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“U.S.-China Relations in 2019: A Year in Review”

In this testimony I will focus at the request of the Commission on how growing strategic rivalry between the United States and China is reverberating among major U.S. allies and partners. Before going into specific country cases, I want to emphasize four overarching points.

First, China is targeting U.S. alliances in the Indo-Pacific as the “center of gravity” of U.S. power and influence in the region. Chinese strategy has shifted in recent years towards a much more deliberate use of carrots (the Belt and Road Initiative) and sticks (grey zone military coercion and mercantilist boycotts) to drive wedges between the United States and its allies. China’s declaratory policy has also become more explicitly opposed to U.S. alliances, with prominent examples including Xi Jinping’s April 2014 speech in Shanghai calling for an end to “external blocs” in the region and Xi’s seemingly more benign effort to downgrade the importance of U.S. alliances with the proposal to the Obama administration for a “new model of great power relations” premised on a Sino-U.S. condominium and a U.S. retreat from traditional alliance commitments in exchange for “win-win” solutions with Beijing.¹

The second point is that China’s assault on alliances is generally backfiring with democratic allies in the region, who tend to view U.S. leadership in the region as *sine qua non* for maintenance of their own values and security, even as they increasingly look to China for economic growth. Foreign policy and defense white papers from Japan, Australia and New Zealand in recent years have focused on Chinese coercion and revisionism, while opinion polls in these countries as well as South Korea and Western Europe demonstrate rising fears about Chinese capabilities and intentions.² Increased jointness and interoperability with the United States is the predominant trend among allies and partners in the Indo-Pacific rather than dealignment or hedging.

The third point is that there is growing anxiety in the Indo-Pacific about American staying power and strategic competence even as allies try to stay closely aligned with Washington. Polls demonstrate strong support for alliance with the United States in Japan, Korea and Australia –but

¹ Shannon Tiezi, “At CICA, Xi Calls for New Asian Security Architecture, *The Diplomat*, May 22, 2014, <https://thediplomat.com/2014/05/at-cica-xi-calls-for-new-regional-security-architecture/>; Dindeng Chen, “Defining A New Model of Great Power Relations,” *The Diplomat*, November 8, 2014, <https://thediplomat.com/2014/11/defining-a-new-type-of-major-power-relations/>. Beijing quietly dropped the “New Model” formula with the arrival of the Trump administration.

² For example, Pew’s Global Survey found in 2018 that majorities in the Philippines, Vietnam, Japan, South Korea, Australia, and India consider the growing military might of China a “bad thing” for their country. See: <https://www.pewresearch.org/global/2018/10/01/international-publics-divided-on-china/>

also decreased confidence that these allies can count on the United States to “do the right thing.”³ This anxiety did not begin with the Trump administration-- conservative governments in Japan, India and Australia viewed the Obama administration as too slow to respond to Chinese coercion in the South China Sea and have welcomed the Trump administration’s Free and Open Indo-Pacific vision and explicit recognition of strategic competition with China. However, President Trump’s attacks on the multilateral trading system, excessive use of tariffs, criticism of allies and praise for adversaries have combined to accelerate uncertainty about American leadership and have undermined the tactical successes of the Free and Open Indo-Pacific vision.

In short, the United States is positioned to consolidate alliances and increase networking among allies to counter Chinese revisionism, but we are not playing our best hand.

Japan

From a Japanese perspective the recent American shift towards overt strategic competition with Beijing is overdue. As Japan’s 2013 National Security Strategy document put it: “the balance of power in the international community has been changing on an unprecedented scale” with “an increasing number of cases of unilateral actions in an attempt to change the status quo by coercion with paying respect to existing international laws.”⁴ The problem has only become more complex since then. The 2018 Ministry of Defense *White Paper* chronicled repeated Peoples Liberation Army (PLA) overflights and circumnavigation of Japanese territorial waters and regular incursions in the contiguous zone around the Senkakus, including military exercises on the East China Sea and Pacific Ocean sides of Japan, detection of Shang-class submarines and a grey-hull Jiangkai II-class frigate in the Senkaku Islands contiguous zone (the first confirmed case in which a submerged submarine entered into the contiguous zone). Meanwhile, the Defense Ministry reported that China’s military aircraft flights through the strait between Okinawa and Miyako Island increased from 5 per year through 2016 to 18 in 2017 alone.⁵

