consequences;
- Anchoring the U.S. position in international law. In this respect, ratifying the UN Convention on the Law of the Sea would be an enormous credibility builder for America. With respect to the PRC’s incremental strategy of creating new geographic features on tidal elevations and rocks in the South China Sea, the U.S. should continue with its posture of not allowing China’s, or anyone else’s, activities to change the customary behavior in the area. Washington should take measures that make clear that China will gain no military or commercial advantage by occupying vulnerable rocks;
- Seeking to build economic and security institutions that include both China and the United States, rather than parallel systems as we have seen both Washington and Beijing do. Washington should exert itself to make room for China in the international system, and conversely, Beijing ought not place emphasis on building regional institutions that do not allow for U.S. participation;
- And finally, bringing U.S. internal and external priorities into greater harmony and prioritizing among them is essential. Washington’s current policy of not choosing among external challenges (e.g., Russia, ISIS, China, and wars elsewhere in Central Asia) has the problem of simultaneously energizing all U.S. challengers, driving Russia and China closer to one another, and creating doubt in the minds of many in the global and regional systems that the United States has the capacity to handle all the problems simultaneously. This difficulty is compounded by the seeming inability of Washington to focus on its own genuine bases of national power—the domestic economy, financial and ecological sustainability, infrastructure, and human resources. The best way to be effective abroad is to be effective at home. Defining China as a co-equal problem with many other national challenges renders Washington unable to focus and runs the danger of draining resources from the most important tasks. The failure to distinguish among challenges also overlooks the many areas of compatibility between Chinese and American interests. The PRC need not be America’s biggest problem, and vice versa.

### The U.S. (“Pivot”) Rebalance to Asia

The “pivot” policy articulated in late-2011, and re-branded and adjusted as the “rebalance” subsequently, was not artfully rolled out of Washington. The military and security sound tracks of the policy drowned-out the economic and diplomatic sound tracks. China immediately, and indelibly, saw this as part of a neo-containment strategy, with PRC hawks using this perception to enhance their own organizational interests and political positions. Moreover, U.S. policy never has fully overcome the suspicion throughout the region that entanglements elsewhere sap America’s ability to deliver on implied promises of reallocating resources (economic, military, and diplomatic attention) toward Asia, though the Obama Administration actually has made some progress in this direction. Complicating matters, regional states seek to enhance economic benefits with China even as they seek refuge in the American security embrace. They are sensitive to what they see as the twin dangers of U.S. provocation of China, on the one hand, and

insufficient attention by Washington on the other. They hedge their bets through a combination of strengthening themselves, keeping America in the game, and building positive relations where they can with Beijing. For its part, Washington needs to be wary of getting dragged into conflicts in which U.S. *friends* act imprudently.

Although unwelcome changes in Beijing's internal and external behavior began to occur in the late-Hu Jintao period (2009-2012), the transition to the Xi Jinping era has accelerated less reassuring internal and external directions in China's policy—domestic tightening and external muscularity. All this has produced a pronounced regional (and bilateral U.S.-China) action-reaction dynamic. This dynamic is manifest in growing military procurement and system upgrades in many states, rising military budgets as in Australia, competition for new power projection sites throughout the region (e.g., India and Andaman Island, the U.S. in the Philippines, Australia, and Guam, and China in the South China Sea [Paracel and Spratly islands]) as well as contemplating base-like arrangements elsewhere. As Washington, Tokyo, New Delhi, Canberra, and others engage in joint military exercises, so Beijing increases its military exercises with Moscow and others in Central Asia. Although U.S.-China military exchanges and activities have grown during the Obama Administration, the overall security dynamic nonetheless is negative.

#### U.S. Interests and Appropriate American Responses

The Asia Rebalance seeks to promote fundamental U.S. interests that have been the linchpin of American policy and thinking about China and Asia for well over a hundred years. That is, the U.S. interest lies in an Asia-Pacific in which the region has an open economic architecture and in which no single Eurasian or outside power is able to exercise hegemonic (political, military, and/or economic) dominance. *The United States does not need (and should not aspire to) absolute primacy, defined as being able to unilaterally resolve all problems to its satisfaction across all security, economic, and diplomatic issues, under all possible configurations of opponents.* Instead, America's own strength, combined with that of like-minded states in the region, needs to be sufficient to prevent America from becoming an outsider to the region's economic and security architectures. The undiluted quest for primacy as defined above is unachievable and it is unnecessary, wasteful, and ultimately self-defeating. The preferred path should be for China, the United States, Japan, and others to build a Pacific Community—to hold out the aspiration for a structure in which there is no odd man out. *Absent movement toward such a community, America needs to assure that the preponderance of economic and security power is in the coalition of which it is a preponderant part.*

