

CHINA AND THE EVOLVING SECURITY DYNAMICS IN EAST ASIA

HEARING

BEFORE THE

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

**ONE HUNDRED THIRTEENTH CONGRESS
SECOND SESSION**

THURSDAY, MARCH 13, 2014

Printed for use of the
United States-China Economic and Security Review Commission
Available via the World Wide Web: www.uscc.gov



**UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW
COMMISSION**

WASHINGTON: 2014
U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

Hon. DENNIS C. SHEA, *Chairman*
 Hon. WILLIAM A. REINSCH, *Vice Chairman*

Commissioners:

CAROLYN BARTHOLOMEW	DANIEL M. SLANE
PETER BROOKES	SEN. JAMES TALENT
ROBIN CLEVELAND	DR. KATHERINE C. TOBIN
JEFFREY L. FIEDLER	MICHAEL R. WESSEL
SEN. CARTE P. GOODWIN	DR. LARRY M. WORTZEL

MICHAEL R. DANIS, *Executive Director*

The Commission was created on October 30, 2000 by the Floyd D. Spence National Defense Authorization Act for 2001 § 1238, Public Law No. 106-398, 114 STAT. 1654A-334 (2000) (codified at 22 U.S.C. § 7002 (2001), as amended by the Treasury and General Government Appropriations Act for 2002 § 645 (regarding employment status of staff) & § 648 (regarding changing annual report due date from March to June), Public Law No. 107-67, 115 STAT. 514 (Nov. 12, 2001); as amended by Division P of the “Consolidated Appropriations Resolution, 2003,” Pub L. No. 108-7 (Feb. 20, 2003) (regarding Commission name change, terms of Commissioners, and responsibilities of the Commission); as amended by Public Law No. 109-108 (H.R. 2862) (Nov. 22, 2005) (regarding responsibilities of Commission and applicability of FACA); as amended by Division J of the “Consolidated Appropriations Act, 2008,” Public Law No. 110-161 (December 26, 2007) (regarding responsibilities of the Commission, and changing the Annual Report due date from June to December).

The Commission’s full charter is available at www.uscc.gov.

May 20, 2014

The Honorable Patrick J. Leahy
 President Pro Tempore of the Senate, Washington, D.C. 20510
 The Honorable John A. Boehner
 Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR LEAHY AND SPEAKER BOEHNER:

We are pleased to notify you of the Commission's March 13, 2014 public hearing on "China and the Evolving Security Dynamics in East Asia." The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, section 635(a)) provides the basis for this hearing.

At the hearing, the Commissioners received testimony from the following witnesses: Dr. Robert Sutter, Professor, Elliott School of International Affairs, George Washington University; Ms. Bonnie Glaser, Senior Adviser for Asia, Freeman Chair in China Studies, Center for Strategic and International Studies; Mr. James Schoff, Senior Associate, Asia Program, Carnegie Endowment for International Peace; Dr. Jennifer Lind, Associate Professor, Department of Government, Dartmouth College; Mr. Walter Lohman, Director, Asian Studies Center, Heritage Foundation; and Dr. Ely Ratner, Senior Fellow and Deputy Director, Asia-Pacific Security Program, Center for a New American Security. This hearing explored the evolving security dynamics in Asia and the effects of this changing environment on the United States. It also addressed how Northeast Asia, Southeast Asia, and Oceania are responding to China's rise and consider what implications follow for U.S. alliances and partnerships in the region.

We note that prepared statements for the hearing, the hearing transcript, and supporting documents submitted by the witnesses are available on the Commission's website at www.USCC.gov. Members and the staff of the Commission are available to provide more detailed briefings. We hope these materials will be helpful to the Congress as it continues its assessment of U.S.-China relations and their impact on U.S. security.

The Commission will examine in greater depth these issues, and the other issues enumerated in its statutory mandate, in its 2014 Annual Report that will be submitted to Congress in November 2014. Should you have any questions regarding this hearing or any other issue related to China, please do not hesitate to have your staff contact our Congressional Liaison, Reed Eckhold, at (202) 624-1496 or via email at reckhold@uscc.gov.

Sincerely yours,



Hon. Dennis C. Shea
 Chairman



Hon. William A. Reinsch
 Vice Chairman

CONTENTS

THURSDAY, MARCH 13, 2014

CHINA AND THE EVOLVING SECURITY DYNAMICS IN EAST ASIA

Opening Statement of Commissioner Peter Brookes (Hearing Co-Chair)	6
Prepared Statement.....	7

Panel I: China's Grand Strategy in Asia

Panel I Introduction by Commissioner Jeffrey Fiedler (Hearing Co-Chair)	8
Statement of Dr. Robert Sutter Professor Elliott School of International Affairs George Washington University	8
Prepared Statement.....	11
Statement of Ms. Bonnie Glaser Senior Advisor for Asia, Freeman Chair in China Studies Center for Strategic and International Studies	23
Prepared Statement.....	26
Panel I: Question and Answer.....	38

Panel II: Security Dynamics in Northeast Asia and Implications for the United States

Panel II Introduction by Commissioner Peter Brookes (Hearing Co-Chair)	67
Statement of Mr. James Schoff Senior Associate Asia Program Carnegie Endowment for International Peace	67
Prepared Statement.....	71
Statement of Dr. Jennifer Lind Associate Professor Department of Government Dartmouth College	84
Prepared Statement.....	86
Panel II: Question and Answer	97

**Panel III: Security Dynamics in Southeast Asia and Oceania and Implications for the
United States**

Panel III Introduction by Commissioner Jeffrey Fiedler (Hearing Co-Chair)	120
Statement of Mr. Walter Lohman Director Asian Studies Center Heritage Foundation	120
Prepared Statement.....	123
Statement of Dr. Ely Ratner Senior Fellow and Deputy Director Asia-Pacific Security Program Center for a New American Security	131
Prepared Statement.....	133
Panel III: Question and Answer	144

OPENING STATEMENT OF COMMISSIONER PETER BROOKES HEARING CO-CHAIR

HEARING CO-CHAIR BROOKES: Good morning and welcome to the third hearing of the U.S.-China Economic and Security Review Commission's 2014 Annual Report cycle.

This hearing will explore the evolving security dynamics in Asia and the effects of this changing environment on the United States.

We will address how Northeast Asia, Southeast Asia and Oceania are responding to China's rise and consider what implications follow for the United States, its alliances and partnerships in the region.

We'll begin by taking a broad look at China's grand strategy in Asia-Pacific. We've asked our witnesses on the first panel to discuss the impact of China's rise on the security dynamics in East Asia.

The second panel will focus on security dynamics in Northeast Asia and the implications for the United States.

The third panel will conclude this hearing with a discussion of the security dynamics in Southeast Asia and the implications for the United States as well.

Before we introduce our guests for the first panel, let me take a moment to thank the Senate Agriculture Committee, Chairperson Debbie Stabenow, and her staff for getting us this room today. Rooms are in short supply.

I'd also like to remind our witnesses to keep your remarks to about seven minutes, if you could, to allow the maximum amount of time for questions and answers. And with that, I'll turn it over to the hearing's Co-Chair to introduce the first panel.

**PREPARED STATEMENT OF COMMISSIONER PETER BROOKES HEARING CO-
CHAIR**

**COMMISSIONER BROOKES Opening Statement
March 13, 2014 Hearing: China and the Evolving Security Dynamics in East Asia**

Good morning, and welcome to the third hearing of the U.S.-China Economic and Security Review Commission's 2014 Annual Report cycle. This hearing will explore the evolving security dynamics in Asia and the effects of this changing environment on the United States. We will address how Northeast Asia, Southeast Asia, and Oceania are responding to China's rise and consider what implications follow for U.S. alliances and partnerships in the region.

We'll begin by taking a broad look at China's grand strategy in the Asia-Pacific. We've asked our witnesses on the first panel to discuss the impact of China's rise on the security dynamics in East Asia.

The second panel will focus on security dynamics in Northeast Asia and implications for the United States. After our lunch break, the third panel will conclude this hearing with a discussion on security dynamics in Southeast Asia and implications for the United States.

Before we introduce our guests for the first panel, let me take a moment to thank the Senate Agriculture Committee, Chairperson Debbie Stabenow, and her staff for securing this room for us today. I'd also like to remind our witnesses to keep remarks to 7 minutes so that we have time for our question-and-answer session.

PANEL I INTRODUCTION BY COMMISSIONER JEFFREY L. FIEDLER

HEARING CO-CHAIR FIEDLER: Thank you.

We're honored today to have two distinguished witnesses to discuss China's grand strategy in the Asia-Pacific region.

Dr. Robert Sutter is Professor of Practice of International Affairs at the Elliott School of George Washington University. His 46-year public career, public service career, includes work on Asia and U.S. foreign policy for the Congressional Research Service, National Intelligence Council, Central Intelligence Agency, Department of State, and Senate Foreign Relations Committee.

Ms. Bonnie Glaser is Senior Advisor for Asia for the Freeman Chair in China Studies at CSIS. She also serves as a Senior Associate with CSIS Pacific Forum and has served as a consultant for various U.S. government offices, including the departments of Defense and State.

Thank you, both, for being here today. Dr. Sutter, we'll start with you, and I'll remind you of the rule of our seven minute oral testimony so we have plenty of time for questions.

Thank you.

OPENING STATEMENT OF DR. ROBERT SUTTER, PROFESSOR, ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY

DR. SUTTER: Thank you for the opportunity to testify before the Commission.

My written statement answers the Commission's questions in the context of the prevailing balance in Chinese-U.S. competition for influence in Asia. The recommendations are linked to U.S. strengths and Chinese weaknesses in that competition.

The U.S. and China are the world's biggest powers with deeply rooted differences that are unlikely to change. The end of the Cold War and Tiananmen shattered the strategic framework that guided relations since Nixon, and subsequent frameworks have failed. Nonetheless, leaders on both sides have stressed pragmatic and generally positive engagement in recent years because of benefits from such engagement, U.S.-Chinese growing interdependence, and preoccupation with other issues.

The Obama government remains committed to pragmatic engagement. China, on the other hand, practices coercion and intimidation in disputed Asian seas which pose a serious challenge to American policy. They risk armed conflict and foreshadow Chinese expansion at the expense of American interests.

Of course, China's challenge today is much less than the tension in the Taiwan Strait from 1995 until 2008 when U.S. and Chinese forces were repeatedly on alert and prepared to fight one another. Washington and Beijing managed those tensions effectively, and the cross-Strait detente of the

current Taiwan government has eased the tensions.

Meanwhile, recent tensions over maritime disputes have seen Chinese leaders carefully avoid confrontation with the United States. They do so because of many domestic preoccupations, strong China-U.S. interdependence, and China's insecurity in Asia. In particular, despite 25 years of efforts to expand influence in Asia after the Cold War, China remains encumbered by mediocre results and conflicted strategy. It is in no position to confront the United States, the regional leader.

Looking out, the Obama government rebalance overlaps constructively with the priorities of the vast majority of regional governments. China pursues economic interchange but remains insecure as its ambitions, coercion, and intimidation come at neighbors' expense.

Regarding specific questions asked, the main recent change in Chinese behavior has been assertiveness regarding claims in the East and South China Seas. In dealing with such claims, China is a revisionist power. Its recent approach has full civilian and military leadership support.

China has used coercion to gain control of some disputed territory and seeks more. It uses coast guard forces backed by diplomatic pressure and threats, egregious economic punishments, and unilateral expansion of economic and administrative control mechanisms. Ever-growing Chinese naval and air power features repeated exercises in disputed areas, notably by forces designed to attack contested islands.

Whether China will advance expansionism depends heavily on the regional response. China has long sought to free its periphery from great power presence, a regional goal that would ensure Chinese security and dominance.

However, China's protracted domestic preoccupations and encumbered position in Asia remain serious constraints. The latter includes North Korea, probably the most serious insecurity faced by China today. Whatever shaping China has done toward North Korea has failed.

Regarding recommendations, Congress, on the one hand, should work with the Obama government in reinforcing the American leadership position in Asia. Chinese assertiveness provides more opportunities to solidify American security and other relationships with many Asian governments concerned with Chinese behavior.

The U.S. government needs to capitalize on these opportunities. It can do so by demonstrating that a determined superpower is prepared to counter Chinese probes in ways that weaken Chinese and advance American influence. Specifically:

More frequent oversight hearings provide opportunities to show congressional-executive solidarity in growing American-Asian cooperation in response to China's expansion;

Appropriations supporting the rebalance priorities;

Approval of Trade Promotion Authority and Senate ratification of the Law of the Sea Treaty;

A congressionally mandated study by GAO assessing what exactly is at stake for U.S. interests in the competition with China in Asia.

Related congressional hearings would alert media and U.S. public to the scope and importance of the interests involved, thereby deepening support for U.S. activism and competition.

On the other hand, Congress should exploit Chinese weaknesses. Together or in parallel with the administration, it should press China to do more to manage North Korea in line with regional norms. If China does so, U.S. policy objectives will be strengthened. If China doesn't, it will be shown as following its narrow interests to the detriment of regional stability and thereby lose regional influence.

Congress should join the administration in "calling out" China on egregious deviations from world norms, notably in using coercion to gain disputed territory. China is uniquely self-righteous and moralistic about its foreign policy and likely will react with self-serving indignation. All will see how poorly China fits with regional governments seeking stability and development, indirectly but unmistakably working to American competitive advantage.

If China advances its expansionism, the Congress with the administration or separately should revisit ongoing U.S. discretion in dealing with what obviously is the most egregious example of recent Chinese use of coercion to intimidate neighbors over territorial issues--Taiwan.

Such enhanced U.S. attention likely will prompt strong Chinese reaction, demonstrating what neighbors can expect if Beijing had a freer hand to deal with them over disputes.

Thank you for your attention.

PREPARED STATEMENT OF DR. ROBERT SUTTER, PROFESSOR, ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY

Date: March 13, 2014

Panelist: Robert Sutter, Professor of Practice of International Affairs, Elliott School of International Affairs, George Washington University

Testimony before the US-China Economic and Security Review Commission

Title of Hearing: "China's Grand Strategy in Asia."

Written Statement

Purpose and scope

My answers to the specific questions asked by the commission regarding China's challenges to U.S. interests in Asia (see below) rest on the following assessments of relevant circumstances in U.S.-China relations and their respective influences in Asia. After answering the specific questions asked are recommendations for U.S. policy.

