



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

On “China’s New Leadership and Implications for the United States”

Assessing the U.S. “Rebalance” to Asia: Trends and
Prospects for American Strategy in the Asia-Pacific Region

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The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Reinsch and Vice Chairman Shea, Members of the Commission:

Thank you for the opportunity to testify before you today on United States policy in the Asia-Pacific region and China's new leadership. As this panel is devoted more directly to the US rebalance to Asia, and because you have heard from a number of China experts earlier in the day, I will largely limit my remarks to the implications for US policy of the broad strategic trends in the region.

The next decade has the potential to be as transformative in world history as the decade of the nineteen-teens. One world order is struggling to maintain its viability in a rapidly changing environment, and a host of challengers for regional dominance are springing up around the globe. Meanwhile, the established powers that created the post-World War II system are dwindling in strength, failing at fundamental economic reform, and attempting to limit their ability to project power and exercise influence beyond their borders. Whether or not China, Iran, Russia, or Venezuela indeed become the most powerful players in their respective regions, there is little doubt that some of the certainties we have taken for granted over the past half-century, including the power balance of the international system and the attractiveness of the liberal international order will be increasingly called into question.

Perhaps nowhere is this reality more important than in the Asia-Pacific. The Commission knows better than most the centrality of the Asia-Pacific to the global economy, the potential threats it poses to regional and global stability, and also the opportunities it could afford for the expansion of peace and prosperity over the next generation. I find it difficult to credit any one ingredient with creating the Asia-Pacific and world that we know today. Yet there is little doubt that the positive role played by the United States, and its willingness to sacrifice national blood and treasure in the process, has been a significant element in the maintenance of regional stability and the rise to prosperity of Asia. That role, however, is increasingly at risk, and with it, the assurance of a peaceful and prosperous Asia-Pacific that we have taken for granted for so long.

A background to US policy in the Asia-Pacific

Successive presidential administrations, Republican and Democratic alike, as well as Congress, have agreed on the goals of US policy in the Asia-Pacific. Our broad, strategic-level objectives are to ensure economic growth, freedom of navigation, and the security of our allies and partners, so as to provide the prerequisite of stability needed for Asia to continue its evolution.

Additionally, our American sensibilities regarding the value of liberal democracy in promoting sustained economic and social development of any polity has led us to support democratic regimes, promote the rule of law, and encourage nations beginning their trek along the road of liberalization to stick with the often difficult choices that have to be made.

While the United States has been a Pacific power since the 19th century, it is the post-World War II international system with which we deal today. After the defeat of the Japanese Empire and the final decolonization of European-held territory throughout the Asia-Pacific, the emergence of nation-states in the struggle to secure stable political mechanisms while pursuing domestic development has been the hallmark of the last 60 years. The decades of the Cold War also split Asia into two ideological blocs, one capitalist and democratic and another authoritarian and centrally controlled. In addition, the Nonaligned Movement for a time attempted to provide a third way in opposition to both these systems, although without making a permanent political impact on the region. The end of the Cold War was accompanied by a development that began about a decade earlier and has proven to be the single most important change in Asia's postwar history: the beginning of economic reform in China and the integration of the People's Republic of China into the world economy.

This development has shaped the past two decades of Asian economic growth, much as Japan's postwar recovery during the 1950s and 1960s set the stage for the growth of Asia's export-oriented economy through the 1990s. In a historically short period of time, China has become the primary economic partner for most Asian nations, as well as for the United States and many other nations around the globe. Along with the global free trade regime championed by the United States and multilateral agreements such as the General Agreement on Tariffs and Trade (GATT), Asia's economic development has lifted hundreds of millions of people out of poverty throughout the region. It has also promoted technology transfer between the West and Asia, as well as numerous intellectual exchanges that maintain a vibrant network of scientists, researchers, and businessmen. From this perspective, American policy to ensure the free flow of goods and open trade borders, underwritten by security guarantees of the US Navy to maintain freedom of navigation, has been a crucial ingredient in the transformation of the world economy, or what about a decade ago academics liked to call "globalization."