It is always useful in a negotiation to realize that you (in this case the United States) do not have the biggest problem. Confidence should undergird the American position. We don't need to be pugnacious—rather, be confident. If I were in Beijing now I would be considering the current circumstance in which so many states on the PRC's periphery are looking to Washington and others for security reassurance as undesirable and ultimately contrary to the Beijing's own interests. It is hard to see how having a solidifying strategic alignment of Japan, the United States, Australia, and others emerging, when China is only able to move closer to Moscow (Islamabad and Pyongyang), is a strategically advantageous position for the PRC.

The best way for China to enhance its own security and improve Sino-American ties is to reassure its neighbors and focus on the economic upsides of regional growth for all. In this regard, the idea of transportation “connectivity” embedded in China’s regional infrastructure initiatives has the germ of a good idea, though each particular component needs to be considered on its own merits. Washington should avoid a knee-jerk negative reaction against this and assess opportunities for participation as they may arise. With slowing growth, mounting domestic political and social problems, and the increasing security anxiety of its neighbors, China’s interests lie in getting back on the path of shared growth and focusing on its own domestic necessities. The single biggest thing Beijing could do to improve its own circumstance is to reassure its neighbors—to settle or shelve its current maritime issues in the same flexible fashion it addressed disputes along its land borders in the not so distant past. As for the U.S. attitude, Washington should encourage the parties, whether bilaterally or multilaterally, to adopt reasonable compromises.

### How Well Has the “Rebalance” Been Implemented?

The roll out of the “Pivot” in late 2011 was less than artful, though there have been some needed adjustments since, one being a more pronounced emphasis on the economic component. The presidential-level Sino-American dialogue and augmented military-to-military exchanges have been appropriate and welcome. These positives notwithstanding, however, it has been hard to dissuade Beijing from its initial “containment” perspective on U.S. policy given the 2011 presidential address to the Australian Parliament about communism’s political future (November 2011); the initial focus on rotating U.S. troops through Darwin, Australia; then Secretary of State Clinton’s remarks about the West Philippine Sea in Manila Harbor (November 2011); and pushing a Trans-Pacific Partnership (TPP) that included Vietnam, but not the region’s biggest trader, China. Thereafter, there have been what I consider to have been a string of counter-productive moves and statements, including the ill-starred effort to impede the creation of the Asia Infrastructure Investment Bank (AIIB) and repeated presidential statements to the effect that we cannot allow China to be writing 21<sup>st</sup> century trade rules—a statement that while true at one level actually suggests that Washington’s preference may be that Beijing play no role. In short, the “pivot/rebalance” was and is an appropriate impulse in terms of augmenting U.S. comprehensive involvement in Asia, but our own rhetoric and behavior has made the path bumpier than need be.

Another key issue in the implementation of the “pivot/rebalance” has been the underlying assumption that as the United States disengaged from Central Asia and the Middle East in terms of active conflict, this would permit some relative reallocation of military (and presumably other) resources toward Asia. This rebalancing often has been expressed as shifting the allocation of naval assets from 60 percent elsewhere to 60 percent in the Asian region (Defense Secretary Panetta, June 2012). Beyond the fact that the Central Asia and Middle East conflicts have been more tenacious than initially anticipated (and we simultaneously have become involved in new areas of conflict such as Libya and Syria), there also is the competition represented by long-deferred American domestic investments, among which we can include: infrastructure, education, retirement for an aging population, health care, fiscal sustainability, etc. As all these diverse competing needs weigh in the overall balance of decision, this ratio of 60:40 can seem like a shell game—a bigger percentage of a smaller pie for Asia. This arithmetic formulation also immediately sets up a zero-sum mentality with our partners everywhere else in the world who

see our resources devoted to them intimately linked to the augmentation presumably occurring toward Asia. Friends and competitors in Asia and around the world have to ask themselves, “Will the U.S. really have more actual capability?” “If Asia gets more, will we get less?” I am inclined to think that talking less, and doing more is the right approach for Washington.