U.S.-China engagement and competition

The often contested framework of U.S.-Chinese cooperation focused on the Soviet Union held through the Cold War but collapsed with the Tiananmen crackdown and the demise of the USSR. Repeated efforts to create a new cooperative framework (e.g. "strategic partnership," "responsible stakeholder," "G-2") have failed in the face of strong and enduring differences between the world's largest powers which are disinclined to change and have the means to resist pressures to do so. Nevertheless, a pattern of pragmatic engagement emerged and has persisted for three reasons.

- Both governments benefit from positive engagement in various areas.
- Both governments have become strongly interdependent, reducing incentives to pressure one another.
- Both leaderships have been preoccupied with a long list of urgent domestic and foreign priorities, and seek to avoid a serious confrontation in relations with one another.

Looking out, it's hard to envisage how the Obama government would see its interests well served with a more assertive U.S. stance leading to a major confrontation with China. The main challenge to the recent pattern of pragmatic engagement comes from China's growing assertive role in Asia and its implications for U.S. interests.

China's confrontations with the Philippines in the South China Sea and with Japan in the East China Sea mark an important shift in China's foreign policy with serious implications for

China's neighbors and concerned powers including the United States.¹ China's success in advancing claims against the Philippines and in challenging Japanese control of disputed islands head the list of reasons why the new Chinese policy is likely to continue and perhaps intensify in the future. Other reasons include rising nationalist sentiment in Chinese elite and public opinion and growing capabilities in Chinese military, coast guard, fishery and oil exploration forces. The latter are sure to grow in the coming years, foreshadowing greater Chinese abilities to use coercion in seeking advances in nearby seas. Few governments are prepared to resist.

Forecasts talk of a U.S. retreat or an inevitable conflict between the United States and China as they compete for influence in the Asia-Pacific.² Such predictions are offset in this writer's opinion by circumstances in China and abroad that will continue to constrain China's leaders. The circumstances are seen to hold back Chinese leaders even if they, like much of Chinese elite and public opinion, personally favor a tough approach in order to secure interests in the Asia-Pacific.

Constraints on Chinese assertiveness

There are three sets of constraints on Chinese tough measures in foreign affairs related to the United States that are strong and are unlikely to diminish in the foreseeable future.

Domestic preoccupations³

Chinese leaders want to sustain one-party rule and to do so they require continued economic growth which advances material benefits for Chinese people and assures general public support and legitimacy for the Communist government. Such economic growth and continued one-party rule require stability at home and abroad, especially in nearby Asia where conflict and confrontation would have a serious negative impact on Chinese economic growth. At the same time, protecting Chinese security and sovereignty remains among the top leadership concerns. There is less clarity as to where Chinese international ambitions for regional and global leadership fit in the current priorities of the Beijing leaders, but there is little doubt that the domestic concerns get overall priority.

¹ Timothy Adamson "China's Response to the U.S. Rebalance," in *Balancing Acts* Washington, DC Elliott School of International Affairs 2013 p. 39-43 http://www2.gwu.edu/~sigur/assets/docs/BalancingActs_Compiled1.pdf

² Aaron L. Friedberg, *Contest for Supremacy. China, America and the Struggle for Mastery in Asia*, W.W. Norton and Company, 2011; Hugh White, "The China Choice" book review by Andrew Nathan, *Foreign Affairs* (January-February 2013) <http://www.foreignaffairs.com/articles/138661/hugh-white/the-china-choice-why-america-should-share-power>

³ See the treatment in among others Andrew J. Nathan and Andrew Scobell, *China's Search for Security*, New York: Columbia University Press, 2012.

⁴ Stephen Roach, "China's Policy Disharmony," *Project Syndicate* December 31, 2013 <http://www.project-syndicate.org>

Major domestic concerns preoccupying the Xi Jinping leadership involve weak leadership legitimacy, pervasive corruption, widespread social turmoil and mass protests, and an unsustainable economic model with egregious use of resources and massive environmental damage reaching a point of diminishing returns. An ambitious and wide ranging agenda of interactive economic and related domestic reforms will require strong and sustained efforts of top Chinese leaders, probably for many years.⁴ Under these circumstances, those same leaders seem unlikely to seek confrontation with the United States. Xi Jinping's unusual accommodation of President Obama in meeting in California in 2013 and his leadership's continued emphasis on the positive in U.S.-China relations in seeking a new kind of major power relationship underline this trend. Xi has presided over China's greater assertiveness on maritime territorial issues that involve the United States, but thus far the Chinese probes appear crafted to avoid direct confrontation with the superpower.

Strong interdependence

At the start of the twenty-first century growing economic and other interdependence reinforced each government's tendency to emphasize the positive and pursue constructive relations. Engagement built positive and cooperative ties and constructed interdependence that had the effect of constraining the other power from taking adverse actions. Such respective "Gulliver strategies" were designed to tie down aggressive, assertive, or other negative policy tendencies of the other power through webs of interdependence in bilateral and multilateral relationships.⁵ Both sides became increasingly aware of how their respective interests were tied to the well being and success of the other, thereby limiting the tendency of the past to apply pressure on one another.

China's insecure position in the Asia-Pacific

Given the purpose of this hearing, more attention is devoted here to constraints involving China's insecure position in the Asia-Pacific region. Nearby Asia is the world area where China has always exerted greatest influence and where China devotes the lion's share of foreign policy attention. It contains security and sovereignty issues (e.g. Taiwan) of top importance. It is the main arena of interaction with the United States. The region's economic importance far surpasses the rest of world (China is Africa's biggest trader but it does more trade with South Korea). Stability along the rim of China is essential for China's continued economic growth—the lynch pin of leadership legitimacy and continued Communist rule. Against this background, without a secure periphery and facing formidable American presence and influence, China almost certainly

⁴ Stephen Roach, "China's Policy Disharmony," *Project Syndicate* December 31, 2013 <http://www.project-syndicate.org>

⁵ Robert Sutter, "China and U.S. Security and Economic Interests: Opportunities and Challenges," in Robert Ross and Oystein Tunsjo, eds., *U.S.-China-EU Relations: Managing The New World Order* London: Routledge, 2010. James Shinn *Weaving the Net* New York: Council on Foreign Relations, 1996

calculates that seriously confronting the United States poses grave dangers for the PRC regime.⁶

Chinese strengths in the Asia-Pacific region include extensive trade and investment; a growing web of road, rail, river, electric power, pipeline and other linkages with nearby countries; leadership attention and active diplomacy; and expanding military capabilities

Nevertheless, these strengths are offset by various weaknesses and limitations. First, Chinese practices alienate near-by governments, which broadly favor key aspects of U.S. regional leadership. Leadership involves costly and risky efforts to support common goods involving regional security and development. China avoids such risks and costs unless there is adequate benefit for a narrow win-set of tangible Chinese interests.⁷ It “cheap rides,” preserving resources to deal with the long array of domestic challenges facing Chinese leaders.

Second, recent Chinese assertiveness toward neighbors puts nearby governments on guard and weakens Chinese regional influence. It reminds China’s neighbors of the PRC’s longstanding and justified Cold War reputation as the most disruptive and domineering force in the region.⁸

Third, China achievements in advancing influence in the Asia-Pacific in the post Cold War period—a period now extending almost 25 years—are mediocre. China faces major impediments, many home grown. Its longstanding practice of promoting an image of consistent and righteous behavior in foreign affairs is so far from reality that it grossly impedes effectively dealing with disputes and differences with neighbors and the United States. As the Chinese government has the truly exceptional position among major powers as having never acknowledged making a mistake in foreign policy, when China encounters a dispute with neighbors, the fault never lies with China. If Beijing chooses not to blame the neighbor, its default position is to blame larger forces usually involving the United States. Of course, Chinese elites and public opinion also remain heavily influenced by prevailing Chinese media and other emphasis on China’s historic victimization at the hands of outside powers like the United States, Japan and others. In sum, they are quick to find offense and impervious of the need for change and recognition of fault on their part.⁹

Measuring China’s relationships. Such measurement shows how far China has to go in order to be confident of its position in Asia, and to reiterate, without such confidence Beijing would be poorly positioned to confront America. Relations with Japan, arguably Asia’s richest country and the key ally of the United States, show worsening to their lowest point.¹⁰ India’s interest in accommodation with China has been offset by border frictions and competition for regional

⁶ Robert Sutter, *Foreign Relations of the PRC* Lanham, Md: Rowman and Littlefield 2013, p.1-26, 311-327.

⁷ Sutter, *Foreign Relations of the PRC*, p. 315.

⁸ John Garver *Foreign Relations of the People’s Republic of China* Prentice Hall 1993

⁹ Gilbert Rozman, *East Asian National Identities: Common Roots and Chinese Exceptionalism* Stanford CA: Stanford University Press, 2013

¹⁰ James Przystup, “Japan-China Relations,” *Comparative Connections* 14:3 (January 2013) p. 109-117.

influence.¹¹ Russian and Chinese interest in close alignment waxes and wanes and seems secondary to their respective relationships with the West.¹²

The new Taiwan government in 2008 changed relations for the better, but the political opposition in Taiwan remains opposed to recent trends and has improved its standing with Taiwan voters.¹³

Ever closer economic ties came with decline in South Korean opinion of China notably over China's refusal to condemn North Korea's attacks on South Korea and other provocations. Efforts to improve ties with a new South Korean president are offset by provocations from North Korea and Chinese advances in disputed territory claimed by South Korea.¹⁴

Disputed claims in the South China Sea seriously complicate often close economic relations with Southeast Asian countries. China's remarkable military modernization raises suspicions on the part of a number of China's neighbors, including such middle powers as Australia.¹⁵ They endeavor to build their own military power and work cooperatively with one another and the United States in the face of China's military advances.

The so-called Overseas Chinese communities in Southeast Asian countries often have represented political forces supportive of their home country's good relations with China, but those same communities have a long and often negative history in Southeast Asian countries.¹⁶

China's growing trade in Asia remains heavily interdependent.¹⁷ Half of Chinese trade is conducted by foreign invested enterprises in China; the resulting processing trade sees China often add only a small amount to the product; and the finished product often depends on sales to the United States or the European Union. A Singapore ambassador told Chinese media in August 2013 that 60 percent of the goods that are exported from China and ASEAN are ultimately manufactures that go to the United States, Europe and Japan. Only 22 percent of these goods stay in the China-ASEAN region.¹⁸ Meanwhile, the large Asian and international investment in China did not go to other Asian countries, hurting their economic development. Actual Chinese aid (as opposed to financing that will be repaid in money or commodities) to Asia is very small, with the

¹¹ Lawrence Saez and Crystal Chang, "China and South Asia: Strategic Implications and Economic Imperatives," in *China, The Developing World, and the New Global Dynamic*, eds. Lowell Dittmer and George Yu (Boulder CO: Lynne Rienner, 2010) 83-108; John Garver and Fei-ling Wang, "China's Anti-encirclement struggle," *Asian Security* 6:3 (2010) 238-263

¹² Yu Bin, "China-Russia Relations: Guns and Games of August: Tales of Two Strategic Partners," *Comparative Connections* 10, no. 3 (October 2008): 131-38; Yu Bin, "China-Russia Relations," *Comparative Connections* 15, no.3 (January 2014) 121-133.

¹³ Richard Bush, *Unchartered Strait* Washington DC: Brookings Institution, 2013.

¹⁴ Scott Snyder, "China-Korea Relations," *Comparative Connections* 15:3 (January 2014) www.csis.org/pacfor

¹⁵ Linda Jacobson, "Australia-China Ties: In Search of Political Trust," *Policy Brief* Lowy Institute June 2012

¹⁶ Sutter, *Foreign Relations of the Peoples Republic of China*, p. 319.

¹⁷ Yu Yongding, "A different road forward," *China Daily*, December 23, 2010, p. 9

¹⁸ Pu Zhendong, "Singapore supports strengthened free-trade agreement with Beijing," *China Daily* August 30, 2013 http://usa.chinadaily.com.cn/epaper/2013-08/30/content_16932418.htm

exception of Chinese aid to North Korea.

North Korea looms large and negatively in China's strategic calculus. China has shown no viable way of dealing with the wide array of problems associated with Pyongyang. Overall, it is a major source of insecurity for the Xi Jinping government.¹⁹

China in the shadow of U.S. leadership. U.S. strengths in the Asia-Pacific region involve:²⁰

- Security guarantor. In most of Asia, governments are viable and make decisions that determine direction in foreign affairs. In general, governments seek legitimacy through nation building and economic development, which require a stable and secure environment. Unfortunately, Asia is not particularly stable and Asian governments tend to distrust one another. They rely on the United States to maintain regional stability. The U.S. security role is very expensive and involves great risk; neither China nor any other Asian power or coalition of powers is able or willing to undertake even a fraction of these risks and costs.
- Essential economic partner. Most Asian governments depend importantly on export oriented growth. Growing intra- Asian trade relies on the United States. Most notably, Asian exports lead to a massive trade surplus with the open U.S. market. China, which consistently runs an overall trade surplus, avoids such costs that nonetheless are very important for Asian governments.
- Government engagement. The Bush administration was generally effective in interaction with Asia's powers. The Obama government's emphasis on consultation with international stakeholders before coming to policy decisions has been broadly welcomed. Meanwhile, U.S. military, other security and intelligence organizations have grown uniquely influential, developing wide ranging military, security and intelligence relationships with almost all regional governments.
- Non-government engagement. U.S. longstanding business, religious, educational, media and other non-government interchange is widespread, uniquely influential and strongly reinforces overall U.S. sway. Generally color-blind U.S. immigration policy since 1965 means that millions of Asian migrants call America home and interact with their countries of origin in ways that undergird U.S. interests.
- Asian hedging. As power relations change in the region, notably on account of China's rise, Asian governments seek to work positively and pragmatically with rising China, but

¹⁹ Jonathan Pollack, "Why Does China Coddle North Korea?" *New York Times*, January 12, 2014 www.nytimes.org; Scott Snyder, "China's Post-Kim Jong Il Debate," *Comparative Connections* Vol.14, No.1. 2012, pp. 107-114.

²⁰ Author's findings based on interviews with over 200 officials from 10 Asia-Pacific countries discussed most recently in Robert Sutter, *Foreign Relations of the PRC*, (Lanham MD: Rowman and Littlefield, 2013) p. 321-326.

they also seek the reassurance of close security, intelligence, and other ties with the United States, especially amid evidence that rising China is shifting to more assertiveness. The U.S. concern to keep stability while fostering economic growth overlaps constructively with the priorities of the vast majority of regional governments.

