

## After the Rebalance to Asia

### U.S.–China Economic and Security Review Commission

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My name is Walter Lohman. I am Director of the Asian Studies Center at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

For five years now, Washington has been debating the value of the Obama Administration's rebalance to Asia. Questions have arisen over how it was formulated and rolled out, how well it is resourced, whether it too heavily weighted toward military matters, and whether the new attention is sufficiently distributed throughout the region. Experts and stakeholders in the policy have tried to sort out and explain China's role, Taiwan's role, the role of the Association of Southeast Asian Nations (ASEAN) and other regional organizations. Washington has spent an inordinate amount of time on the implications of the terminology itself, "pivot" or "rebalance." In short, the "rebalance" has been very carefully considered from virtually every angle. Now, in the midst of a political season in which Americans are debating their nation's role in the world, it is time to take stock and start looking beyond the rebalance to the time when a new Administration will take ownership of Asia policy.

It has been said before, often by veterans of the Bush Administration, that there was nothing new about the rebalance. This is essentially true. For many decades now, American policy has revolved around two sets of interests: (1) regional peace and security and (2) free trade and the unfettered flow of commerce. The threats to these interests have changed over time. Priority threats have included Soviet aggression, violent extremism, and alternative models to free-market liberalism. The nature of these threats is what has shaped the United States' military posture in the region, its official economic engagement, and diplomacy. Today, the priority threats to American interests in the Western Pacific are bound up in the challenges presented by China's rapid rise as a major, modern regional power. And strategy has developed accordingly.

Seen this way, the rebalance is not strategic innovation, but tactical adjustment. The President himself, in his 2011 launch of the rebalance, made explicit the connection between enduring interests and strategy, on the one hand, and tactics, on the other. Speaking to the Australian Parliament, President Obama outlined a strategy that could have easily been spoken by his predecessor. It involved maintaining a “strong military presence” in the region, preserving a “unique ability to project power and deter threats to peace,” and keeping treaty commitments to allies. On the tactical side, he cited a modernization and broadening of America’s defense posture across the Asia–Pacific, to include an enhanced presence in Southeast Asia. He also highlighted the need for a more flexible military posture, one made more sustainable “by helping allies and partners build their capacity, with more training and exercises.” On economics, he cited strategic interest in “open and transparent” economies, an “open international economic system,” and “trade that is free and fair.” Tactically, President Obama referenced free trade agreements with Australia and South Korea and the Trans-Pacific Partnership (TPP).

With regard to diplomacy, the earliest comprehensive expression of Administration strategy came from Secretary of State Hillary Clinton in the lead up to President Obama’s visit to Australia. In a piece entitled “America’s Pacific Century” in *Foreign Policy*, she used the term “pivot” that would so bedevil Washington policy analysts. She also called for a “forward deployed diplomacy” that among other things would “deepen...our working relationships with emerging powers” and “engage with multilateral institutions.” As with the military and economic elements, Secretary of State Clinton offered no strategic breakthroughs. The previous Administration had done similar things. But Secretary Clinton did point to what would become the Administration’s most significant tactical shift—intensified engagement of ASEAN.

### **The Military Side of the Rebalance**

The most visible part of the rebalance has been on the military side. There have been several important Obama-era initiatives on this account. Among them, the agreement with Australia to rotate Marines and Air Force through Northern Australia and the Enhanced Defense Cooperation Agreement (EDCA) with the Philippines, according to which the two sides have just settled on five bases which will be prioritized for upgrades and American rotations. There are other efforts which were initiated prior to President Obama’s time in office, the continuance of which can fairly be attributed to his call for a posture that is flexible, sustainable, and modernized. These include, in fact, the biggest moving parts of the rebalance: the Guam/Okinawa force realignment and the realignment of American forces on the Korean Peninsula.

Much smaller moves, like the rotation of Littoral Combat Ships (LCS) and anti-submarine aircraft through Singapore and the deployment of additional Aegis destroyers to Japan and submarines to Guam are significant, but more a matter of routine force management—conceivable without the rebalance.