After decades of holding the United States at a distance on regional security issues and using the Japanese peace constitution as an alibi to avoid participation in U.S.-led conflicts from Vietnam to the Gulf War, the Japanese Diet passed new legislation in 2015 that reinterpreted the Peace clause of the Constitution (Article Nine) to allow limited “collective self-defense”—in effect joint operations with the U.S. and other like-minded states when their forces come under attack in scenarios that are “vital to Japan’s national survival.” This shift from alibi alliance relations to greater jointness reflects the reality that with China’s growing military expansion in the East

³ For example, in a December 2018 Yomiuri Shimbun Poll in Japan: Only 30% of Japanese said that they trust the United States, down from 39% in 2017 and the lowest since 2000. See: <https://www.yomiuri.co.jp/election/yoronchosa/20181217-OYT8T50011/>

⁴ See The Government of Japan, “National Security Strategy of Japan,” December 17, 2013. https://www.cas.go.jp/jp/siryuu/131217anzenhoshou/pamphlet_en.pdf

⁵ 2018 Japan Defense White Paper, January 2019, https://www.mod.go.jp/e/publ/w_paper/pdf/2018/DOJ2018_1-2-1_web.pdf

China Sea, Japan is now on the front lines and must have seamless security coordination with the United States.

Japan is also engaging in what international relations scholars call “external balancing” –or networking security cooperation beyond just the United States, but importantly not *in lieu* of the United States.⁶ Abe has championed the “Quad” U.S.-Japan-Australia-India security cooperative framework and launched an energetic campaign of leader-level diplomacy in Asia and Europe – visiting every leader of Southeast Asia and consolidating new levels of security cooperation with Turkey, Israel, Canada and other middle powers.⁷

The weak point in Japan’s strategy to compete with China is clearly in relations with South Korea. The Trump administration has failed to make even modest efforts to help reconcile the two allies –something earlier administrations had always prioritized—and in late August China stepped in to offer mediation in a trilateral foreign ministers’ summit that will be seen by historians as a signal defeat of American alliance management and influence.

Japan’s influence on U.S. strategy has been considerable, however. The administration’s Free and Open Indo-Pacific vision was based on a Japanese policy planning document; the Build Act and establishment of the International Development Finance Corporation were modelled on the Japan Bank for International Cooperation; and the Quad was originally proposed by Abe in 2006. Some of these strategic ideas had their genesis in Washington, but a Trump administration searching for bearings for its competition strategy has borrowed wholesale from Tokyo –to Japan’s reassurance and satisfaction.

Where Japan clearly takes issue with current administration policy –both out of self-interest and concern that the United States is creating a vacuum for China to fill –is on international trade. Japan has sustained momentum on a regional trade agreement that would pressure China to follow international rules through the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) –essentially the TPP minus the United States. Together with Australia, New Zealand, Canada and other close U.S. allies, Japanese leaders hope that the United States will find its way into the agreement in future to give them enough collective leverage to shape Chinese economic decision-making. Moreover, while Japan welcomes a more competitive U.S. approach to China, decision-makers in Tokyo are conscious of the fact that their corporations have more direct investment in China than any other country and that they rely on Chinese tourism and consumer demand to add to Japan’s own limited growth scenarios. After going toe-to-toe with Xi across Asia and coming out with a far higher level of affection in opinion polls across the region –and proving to Beijing that he will not be easily removed from power –Abe is now courting a more

⁶ For details, see Japan Ministry of Defense, *National Defense Program Outline and Mid-term Defense Plan* (mod.go.jp)

⁷ For details see, Andrew Shearer, *Australia-Japan-U.S. Maritime Cooperation: Creating Federated Capabilities for the Asia Pacific*, CSIS April 4, 2016 (CSIS.org).

stable and productive relationship with Xi.⁸ This is not primarily as a hedge against the United States as some pundits have argued, but because Japan cannot afford to decouple from China.