Answers to questions asked

1. China's security objectives along its rim focus on managing tensions caused by North Korea, advancing sovereign claims over disputed territories in Taiwan, the East China Sea and South China Sea, and advancing Chinese interests in ways that compete with and weaken U.S. strategic leadership. The main change in the past five years has been Chinese assertiveness over territorial disputes in the East China Sea and South China Sea; these are now treated similarly to Chinese claims regarding Taiwan. This level of assertiveness and sensitivity is likely to continue. Whether or not China's approach succeeds and moves toward greater assertiveness and expansion depends on the costs associated with the recent practices. Those costs appear to rest heavily on the reactions of regional governments and the United States, which are only beginning to be determined

2. What PLA leaders think about recent developments is not known with certainty. PLA actions and commentary generally have supported a firm position on territorial disputes. The PLA's impressive buildup of forces to project power along China's maritime periphery and especially designed to coerce and intimidate Taiwan has continued for over 20 years. The more recent greater assertiveness regarding the East China Sea and the South China Sea has built on these PLA strengths; there has been supporting comment from military representatives and actions ranging from various military exercises and the announcement of the Air Defense Information Zone over the East China Sea. The military commanders seem in line with leadership use of coast guard forces, and economic, political and administrative coercion—rather than direct application of military force—to advance Chinese claims in the East and South China Seas. They also seem in line with the leadership's careful management of difficulties caused by North Korea and with the leadership's emphasis on an active military dialogue with the United States.

3. China's intentions presently focus on advancing sovereignty and security interests involving Taiwan and the disputed East and South China Sea. China seeks to do so while maintaining and advancing positive relations with neighbors and competing with the United States in ways that advance common ground and manage differences without major dispute or conflict. These objectives appear very much at odds, but Chinese leaders publicly deny the contradiction. North Korea poses very important challenges that China seeks to manage without jeopardizing its overriding interests in sustaining stability on the peninsula, which continues to involve Chinese efforts to avoid reunification and support a North Korea friendly to China. Against this background, China is a revisionist/activist power in that it uses coercion just short of military forces in order to secure its broad and disputed territorial claims. But it does so against the background of Chinese internal preoccupations, interdependence with the United States and the U.S. supported international order, and China's still encumbered and less than secure position

throughout much of its periphery, especially to the East and South—by far the most important area in contemporary Chinese foreign relations.

4. As shown above, Chinese economic and diplomatic clout, military capabilities and regional ambitions serve to shape security dynamics in eastern Asia in various and sometimes conflicting ways. Economic and diplomatic activism tends to emphasize positive engagement with China. Military power alarms many regional governments, especially when China resorts to coercive means to advance territorial or other interests. Against the background of the many past PRC acts of aggression against neighbors, recent Chinese assertiveness backed by demonstrated military power undermines Beijing's public stress on positive engagement, placing Asian governments on guard. Thus far, none of the generally independent minded Asian governments have chosen to bandwagon with Beijing. Many have chosen to strengthen their contingency plans against possible Chinese domination, even as they advance positive relations with China. Closer connections with the United States loom large in their contingency plans.

5. The rise of China discussed above affects U.S. alliance considerations and raises the likelihood for crises involving the United States. The level of tension leading to possible crisis today is much less than the level of tension during the repeated crises between the United States and China over possible direct military conflict and war over Taiwan that prevailed throughout much of the period from the Taiwan Strait crisis of 1995-1996 to the end of the Chen Shui-bian government in 2008. How the United States will deal with the current tensions caused by greater Chinese assertiveness over the East China Sea and the South China Sea remains to be seen. The following section shows the challenges faced by the Obama government's rebalance and the policy's strengths.

The Obama rebalance and competition with China—a closer look

The Obama government's rebalance fits well with eastern Asian regional dynamics. It promises security and stability the regional governments seek and economic openness they need. China's economic and diplomatic approach also generally fits well with regional priorities, but its coercion and assertiveness along with military expansion alarms many neighbors. Beijing is poorly prepared to deal realistically with the contradiction.

If the United States withdraws, China may succeed in intimidating otherwise independent minded neighbors, but such an outcome seems remote. Carefully sequenced statements by Obama administration officials in late January, February and March pushed back against Chinese assertiveness in the East and South China Sea; Chinese reaction was measured and restrained, seeking to sustain business-like relations with America. The U.S.-China competition will continue, but with America better positioned than China to win regional support.

In particular, the United States has a proven record of bearing the costs and risks of sustaining regional stability that is essential for the development and nation building sought by the regional government leaders. By contrast are often strident Chinese threats and coercive actions and

avoiding the kinds of costs and risks borne by the United States in support of the broader regional order. The Obama government has affirmed its commitment to sustain the robust American security presence built on the strong engagement efforts of the Clinton and Bush administrations which enjoys bipartisan support in Congress and seems likely to continue.

China's location and advancing infrastructure connecting China to its neighbors are major positive attributes supporting closer Chinese relations with neighboring states. China's role as a trader, site for investment and increasing important foreign investor will continue to grow in regional affairs. Of course, much of the trade remains dependent on foreign investment and access to markets in the United States in particular. The United States almost certainly will not quickly reverse the large trade deficit that undergirds the export oriented economies of the region. Unlike the United States, China has a great deal of money that could be used to the benefit of its neighbors. However, China will part with its money only if there is assurance that it will be paid back and the endeavor will support China's narrow win-set. Asian leaders are watchful for signs of American protectionism, but the steady American economic recovery reinforces support for enhanced free trade initiatives from the United States.

By contrast, China's commitment to free trade remains selective and narrow. Beijing's tendency to go well beyond international norms in retaliating against others over trade and other issues has grown with the advance of China's economic size and influence. Its cyber theft of trade and economic information and property is enormous. Its currency manipulation and other neo-mercantilist practices are used deliberately to advance China's economy without much consideration of how they disadvantage neighboring economies along with the United States. China's recent extraordinary pressure on Japan for the sake of territorial claims risks enormous negative consequences for the regional economic growth. In contrast, the United States has played a role of stabilizer highly valued by most regional governments.

The growing U.S. security, economic and political relationships with the wide range of Asian-Pacific governments built by the Clinton, Bush and Obama governments have the effect of strengthening these governments and countries, reinforcing their independence and identity. While many of these governments continue to disagree with U.S. policies regarding the Middle East Peace process, electronic spying and other issues, American interest in preserving a favorable balance of power in the region is supported by the prevalence of such stronger independent actors. By contrast, China's assertiveness shows its neighbors that Beijing expects them to accommodate a growing range of Chinese concerns, even to the point of sacrificing territory. Strengthening those in the region that resist China's pressure is seen in Beijing as a hostile act. It is important to reiterate here that most Asian governments expect the U.S. government to carry out its improvement of relations in the region in ways that do not exacerbate China-U.S. tensions and thereby disrupt the Asia-Pacific region. In general, the Obama rebalance policy helps to manage tensions in line with regional concerns.

The Obama government has also advanced markedly U.S. relations with the various regional organizations valued by Asian governments. China also depicts close alignment with these

groups, though Chinese more assertive ambitions regarding disputed territories have seen Chinese leaders grossly manipulate these bodies or resort to coercion and intimidation.

Recommendations for U.S. policy

There are two paths that Congress can take in seeking to curb recent Chinese assertiveness and improve the U.S. position in the overall competition with China for influence in the Asia-Pacific region. The first involves reinforcing U.S. strengths; the second involves exploiting Chinese weaknesses.

Supporting U.S. strengths

U.S. security leadership involves sustained deployments of forces and requires means to build closer military, other security, intelligence and other ties with Asian countries seeking assurance from the United States in the face of China's coercion and intimidation. U.S. economic leadership rests on the open and reviving American economy ever more engaged in the Asia-Pacific. U.S. diplomatic leadership depends on U.S. leaders' first hand involvement in regional consultations.

The Obama rebalance generally seems to capture appropriate approaches in these instances. Congressional support has been and should continue to be shown through active oversight, regional visits, authorizations and appropriations. Congressional committee oversight hearings have proven to be an important arena for administration officials to articulate U.S. policy. The hearings can also show support for American resolve and the advances in American engagement with the region as China pursues its assertive expansion. Thus, ever closer security cooperation with Japan, the Philippines, South Korea and Australia, as well as other non allied countries affected by Chinese coercion and intimidation can be highlighted and encouraged. The importance of active U.S. exercises, surveillance and patrols can be emphasized. Clearly defining U.S. resolve through words and deeds to assist allies and others facing China's threats lays down markers showing Beijing the direct costs involved in its expansion and coercion. Such steps should cause those many in the Chinese leadership who seek to advance Chinese interests while weakening the American security presence along China's rim to think twice about the consequences of Chinese assertiveness.

Meanwhile, congressional support for open trade with Asia should reinforce this positive feature of American influence and leadership. The Obama government probably will need Trade Promotion Authority (TPA) from Congress in order to successfully conclude its major trade liberalization effort in the region, the Trans-Pacific Partnership. Congress should grant TPA to the president. The U.S. argument against China's assertiveness in the South China Sea and the East China Sea rests heavily on norms associated with the Law of the Sea Treaty. The United States Senate should ratify the treaty.

Congressional legislation, hearings and travel also provide important means to underscore to the

media and the American public the importance of the Asia-Pacific to the future of the United States. Congress should conduct hearings associated with a major congressional report by the GAO, perhaps in cooperation with a prominent American non-government research organization, explaining to American voters, media and other interested groups how and why the contemporary Asia-Pacific is so important for the future of the United States.

Exploiting Chinese weaknesses

China's self-serving policy toward North Korea has enabled repeated provocations by Pyongyang threatening neighboring countries and raising regional tensions. These outcomes are at odds with broad regional interest in stability. Congress should actively join the Obama government in repeatedly pressing China to bring its policy in line with regional efforts to curb North Korean threats. If China joins the United States, U.S. policy will be strengthened; if China refuses, it will be shown to all as adverse to broad regional interests, undermining China's influence.

China's assertive actions in its self-absorbed and uniquely self-righteous pursuit of territorial ambitions at the expense of its neighbors have involved repeated coercive and intimidating actions well beyond international norms generally adhered to by regional governments. The Congress should join the administration in calling out China on these egregious deviations from world norms. It should support the recent Obama government position highlighting China's egregiously broad claim to the South China Sea as questionable and probably unwarranted under international law. It should highlight naval exercises and other shows of force in sea areas claimed by weaker neighbors for what they are—exercises in intimidation. Whenever China pursues its claims, as it periodically does, with gross violations of international norms involving unilateral trade closures and mass demonstrations and associated violence—Congress needs to speak out strongly and encourage the administration to do so as well. Such publicity will show to all concerned how China fits poorly with the priorities of regional governments seeking stability and development.

Congress and the administration were negligent in failing to object more strongly to such gross Chinese violations of international norms as the mass demonstrations in September 2012 in over 100 Chinese cities and associated burning and looting of Japanese properties because of territorial disputes. A countervailing U.S. concern probably related to how China would likely react to such U.S. criticism.

On the one hand, China likely will react strongly to U.S. criticism of Chinese actions grossly at odds with international norms. Such criticism directly challenges China's assiduous building of an image of uniformly moral and righteous Chinese foreign policy behavior. On the other hand, the likely self-righteous and indignant Chinese reaction will publicly expose to all in the region just how unreasonable and self-absorbed China has been on these sensitive issues, thereby undermining Chinese regional influence.

There is probably no area where China in recent decades has used coercion and intimidation

beyond the bounds of international norms more than Taiwan. The Congress and the Administration have generally adopted a low profile in noting the Chinese efforts which have been overshadowed by the progress in cross strait relations since 2008. Nonetheless, calling more attention to China's gross intimidation and coercion would show regional governments how they might be treated and encourage them to pursue other paths, including closer ties with the United States, in order to preserve their independence of action. The Chinese reaction may lead to costs for the United States in dealing with China, but those costs seem offset by the costs China will suffer in what is likely to be a strong and self-centered reaction underlining China's regional ambitions very much at odds with its neighbors.

**OPENING STATEMENT OF MS. BONNIE GLASER, SENIOR ADVISER FOR ASIA,
FREEMAN CHAIR IN CHINA STUDIES, CENTER FOR STRATEGIC AND
INTERNATIONAL STUDIES**

HEARING CO-CHAIR FIEDLER: Thank you.

HEARING CO-CHAIR BROOKES: Bonnie.

MS. GLASER: Thank you, Commissioners Brookes and Fiedler, members of the Commission and staff. I'm grateful for the opportunity to testify today and for all the work that you do to increase the understanding of China.

China is pursuing three core security objectives in East Asia: it is defending and advancing Chinese sovereignty claims; promoting China-centered regional economic integration; and exerting control over its "near seas."

Beijing seeks to achieve these goals while maintaining good relations with the vast majority of its East Asian neighbors and avoiding confrontation with the United States.

China's growing power in recent years and an emergent belief among Chinese that the time has come to right the wrongs of the past of the century of humiliation when China suffered exploitation by foreigners has led to the adoption of a more muscular approach toward the region.

In both the East China Sea and the South China Sea, Beijing is actively asserting its territorial and jurisdictional claims. It is pursuing what some refer to as a "salami slicing" strategy. Through a steady progression of small steps, none of which is a *casus belli*, Beijing seeks to gradually change the status quo in its favor, and especially worrisome is China's growing willingness to employ economic means, not just for coercion but also for compellence.

Fostering greater economic dependence on China and promoting regional economic integration are integral to Beijing's strategy of persuading its neighbors of the benefits of China's rise and dissuading them from challenging China's interests.

Although China's near-term goals and strategy are possible to discern, its long-term intentions are far less clear. One of the questions posed to this panel is whether China is a revisionist power in East Asia? Beijing unquestionably seeks to change the status quo regarding Taiwan and land features in the South and East China Seas that China claims but are occupied by other nations.

It is uncertain whether China will reconcile itself to widely-shared norms and laws, such as the non-use or threat of force, freedom of navigation, and resolution of territorial disputes through negotiations or international arbitration. So far the record is not very good.

It is reasonable to assume that as China's economic and military

power continue to grow, it will be less willing to tolerate U.S. primacy in East Asia than it has been up until now. U.S. capability and will to continue to play the role of balancer in the region will be key factors influencing Chinese behavior, including the extent to which and the ways in which China seeks to challenge U.S. primacy and prevailing laws and norms.

Another key factor influencing Chinese behavior is whether Beijing believes that its fundamental interests can be protected under prevailing security arrangements in the region.