With broader respect to our military presence, the U.S. is very close to the goal of having 60 percent of its naval assets in the Pacific as first announced by former Secretary of Defense Leon Panetta in 2012. It already has 60 percent of Air Force assets and two-

thirds of its Marine Corps there. These assets contribute to the wide range of exercises and training activities in the region, port calls, reconnaissance, and freedom of navigation exercises underway in the region at any given time. In 2011, PACOM put the number of multilateral and bilateral exercises at 172. For 2015, this number is likely lower. If so, it is worth the commission examining the significance of the decline. Whatever the number, it must be considered in the broader context of U.S. operations in the region. The U.S. just completed annual Cobra Gold exercises. RIMPAC 2016 is on target this year, as are the annual Malabar exercises among the U.S., Japan, and India this year in the Philippines Sea. There are many others besides, including the CARAT series, Balikatan with the Philippines, and Talisman Saber with the Australians. We have multiple and expanding exercises with Japan. And given the close integration of U.S. and South Korean forces and immediacy of the threat they face, virtually every day is a joint exercise for the 28,500 Americans stationed there. Specific efforts like the massive Key Resolve and Foal Eagle exercises receive more than their usual share of attention when there is tension on the Peninsula. But they are ongoing and routine.

The U.S. presence in the Asia–Pacific is impossible without its many allies and partners. U.S.–ROK and U.S.–Japan cooperation is almost a given. These alliances are so big and capable that changes in them have exponential impact. Japan’s reinterpretation of its right to collective self-defense and new U.S.–Japan Defense Cooperation Guidelines are good examples. Japan’s 2014 relaxation of export restrictions is another. The latter may result in state-of-art Japanese submarines being built in Australia for service in the Australian navy—a development with major strategic significance. Even smaller adjustments to existing exercises, like recent expanded Japanese participation in joint amphibious exercises, receive an outsized degree of public attention. The extraordinary record of U.S.–Japan military cooperation means that when planners look to augment the U.S. presence in the region, discussing the prospect of basing a second American aircraft carrier in the Pacific, for instance, where is the most logical place for it to go? Japan. U.S.–Korea strategic cooperation has similar potential, but due to Korea’s existential preoccupation with North Korea, it remains thoroughly unfulfilled.

The more fundamental tactical shift of American security policy lies in what has been called the “rebalance inside the rebalance”—that is, the shift of American attention and resources south. Here the U.S. has also found willing partners, most prominent among them Singapore, the Philippines, and Australia. As with Japan, in each case, there are important long-term legal and operational contexts that have made the expansions possible. In fact, although good diplomacy often requires reference to cooperation with other partners in discussion of this move south, cooperation with Malaysia, Vietnam, Indonesia, and others is not nearly as extensive. This is not only for political or strategic reasons, but because the U.S. lacks legal and operational frameworks in these places necessary for rapid ramp up in activity.

Singapore is the perfect example of an enabling partner environment. The most important innovation in U.S.–Singapore relations is not new ship and aircraft deployments attributed to the rebalance. The U.S. Air Force and Navy have long operated out of Singaporean bases. The most important development is signing of the U.S.–Singapore Defense Cooperation Agreement (DCA) at the end of last year to allow for expanded

security cooperation. In turn, the 2015 agreement builds on the 2005 Strategic Framework Agreement and the 1990 memorandum of understanding on U.S. use of military facilities in Singapore. So when the U.S. is looking to Southeast Asia to meet its strategic needs in the future, where is it likely to turn first? Singapore.