In short, the “pivot/rebalance” has contributed to Chinese anxiety, stoked negative reactions from Beijing, and not entirely reassured the region (and others elsewhere) that the U.S. will allocate the necessary resources. There is also the problem of threading the needle of reassuring America’s friends by our presence while alleviating the anxiety that we will be ham-handed and unnecessarily inflame Beijing. Beyond this, there is the broader uncertainty concerning where in the hierarchy of strategic priorities China falls for Washington. Asserting, as the Department of Defense does, that America cannot afford to choose among global challenges (Russia, China, ISIS, and other Middle Eastern and Central Asian conflicts) does not disperse the conceptual fog or secure the necessary resources. We need to ask: “Is China really among the big two strategic problems America faces at this moment and in the mid-term?” “Does it need to be?” By the way, China should be asking itself the same questions about the United States with even greater urgency.

### The Response to the “Rebalance” Among Other Countries in the Region

Regional responses to the pivot/rebalance, and to China’s maritime assertiveness, have varied, with non-maritime states (e.g., Thailand and Laos, seemingly more relaxed). Maritime states such as Singapore, Australia, the Philippines, Japan, Vietnam, Malaysia, and to some extent Indonesia are more directly concerned by, and worried about, Beijing’s maritime activities, and pay great attention to the American response. States with conflicting territorial claims with Beijing are more concerned still. Then there is the issue of countries allied with the United States. Japan, the Philippines, and Australia clearly align with Washington—with Canberra recently adopting a robust procurement and budget plan. Japan is expanding its security footprint, role, and resources steadily, but commitment along these dimensions does not translate directly into Tokyo’s ability to solve intractable bilateral U.S.-Japan problems like base relocation on Okinawa. In a similar vein, Tokyo, I understand, did not listen to U.S. advice not to “nationalize” the Senkaku/Diaoyu Islands in the fall of 2012, a move that has precipitated Sino-Japanese tension. The Philippines, the country that asked the United States to leave its bases in 1992, now seemingly welcomes a new relationship nearly a quarter century later.

Each country in Asia is its own story, but generally China is unhappy with the directions in which Myanmar (Burma) has moved. India, for its own reasons and in its own way, is also taking progressively more wary account of China’s maritime policies and actions. The Republic of Korea is focused principally on North Korea, but becomes progressively more receptive to missile defense deployment in cooperation with Washington the more threatening North Korea becomes. China is paying a progressively larger price for North Korean provocations and the recent UN sanctions placed on North Korea with Beijing’s support indicate that PRC patience with Pyongyang is wearing thin. Frankly, what we are seeing in terms of regional reaction is explained more by PRC behavior (and the behavior of others such as North Korea) than some imputed powerful pull of Washington’s rebalance policy. That is why at every opportunity I suggest to Chinese colleagues: “If you want to change the situation, reassure your neighbors by getting the focus more clearly back on your own internal reform, be flexible on maritime issues

with your smaller neighbors, and foster constructive economic interaction with your periphery (as 'One Belt, One Road' broadly aims to do). The path to a better relationship with Washington is through the capitals of your neighboring states." One cannot help thinking of the old saw: "When a challenger is committing suicide, don't take the gun out of his hand."

The appropriate U.S. response is to hold out the vision of inclusive economic and security structures in Asia, work with Beijing on issues on which we can constructively collaborate, and make it clear that U.S. actions in the region will be grounded in international law and the collective interests of almost everyone in the region. We and like-minded countries need to credibly affirm that Beijing will not be able to gain advantage through its incremental strategy in the South China Sea. The U.S. weeks-long, public, agonizing debate in October 2015 over whether or not the U.S. should cross the 12 nautical mile "limit" at Subi Reef is the kind of irresoluteness that should be avoided. U.S. policy makers should have confidence that Beijing has put itself on the wrong side of these developments. Close alignment with Russia offers little help to Beijing when one considers either the PRC's internal challenges or taming its vast periphery. U.S. statements and actions should be anchored in a clear policy of welcoming China into developing regional economic and security institutions and regional and global rule writing. We should avoid unfortunate events like the imbroglio over the AIIB. This posture would be welcome in the region. As one senior former South Korean official put it to me in late-2014, "Don't [you, the U.S.] force us to choose between our interests with China and our interests with you."