Regional concerns about Chinese behavior and intentions in the Asia-Pacific are on the rise. Concerns about China are especially intense in Japan in reaction to growing pressure from Chinese law enforcement vessels, increasing naval operations in waters around Japan, and, of course, the announcement of the East China Sea ADIZ.

China's more assertive behavior in the South China Sea beginning in around 2007 has revived memories of past decades of Chinese aggression and gradually shifted regional security dynamics in significant ways.

Southeast Asian governments which were wary of excessive U.S. presence in the past have shed their fears of U.S. dominance. Instead, a growing number of states view closer ties with the U.S. as a useful hedge against potential domineering behavior by China.

Increased desires for U.S. military, economic and diplomatic involvement in the region are mingled with uncertainty, however, about U.S. credibility and constancy. Moreover, even as the region welcomes U.S. presence and attention to Southeast Asia, the majority of countries are keen to avoid having to choose between the United States and China.

They prefer to reap the benefits of having good relations with both, and they fear the consequences of U.S.-China rivalry in their backyard. Therefore, the United States has to strike a tricky balance between reassuring our allies and partners and avoiding excessive tension with Beijing.

In the coming decade, the U.S. role will be pivotal in shaping the security landscape in the Asia-Pacific region. The U.S. must continue to be engaged economically, diplomatically, and militarily to shape the future balance of power in the region and ensure that it remains favorable to the interests of the United States, its allies and its partners, and Congress can and should play a vital role in this process.

My recommendations for Congress going forward are as follows:

First, I think Congress should require the executive branch to produce a strategy paper on the rebalance to Asia. The paper should establish explicit objectives and benchmarks for evaluating progress.

Second, through legislation, hearings and travel, Congress should convey to the American public the importance of the Asia-Pacific region to American interests now and in the future. Americans are generally woefully ignorant about Asia, and polls show a nascent trend toward isolationism that

could be harmful to American interests.

Third, Congress should encourage other governments and legislatures in the Asia-Pacific to back the Philippines' right to use available international arbitration mechanisms to address its territorial dispute with China. This is a critical test case of whether China will accept a rules-based system. So far only the United States and Japan have spoken out in this regard.

Fourth, the U.S. Senate should ratify UNCLOS to increase the effectiveness of U.S. efforts to pursue a rules-based approach to managing and resolving disputes over maritime jurisdiction.

Sixth, Congress should enact trade promotion authority legislation as soon as possible. Maintaining American leadership economically in the Asia-Pacific is imperative to enhancing the U.S. ability to achieve its other interests, including the promotion of a rules-based system and peaceful settlement of maritime disputes.

And finally, Congress, of course, must provide resources to support the rebalance to Asia. Adequate funding is essential for the U.S. to maintain readiness and presence in the Western Pacific, to increase partner capacity, to fund U.S. diplomacy in the region, which are all crucial to the credibility and success of the rebalance.

And with that, let me thank you, and I welcome your questions.

**OPENING STATEMENT OF MS. BONNIE GLASER, SENIOR ADVISER FOR ASIA,
FREEMAN CHAIR IN CHINA STUDIES, CENTER FOR STRATEGIC AND
INTERNATIONAL STUDIES**

Prepared Statement of

Bonnie S. Glaser

Senior Adviser for Asia

Center for Strategic and International Studies

Testimony Before The U.S.-China Economic and Security Review Commission

Hearing on China's Grand Strategy in Asia

March 13, 2014

Room 2118, Rayburn House Office Building

China's near-term intentions toward countries on its periphery, including those in Northeast Asia and Southeast Asia, were articulated by Chinese Communist Party General Secretary Xi Jinping at a major work conference on periphery diplomacy held October 24-25, 2013 in Beijing. Xi reaffirmed that the period extending to 2020 is a "period of strategic opportunity" for China's growth and development. During this time, China needs to maintain a stable external environment that is conducive to domestic economic reform and growth. To achieve this goal, Xi said, China must strive to make China's neighbors "more friendly in politics, economically more closely tied to us, and have deeper security cooperation and closer people-to-people ties." The neighboring countries should be treated as friends and partners, he added. China should make them feel safe and help them to develop.²¹

At the same time, however, since coming to power, Xi Jinping has repeatedly emphasized that China's good-neighborly policy does not mean compromising on disputes over sovereignty, territory, and jurisdiction. Shortly after assuming the post of top party leader, Xi Jinping told his Politburo colleagues that China would never sacrifice its legitimate rights or basic interests.²² China appears to believe that growing Chinese economic and military clout will over time

²¹ "Xi Jinping: China to further friendly relations with neighboring countries," Xinhua, October 26, 2013. http://news.xinhuanet.com/english/china/2013-10/26/c_125601680.htm.

²² "No Compromises over China's Sovereignty: Xi," Xinhua, January 30, 2013, <http://english.sina.com/china/2013/0129/555233.html>.

persuade its neighbors that there is more to gain from accommodating Chinese interests than from challenging them. In handling relations with its neighbors, China is employing both carrots and sticks to deter countries from pursuing policies that inflict damage on Chinese interests. Beijing's periphery policy is also aimed at countering the U.S. rebalance to Asia, preventing the formation of anti-China coalition on its periphery, and weakening U.S. alliances.

China's Three Core Security Objectives in Asia

At present, China is pursuing three core security objectives in East Asia: exerting control over its "near seas;" promoting China-centered regional economic integration; and defending and advancing Chinese sovereignty claims. Beijing seeks to achieve these goals while maintaining good relations with the vast majority of its East Asian neighbors and avoiding confrontation with the United States.

Exerting Control over its Near Seas

China's military modernization is focused on enhancing the PLA's capacity to conduct regional military operations, including what China refers to as counter intervention operations. This refers to a chain of capabilities and missions aimed at preventing foreign, especially U.S., military forces from intervening in a conflict in China's near seas, which include the East China Sea, South China Sea, and Yellow Sea. In support of this counter-intervention strategy, China has developed a range of anti-access/area-denial (A2AD) weapons including short- and medium-range ballistic missiles, ground and air-launched cruise missiles, an anti-ship ballistic missile, advanced fighter aircraft with precision strike capabilities, air refueling capabilities, airborne early warning systems, and integrated air defense systems. Beijing's top priority is to deter or slow U.S. intervention in a Taiwan Strait contingency, but these capabilities could be employed in a variety of regional crises or conflict scenarios such as a Chinese seizure of the Senkaku/Diaoyu islands in which the U.S. attempts to provide assistance to Japan to re-take the islands.

Defending and Advancing Chinese Sovereignty Claims

In both the East China Sea and South China Sea, Beijing is actively asserting its territorial and jurisdictional claims. In the dispute over the Senkaku/Diaoyu Islands with Japan, China took the first step to change the status quo in its favor in December 2008 when it dispatched law enforcement vessels into the 12 nm territorial waters around the islands for the first time. After the Japanese government purchased three of the five islands in September 2012, China seized the opportunity to begin conducting patrols in the contiguous and territorial waters on a nearly constant basis. Establishing routine presence is aimed at challenging Japan's administrative control over the islands and establishing Chinese jurisdiction. The announcement of an East China Sea Air Defense Identification Zone (ADIZ) on November 23, 2013 was intended to further increase pressure on Japan and compel Tokyo to officially acknowledge the existence of a territorial dispute between China and Japan. These actions take place against the backdrop of China's assessment that the rise of China and Japan's relative decline is leading to an inexorable

power shift.

In the South China Sea, China appears to be engaged in “an incremental effort . . . to assert control over the land features and waters contained in the so-called ‘nine-dash line.’”²³ In June 2012, China reneged on a verbal agreement with the Philippines to withdraw both nations’ vessels from Scarborough Shoal and seized control over the Shoal, and then barred entry to foreign fishermen. This marked the first instance of a change in the status quo of a land feature in the South China Sea since 1995 when China grabbed Mischief Reef from the Philippines. Other actions by China in recent years include putting hydrocarbon blocks up for bid in an area within Vietnam’s 200 nm Exclusive Economic Zone and a considerable distance from the islands that China claims; interfering with other countries’ seismic surveys within their EEZs; announcing administrative and military districts in contested areas in the South China Sea; declaring updated fishing regulations in disputed areas in the South China Sea; and sailing warships to James Shoal, a submerged land feature eighty kilometers off the coast of East Malaysia, manned with sailors and marines who took oaths “to defend the South China Sea, maintain national sovereignty, and strive towards the dream of a strong China.”²⁴

In both the East China Sea and South China Sea, China is pursuing a “salami slicing” strategy. Through a steady progression of small steps, none of which by itself is a *casus belli*, Beijing seeks to gradually change the status quo in its favor. China’s episodic encroachments are designed to compel other claimants to stop trampling on Chinese sovereignty and to advance China’s territorial and maritime claims.²⁵ Especially worrisome is China’s growing willingness to employ economic means for coercion and compellence. In 2010, Beijing restricted exports of rare earth minerals to Japan to pressure Tokyo to release a Chinese fishing boat captain who was arrested after ramming a Japanese coast guard vessel. In 2012, China barred imports of tropical fruits from the Philippines to force Manila to withdraw its vessels from Scarborough Shoal. China’s growing economic clout along with its enhanced military and paramilitary capabilities have increased Chinese willingness to assertively defend its interests in its near seas.

China is also seeking to advance its sovereignty claim over Taiwan. A combination of economic carrots and political pressure is being used to persuade the people of Taiwan to forego the option of independence and reunify with the Mainland. For the time being, reunification is not an urgent priority, however; Beijing is likely to remain patient as long as it judges the trend is in the right

²³ Testimony of Daniel Russel, Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, before the House Committee on Foreign Affairs, February 5, 2014, <http://docs.house.gov/meetings/FA/FA05/20140205/101715/HHRG-113-FA05-Wstate-RusselD-20140205.pdf>.

²⁴ Greg Torode, “PLA Navy Amphibious Task Force Reaches Malaysia ‘to Defend South China Sea,’” *South China Morning Post*, <http://www.scmp.com/news/asia/article/1200564/pla-navy-amphibious-task-force-reaches-james-shoal-near-malaysia>.

²⁵ Bonnie S. Glaser, Statement before the U.S. House Armed Services Subcommittee on Seapower and Projection Forces and the House Foreign Affairs Subcommittee on the Asia Pacific, January 14, 2014, http://csis.org/files/attachments/ts140114_glaser.pdf.

direction.

Regional Economic Integration

In pursuit of its goal of China-centered regional economic integration, Chinese leaders Xi Jinping and Li Keqiang visited Southeast Asian countries in the fall of October 2013 to promote the establishment of a new maritime silk road for the 21st century linking the Pacific and Indian oceans, the creation of free trade zones along China's periphery, and deepening regional financial cooperation by creating an Asian infrastructure bank. Beijing is also pushing for the conclusion by the end of 2015 of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement that would include the ten ASEAN member states and its FTA partners (Australia, China, India, Korea, and New Zealand). China has also funded major infrastructure projects in Southeast Asia such as the Nanning-Singapore economic corridor that envisions an integrated road and railway transportation system that would link China, Vietnam, Laos, Cambodia, Thailand, Malaysia, and Singapore. Another project, the Great Mekong Subregion, links China's Yunnan Province, with the six nations of the Mekong River basin. Connectivity is the focus of China's current economic and trade strategy in Southeast Asia.

In Northeast Asia, Beijing is actively promoting a bilateral FTA with South Korea and a trilateral FTA among China, Japan, and South Korea. The ROK's trade dependence on China is significant, accounting for 21.8 percent of its overall trade (2012 IMF Direction of Trade statistics). Taiwan's trade dependence on China is even greater, accounting for a full 40.82% of the islands total exports in 2013. In addition, an estimated 80% of Taiwan's overseas direct investment is in China.

Fostering greater economic dependence on China and promoting regional economic integration are integral to Beijing's strategy of persuading its neighbors of the benefits of China's rise and dissuading them from challenging Chinese interests. In the 1990s and early 2000s, this strategy was relatively successful: regional suspicions about potential threats posed by a stronger China eased in large part because Beijing emphasized economic cooperation, set aside disputes over sovereignty, and applied little political pressure on its neighbors. However, China's growing power in recent years and an emergent belief among Chinese that the time has come to right the wrongs of the century of humiliation when China suffered exploitation by foreigners has led to the adoption of a more muscular approach toward the region. As will be discussed below, this change in Chinese approach and behavior has revived concerns throughout the region about the Chinese threat.

Is China a Revisionist Power in East Asia?

Although China's near-term goals and strategy are possible to discern, its long-term intentions are far less clear. Some observers posit that China will seek a Monroe Doctrine-type policy in Asia. Harvard University Professor Stephen Walt has argued, for example, that "a powerful China will not want the United States to have close alliances and a large military presence near

its borders, and it will undoubtedly try to push U.S. forces out of the Asia-Pacific region.”²⁶ Other experts argue that regardless of Chinese ambitions, its behavior will be constrained by the rules and institutions of the international system.²⁷ In my view, it is too early to tell whether China will be a revisionist power in East Asia (or globally).

Beijing unquestionably seeks to change the status quo regarding Taiwan and land features in the South and East China Seas that China claims but are occupied by other nations. It is uncertain whether China will reconcile itself to widely shared norms and laws such as non-use or threat of force, freedom of navigation, and resolution of territorial disputes through negotiations or international arbitration. Beijing’s outright rejection of the case filed by the Philippines in a UN arbitral tribunal suggests that China will oppose the intervention of international legal bodies to mediate or resolve jurisdictional and sovereignty disputes.

There are also some signs that China may challenge specific laws and practices with which it disagrees. China insists, for example, that its demand that military activities within a country’s 200nm EEZ require permission from the coastal state is consistent with the UN Convention on the Law of the Sea (UNCLOS). China is not alone in this interpretation – at least 16 other countries share Beijing’s position – but China is the only country that has operationally challenged U.S. naval and air forces, leading to numerous dangerous confrontations at sea over the past decade. Moreover, there are indications that Beijing distinguishes between “innocent passage” in a country’s EEZ, which it supports, and “freedom of navigation,” which it opposes, because the latter permits loitering for the purpose of conducting surveillance and reconnaissance.

China has dubbed U.S. efforts to strengthen its military alliances with Japan and South Korea as a destabilizing factor in the region and criticized the alliances themselves as “Cold War relics.” Periodic attempts to drive a wedge between the U.S. and its allies are likely to continue, although China likely anticipates that these alliances will remain a feature of its security environment for a considerable time into the future. Only a major disruption in the region, such as the collapse of political control in North Korea and the unification of the Peninsula, is likely to present a real test of China’s willingness to use pressure to end U.S. alliances and expel U.S. forces from the region.