A similar case can be made concerning the Philippines. Although there are good strategic reasons for the tightening of U.S.–Philippines relations over the last five years—it is physically and legally right in the middle of the dispute over the South China Sea—there are also very good operational reasons why it would emerge be an American partner of choice. The U.S. and the Philippines have a formal treaty relationship going back to 1951 that has facilitated an enormous amount of military activity over the years, across the range of shifting threats to their mutual interests. The relationship has a robust alliance bureaucracy led by the Joint U.S. Military Assistance Group (JUSMAG) in the Philippines and the legal framework of the 1999 Visiting Forces Agreement (VFA). Since 1999, the U.S. has also been deeply involved in the reform of the Philippines Armed Forces (PAF). In fact, since 2002 it has had hundreds of troops in the Southern Philippines supporting and training PAF counterinsurgency forces. And our contemporary connections go well beyond the characterization of the Philippines as the second front in the war on terror. The U.S. has long flown and sailed out of the Philippines' military facilities at Subic Bay, Clark, and elsewhere, even after the pullout in 1992. So last year, when the U.S. Department of Defense turned to implement the Southeast Asia Maritime Security Initiative (MSI) authored by the Senate Armed Services Committee, it is only logical that it would commit the bulk of its initial effort to the Philippines. Similarly, with regard to EDCA. Where else in Southeast Asia could the U.S. gain access to five military bases, and perhaps more, over ten years?

When the U.S. sought out new deployments of its Marines, it turned to Australia—a prospect long considered at the Pentagon and brought to fruition by the Obama Administration. Again, there is an extensive legal and operational framework that made the Marine Rotational Force-Darwin possible: The 1951 ANZUS treaty and a level of integration without comparison outside NATO. As with Singapore and the Philippines, there is also a track record. In the case of Australia, it is an extraordinary one of strategizing and operating together over a full century. This cooperation includes American access to a range of military facilities in Australia and Australian officers in the American chain of command at PACOM. In 2007, the U.S. and Australia signed and the Senate later ratified a Defense Trade Cooperation Treaty with Australia that streamlines the export of defense articles and services. Only the U.K. enjoys a similar arrangement with the U.S.

Standing at the end of the Obama Administration's second term, the U.S. is in a good place in its security relationships with all these countries: Japan, South Korea, Singapore, the Philippines, and Australia. Thailand is a special case. The U.S. also has very valuable, close alliance relations with Thailand. Complications in both strategic outlook and differences over Thailand domestic politics, however, have hamstrung the relationship in recent years. Its application to America's principal strategic concern vis-a-vis China is, therefore, limited. Its value today lies in practical cooperation across a range of issues from counterterrorism to humanitarian assistance and disaster relief. That and the prospect of future strategic alignment dictate preservation of the alliance. American military relationships elsewhere in the region are in good and improving condition. The

Administration can count new defense-related initiatives in each of Malaysia, Vietnam, and Indonesia. These relationships, however, remain qualitatively the same as when the President took office, lacking the substantial legal and bureaucratic frameworks that will determine the future shape of America's military commitment to the region.

### **The Rebalance: Diplomatic and Economic**

On the diplomatic side of the policy equation, the most notable facet of the rebalance has been the Administration's support for ASEAN as the center of an evolving regional diplomatic architecture. By way of quick recap, under the current Administration the U.S. signed ASEAN's Treaty of Amity and Cooperation; became the first non-ASEAN country with a resident Ambassador to ASEAN; joined the East Asian Summit annual meeting of regional leaders; initiated the annual U.S.–ASEAN Leaders Meeting; joined the ASEAN Defense Ministers Plus process; and hosted the ASEAN Defense Ministers in Hawaii in 2014 and the leaders in California earlier this year. These tactical adjustments follow on the standard engagements that predate the Obama Administration like the Secretary of State's attendance at the annual ASEAN Regional Forum (ARF) and Post-Ministerial meetings.