Yet the story has been murkier in relation to America's political goals in the Asia-Pacific. Our policy of ensuring stability, deterring aggression, and promoting democracy has had a more uneven outcome. In order to pursue these goals, American strategy since the 1950s has been to maintain a forward presence in the region of permanently deployed US Army, Navy, Marine Corps, and Air Force units. This presence has been structured by bilateral treaty alliances known as the "hub-and-spokes" system. The alliance with Japan (signed in 1960) has been the cornerstone of US presence in Asia, enabling the hosting of nearly 40,000 military personnel and their equipment throughout the Japanese archipelago. In addition, our security commitments to South Korea (signed in 1953) have kept around 30,000 US troops near the Demilitarized Zone on a combat footing for over half a century. In the early 1990s, America lost the southern anchor of its Asia-Pacific strategy, with the withdrawal of US military forces from the Philippines. However, access to Thai airbases and naval facilities in Singapore has allowed the US to maintain a presence in Southeast Asia, though much-reduced. In total, the United States

maintains approximately 325,000 military and civilian personnel throughout Pacific region under the control of US Pacific Command (PACOM), headquartered in Hawaii.

Long-term deployment of hundreds of thousands of troops thousands of miles away from home under a series of half-century old alliances is nearly unprecedented in world history. Few would question their importance in bolstering allies or maintaining stability along the border separating North and South Korea. In addition, US Navy patrols of the Western Pacific and the East and South China Seas in partnership with other countries' naval forces have no doubt contributed to preserving freedom of navigation. The quick response capabilities of US Marines based in Okinawa and US Air Force units in Japan and on Guam have contributed immeasurably to humanitarian relief missions as well as provided a further layer of assurance that the United States would be able to come quickly to the aid of its allies or attempt to contain conflict in the region.

If Washington's goal after World War II was to prevent another regional war from erupting in Asia, its policy has been singularly successful. Despite cross-border wars between China and India, China and Vietnam, and some smaller nations, not to mention the US wars in Vietnam and Korea, the region as a whole has been spared the type of devastation visited on it during the 1940s. Moreover, due to this stability, and even with the communist takeover of China in 1949, Asia was never split geographically into two blocs. Rather, the countries on Asia's peripheries, such as Japan, South Korea, Taiwan, and Singapore, were able to maintain economic growth even before mainland China embarked on reforms in the late 1970s. Southeast Asia began to catch up in the first decade of the 21st century.

The security environment in the Asia-Pacific, while largely benign since the 1970s, is nonetheless rapidly changing. The great catalyst of this change, of course, is China and its rapid modernization and expansion of its military forces. While China is still primarily a continental power, the major economies of the region are all maritime powers, and therefore react with great apprehension to Beijing's strides toward a blue water navy and its ability to maintain presence far off its littoral, in places such as the Somali Basin, as well as the beginnings of its power projection capability. China's military modernization, moreover, is a 360-degree effort, and includes the development of advanced air, space, maritime, and land forces. It is the only country in the Asia-Pacific able to undertake such a comprehensive military modernization program.

Predictably, however, China's growth has resulted in a reaction on the part of nations throughout the region, in both the military and political-diplomatic sense. Despite a decade of declining defense budgets that just last month was reversed by the new conservative Liberal Democratic Party (LDP) government in Japan, Tokyo has maintained its maritime and air capabilities, and has sought to partner even more closely with the United States on issues ranging from cooperation on ballistic missile defense to intelligence, surveillance, and reconnaissance (ISR) sharing and joint training. Partially in response to China's maritime growth, nearly every nation in the region, from Australia to Vietnam, is growing their submarine capabilities. Those that can

afford it are also increasing their air capabilities by purchasing advanced jets; close allies of the United States, such as Japan, Australia, and South Korea, are either planning or expected to purchase the F-35 Joint Strike Fighter to enhance cooperation with the US on joint defense issues. From a security perspective, then, the guarantees that America extended to its allies (in the general sense of its ability to shape the security environment), have been maintained up to the present day, but the unique stabilizing role the United States has played over the past six decades is in danger of weakening as China grows and other countries step up their self-defense capabilities in response.