It seems reasonable to assume that as China’s economic and military power continue to grow that it will be less willing to tolerate U.S. primacy in East Asia than it has been up till now. U.S. capability and will to continue to play the role of balancer in the region will be a key factor influencing Chinese behavior, including the extent to which and the ways in which China seeks to challenge U.S. primacy and prevailing laws and norms. Another key factor influencing

²⁶ “Dealing with a Chinese Monroe Doctrine,” <http://www.nytimes.com/roomfordebate/2012/05/02/are-we-headed-for-a-cold-war-with-china/dealing-with-a-chinese-monroe-doctrine>.

²⁷ John Ikenberry, “The Rise of China and the Future of the West,” *Foreign Affairs*, January/February 2008.

Chinese behavior is whether Beijing believes that its fundamental interests can be protected under prevailing security arrangements in the region.

China's Impact on Regional Security Dynamics

Regional concerns about China's behavior and intentions in the Asia-Pacific are on the rise. The Pew Research Center's Global Attitudes Project conducted public opinion polls in several regional nations in 2013 to assess the extent of these concerns. In response to the question "How big a problem are territorial disputes between China and your country?" the proportion that said the disputes are a "very big" or "big" problem was 82 percent in Japan, 90 percent in the Philippines, 62 percent in Indonesia, 36 percent in Malaysia, and 77 percent in South Korea.²⁸

Concerns about China are particularly intense in Japan in reaction to growing pressure from Chinese law enforcement vessels, increased naval operations in waters around Japan, and the announcement of the East China Sea ADIZ. Over the next five years, Japan will boost defense spending by 5 percent to purchase new military hardware, including its first surveillance drones, U.S.-made F-35 stealth fighters and Aegis combat systems. In response to perceptions of a growing threat from China, Japan's focus has shifted to defense of the southwestern islands, including creation of a Marine Corps-style amphibious infantry unit that can recapture remote islands.

China's more muscular behavior in the South China Sea beginning around 2007 has revived memories of past decades of Chinese aggression and gradually shifted regional security dynamics in significant ways. Southeast Asian governments which were wary of excessive U.S. presence in the past have shed their fears of U.S. dominance. Instead, a growing number of states view closer ties with the U.S. as a useful hedge against potential domineering behavior by China. Virtually every country in Northeast Asia and Southeast Asia has been publicly or privately supportive of the U.S. rebalance to Asia and hopes that the U.S. will sustain its role as balancer and counterweight to growing Chinese power.²⁹

Facing growing pressure from China over maritime disputes in Scarborough Shoal, Second Thomas Shoal, and Reed Bank, the Philippines, which demanded that the U.S. withdraw its forces from Subic Bay naval base in 1992, is now keen to see increased U.S. presence in the region. Manila is reportedly close to signing an agreement that will allow American troops to rotate through bases in the Philippines. Anxiety has risen in Singapore as well where officials have called for China to clarify its claims in the South China Sea and privately urged U.S. officials to speak out forcefully in favor of freedom of navigation and creating a rules-based system. China's bullying of Vietnamese fishermen and interference with Vietnamese plans to

²⁸ Richard Wike and Bruce Stokes, "Who Is Up, Who Is Down: Global Views of China and the U.S.," Pew Research Center, Global Attitudes Project, July 2013, <http://www.slideshare.net/PewResearchCenter/who-is-up-who-is-down-global-views-of-china-the-us-71813>.

²⁹ Robert G. Sutter, Michael E. Brown, and Timothy J.A. Adamson, *Balancing Acts: The U.S. Rebalance and Asia-Pacific Stability*, Elliot School of International Affairs, The George Washington University, August 2013, http://www2.gwu.edu/~sigur/assets/docs/BalancingActs_Compiled1.pdf.

exploit oil and gas in its EEZ have fueled Hanoi's increased desire to cooperate with the United States. As a hedge against potential instability in the South China Sea, Indonesia has announced that it will deploy additional army and air forces in the Natuna Island waters. China's conduct of two naval exercises in less than a year around James Shoal has prompted Malaysia to quietly step up cooperation with the Philippines and Vietnam in recent months.

At the same time, Southeast Asian countries are bolstering their military capabilities. Vietnam is procuring Kilo submarines from Russia and may buy anti-ship cruise missiles from India. The Philippines is planning to purchase a squadron of jet fighters from South Korea and three naval helicopters from Italy. Indonesia is purchasing submarines from South Korea, Sukhoi jets from Russia, F-16s from the U.S. and anti-ship missiles from China.³⁰

Increased desires for U.S. military, economic, and diplomatic involvement in the region are mingled with uncertainty about the credibility and constancy of U.S. policy. Regional states are worried that the U.S. may once again be drawn into crises in the Middle East or elsewhere and leave them exposed without adequate capability to fend off Chinese pressure. U.S. policy toward the South China Sea is the critical indicator for countries in Southeast Asia, although recently some Southeast Asian nations have begun to view developments in Northeast Asia (such as the ADIZ announcement) as warning signals of Chinese willingness to employ coercion generally. Southeast Asian states are looking to the U.S. to enforce the rule of law and peaceful settlement of disputes through diplomacy both through rhetoric and action. At the same time, however, they want to use the framework of ASEAN-based multilateral dialogue and seek greater support for ASEAN centrality and the use of ASEAN's collective diplomatic power to influence China's policy choices.

Even as the region welcomes increased U.S. presence and attention to Southeast Asia, the majority of countries are keen to avoid having to choose between the United States and China. They prefer to reap the benefits of having good relations with both and fear the consequences of a U.S.-China rivalry in their backyard. Therefore, the U.S. must strike a tricky balance between reassuring our allies and partners and avoiding excessive tension with Beijing.

The PLA in Regional Policy: Role, Influence, and Capabilities

Decades of reform aimed at professionalization of the armed forces have circumscribed the PLA's role in foreign policy making and narrowed its focus to traditional military issues, defense-related issues such as arms control and proliferation, and policy toward countries that have a direct impact on Chinese security. In Northeast Asia and Southeast Asia, the PLA's influence is likely greatest on policy toward Taiwan, North Korea, Japan, Russia, and the United States. Along with the State Oceanic Administration under the Ministry of Land and Resources (which controls the recently formed Chinese Coast Guard forces of the Ministry of Public Security, the fisheries law enforcement command under the Ministry Agriculture, and the maritime anti-smuggling police under the General Customs Administration), the PLA also

³⁰ <http://www.scmp.com/news/asia/article/1146155/southeast-asian-countries-stock-arms-they-face-china?login=1>.

influences policy on maritime issues in the near seas.

The PLA's influence in the highest decision making body, the Politburo Standing Committee, is constrained by its lack of a representative on that body, which has been the case since 1997. The CCP general secretary, currently Xi Jinping, who sits on the PBSC and concomitantly holds the position of Chairman of the Central Military Commission, serves as the crucial link between civilian and military leaders. CMC meetings, which occur on average six times per year and last several days, provide critically important opportunities for institutionalized PLA interaction with the supreme leader. In addition, senior PLA figures participate in the Leading Small Groups on foreign affairs, Taiwan, and national security affairs, all of which are headed by Xi Jinping. Although the membership of the newly-created National Security Committee headed by Xi has not yet been announced, it will almost certainly include top PLA figures.

From the evidence available so far, it appears that the PLA is quite satisfied with its ties with Xi, including his interaction with the military, his attention to defense matters, his positions on security issues more broadly, and his support for China's military modernization. Xi's ties to the PLA can be traced to the early 1970s when he was introduced by his father, the revolutionary hero Xi Zhongxun, to serve as the secretary of former defense minister Geng Biao. During his 17 years of official service in Fujian province, Xi also reportedly became close friends with several young military commanders who shared the same background as the Red Second Generation, a term applied to the offspring of the founding fathers of the PRC. Among these were Xu Qiliang, currently vice chairman of the Central Military Commission, and Cai Yingting, currently commander of the Nanjing Military Region³¹.

After Xi was elevated to chairman of the CMC—which, unlike his predecessor Hu Jintao, he achieved simultaneously with his appointment as president of the state—he is believed to have quickly consolidated his grip on the military by various means, including by making numerous visits to military regions and promoting three batches of generals. Xi support for the military is evidenced in his approval of a 12.2% increase in defense spending in 2014, the biggest since 2011. At the same time, Xi has sought to aggressively root out PLA corruption. Xi's status as a princeling undoubtedly bestows upon him a certain amount of respect from the military brass.

The increased importance of maritime security in China's security priorities, embodied in Hu Jintao's call at the 18th Party Congress for China to become a maritime power and “resolutely safeguard China's maritime rights and interests, has strengthened the voice of the PLA Navy along with the law enforcement agencies. Xi echoed the importance of promoting China's maritime power at a special study session of the Politburo in July 2013 that included the two PLA members who sit on that body, Fan Changlong and Xu Qiliang. Representatives from the PLA and maritime law enforcement agencies sit on the Maritime Rights Office that was

³¹ <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20130508000040&cid=1101>

established in September 2012 to coordinate agencies within China. Xi Jinping took charge of this Office even before he assumed his post as CCP general secretary.

PLA pundits and commentators have been staunch supporters of maintaining a firm position on territorial disputes and most have criticized the U.S. rebalance to Asia as emboldening China's neighbors to confront Beijing on these disputes. This "hard-line" view is widely expressed by civilian analysts and officials as well, however. In some instances, the PLA has pushed a specific policy that won endorsement from the top leadership without sufficient civilian scrutiny and input. For example, several sources suggest that the PLA pressed for establishment of the East China Sea ADIZ and convinced Chinese leaders to approve it without consulting the foreign ministry.

To protect its vast maritime claims and preserve access to regional resources, China relies primarily on a mix of diplomacy and economic means, as well as patrols by the China Coast Guard. The PLAN operates at a distance from the Coast Guard vessels, providing a security guarantee. PLAN ships also regularly patrol in China's claimed territory to conduct surveillance and assert Chinese maritime sovereignty.

PLAN missions in Northeast Asia and Southeast Asia, include, but are not limited to: asserting territorial claims, maintaining readiness for a potential contingency in Taiwan, executing anti-access/area-denial operations, conducting naval diplomacy, implementing regional deterrence missions, and carrying out humanitarian assistance and disaster relief. Modernization has proceeded apace in support of these missions, including sustained investment in advanced short- and medium-range conventional ballistic missiles, land-attack and anti-ship cruise missiles, counter-space weapons, and military cyberspace capabilities. The PLA has also continued to improve capabilities in nuclear deterrence and long-range conventional strike; advanced fighter aircraft; limited regional power projection, with the commissioning of China's first aircraft carrier, the Liaoning; amphibious operations; integrated air defenses; undersea warfare; improved command and control; and more sophisticated training and exercises across China's air, naval, and land forces.³²

Chinese military exercises have become steadily more sophisticated. The PLA recognizes the need for more realistic training activities incorporating all the aspects of "local wars under informationized conditions" and emphasizes the importance of joint operations. Drills take place in complex electromagnetic and joint environments. The PLA now conducts frequent exercises demonstrating advances in information technology and information integration in intelligence acquisition, joint command, joint strike, and support operations. China's most recent Defense White Paper emphasized the PLA's efforts to increase "combat readiness" and strengthen realistic training.³³ While "combat readiness" has been a PLA priority for a long time, it has become a major theme since Xi Jinping became CMC Chairman.

³² DOD report. http://www.defense.gov/pubs/2013_China_Report_FINAL.pdf.

³³ *The Diversified Employment of China's Armed Forces*, Information Office of the State Council, April 2013, http://news.xinhuanet.com/english/china/2013-04/16/c_132312681.htm.

PLAN training activities in the near seas have increased significantly in recent years. Chinese naval flotillas routinely sail between the East China Sea and the Pacific Ocean using diverse routes. Chinese aircraft regularly conduct warning and surveillance activities as well as air patrols over the East China Sea. Chinese aircraft have intensified flight activities surrounding Japan's airspace, expanding their operational areas and flying in diversified flight patterns.³⁴

The number and scale of Chinese naval drills in the South China Sea are increasing. For example, China conducted a 37-day drill with its aircraft carrier *Liaoning* at the end of last year that included aircraft, naval vessels and submarines. Zhang Zheng, the *Liaoning's* captain said that the drill was designed to “integrate the test, training, and combat of the aircraft carrier during this scientific research and training in the South China Sea.”³⁵ Another naval exercise conducted in early 2014 seemed intended to assert China's sovereignty over the waters in the 9-dashed line. Two Chinese destroyers and an amphibious landing craft, the *Changbaishan*, possibly escorted by a submarine, first conducted a patrol of the Paracels, then sailed to James Shoal, a submerged reef some 50 miles off the coast of Malaysia that the Chinese claim as the southernmost point of their territory, where the crew took an oath to defend their nation's sovereignty. The flotilla then proceeded beyond waters claimed by China to the Indian Ocean, conducting the first exercises by Chinese military vessels in waters south of Indonesia, before sailing back north and holding live-fire drills in the Western Pacific.³⁶ Significantly, the ships reached the Indian Ocean without using the Malacca Straits for the first time, instead, sailing via the Sunda Strait, the Lombok Strait, and the Makassar Strait.

Xi Jinping is reportedly attempting to reorganize the PLA to enhance its joint warfare capability. The restructuring may enable the PLA to respond more effectively to external threats, especially in disputed maritime domains. The three coastal Military Regions of Jinan, Nanjing and Guangzhou may be merged into a single Joint Forces Command that will be responsible for the near seas. These changes appear to follow from President Xi's directive in the fall of 2013 to improve operational agility and develop combat synergies. The Chinese defense ministry has denied that the restructuring is being planned, but this is not surprising; it will likely not be announced until preparations are completed. The reorganization of the PLA's operational structure could enable the force to mount a rapid response to external threats. Joint Air-Sea campaigns that require close co-ordination between commanders and personnel of all of China's military services may become a new focus.

Recommendations for U.S. Policy

In the coming decade, the U.S. role will be pivotal in shaping the security landscape in the Asia-Pacific region. The U.S. must continue to be engaged economically, diplomatically, and militarily to shape the future balance of power in the region and ensure it remains favorable to the interests of the U.S., its allies, and its partners. Congress can and must play a vital role in this

³⁴ http://www.mod.go.jp/e/d_act/ryouku/index.html.