This is an impressive list of new American engagements. Their concrete value, however, is debatable. They have proven impotent thus far in addressing the substantial issues involved in the South China Sea, for instance. After a brief show of diplomatic strength at the ARF in 2010, the Administration has refrained from pushing the issue as strongly as required. Nevertheless, if quantity has a quality all its own when it comes to ships and planes, just showing up has a quality all its own in ASEAN. Vigorous participation in ASEAN forums positions the U.S. as a formal stakeholder in the future of the region. This is important, because whatever we may think about the efficacy of ASEAN, it occupies a central place in the foreign policies of the countries that comprise it. President Obama has set the table for his successor's approach to regional architecture. The current level of American interaction with ASEAN can only be diminished at the cost of demonstrating American ambivalence about its commitment to the broader region.

The Administration has also expanded trilateral cooperation. President Bush initiated the most productive of these, the U.S.–Japan–Australia Trilateral Strategic Dialogue. The Obama Administration has maintained it and also inaugurated the U.S.–Japan–India trilateral. With the addition of a Japan–India–Australia trilateral earlier last year, the logic of these mechanisms seems to be taking hold. The four countries are now coordinating on a range of security issues in every configuration except all four meeting together. Such a quadrilateral dialogue was held once in 2007 and then abandoned. Such venues do not in any significant way constitute a move away from America's hubs-and-spokes system of alliances as sometimes asserted by the Administration. The real bulk of work, both security-related and diplomatic, will continue to flow through American alliances and partnerships. They are, however, important coordination mechanisms.

Regarding economics, my purpose today is to simply note its strategic context. I have spent a good deal of my testimony talking about the military. And this is important. There are a number of flashpoints in the region and big geopolitical dynamics that require a strong and active U.S. military presence to safely manage. But the Asia–Pacific is mostly

about trade and economics, and opportunity. Economic initiatives like the US-Korea, U.S.–Australian, U.S.–Singapore FTAs are about keeping the U.S. as relevant as possible to the life of the region. The U.S. must continue in the role of consensus driver on the rules and norms governing economic activity. It is a self-reinforcing proposition. The U.S. has the power to lead in rules setting because of our economic contributions, and we can make greater economic contributions because the open rules we favor facilitate greater American economic activity. If the United States opts out of this virtuous cycle, all of its activity on the political/security side will over time come to be seen as that of an interloper.

Going forward, the principal challenges on each of these accounts – military, diplomatic, and economic – are more domestic than foreign. The challenge of maintaining capable forward deployed forces, for instance, is not access to new “places” in the Pacific; it is budgets. The Heritage Foundation in its annual *Index of U.S. Military Strength* has put the ideal size of the Navy at 346 ships. Today it has 271–272 and according to current plans, it will have 308 by 2022.<sup>1</sup> Heritage assesses that this is not enough to meet demands in the Pacific without new levels of risk, both strategic and tactical. Similarly, a recent study by Rand has put the time frame of China’s effective challenge to American dominance on China’s maritime periphery, in particular the South China Sea and Taiwan, at five to 15 years.<sup>2</sup> Readiness has also developed into a major problem over the past several years, as attested to by the service chiefs just this month.<sup>3</sup> On diplomacy, the biggest challenge will be making the case to the next President that his presence and that of his Cabinet is regularly required on other side of the Pacific. And on economy, the challenge is a wavering Washington consensus on the value of free trade and potential deficiencies in the TPP.

## **Regional Response to the Rebalance**

The regional response to U.S. policy is critical feedback. U.S. interests are immutable and the broadest strokes of strategy only slightly less permanent. Regional responses to the U.S. policy, however, are keys to adjusting tactics and shaping new approaches going forward. Responses to the Obama Administration’s rebalance can be characterized in two ways: support/facilitation and hedging.

The supporters/facilitators are most prominently Japan, Australia, Singapore, and the Philippines. After all, they are actually facilitating major parts of the rebalance. Each from a slightly different strategic angle, their governments have prioritized response to the China challenge. (South Korea is also a major supporter/facilitator of the U.S. presence, but its overwhelming interest is in cooperation vis-à-vis the threat from North Korea.) This does not mean they will buy wholesale U.S. policy prescriptions. It means they all want and expect more U.S. presence in the Asia–Pacific over the long term.