Yet if Washington's goal was to spread democracy and promote liberalism, then that is a struggle still being waged. There is no doubt that the great wave of democratization in Asia in the 1980s was due to domestic issues and nationalism in countries such as Taiwan, South Korea, and the Philippines. But one would be hard-pressed to say that the close relations each of those countries shared with the United States, and the potential of transmitting democratic knowledge and civil society norms, played no role at all. On the other hand, authoritarian regimes maintained their grip on power in China and much of Southeast Asia, at least until Indonesia and Malaysia began to experiment with more open political systems in the 2000s. Unlike in Eastern Europe, when the collapse of the Soviet Union and the end of the Cold War signaled the defeat of an ideology that held nearly a dozen countries in its sway, the more variegated political map of Asia meant that progress remained at the individual level of states, and not as a region-wide movement.

Moreover, as China gained both economic strength and confidence during the 1990s and 2000, it sought to increase its political influence, as well. Its "smile diplomacy" was employed alongside generous trade and aid packages to develop friendships and diplomatic support throughout the region, from tiny oceanic states to large countries. Beijing did not seem to be driven by any values, or desire to convert states to its style of governance. Rather its goals were transactional; namely, to gain support for China in regional and international forums. Yet in the zero-sum world of great-power politics, both Beijing and Washington (along with smaller players like Tokyo) saw each other's actions as conflicting and designed to secure a more dominant position for each in the region.

For the historian and policymaker alike, identifying the results of US policy in Asia during the Cold War and after is as important to understand as it is impossible to answer. We cannot be certain an Asia without a US presence would have experienced another regional war; nor can we assume that Asian economic growth would never have happened without the stability underpinned by American power that the region enjoyed. Even so, if we accept that the United States was an important, perhaps crucial, element in Asia's post-Cold War history, then at least we should be willing to admit that to have removed the US and its power from the regional mix would have altered the system to some unknowable degree or another. Similarly, to remove the United States today as an ingredient in Asia's international relations would be to introduce extraordinary level of uncertainty into the system.

The current American approach: its success and weakness

Current American policy in the Asia-Pacific is therefore built on a decades-long tradition of alliance relationships, forward presence, and an unvarying set of principles. American involvement in the region has been deepened by the development of China as an integral part of the American economy, but it also is now beginning to be challenged by China's emergence as an increasingly troubling military competitor in the region. Simultaneously, doubts about America's long-term commitment to the region going forward are being fuelled by continually anemic economic growth as well as fears of a decline in US capabilities thanks to budget cuts. It is of no small historical significance and interest that what many perceive as America's decline is happening precisely at the moment of China's rise. It is this confluence, along with Asia's general economic growth compared to other regions of the world that may set the stage in the coming decade or so for a tectonic shift in global power.

The Obama administration's approach to the Asia-Pacific is not materially different from that of its predecessors. It has maintained close alliance relationships built on decades of common agreement. It has continually sought to deepen and expand the US-China relationship to create a greater sense of trust and working ties between the two largest economies of the world and perhaps its two most influential countries. It has followed the Bush administration's lead by engaging China at the highest levels and establishing the Strategic and Economic Dialogue as a venue for meetings between Chinese and American principals. Furthermore, it has maintained America's forward-based military presence, and allowed Pacific Command to respond to strategic uncertainty by deploying America's most advanced military assets to the region.

Yet the Obama administration has also brought increased international attention to Asia by embarking on a strategic initiative to "rebalance" to the region. The ostensible reason for this initiative, according to the administration, is that the Asia-Pacific is increasingly crucial to America's future, particularly from an economic standpoint. However, many observers have argued that the real impetus for the rebalance is the growing perception of a Chinese military and political challenge. A Chinese military that has benefitted from double-digit budget increases each year over the past decade is now fielding advanced naval and air weapons systems, and has continued the development of a credible anti-access/area denial suite of capabilities that could be used to prevent American forces from operating freely or intervening in a conflict between China and its neighbors. This development runs parallel with increasing Chinese assertiveness in its maritime claims in the East and South China Seas, which largely has been exercised through its paramilitary forces (though in recent weeks, Chinese air force planes have been sent to shadow Japanese Air Self Defense Forces jets over the Senkaku Islands). Should Beijing's increased capabilities give pause to American decision makers, then US treaty guarantees to its allies

would correspondingly become suspect. This, then, would lead inexorably to a diminution of American influence in the Asia-Pacific with greater consequences than a general adverse shift in the balance of power currently ongoing in the region.