³⁵ <http://www.voanews.com/content/chinas-aircraft-carrier-returns-from-south-china-sea-mission/1821831.html>

³⁶ <http://online.wsj.com/news/articles/SB10001424052702304914204579392720879214320>.

process. Below are my recommendations for Congress going forward:

First, Congress should require the executive branch to produce a strategy paper on the rebalance to Asia. The paper should establish explicit objectives and benchmarks for evaluating progress. It should also outline a coordinated, whole-of-government approach to the rebalance, while articulating a clear bureaucratic division of labor that assigns the lead for various elements to appropriate agencies.

Second, through legislation, hearings, and travel, Congress should convey to the American public the importance of the Asia-Pacific region to American interests now and in the future. Americans are generally woefully ignorant about Asia and polls show a nascent trend toward isolationism that could be harmful to American interests.³⁷

Third, Congress should encourage other governments and legislatures in the Asia-Pacific to back the Philippines' right to use available international arbitration mechanisms to address its territorial dispute with China. So far, only the U.S. and Japan have explicitly endorsed Manila's decision to file a case with the UNCLOS arbitration panel. If a large number of countries, including members of ASEAN, speak out in support of the application of international law to resolve disputes, Beijing might be forced to conclude that flouting the ruling of the tribunal is too costly, even if China's nine-dashed line is found to be illegal.

Fourth, the U.S. Senate should ratify UNCLOS to increase the effectiveness of U.S. efforts to pursue a rules-based approach to managing and resolving disputes over maritime jurisdiction. The Convention serves U.S. national security and economic interests. It provides clear, treaty-based rights for U.S. ships and aircraft to travel through and over the territorial seas of other coastal states. Ratification would therefore be helpful in ensuring freedom of navigation in the Asia-Pacific.

Fifth, Congress should urge the executive branch to impose consequences on China when it violates international laws and norms. If Beijing can flagrantly breach international laws and practices without penalty, it will have little incentive to become a more responsible regional and global player. In addition, the Administration should demand that China be more transparent about how it seeks to modify international rules and norms in the future.

Sixth, Congress should enact trade promotion authority legislation as soon as possible so that the Administration can persuade the other countries negotiating the TPP that the U.S. will be able to not just sign, but also ratify a high-standard TPP agreement. Maintaining American economic leadership in the Asia-Pacific is imperative to enhancing the U.S. ability to achieve its other

³⁷ In a Pew poll conducted October 30-November 6, 2013, 52 percent of Americans said "the U.S. should mind its own business internationally and let other countries get along the best they can on their own." That number has historically ranged between 20 and 40 percent. When asked if they agreed that the U.S. should "not think so much in international terms but concentrate more on our own national problems," 80 percent surveyed said they agreed, an all-time high, and only 16 percent disagreed. <http://www.people-press.org/2013/12/03/public-sees-u-s-power-declining-as-support-for-global-engagement-slips/>.

interests, including the promotion of a rules-based system and the peaceful settlement of maritime disputes.

Seventh, Congress must provide resources to support the rebalance to Asia. Adequate funding is essential for the U.S. to maintain readiness and presence in the Western Pacific. It is also necessary to fund U.S. diplomacy and engagement in multilateral institutions in the region which are crucial to the credibility and success of the rebalance. In addition, the U.S. should continue to build the capacity of our partners and allies to improve maritime domain awareness in the East and South China Seas.

PANEL I QUESTION AND ANSWER

HEARING CO-CHAIR FIEDLER: Thank you very much.

Before the Commissioners question you, I will present you with a question from Congressman Randy Forbes, and I think you have it in front of you, but I will read it for the record:

Much of the debate over American military strategy in Asia has focused on high-end warfighting scenarios. While this remains central, Chinese actions in recent months, including continued patrols of the Senkaku Islands, its declaration of the ADIZ in the East China Sea, the event involving the USS Cowpens, and the new Chinese fishing regulations in the South China Sea, have led some observers to conclude that most of the competition in Asia today as a likely source of a crisis that escalates to conflict is occurring in a state of perpetual low-level contestation in which the Japanese call the "gray zone" between war and peace.

The administration has responded with efforts to build partner capacity and strengthen regional institutions, but this will take years, if not decades, to bear fruit.

Beyond private diplomacy with the Chinese, which appears to be insufficient, what steps can the U.S. take to defend its interests in this gray zone in terms of acquisition and planning?

Both of you, if you would.

DR. SUTTER: I think the United States should recognize its strong position and play to its strengths and at the same time focus on Chinese weaknesses. This kind of Chinese behavior is against the norms of the region. They don't support this kind of thing, and so calling out the Chinese, making sure that countries in the region, that everyone, is aware of the U.S. position on these issues, is, I think, an important starting point.

The United States does a lot more, I think, than just build capacity and awareness on the part of its allies and associates. And I think this should be highlighted much more strongly. What exactly is the United States doing from a naval, air force, military point of view with these countries? And highlight the advances in those efforts that come in the context of Chinese assertiveness in Asia.

In other words, show the Chinese there's a cost, a cost of taking these actions, and the cost is you're going to have a deeper-rooted American strategic presence right along your periphery, and it's stronger now because of what you're doing.

If you can make that point, and I'm not a specialist in this regard, but I don't think it's that hard to do. One needs to do it in the context of what Ms. Glaser talked about, the need of the United States not to exacerbate tensions in a way that would alienate the regional governments, but at the same time, the desire to having closer cooperation with the United States is

very strong on the part of these governments. So do it.

It's an opportunity to do it and build a base and make sure the Chinese know about it. Make sure they know the reason we have these close defense relationships with these various countries is because of you. Keep it up--and we've been through episodes of Chinese assertiveness in the region before. This isn't the first time.

1995 was an episode called Mischief Reef, and this episode was followed by a new approach that the Chinese took to the region and to Asia as a whole, which was to be a good neighbor with the neighbors and to oppose the U.S. and its alliance system in Asia. This went on for six years. This didn't end until 2002. It takes them awhile.

The Chinese don't recognize mistakes in foreign affairs. It's going to take them awhile to do so this time.. The costs have to accumulate, but I would highlight the cost to them, particularly in the sense of closer collaboration between the United States and its neighbors in the region.

If you want to get into military planning and these types of things, this gets--I have one option, which I talk about on Taiwan as well. But if Chinese expansion continues and you feel you have to escalate, military exercises can be very useful.

For example, in 2010--you may look at this--there was a very interesting military exercise, a quiet one. It wasn't like the big Valiant Shield exercise. This was three cruise missile carrying very large I guess they're called SSBNs. I'm not a specialist on this at all. So this would all have to be worked out with our military people.

But three of these submarines surfaced simultaneously--off of Korea, off of the Philippines, and off of Diego Garcia--all just rose. This is the area where China is weak, as I understand it at least. They don't have a very good anti-submarine capability. My sense would be if you want to demonstrate American support do an exercise which would have a submarine like this, along perhaps with an attack submarine, just surface in the East China Sea, in the South China Sea, at the same time.

I think this would send a very interesting signal. It can be handled by the Defense Department. It's a natural sort of thing to do. If the U.S. is serious about this, I don't think it's confrontational, and what you'd see in a sense is that--and perhaps have some cooperation--maybe with the Japanese in the East China Sea--they have lots of submarines--do something together and maybe the Australians in the South China Sea.

These are possibilities that can be considered, but I think the point is put the spotlight on the robust and ever-stronger military strategic cooperation that the United States has with these countries in Asia and how China's actions are a catalyst for that cooperation.

HEARING CO-CHAIR FIEDLER: Thank you.
Ms. Glaser.

MS. GLASER: I want to agree with my colleague Dr. Sutter on the need to have consequences for Chinese behavior, and for recent Chinese actions they have taken that have been destabilizing, there have been really been no consequences.

And I will just highlight one example, and that is China's seizure of Scarborough Shoal in June of 2012. This was a case in which the United States actually facilitated discussions between the Philippines and China. A verbal agreement was reached between those two nations to pull back their ships, and then the Chinese reneged on the deal, and there weren't even really reputational costs that were paid.

This isn't even widely known, and yet it's really the first time that the status quo of a land feature has changed in the South China, in the South China Sea, since the late 1990s. So this is really of great concern.

When I talk to experts in China, whether civilian or military, they are quite pleased about how that episode went. They drew lessons from it, and they have applied those lessons to the East China Sea where they are challenging Japanese administrative control over the Senkakus.

So I would emphasize three things that the United States can do. I mean, first, of course, is to create reputational costs so that it's not just the United States that has to speak out--other nations and particularly other claimants and other members of ASEAN also need to speak out. The Philippines case, as I mentioned in my opening statement, is critically important in this regard.

March 30 is the deadline for the testimonial memorial that Manila will submit to the arbitration under UNCLOS. We really need to encourage other nations to stand up for the Philippines' right to take this case to court. international arbitration. How it will rule, we do not know, but there is a possibility that this court will find the 9-dash line to be illegal, and imagine the consequences if China just simply says, well, we don't take this very seriously. This is a legally binding ruling, but there is no enforcement mechanism. So we must help create the environment in which China will seek to abide by it.

I think building partner capacity, yes, it takes time, but it's critically important what the. The United States and, Japan, and Australia are doing, for example, all making a contribution to bolstering the capabilities of the Philippines. Just to have greater maritime situational awareness is very important.

Enhancing Third, enhancing deterrence is critically important, and Dr. Sutter gave one very good example, and I will give another. The United States and Japan conducted an exercise. There was an amphibious landing exercise off the coast of California, which certainly signals to the Chinese that if they were to grab an island, we are prepared to take it back.

And then I'll just make one other small suggestion I think is important. A lot of this gray zone activity is--it's undertaken by law enforcement vessels. So theThe Chinese are seeking to avoid militarization of the problem and use law enforcement for coercion purposes. So we need to try to include their paramilitary law enforcement, now called, of course, the Chinese Coast Guard, in these conversations that we are having under the Military Maritime Consultative Agreement where we are just talking navy to navy, and there is also an opportunity to talk about norms operational safety at the North Pacific Coast Guard Forum, which is the only forum in which the coast guards of the region get together and the Chinese are active players.

Most of the agenda at that Forum, as I understand, focuses on fish and counter-piracy, but I think the agenda could be expanded.

Thank you.

HEARING CO-CHAIR FIEDLER: Thank you very much.

Commissioner Wessel.

COMMISSIONER WESSEL: Thank you, both, for being here.

I actually found your testimony quite striking. I've followed both of your writings for years. I've been on the Commission since it started, and I heard a distinct tonal evolution as I was writing down a number of the words each of you were using. Let me call it "the Big C problem." I heard consequences, confrontation, catalyst, coercion, challenge, competition, costs, and a number of other words starting with "c."

I didn't hear cooperation. I didn't hear engagement. And, you know, shortly after PNTR, when this Commission was also started, there was the engagement/cooperation phase. Dr. Sutter, you talked about the '95 through 2002 period. Am I right in thinking that you're both seeing this as much more of a competition challenge than an opportunity in a relationship because I didn't hear either one of you talk about opportunities?

MS. GLASER: Well, I think that's a fair point. Obviously, the other side of deterrence is reassurance, and cooperation is part of reassurance, and I did mention that I think that whether China feels that it can address its own really fundamental security interests in the prevailing system regionally and globally will influence its behavior.

And what I mean by that is that, yes, the United States, and other nations have to ensure that we are not when we are dealing with China we are not threatening its fundamental core interests, which I believe are less its control over these rocks or islets in the sea. It is really the, but rather aboutthe legitimacy of the Communist Party in China, and I do not believe the United States has a strategy, nor should, of undermining that control, maybe. Maybe the US perhaps influencingseeks to influence its policies and encouragingencourage them to treat their people better--absolutely.

So in terms of cooperation across the board, I think we are already undertaking efforts. We should continue to do this as opportunities

present themselves.

The military relationship we have had with China over the last year-and-a-half has been on an upward trend. We're able to do more in the way of joint exercises. Some of the dialogues are more fruitful than they have been in the past, but I believe that we have to be careful to not focus on the cooperation at the expense of the deterrence side.

I think the Chinese are too confident that they are going to be able to shape the environment and particularly their periphery in their favor. I think it's quite clear under Xi Jinping that there's a sense that we are going to influence our neighbors to modify their policies so that Chinese interests are protected, and that the United States is not doing a good enough job, and not just the United States but with also many of our partners in the region, of making them pay a price for some of their real intimidating and bullying policies.

So, yes, I think we have to have both. Deterrence and reassurance. My emphasis was on creating consequences because I think we're not doing a good enough job in that realm.

COMMISSIONER WESSEL: Dr. Sutter.

DR. SUTTER: Thank you.

I started my presentation by talking about how both leaderships engage in pragmatic cooperation, you know, for very practical reasons, and that Chinese behavior in this area is a deviation from that. We're dealing with a deviation here, and it raises suspicions that the Chinese are gaming the pragmatic cooperation in order to achieve this objective of expansion, and it's not the first time the Chinese have gamed things. They game the economic relationship all the time.

And so I think we have a pattern here of gaming. They're saying, oh, yeah, we want a new great power relationship with you. We want to engage and so forth, and we can engage until the cows come home and the agreement over Scarborough Shoal that the U.S. and the Chinese negotiated is an excellent example of that type of cooperation. But when it comes down to it, what do they want? They want their territory.

So you have a problem. How do you deal with this problem in the context you want engagement, you want--Obama certainly wants to continue pragmatic engagement with China, and I do too, but what do you do about the gaming? And it's getting serious, and it's not stopping, and to do that, you have to raise the cost.

You raise the cost in whatever way you can without being—but, as Bonnie said, you have to do it in a way that doesn't upset the neighbors too much. You know, you have to do it carefully, but I think it can be done, and I don't think it's that hard, and I think you can play to your strengths.

I think Bonnie indicated that there is this idea that the Chinese leadership is very confident in how they do this sort of thing. I would just

differ with that. I do have a different view of that. The Chinese, I think, say they're confident; they act like they're confident. I think they have enormous preoccupations, and I just look at this, this part of the world, the rim of China, is the most important foreign area for China by far, and what do they see there?

They see, I think, three problems, two very big ones, that they have no real answer for. Number one is North Korea. They have no answer to that problem, and they failed, and I don't know what they're going to do. They're in a real pickle on that one.

And the second is Japan. They've taken on Japan as of 2012. In a way they acted as though the Japanese would give in. I don't think the Japanese are going to give in, and so they have a protracted problem here. What are they going to do? They're going to continue to do what they do, and they are very, I think, resolved to do that, but this is not a good thing for them.