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<sup>1</sup>The Heritage Foundation, *2016 Index of U.S. Military Strength*, <http://index.heritage.org/military/2016/>.

<sup>2</sup>Eric Heginbotham et al., *The U.S.–China Military Scorecard: Forces, Geography, and the Evolving Balance of Power, 1996–2017*, The Rand Corporation, 2015, [http://www.rand.org/content/dam/rand/pubs/research\\_reports/RR300/RR392/RAND\\_RR392.pdf](http://www.rand.org/content/dam/rand/pubs/research_reports/RR300/RR392/RAND_RR392.pdf) (accessed March 28, 2016).

<sup>3</sup>John Sullivan and Justin Johnson, “America’s Military Is in Much Worse Shape Than You’d Think,” Heritage Foundation *Commentary*, March 25, 2016, <http://dailysignal.com/2016/03/25/americas-military-is-in-much-worse-shape-than-you-d-think/>.

The Japanese are on the most concerned end of the supporter/facilitator spectrum. With Chinese incursions continuing regularly around the Senkakus, the challenge is proximate and immediate. As a result, the Japanese are prepared to be fuller partners in the alliance, as illustrated by Prime Minister Shinzo Abe's defense reforms. It is constrained only by its awareness of constraints imposed by memories of the Pacific War. Japanese policymakers know to be nuanced in applications of Japanese assets to trouble spots like the South China Sea. They also know that the context of the U.S.–Japan alliance is critical to the way its increased energy is perceived in the region. Defense of its interests are, therefore, dependent on a healthy U.S.–Japan alliance and continued U.S. commitment to the region. This also means Japan is easily spooked by signals of American disinterest.

Australia is only a notch or two removed from the most concerned end of the spectrum. There is no closer American ally in the world. It enjoys the luxury of distance from China, however, and can, therefore, afford to be more forward looking and strategic. The new 2016 Australian Defense White Paper is a perfect illustration. It explicitly attributes the past 70 years of peace and security in the region to American power. And it goes on to link Australia's fate with its continuing presence:

A strong and deep alliance is at the core of Australia's security and defence planning. The United States will remain the pre-eminent global military power and will continue to be Australia's most important strategic partner.... Australia will seek to broaden and deepen our alliance with the United States, including by supporting its critical role in underpinning security in our region through the continued *rebalance* of United States military forces.

Singapore has a long and openly expressed interest in the U.S. presence. Like many others, however, it also prioritizes its relationship with China. Singapore is a small, ultimately very vulnerable city state. Its foreign policy establishment is, therefore, always looking around the next strategic corner. It sees the rise of China as a geopolitical fact that must be acknowledged in order to maintain the peace and security of the region. By Singaporean calculations, the U.S. presence is essential to this. So too, however, are productive U.S.–China relations and intensive engagement of China through ASEAN and other regional institutions. It can be expected to continue balancing these things into a new American administration.

Manila has been very welcoming of the U.S. rebalance. This is for obvious reasons—it is currently on the receiving end of China's new aggressiveness in the South China Sea. Its stakes as a claimant are not matched by its military wherewithal and so it has fallen back on reliance on the U.S. Removed from near-hostilities with China, the Philippines would be much more of a hedger on the China policy spectrum.

This brings me to countries in the region I would characterize principally as hedgers. Among claimants in the South China Sea, there is a growing sense of concern with China. Vietnam and Malaysia are slowly embracing the rebalance and growing closer diplomatically and militarily with the U.S. Not incidentally, both are also part of the TPP. These relationships have been developing quietly for a very long time. Neither Malaysia,

nor Vietnam, however, is willing to place their bets on the U.S. to the extent Singapore or the Philippines have. In the case of Vietnam, this may be because of extensive party-to-party relationships and the hesitancy of its defense establishment. It certainly has something to do with its land border with China. In the case of Malaysia, it may have to do most with political disarray at home and economics. There is also a worry in Kuala Lumpur that they could lean heavily on the U.S. only to be abandoned by this or the next American Administration. For its part, despite its recent dustup with the Chinese, Indonesia will likely continue to hedge on the U.S. presence in the region.