The administration's rebalance has been a topic of contention since it was announced at the end of 2011 by President Obama. While the administration has argued that it is a holistic approach, incorporating diplomatic, economic, cultural, and military elements, it is, not surprisingly, the last of those elements that has received the most attention. This is due, no doubt, to the military nature of our alliances in East Asia, and the continuing important role American forces play in providing security assurance in the region. Indeed, given the continuity of Asia policy under Republican and Democratic administrations, concern in both Washington and abroad that the United States was beginning to lose its qualitative military edge in the region seems the most parsimonious explanation for the pivot.

Administration officials at many levels have sought to explain the rebalance without precisely defining the policies that will make it a reality, aside from some changes that contribute to the security component of the rebalancing. Perhaps best known is the agreement between Australia and the United States to base up to 2,500 US Marines in Darwin on a rotational basis for training purposes. This would put American ground troops on Australian soil for the first time in the long alliance history between the two nations. In addition, Singapore and Washington agreed to base up to four new Littoral Combat Ships at the Changi Naval Base. Rumors about use by the American military of Subic Bay or the former Clark Air Base, have been unsubstantiated, but reveal the degree to which the Obama administration is believed to be attempting to disperse American forces throughout the region. In addition, speculation that the United States would attempt to deepen military ties with Vietnam have led some to see the possibility of more joint actions to follow the naval exchanges and exercises between two countries in recent years. Taken together, these moves are designed to balance out US forces in the Western Pacific, reducing the over concentration in Northeast Asia and attempting to increase the US military presence in Southeast Asia that was lost with the closing of Subic and Clark in the early 1990s.

In order to be present in Asia, the United States obviously must have matériel and personnel in the region. Yet one of the central criticisms leveled at the rebalancing is the difficulty, if not impossibility, of maintaining American presence in the Asia-Pacific region and increasing our engagement (at least on a military level) with both allies and new partners if defense budget cuts reduce substantially the size of the American Armed Forces. Both the Budget Control Act and sequestration throw shadows on the future ability of the United States to maintain its overall regional presence and its credibility in fulfilling its various commitments. The Obama administration, while pursuing significant reductions in military auditing, has nonetheless assured allies and partners that any reduction in the size of the US military will not affect US operations or presence in the Asia-Pacific region. In response to specific concerns about what the pivot will mean for the future posture of the United States in Asia, Secretary of Defense Leon

Panetta indicated that 60-percent of US Navy strength would be moved to the region by 2020,¹ while America's most advanced weapon systems, such as the F-22 and (when available) the F-35, would continue to be rotated in and out of bases in Japan and on Guam.

Despite the administration's assertions, however, my regular travel through the region has convinced me that many Asian nations neither understand the rebalance nor believe that it will materially change American presence. They are well aware of America's economic weakness and budget difficulties, and are surprisingly well-versed in the mechanics of sequestration. Perhaps even more significantly, they have watched Republican and Democratic administrations in the past fail to respond to Chinese provocations, and believe that the United States has either been too encouraging of China's rise to great-power status or has been too passive as the regional balance of power begins to shift. Admittedly, these opinions are voiced mostly by smaller nations that either have territorial disputes with China or long-standing grievances against China (like Vietnam), but such impressions are not unknown even among larger allies such as Japan. While it might be going too far to say that America, and the Obama administration, now has a credibility deficit in Asia, there is little doubt that the nations of Asia are looking carefully to see if Washington's deeds match its words.

Given such concerns, then, the administration is perhaps unwittingly setting up future disappointments on the part of our friends and allies, in the sense that expectations will not be met. That, however, is rather different from judging that the current American policy is not effective. Indeed, the United States continues to observe its treaty obligations through forward presence, conducts a multitude of exercises and exchanges each year (though the degree to which those will be curtailed due to budget difficulties is something that should not be overlooked), and in general maintains its presence in the air and on the sea as it has done for decades. Whether the maintenance of this status quo operational stance is effectively responding to the ongoing changes in the region is yet another matter for consideration.