The third thing is the South China Sea. If you look at the history of the People's Republic on foreign relations, they almost never undertake two or three big foreign problems at the same time. The senior leaders would try to ease things elsewhere so they could focus on the main problem.

That was Mao's policy, that was Deng's practice, and I think that's the standard practice of China today. Unfortunately, they can't do that. They've got at least two big ones now. So when I see my Japanese friends, I say why is China being nice to the United States? Why are they having all these contacts and military exchanges? I said thank you, Japan, you're the reason, because they have confronted you and they have a big problem with you, and they have a big problem with North Korea, and they have a medium problem in the South China Sea.

Asia is the critical area for Chinese foreign policy, and why--so confidence--I don't think they're very confident myself. I think they have a lot to worry about. If I were in China, I would not be confident about North Korea. I have no idea what those people are going to do about this situation, and with Japan, they've bitten off this thing. They're confronting Japan, and to win, Japan has to give in. Will Japan give in? I ask Japanese experts about this, and I try to understand Japan.

I remember the northern territories. The Japanese don't give in on this kind of thing, and so I think they're in a tough spot, and so it's a different view if you see what I mean. And I think this is something that plays to our strengths. We're not in that tough spot. Everybody seems to like us in Asia. We're doing okay. We have a very good position in Asia. They don't. And I think this is something that I--

HEARING CO-CHAIR FIEDLER: Thank you.

DR. SUTTER: Thank you.

HEARING CO-CHAIR FIEDLER: Commissioner Shea.

CHAIRMAN SHEA: Well, thank you, both, for being here. Your testimony was really informative and appreciate your helping to educate us.

I want to get back to this issue of consequences. Ms. Glaser, you mentioned that we should urge the executive branch to impose consequences on China when it violates international laws and norms, and Dr. Sutter said we need to raise costs.

So let's dig a little deeper into that and talk about concrete steps that the United States should have taken in, say, three separate areas. First, with Scarborough Shoal, what should the United States have done when the Chinese reneged on the deal, the oral agreement?

Let's talk about the Air Defense Identification Zone in the East China Sea. The United States flew a couple B-52s that we said were regularly scheduled to fly through that area, but was our response sufficient? Were there consequences for China for doing what most observers felt was a violation of international norms?

And Dr. Sutter, the third thing, you mentioned, and I'm glad you did because I've never heard anybody mention this as something that we should have spoken out against, was the destruction of, you said Congress and the administration were negligent in failing to object more strongly to such gross Chinese violations of international norms as the mass demonstrations in September 2012 in over a hundred Chinese cities and the associated burning and looting of Japanese properties because of territorial disputes.

What should the United States have done in a concrete fashion in response to those incidents? So let's, instead of saying consequences and costs, let's be more specific, if we could, about what we should have done?

DR. SUTTER: We're alternating if that's okay.

CHAIRMAN SHEA: Sure.

DR. SUTTER: On all of these, you've seen an evolution in the administration's position. They're tougher now. They're taking sides. The administration is taking sides on these issues. It wasn't trying to do that. It was trying to calm the situation back in 2012. Now it's moving toward taking sides, and I assume as Chinese behavior continues, it will continue to move in that direction.

It will be tougher on these issues. It will call them out. The bottom line, all of these things should have been called out. It was a gross violation of international norms, what the Chinese did in Scarborough Shoal, particularly reneging on the agreement, and the ADIZ has gotten a lot more attention, and that's been a focal point of administration discussion.

And just my personal view on the Japanese episode of 2012, we need to put this in careful perspective. The Chinese are the second power in the world. When they don't like something, this is what they do. This is a gross violation of international norms. We need to understand that, that the world order will be quite different because this great power practices these

kinds of things. This is Benghazi. This is the type of behavior that you don't expect from a great power. And yet this is what they did, and the world didn't pay much attention.

I found it absolutely remarkable, astounding, and I said this, I can't think of a more gross violation of international norms in recent years. Well, I can think of a few, but this is a great power doing this, and so we need to understand. We need to call it out and make sure everybody knows what our government thinks about this and what the Congress thinks. The Congress didn't react to this very much. I was really surprised about that.

So it's calling out. This is mainly calling out at this point. Building relationships. This has to be done in a way that's grounded on accepted norms in the region. We want to bring the region with us on these things. We do have to sometimes speak out, but we want to have an understanding we agree on these norms; this behavior is against those norms. We are calling out the behavior because it's against the agreed-upon norms that we have in the region, and I think that will keep us on a safe position without being seen as something unique in this regard. This is a consistent approach.

CHAIRMAN SHEA: Thank you.

MS. GLASER: Very important question, and I certainly agree with Dr. Sutter's point, that the administration has toughened its language since then, and it has taken too long.

Our Assistant Secretary of State Danny Russel recently gave much tougher testimony. His wording on the South China Sea came quite close to calling the 9-dash line illegal, not quite, but close. Really this statement has really taken too long to come out.

I think that we should be doing more to insist that China clarify the meaning of this line, and although I know it's very uncomfortable for our friends in Taiwan to think about this because they don't want tensions with China, they did create that line in 1947, and President Ma has been, I think, been very helpful in some of his initiatives in the East China Sea but doesn't want to talk about the South China Sea.

Recently, a former official in the Obama administration, Jeff Bader, wrote about how actually our government should talk to Taiwan about clarifying its 9-dash line, (originally an 11-dash line,) and I'm very supportive of that. I have talked to people privately in Taiwan about that. I think that that would put pressure on China. to also clarify its claims.

In August of 2012, the State Department issued a statement that was criticizing some of the circumstances in the South China Sea, and there was some a very small clause about Scarborough Shoal, which I think you probably have to have been immersed in this to have known what it was about. China was only mentioned in that statement once, and it was in regard to the establishment of Sansha, and its involvement there.

But the Scarborough Shoal was buried. When I asked a U.S. official why aren't we calling China out on this, the answer that I received at the time was, you know, when diplomacy fails, you don't really call attention to it and your role in that failure. This is difficult for the United States. I understand that because we tried to facilitate an agreement that ultimately didn't work.

But I still think that we really needed to call China out on this, and then when the Philippines initiated its case, we then should have connected it: we support the Philippines because of what happened in Scarborough Shoal. So there is more that we can do in terms of calling the Chinese out on this.

On the ADIZ, I think that the U.S. handling of this was really good in terms of our military reaction, flying the B-52s. My criticism was regarding how we, our coordination coordinated with Japan. We actually saw this coming. There was ample evidence that this was going to happen. It was just a question of when. We should have had more detailed discussions with the Japanese about what we would and would not do.

So instead it of strengthening our ties with our ally, the episode revealed gaps with between the US and Japan in our policies toward China. In terms of what the United States said - it did not deny that the ADIZ was legitimate, but it was the way that they handled it that was a problem. Meanwhile, Japan and instruct civilian airliners to file flight plans as usual when flying through the ADIZ – both of those positions differed from the Japanese. Tokyo said that the Chinese should rescind the ADIZ, and then, of course, there was a difference in terms of instructions to our civilian airliners and whether they should notify the instructed their civilian air authorities airliners to not file flight plans. China won an advantage from the gaps between the US and Japan.

So there There is a tendency in the U.S. government to not to talk with the Japanese about contingencies, how things might go wrong with China, and the Japanese are complaining about this, and. I honestly feel believe we should be willing to talk more with Japan and maybe do some tabletop exercises to prepare and ensure that our coordination is better in the future.

CHAIRMAN SHEA: Thank you.

HEARING CO-CHAIR FIEDLER: Thank you.

Commissioner Brookes.

HEARING CO-CHAIR BROOKES: Thank you.

I sense share your concerns, but I want to kind of take this back discussion up another level, maybe to 35,000 feet. I mean it's conventional wisdom that Chinese hegemony isn't good for U.S. interests. But what exactly, in your view, does Chinese hegemony look like? And how does that affect American interests, and? And be specific if you can because

we're talking in a lot of generalities, but if China achieves hegemony in the Asia-Pacific region, I mean, what does it look like?

MS. GLASER: I think that gets back to this question that was posed to us about whether China is a revisionist power. So it's not my view that China wants to seize territory that it doesn't claim today, for example.

HEARING CO-CHAIR BROOKES: Yeah, that's what I mean I'm getting at. I mean do we expect that we would be unable to transit the South China Sea? Do we expect that China would go beyond some of these things that we're dealing with now such as these, the territorial disputes? So, yes, specifically what does it look like? How does it really affect U.S. interests, you know, putting a little more specificity into what we expect we might see and how this would really affect us? Yeah.

MS. GLASER: Well, if the Chinese were able to achieve the hegemony that would serve its interests, in the best of all possible worlds, I think they certainly do not want U.S. forces deployed in the region.

Do they have a strategy to achieve that hegemony today? I think probably not. They don't think it's really realizable in the foreseeable future.

They'd like to drive a wedge between the U.S. and Japan and the U.S. and Korea, but I don't think that they believe that in the foreseeable future that they can expel U.S. forces.

But if there were to be some crisis on the Korean Peninsula, I think they would try to shape that outcome. So many people talk about, you know, a Monroe Doctrine type strategy for the region, and I think the Chinese would like to be able to influence the policies of other countries in the region so that they do not harm China's interests, and so I think the way that they do it, the extent to which they do it is going to depend on their capabilities and the reactions of other nations and, most importantly, the reactions of the United States.

But blocked sea lanes of communication, in a crisis, absolutely? Absolutely, if they need to. I think they would like to have that capability eventually, but you're looking at many, many more years in advance.

HEARING CO-CHAIR BROOKES: Are we talking about creating puppet states? I mean you see what I'm saying--in specific terms, what--

MS. GLASER: In a very specific example, in North Korea, I think the Chinese would like to have somebody in charge there that they could control, absolutely. It's on China's border. It's very risky. It's dangerous. They don't want a U.S.-Korean alliance that extends up to their border.

But in other nations, I personally think North Korea is a unique case, but they want to have leaders in place in every country in the region that are friendly to China, and if possible much friendlier to China than to other nations so that the decisions they make will not damage Chinese interests.

HEARING CO-CHAIR BROOKES: What about American trade?

Would American trade be affected by Chinese hegemony?

MS. GLASER: I believe that there will continue to be enormous interdependence between the United States and China. Would they potentially use trade levers to seek to influence U.S. policy? Absolutely. We've already seen them to do that with Japan with the rare earth minerals in 2010.

We saw them do this with the Philippines. That was a very small scale example where they tried to block the import of tropical fruit, but I do think that they, if possible, if they can use trade in a way that would harm the United States that would limit the damage to them, I think they would do that. But that's a very difficult thing to do.

HEARING CO-CHAIR BROOKES: Bob.

DR. SUTTER: This is an issue that is secondary priority for the Chinese leadership, what one knows about this is very vague as a result. They have high priorities. Their priorities focus on keeping themselves in power, economic development. Stability is necessary for that, and these nationalistic sovereignty and security issues are very important. Those are top priority.

The idea of regional dominance is something that they think about, I'm sure, but they are very inarticulate about because they're so preoccupied in doing these other things. So when the day comes when they are confident in their domestic situation and they do have the territories that they want, then this question is more realistic.

But right now it seems that it's not that realistic because they have so many other things to do, and I think this is going to take them awhile to get there. And so the point is that when I look at the situation, what do they want, one thing is clear to me from looking at the practice of the PRC-- they do not want a large military power around their periphery.

They've opposed that for 65 years in one way or another so they want that gone in some way, and that would open the way for them to be dominant in Asia. Once the U.S. isn't there in a big way, then they can be dominant in Asia, and then we would have some sense of what the Chinese might want to carry out.

But the idea of these pliant governments for China, we used to think Burma was a pliant government of China. Remember that?

[Laughter.]

DR. SUTTER: And so it's not a pliant government. I can't find one that's bandwagoning with China in the present period.

Are they exploiting China? Are they collaborating with China when it's in their interests? Sure. But are they bandwagoning with China? I don't see this. And so I think, I think this--and this is after 25 years when China was free to expand its influence in Asia, not under superpower threat. This is what they've accomplished, not a lot. And so it's going to take them a

long time before they dominate Asia unless we leave.

It's really up to us. If we pull back, then, yes, then they'll have an open field to carry this out, and what they want exactly would probably become clearer, but for now I just don't see this happening, and I, and I don't see them in a particularly powerful position to carry it out.

So I think it's a forward-looking question. It's a very good question. I don't think we know very well what it is because they're so busy doing these domestic things and doing these issues of territorial issues that are so important for their sovereignty and security.

HEARING CO-CHAIR FIEDLER: Thank you.

Senator Talent.

COMMISSIONER TALENT: Thank you.

A couple questions. First, Dr. Sutter, you say that their domestic instability and issues are a restraint on how they're acting in the East and South China Sea. Doesn't it cut both ways? Because part of the way they validate their legitimacy as a regime and without moving towards democratic institutions is showing the Chinese people that they are accomplishing nationalistic ends around the world.

It's the old authoritarian thing, you know, we'll have the enemy outside, and let's focus on that.

Number two, you all both talked about precedents and how they've acted in the past, but it seems to me that there's something very different about this situation, which is they have systematically and, in this sense, Doctor, successfully--and this part of what they've been doing is a success--they're shifting the balance of hard power in the region.

I mean they've engaged in a very purposeful and systematic buildup really across all services. I'm not going to go through it. We studied it last year, and we're doing it again. And the balance of power is shifting, and unfortunately they're doing this at the same time as for various reasons American power is declining. And before allies like Japan have really, assuming that they do rebuild their military, assuming that they've been able to do that.

So here's my concern, having set it up that way because you're all talking about imposing, you know, cost-imposition strategies, which normally I would agree with, but the danger is against a context of a shifting balance of power. That may end up provoking them without deterring them.

Presenting ourselves consistently as the obstacle to their hegemony, whatever that means, Peter, but at the same time because the power is shifting, it may tempt them to deal with the obstacle, and they may believe that they have the ability to do it, and there is an historical precedent for that; right?

I mean a lot of people believe that's what we did in the late 1930s, just consistently, you know, we were blocking the Japanese with

everything they were trying to do. That's how they viewed it, but not in a way that convinced them that they could not attempt to get us out of the way.

Now I'm not saying that's coming. But that's one way to look at what they're doing. I mean they're taking step by step by step the ADIZ. Everybody expects they're going to do it in the South China Sea.