This spectrum of response from the most willing of facilitators to the most nervous of hedgers is very sensitive to signals from Washington. Strong signals—for example, healthy defense budgets, statements for support for alliances, Freedom of Navigation Operations (FONOPS), and well-conceived push back on Chinese aggressiveness reassure them to push back in favor of a U.S.-led regional order. U.S. support for Taiwan is another critical signal. Not because most of the region shares America's concern for Taiwan, but because the region knows that a lessening of American commitment can only be attributable to concern for Chinese interests. ASEAN members in particular also view the personal involvement of the President and U.S. participation in regional diplomacy as signs of strength.

Signs of weakness, the ill-fated deal that the U.S. made with China over Scarborough Shoal in 2012, for instance, have the opposite impact. Hedgers like Malaysia, when faced with dilemmas over their own maritime claims, will be more timid in response for fear of provoking backlash from China. Presently, all are watching very closely indications that the Chinese may reclaim and build on Scarborough Shoal in a fashion similar to what they have done in the Spratlys. If it happens with no more than a diplomatic rebuke from the U.S., do not expect hedgers to step out in support of U.S. commitments. This is similar with regard to FONOPS. The region expects the U.S. to continue pressing its interest in freedom of the seas. A ratcheting back of this effort, another drawn out public handwringing or hedging on the part of the U.S. will dampen support for its presence. Finally, the region is looking for the parts of the rebalance that have been announced, arrangements with Australia and the Philippines, for instance, to be made good on and extended.

## Recommendations

The preceding critique of the rebalance offers several recommendations for how the U.S. commitment to the Asia–Pacific can be sustained going forward.

- **Build more ships.** A 308-ship Navy is simply not enough to for the U.S. to maintain the necessary forward deployed presence in the Pacific, and the rest of its global commitments, in a way that effectively deters Chinese aggressiveness.
- **Follow through on all the current pieces of the rebalance.** This involves budget allocations on the U.S. side and continued monetary commitments on the part of our partners.

- **Maintain and expand participation in regional diplomatic initiatives**, including ASEAN-centric forums as well as other multilateral engagements like the Asia–Pacific Economic Cooperation, trilateral dialogues, and major summits like the U.S.–ASEAN Sunnylands summit. Revive the quadrilateral security dialogue.
- **Maintain a constructive relationship with China.** The region knows that American and Chinese interests often clash, and they expect the U.S. to stand up for its interests. They also, however, expect them to be addressed as peacefully and constructively as possible.
- **Be clear and consistent about American support for Taiwan.** The next few years may be very tense in cross-straits relations. The U.S. cannot afford to be seen as less than fully supportive, to include necessary defensive arms sales, of a responsible government in Taipei.
- **Keep the door open to a return to a normal relationship with Thailand.** There is a great deal of carrying capacity in the U.S.–Thai alliance. It is unknowable what the next U.S.–Thai strategic alignment will encompass. But just as the U.S.–Philippines alliance ultimately came into excellent use years after the neglect in the mid-1990s, it would be nice to have the U.S.–Thai alliance for a time when we share another major strategic priority.
- **Prod the South Koreans to think and plan more strategically beyond the Korean Peninsula.**

## Conclusion

The Commission is very wise to hold this hearing on the rebalance. I am hopeful that the American commitment to the Asia–Pacific will continue long into the future. In order for that to happen in the most peaceful and secure manner, and in a way that extends the remarkable economic story of the region, it is important to take stock and make tactical adjustments. The Obama Administration did this with the Bush Administration's strategy. It made policy improvements. In the process, it also made its own mistakes. Congress and the next Administration would do well to learn from both in order to put the American commitment to Asia on firm footing going forward.

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