In many respects Japan has achieved the mix of competition and cooperation with China that has eluded U.S. policy in recent years. Tokyo has not gone soft. The Japanese government banned Huawei from 5G before the United States did, for example.⁹ But Japanese business and political leaders have learned where they must cooperate, where they must decouple, and where they must take steps to deter China.

Australia

Like Japan, Australia has come under increasing pressure from China. And like Japan, Australia has refused to buckle under that pressure. For Canberra, the broad concerns about Chinese revisionism in Asia were captured in the 2017 Foreign Policy White Paper.¹⁰ As Prime Minister Malcolm Turnbull put it that June at the International Institute of Strategic Studies annual Shangri-La Dialogue, “a coercive China would find its neighbours resenting demands they cede their autonomy and strategic space and look to counterweight Beijing’s power by bolstering alliances and partnerships between themselves and especially with the United States.”¹¹ And that is exactly what Australia has done.

Specific Australian concerns include:

- Chinese interference in domestic Australian politics through campaign contributions that until recent legislation were entirely legal;
- Increasing Chinese presence in the Pacific Islands with the aim of displacing Australia as the partner of choice; establishing dual-use military installations for the PLA; exploiting the region’s fishery stocks and other natural resources; and using tools of bribery and corruption to advance Chinese influence.
- Mercantilist boycotts and disruptions of coal exports from Australia to China in retaliation for Canberra’s decision to ban Huawei from 5G procurement;
- China’s militarization of the South China Sea.¹²

⁸ Ministry of Foreign Affairs of Japan, “Prime Minister Abe Visits China,” October 26, 2018, https://www.mofa.go.jp/a_o/c_m1/cn/page3e_000958.html#section2

⁹ See Ministry of Internal Affairs and Communications, “第5世代移動通信システムの導入のための特定基地局の開設計画に係る認定申請の受付結果,” February 26, 2019, http://www.soumu.go.jp/menu_news/s-news/01kiban14_02000375.html; Yomiuri Shimbum, “Japan to ban Huawei, ZTE from govt contracts,” *Reuters*, December 6, 2018, <https://www.reuters.com/article/japan-china-huawei/japan-to-ban-huawei-zte-from-govt-contracts-yomiuri-idUSL4N1YB6JJ>; Isabel Reynolds and Emi Nobuhiro, “China Says Unfair Treatment of Huawei Could Damage Japan Ties,” *Bloomberg*, March 29, 2019, <https://www.bloomberg.com/news/articles/2019-03-29/china-says-unfair-treatment-of-huawei-could-damage-japan-ties>

¹⁰ <https://www.fpwhitepaper.gov.au/foreign-policy-white-paper>

¹¹ https://foreignminister.gov.au/speeches/Pages/2018/jb_sp_180719.aspx

¹² For details and further analysis, see: Rod Lyons, “What Happened to the ‘Canberra Consensus’ on Australia-China Relations,” *The Strategist*, Australian Strategic Policy Institute, 3 July 2019 (aspistrategist.org.au).

China is a major market for Australian exports, particularly of coal, and Australian public opinion has been slower to identify China as a threat because the economic interaction is less disruptive to Australian domestic economic interests as it has been for manufacture-based economies like the United States or Japan. However, the government's pushback against Chinese coercion has received broad bipartisan support --with the exception of a handful of former ministers of government on the Chinese payroll. Had the opposition Australia Labor Party (ALP) won the recent election as expected, there would not have been a significant change in the trajectory of Australia's approach to China. ALP also supported banning Huawei, participating in the QUAD and tightening alliance cooperation with the United States. But like Japan, Australian officials worry about the vacuum being created by the U.S. retreat from TPP and institution-building in the region.