The landscape ahead

Given the confluence of several factors—unchanging US policy goals in Asia, the rise of China and its effect on the Asian security environment, and the possibility of an enhanced American approach to Asia through rebalancing—what does the future hold? On balance, it must be recognized that Asia's security environment remains relatively benign at present. Despite warning signs, there is little prospect for large-scale conflict in the near future. Moreover, the threat of terrorism, particularly in Southeast Asia, is present, but is a comparatively lesser concern than in other areas of the globe. That does not mean, however, that all trends are necessarily positive, nor that the risk of miscalculation or accident could not lead to the outbreak some level of armed conflict. It is in the gray areas that United States policy is most likely to be

¹ Leon Panetta, "Shangri-La Security Dialogue," (speech delivered in Singapore, June 2, 2012), <http://www.defense.gov/speeches/speech.aspx?speechid=1681>.

challenged in the coming years. In particular, the US must focus on two potential threats and one source of uncertainty.

The first threat is the spate of territorial disputes in the East and South China Seas. Here, China finds itself at odds with many of its neighbors, including Vietnam, the Philippines, Malaysia, Taiwan, and Japan. Already, Chinese maritime patrol vessels and fishery enforcement vessels have confronted the coast guards and navies of these nations on a regular basis. Last year, in particular, China had face-offs with the Philippines over the Scarborough Shoals and Japan over the Senkaku Islands (known by China and Taiwan as Diaoyu). The multinational dispute over the Spratly Islands has compelled the Association of Southeast Asian Nations (ASEAN) to attempt to bring the disputants to the table for a multilateral solution. Beijing has rejected this approach, and has used its influence over Cambodia to scuttle any attempt to resolve the dispute multilaterally, as evidenced by the two ASEAN summits last year. China's preferred approach is to address all territorial disputes in the South China Sea on a bilateral basis, thereby giving it much greater leverage over its negotiating partners.

Of even greater concern is the dispute over the Senkaku Islands, located just northeast of Taiwan. Ongoing tensions between China and Japan first erupted in September of last year, when the Japanese government, then under the leadership of the Democratic Party of Japan (DPJ), purchased three of the Senkakus from their private owner. The potential to exploit the large reserves of undersea oil and gas first discovered in 1968 has caused China to dispute Japan's sovereignty claims. Although Japan has administered the islands since 1972, it had refrained from nationalizing them. Spurred by then-Tokyo governor Shintaro Ishihara, the DPJ administration announced its plans to buy the islands, sparking massive protests in China, a boycott of Japanese goods, and the regular dispatch to waters around the islands of Chinese maritime patrol vessels. Since then, the Japanese Coast Guard has routinely confronted Chinese (and Taiwanese) vessels, and both sides have now sent patrol planes and fighter jets into the skies above the islands.

Japan and China are one mistake away from an incident that would dwarf the significance and fall-out of the 2001 EP-3 accident that caused a minor crisis between Washington and Beijing. The level of mistrust between the two countries, the still-bitter feelings from Japan's invasion of China during World War II, and their nascent rivalry for leadership in East Asia, would tax the efforts of diplomats charged with maintaining peace and preventing the eruption of conflict. The United States would almost certainly be dragged into any conflict between the two nations, due to our 1960 security alliance with Japan. Tokyo could call for consultations with Washington or invoke Article V of the treaty, calling on US military assistance. Either action would be seen as highly provocative and aggressive by Beijing, thereby potentially increasing the likelihood the conflict.

So far, Washington has trod a fine line with the Philippines and Japan, both treaty allies, in their disputes with China. The US government refuses to take any stance on the sovereignty questions. While supporting the status quo, it has called publically on all sides to peacefully resolve the disputes. This stance may no longer satisfy our allies if they perceive that their effective control over disputed territory is being ceded gradually to China; nor will it suffice if American allies actually come to blows with China. Moreover, even now, Washington's unwillingness to become more involved in the territorial disputes is raising questions about the reality of the pivot to Asia and raises the risk of undermining American credibility, given the Obama administration's rhetorical emphasis on the American role in Asia.

A second major policy concern is the ongoing North Korea nuclear and ballistic missile crisis. While this is an issue separate and independent on its own merits, it is also a factor in US-China relations. After two decades of negotiation with Pyongyang, under three different paramount North Korean leaders, the United States has failed in its major policy objectives—to prevent North Korea from developing a nuclear weapons program or a ballistic missile capability. Indeed, the successful December 2012 missile launch was a significant milestone in North Korea's development of weapons of mass destruction, and erased over half a decade of its prior failures. Should the regime of new leader Kim Jong Un conduct a third nuclear test, as is widely expected, it will underscore the inability of the US to effectively influence or pressure the North.