#### What Effects Has the Rebalance Had on PRC Behavior?

It is difficult to judge how China's behavior may have been affected by the "rebalance" for many reasons. To start, many considerations drive Chinese foreign policy behavior, so picking a single factor is risky and the predominant causes of behavior in one instance may be quite different in another. Second, Chinese behavior is itself diverse, varying by issue and locality, even at the same time. And finally, it is hard to tell when Beijing's actions are a result of domestic dynamics or a response to the behavior of others. Chinese officials usually assert that China responds to others rather than initiates--that its behavior is defensive and reactive in character. Nonetheless, I believe that the pivot/rebalance has contributed to at least four phenomena with some consequences being more positive than others:

1) The pivot/rebalance has set off debates in China. There is a vigorous debate occurring in PRC foreign policy circles about whether or not China should be confronting the United States in East and Southeast Asia, or deflecting problems there while developing opportunities in less congested areas such as Central Asia, Africa, and elsewhere. There also is debate internally about whether or not Beijing has prematurely abandoned its policy of "hide and bide," keeping a low profile as the country modernizes, with some PRC analysts feeling that China's activism is premature and ill-advised given competing domestic needs, national capabilities, and the predictable anxieties of neighbors. There also is debate over how potent a strategic asset Russia may be. Finally, there also is debate in China about the underlying strength of the United States and how to assess its future comprehensive national power. In 2008-2009, the sense of Chinese power was ascendant in the PRC, given America's economic problems and China's relatively strong economic performance. With recovery in the United States and growing economic and social problems in China, there seems to be a greater appreciation for American power and

resilience, though Beijing still anticipates a multi-polar future, with Washington possessing relatively less leverage over time as others grow.

2) Alarm bells went off in Beijing soon after the pivot/rebalance was initiated. An initial move Xi Jinping made upon his ascension to power in 2012-2013 was to convene a number of rather unprecedented foreign policy-related meetings and to establish a new National Security Commission (announced in November 2013 and established the following January). These meetings and moves were aimed at a number of problems, including the need to more adequately coordinate Chinese foreign and security policy and the felt need to deal with what Xi viewed as the connection between foreign external pressure and internal subversion in China (here the Color Revolutions and Arab Spring, along with soon-to-be political mass movements in Hong Kong and Taiwan in 2014, played their role in heightening Beijing's anxieties.) The pivot/rebalance contributed to the Chinese tendency to see the "black hand" of the United States at work in stirring up internal challenges in Hong Kong, for instance.

These conferences and initiatives, however, also gave rise to some positive diplomatic efforts by the PRC vis a vis Vietnam, Japan, the Philippines, and India, among others. Nonetheless, there remains a contradiction between the hard and soft power messages Beijing is sending its neighbors, with its neighbors taking more seriously the hard power actions.

3) Xi Jinping initiated a drive to emphasize economic connectivity on the seas and by land (although this policy had earlier antecedents such as the Pan Asia Railway idea of the 1990s and early 2000s). "One Belt, One Road," the AIIB, and the Silk Road Fund, among other similar initiatives, were/are an effort to use economics to reassure and to bind others to China and to offset the perceived isolating thrust of U.S. policy. To be clear, however, China's "Belt and Road" initiative has many mutually reinforcing logics--overcoming the perceived isolating aim of the rebalance is only one of them.

4) If one asks knowledgeable Chinese what effects on the PRC they think the "Pivot/Rebalance" has had, one hears (and I am not endorsing these views) that the U.S. policy has emboldened Vietnam and the Philippines to be more assertive (with the presumed protection of Washington) and enabled Japan to enlarge its regional military role and defense posture in ways that alarm Beijing and Chinese citizens generally. Liberals in China would go on to say that this policy has put another arrow in the quiver of arguments of more repressive and assertive elements in the PRC elite for more muscular internal and external policies.

The ultimate question is: Are the restraining and positive effects of the rebalance greater than its provocative and negative effects? I believe the positives could outweigh the negatives—and inaction might be the costliest route of all. History and interest require the United States to play a large, indeed growing, role in Asia. However, we must ask ourselves: How can we best, credibly play that role? Do we need regional primacy and what does that mean? And, how do we secure the many common interests we have with China as we provide incentives for Beijing to avoid destabilizing actions? The concept of reciprocal *engagement* articulated at the outset of this Testimony may be a place to start.