South Korea

Korea was historically more associated with the Chinese tributary state system than Japan and Beijing has put significant coercive pressure on South Korea to dealign from the United States since Xi Jinping came to power. At the April 2014 CICA conference in Shanghai the Chinese government pressured the South Korean Foreign Minister—without success—to sign on to Xi's statement opposing alliances in Asia. In 2017 China boycotted Korean firms and discouraged tourism to Korea to punish Seoul for accepting the deployment of U.S. Terminal High Altitude Air Defense (THAAD) systems to defend against North Korea's growing ballistic missile threat. The boycott cost Korean companies billions of dollars and led several companies to withdraw from China's market.¹³

Seoul has not given in to Chinese demands, but has been far more circumspect about the need to counter Chinese coercion than the Japanese and Australian governments have (Seoul took over a year to participate in the Free and Open Indo-Pacific, for example, and South Korea ambassadors in Southeast Asia often steer clear of the like-minded coordination meetings of U.S, Japanese, Australian and European embassies). In part this is because of relatively higher Korean trade dependence on China, but Seoul's reticence has also reflected a conviction in both the previous Park Geun-hye and current Moon Jae-in governments that Beijing will have a critical role in the process of unification. For its part, China supports what it calls "independent" unification – meaning that the peninsula must be independent of any foreign alliances. This runs in direct contradiction to the U.S., Japanese and South Korean positions that a unified peninsula will be more secure tethered to alliance with the United States. Nevertheless, Seoul continues to cling to the notion that improved relations with Beijing will be useful in managing the threat from North Korea.

That said, support for the alliance is solid among the Korean public. When the respected Asan Institute asked in a public opinion survey in the first quarter of 2019 whether Koreans preferred

¹³ "Korean Brands Still under Pressure in China Despite Warming Ties," *Nikkei Asian Review*, January 30, 2018.

relations with the United States rather than China, 75% answered yes and 67.7% said that they would choose the United States even if Sino-U.S. strategic rivalry intensifies.¹⁴ Nor does China even come close to U.S. importance to Koreans on the question of North Korea. When the Chicago Council on Global Affairs asked in a survey in 2019 why North Korea does not attack the South, only 6% cited China's constraining role while more than 70% pointed to some combination of U.S. forces, the U.S.-ROK alliance, or U.S. nuclear deterrence.¹⁵

Nevertheless, the geopolitical dynamics in Northeast Asia continue to entice Chinese wedge strategies on the Korean peninsula. As Japan and Korea feuded this past summer, China and Russia intruded on Korean and Japanese airspace on July 23, 2019 with joint bomber flights for the first time. Instead of responding jointly, the South Koreans escalated their fight with Japan by terminating the Japan-ROK intelligence sharing agreement.

Europe

Despite the enormous diplomatic headwinds in trans-Atlantic political relations today, the European Union is increasingly tracking with U.S., Japanese and Australian views on China. This is a significant change from fifteen years ago when Beijing viewed Germany and France as counterweights to American power in a global multipolarity that favored China. The earlier divergence in U.S.-EU China policy peaked with Brussels' attempt to lift the arms embargo put in place after Tiananmen Incident in 1989. Those of us working on Asia in the Bush administration put in considerable effort convincing our European allies that it would not be wise to approve arms sales to Beijing in the same year the Chinese government was promulgating an "anti-secession law" that would legalize military attacks on Taiwan. In the years since Europe has grown alarmed at Chinese coercion in the South China Sea; influence campaigns in the South Pacific (an historically French area of interest); repression in Xinjiang; and predatory economic policies with respect to intellectual property rights.