Nor has United States policy been reassuring to our closest allies in the region, South Korea and Japan. After Pyongyang sank a South Korean naval vessel in 2010 and shelled South Korean territory the same year, Seoul made clear that any further provocation from the North would result in an overwhelming military response. However, numerous off the record comments indicated that Washington put pressure on Seoul not to respond to these provocations. In addition, the seemingly low-key US posture during North Korea's missile and nuclear tests continues to worry Japan, which consistently urges a harder line against North Korea. North Korea's steady progress towards a viable ballistic missile capability and potential weaponization of its nuclear program is of the highest concern to both our allies, but they are consistently frustrated by the United States' unwillingness to put serious pressure on North Korea or to respond to provocations.

At the same time, Washington has repeatedly turned to Beijing as the one power it believes can put real pressure on the Kim regime in order to force it to the table for meaningful nuclear talks or punish it for provocations. Washington's reliance on Beijing has been as unrealistic as its expectations for breakthroughs in its repeated negotiations with the North. While Beijing joined in the last round of United Nations (UN) sanctions in January 2013, it has a long track record of refusing to employ any meaningful leverage on its ally. Nonetheless, Washington considers China to be perhaps the most significant player in the Six Party Talks. A number of US scholars, including longtime China watchers, believe that Beijing in reality has little if any functional influence over Pyongyang; others assume that Beijing has decided that the existence of an

erratic, anti-American regime in control of the northern half of the Korean Peninsula is preferable for its geopolitical goals to other alternatives.

A final area of concern and great uncertainty relates to our current economic troubles and resulting budget cuts that will have an unknown effect on the US presence in Asia. While this is of concern to America's global posture, it may have a significant effect in the Pacific, and thus, will in some way shape American relations with China. Like other administrations before it, the Obama administration emphasizes the political and economic spheres of the US-China relationship. Yet America's ability to maintain influence in that relationship comes from its global leadership, and even then, as we have seen, Washington is often loathe to put any pressure on China that might result in a negative reaction. It is of no small concern what America's diminished economic strength means for perceptions of US leadership abroad. The political influence Washington wields is proportionate and directly related to its economic vitality and its military power. As both of those decline, then, it is natural that rising powers like China will seek to take advantage of American weakness, whether real or imagined.

A China that is more confident in its own military strength is one that will continue to press its territorial claims in an assertive manner throughout the region; this will be magnified if it assumes that America will become less able to project power in the coming years, due to budget cuts and reductions in planned expenditures that may reach up to \$1.5 trillion since 2009 and through 2023. An America that is less sure of its ability to intervene when necessary will send an unmistakable signal to allies and competitors alike that the East Asian security equilibrium may be up for grabs. Many nations will watch China's continued military modernization with trepidation, and at some point have to make uncomfortable choices about whether they can ensure their own security or need to consider some type of security-based relationship with Beijing. As a side note, a militarily weaker America will undoubtedly spur North Korea to become more aggressive as well.

Such an environment would translate, as well, into less political influence for Washington. Its voice will be less heeded in multilateral councils, such as the East Asian Summit, ASEAN Defense Ministers Meeting Plus, and the like. Our allies would take cold comfort from Washington's protestations of support, and would instead question not only our military credibility but also the wisdom of following America's political lead. It would open up a space for China to regain some of the political influence it has lost in the past several years due to its bullying behavior over maritime disputes. A Washington whose dysfunction is on public display at home and abroad cannot be expected to inspire confidence in its ability to lead.

From that perspective, our Asia policy is in no small measure hostage to our larger national strength and the soundness of our policies. All discussion of a rebalance to Asia, commitments to allies, attractiveness to potential partners, and desire for a more mature working relationship with China will come to naught under conditions of continued economic weakness, political dysfunction, and straitened military budgets.

Thank you for the opportunity to share some thoughts on our current Asia and China policy in light of the leadership change in Beijing. I look forward to your questions.