In its March 2019 "EU-China Strategic Outlook" report, Brussels noted that "China is simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, *and a systemic rival promoting alternative models of governance.*" [emphasis added]¹⁶ Meanwhile, Britain and France have agreed to conduct joint Freedom of Navigation Operations (FONOPS) in the South

¹⁴ Asan Institute, "South Koreans and their Neighbors" April 26, 2019 (<http://en.asaninst.org/contents/south-koreans-and-their-neighbors-2019/>)

¹⁵ "South Koreans See Improved Security, Confident in U.S. Security Guarantee," Chicago Council on Global Affairs, January 18, 2019 (thechicagocouncil.org)

¹⁶ <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>;

China Sea.¹⁷ Where governments have sought more nuanced cooperative relations with China, their parliaments have called for stronger measures to counter Chinese coercion. For example, the British House of Commons Foreign Affairs Committee in April 2019 expressed doubt whether, “given the consolidation of the power of Xi Jinping in China, it would be appropriate for the UK to commit itself to seeking such a close relationship” [as some in Her Majesty’s government were considering]. The European Parliament has similarly put pressure on Brussels to get tough.¹⁸

While European attitudes towards China have hardened, however, the EU’s China strategy faces important structural constraints. Beijing has demonstrated an ability to neutralize EU action by using weaker proxy states such as Hungary or Greece to block consensus, as happened when the EU attempted without success to issue a statement on the International Tribunal’s ruling on the South China Sea in July 2016. There is also evidence that Chinese political interference campaigns within Europe, including Britain, have gone unanswered by governments (in contrast to Australia).¹⁹ Europe is also beset by internal distractions from Brexit and more proximate political interference and grey zone coercion from Putin’s Russia.

Conclusion

I have focused in this testimony on the most powerful democratic U.S. allies because ultimately resistance to Chinese coercive strategies against smaller powers in Southeast Asia and beyond will depend on solidarity among those larger states that have the capacity, capability and values needed to uphold a free and open Indo-Pacific and international system.

It is clear that the major democracies’ views of the China challenge are converging -- but the seams among us offer too many opportunities for Beijing to pursue wedge strategies. Solidarity must begin with principled and persistent strategic vision from Washington. While the Free and Open Indo Pacific vision offers exactly such a path, the President himself has too often undermined his own officials. These closing recommendations to the committee are premised on what new policy measures might be effectively implemented to reinforce the Free and Open Indo-Pacific vision without having necessarily to rely on Presidential leadership for success.

¹⁷On France-Britain Joint Operations, see: <https://navaltoday.com/2018/06/06/france-uk-announce-south-china-sea-freedom-of-navigation-operations/>; <https://thediplomat.com/2018/09/are-france-and-the-uk-here-to-stay-in-the-south-china-sea/>

¹⁸ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/foreign-affairs-committee/news-parliament-2017/china-international-rules-report-published-17-19/>; for EU Parliament examples see: https://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf

¹⁹ See for example, Charles Parton, “China-UK Relations: Where to Draw the Border between Influence and Interference,” The Royal United Services Institute, February 20, 2019 (<https://rusi.org/publication/occasional-papers/china-uk-relations-where-draw-border-between-influence-and>)

First, the administration should re-energize the G-7 process to reinforce the leading democracies' commitment to a rules-based international order and to call out Chinese predatory behavior. The G-7 Summit meetings are only one arena, with significant possibilities for enhancing a common strategy at the level of Sherpas in each government.

Second, the administration should act more decisively to resolve Japan-Korea tensions and reformulate trilateral security cooperation.

Third, the administration should avoid excessive demands on Japan and Korea for host-nation support that lead to a debilitating confrontation and further divisions with our key allies in the region.

Fourth, the administration should move expeditiously to complete the U.S.-Japan Free Trade Agreement and explore concrete steps to implement President Trump's stated preference for bilateral trade agreements so that the aggregate of these agreements brings some of the rule-making leverage lost with U.S. withdrawal from TPP.

Finally, the administration should avoid using the Huawei ban, democracy protests in Hong Kong, or Taiwan arms sales as cards in trade negotiations with China. Allies will not expose themselves to pressure from China in these areas if they believe the United States will undercut them in transactions with Beijing.

To close, it should be obvious that without allies, we have no China strategy.