This does not look to me like a country that's being deterred. And so maybe we better either do what, I don't know if Peter was suggesting this, say, well, can we accommodate ourselves to Chinese hegemony, or do something about the underlying balance of power so that these cost-imposition strategies won't tempt them to something greater?

So please comment.

DR. SUTTER: Thanks for your question. It's a very good one.

I guess I don't see it that dire yet. There's a lot of projections out there that say it's dire. The balance--there's a power shift underway in East Asia, and China is dominant because of this hard power, in particular.

Aaron Friedberg is very good at this, and he talks about the need for struggle, whereas Hugh White talks about the need for cutting a deal with China. And Joseph Nye looks at it differently, and I sort of associate myself with him because I see the Chinese situation as a lot more complicated for them. I don't see this on-the-march China. I do see military expansion.

What do I see internally? I see a whole list of things that have to get done and that are top priority, and this needs stability. This needs a new great power relationship with you know who in order to carry this out successfully, and that's going to keep them busy, I think, at least, until 2020 and probably longer.

And then they have these ambitions, these nationalistic ambitions, which you rightfully talked about, and how that's very important for their internal legitimacy, but if they don't get it right, if they fail, then that's a big problem for them.

And so the point I'm getting at here is that I think this kind of situation is something I--there is a danger of American pullback, but I don't see that yet. Maybe. We can measure that. Is the U.S. withdrawing from the region? I just don't see it very much. It's very integrated with the region, extremely integrated.

And so I would argue against the power shift, and I think we've been through worse times with China. I really think the Taiwan Straits crisis was worse than what we're dealing with today--a lot worse, a lot more dangerous. We're dealing with small ball stuff here. The Taiwan Straits crisis was not small ball; that was big ball.

And I think we should keep that perspective in mind and calm down a little bit. I think we get ourselves very excited, which is understandable, but I think don't take one dimension and say, okay, this is it. The Americans have a variety of ways of dealing with these kinds of

situations.

If it looks like the Americans can't deal with these things, why, then, that's another issue, but bottom line, does China want a confrontation with America? That's what this would imply--a confrontation where they might shoot, when we might shoot. Do they want this? What stops them from doing that? I think the internal dynamic in China, all those things they have to do, stops them.

I think the interdependence with the United States stops them, and I think their weak position in Asia, their insecurity in Asia--they have no big friends in Asia--stops them. They don't know what these other people are going to do if they get into a fight with us.

And so for these three reasons, I'm not too worried about what you just said.

MS. GLASER: Well, I would associate myself with Dr. Sutter's views that the balance of power fundamentally are still in favor of the United States. And I appreciate your concerns about China's development of its military capabilities, and they are certainly challenging for the United States, particularly in a crisis if we have to come to the aid of our allies or our friends in the region.

But the overall, what the Chinese like to refer to as comprehensive national power, I believe overall it very much favors the United States, and I think that the Chinese know that. They're working hard at trying to narrow that gap and in so many ways continue to lag behind.

It's quite dangerous if the Chinese believe that they are really overtaking the United States, and I think we really saw this in the onset of the global financial crisis, and the Chinese, I think, gained some confidence and saw the U.S. was going to begin this decline. Some even thought it would be rather rapid.

And I think that that explains some of the assertive actions that they took at the time. I actually think that there's still a widely-held view in China, in the elite, that over time China is going to narrow that gap.

We have to make sure that we are doing our best to signal in ways that we can about the strengths that the United States has. It's very dangerous for us to be talking about U.S. decline, quite frankly. When China overtakes the United States in aggregate GDP, which I think it will eventually, and it could happen as early as 2020, I think that may actually be a dangerous moment when China might once again miscalculate.

On your question of whether we should provoke, whether we might provoke rather than deter, I do think it's important, as I said earlier, to accommodate what I really think are judged as legitimate Chinese interests. Having the Chinese be able to choose their own political system is, I believe, what is really their primary core interest. It's keeping the Communist Party in power.

Building their economy. is another core interest. We should not be pursuing a strategy that really seeks to prevent China's rise, and we are not doing so. 1999, we helped China to join the WTO, which they joined, of course, in 2000. China has benefited from the prevailing international system more than any country in the world. We haveThe Obama Administration has made quite clear now--the Obama administration-- that if China were to accept the requirements of the TPP, that they would also be welcome to join.

There's quite a bit of discussion now in China about whether they should join. So the TPP. I think ultimately we are not seeking to create an environment that is really fundamentally threatening to China's core interests. So we need to be able to accommodate what is legitimate, but we have to be willing to stand up and push back against what is not, and we have to strike that balance carefully.

HEARING CO-CHAIR FIEDLER: Thank you.

Commissioner Tobin.

COMMISSIONER TOBIN: Thank you. Thank you, Dr. Sutter and Ms. Glaser.

In your recommendations, both of you bring to the fore a topic I'm interested in. Dr. Sutter, you spoke about the value of having a GAO review that would describe, convey, inform Congress and others on the true costs of our relationship and the ongoing aggression that we're seeing.

And Ms. Glaser, you spoke about the need to educate the woefully ill-informed Americans on this, and just as a little bit of background, when we as a team have talked with Congress, we can speak to Armed Services Committee, and they get it, but then we've got the Budget people who are not informed, and Congressman Wolf appropriately said--almost in frustration-- it's going to take a national election where we really bring this up as an issue to educate the American public and to get Congress rising.

So I'd like you both to spend time informing us today on specifically--those are good ideas, but it has to create political pressure--and how can we best do it and what can we as a Commission recommend and expect to get some movement or action on?

Thank you.

DR. SUTTER: Yes, this is a very good question. Thank you very much.

I don't think it's that hard. I think Bonnie was making a point. I think American public is interested in this to some degree, and there's a lot of misinformation. As a teacher, I'm sort of a little sensitive about that. I've been teaching people for a long time.

[Laughter.]

DR. SUTTER: You know they do know more than they used to, you know. And there are an awful lot of interest groups that have a strong interest in this, but let's go back and look at history. The "great power

triangle." Remember the great power triangle--Russia, China, and the United States. There were hearings on the great power triangle. Committees got together and did hearings on that issue.

In other words, it wasn't just the Armed Services and Foreign Affairs and this type of thing. And the economic committees. They got together and had a hearing, a couple of hearings on this. There's a whole series of hearings and a major committee print. I can show you. It's the mid-'70s great power triangle.

I think we're at a stage with China that we really should be doing this kind of thing, and I think it's not that hard. It is hard to get the committees to cooperate and meet at the same time. Yes, I understand that. But it's a viable thing.

And that's why I thought the GAO study, which could be requested by a senior congressional person, would be the catalyst for this kind of thing where they would produce a report that could be the focus of the first hearing. In other words, have--do the study, make sure the media is there, make sure you've got lots of representation at the hearing, and then keep monitoring the situation.

Have we reached a point, which I think we have, where we need to monitor China? I think so. So therefore I would use the model that Lee Hamilton did in the House Foreign Affairs Committee on the Middle East, have regular, have a monthly, six-week checkup. Do that every six weeks--a China checkup.

Now, Congressman Forbes seems really interested in this kind of thing. Maybe he would be willing to do something like this, and so, in other words, you just have a what's-China-doing- now? Call them out. What is it? Publicize it. And keep doing that every six to eight weeks.

Now Congress doesn't do a lot of this now, and they don't have time for oversight like they used to, but it's still something that I think could be easily done if a particular member or a particular committee had a desire to do that.

So these are the kinds of approaches that I think would, and they would have publicity associated with them, and media would follow the stories and the various things, the findings of these meetings. It's a little boring. It doesn't, foreign policy doesn't win you a lot of votes in Congress. I know that.

But it's important, and I think that people with safe seats would be probably more likely to do this than others, but I think--and people like Congressman Forbes seem to be, may be one of the first candidates I would look into in doing both the study and the systematic oversight, systematic oversight of the China issue. I think that's what's required here.

MS. GLASER: That's a great question. And I have talked with Congressman Forbes about this issue of requiring the administration to

produce a strategy document, and I know that that's something that he's working on.

And my friends who work in the administration, and -- I credit them a great deal with trying to explain to the American public and also to foreign governments and publics about the rebalance to Asia and our commitment to Asia, and, yes, it is true that we have had three speeches by national security advisors over the last I think 14 or 15 months on the rebalance. I think people tend to listen to a speech, and then in the next day or week, you know, they forget about it, whereas I think a strategy document people take more seriously.

And it this strategy document needs to explain how the economic, the military, the diplomatic parts of our rebalance to Asia really connect and assign different responsibilities to different agencies in the government.

We at CSIS did a study that was actually mandated by the Congress for the Pentagon that took a look at the rebalance, and some of my colleagues went looking for that strategy document that guides what we are supposed to be doing, and my understanding is it just doesn't exist.

And I think that's unfortunate. I think we have to compel the administration to think it through themselves and then to get this message out more clearly. I think it would be paid more attention to, and I think it's particularly important because the credibility of this strategy is so important to how successful it is going to be.

The region, as Dr. Sutter says, may not want China to be a hegemon, and it may prefer to deal with the United States, but if they don't think the U.S. has staying power, if they don't think we have real ability and will to carry out this strategy, maybe they're not bandwagoning today, but maybe they will in the future as China gets stronger.

So I really think that this is an important piece that the administration is not doing. You may recall years ago that the Defense Department used to put out the East Asia Strategy, and that was a very, very useful document. We haven't seen that for a long, long time, but that, of course, was just really a Defense Department document. I think that this is something that should be more administration-wide.

The other thing that I think really needs to be done is that the President himself has to put his own political capital into this. It's one thing to go out to the region, as the President will be doing, and it's very important that he's making this trip in April, and hopefully again in the fall, but I think it's important for the President not to just to speak when he is abroad about Asia, but when he is home to. He should also talk to Americans about the growing importance of Asia to the United States, to our economic interests, to our security overall. And that's not something that we have seen.

HEARING CO-CHAIR FIEDLER: Commissioner Cleveland.

COMMISSIONER CLEVELAND: That was a perfect segue for my

interest. Ms. Glaser, you said that there's a risk of miscalculation again in 2020 when China's GDP may surpass our own, and that there's a risk of Southeast Asian countries bandwagoning--that's an odd word--if they don't think the U.S. has staying power.

Dr. Sutter, you articulated similar kinds of themes, that it's important for us to be clearly anchored in the region, both rhetorically here and globally.

I'd like to open up the aperture a little bit and ask you to consider, in 1994, the U.S., UK, Russia and Ukraine signed an agreement that offered security assurances to Ukraine in return for turning over their nuclear arsenal. This wasn't a norm. This was an agreement.

I'm wondering in the context of potential miscalculation what you think the Chinese are thinking about our regrettably late engagement in coming to Ukraine's aid and how what's going on in Europe affects their calculations about their opportunities, their sense of our staying power and commitment in the region?

I was particularly interested in Yang Jiechi's comments last November where he talked about a new kind of dynamic and partnership between the U.S. and China, and I just wonder when he sees us miscalculating in Europe, what the implications are for our relationship with China in Southeast Asia?

I know that's in excess of your brief, but I do think the Chinese think more broadly than Southeast Asia. I think they consider every single move we make everywhere, and how we've mishandled Ukraine, I think, has implications for their thoughts about how we would respond or address Southeast Asian issues.

MS. GLASER: I completely agree with that premise. The Chinese are looking at the United States' role globally when they assess American power. They're not just looking at American power on their periphery, although that is an of immediate interest to them, and certainly. Certainly, what is going on in Ukraine, how the United States manages its relations with Russia, this is, I think, it is watched very closely by China.

When China sees the U.S. intervening in a country, let's take Libya as an example, along with allies, partners, and very effectively, even removing a ruler there, I think they see that as a model that is a very difficult for them to deal with because it shows that the United States has a lot of support for a particular goal.

The situation in Ukraine I think is very complicated for China. On the one hand, they do have this principle of noninterference, and the only reason it is really important to China is because they don't want interference in their country; right?

And when they see the potential for a referendum on secession, seceding from the Ukraine, being held, this is, I think, the ultimate danger

and paranoia for China that, my God, Taiwan could conduct something similar. The right of self-determination is not something that the Chinese stand up for.

But at the same time, having Russia use force military force and ride roughshod on another nation is also of concern to the Chinese. So I think this is a very difficult situation in terms of China dealing with it diplomatically. But we don't want them to see U.S. weakness.

Now, of course, I would not advocate that the United States send forces into this particular problem, but; we do should manage it diplomatically in a way with other nations effectively through the United Nations to the extent that we can and work with European partners to show that we are going to be more effective based on our shared values and our shared principles.

If we are not working together effectively with the Europeans, then the Chinese once again will see it as American decline, and weakness, and it will create openings for China to advance its interests in other areas, and I would just add that there is a historical pattern that when the United States is distracted or seen as weak or withdrawing, as we were after the Vietnam War, the Chinese then see opportunity, and they take advantage of it. So we have to be careful of that as well.

DR. SUTTER: Yes, I associate myself with Bonnie's remarks. China is a very self-absorbed country, government, and so they're focused, I think, on what's concerning to them. They live next to Putin. Central Asia, all those central Asian countries see what's going on in Ukraine, and I'm sure they're very worried, and they're probably talking to the Chinese a lot, and China has a big stake in all of these central Asian countries, Kazakhstan Turkmenistan, and these other countries, and China is competing with Russia for various stakes in these areas.

And they have all the other problems that Bonnie mentioned as well. So the U.S. looking strong or weak in Ukraine is probably something that the Chinese think about, but they have a lot more immediate things to think about, it seems to me, and so it's a mix. It's a very mixed calculus, I would judge; and keep in mind when you're looking at this calculation, and the Chinese would assert themselves in various ways, I look at how much money are they willing to spend on this?

How much are they prepared to risk when they do this kind of thing? We're dealing with a country, a government that has a proven track record of being pretty risk-averse, and they're very cheap. This is very important to keep in mind. They don't undertake costs where they don't have a win in this game, and so they're very careful. They have a very narrow win set, and they follow a win-win policy. If they don't win, they don't do.

And so the bottom line here, as far as I'm concerned, is that the Chinese really aren't ready to undertake initiatives and so forth in dealing with this kind of thing, but--so they remain self-absorbed. They have lots of

issues that they have to deal with themselves in dealing with Russia and Russian influence, particularly in central Asia, and they don't want to be in a position where they have to extend themselves that would be costly or risky from their point of view.

HEARING CO-CHAIR FIEDLER: Commissioner Reinsch.

VICE CHAIRMAN REINSCH: I just had a question about perception. It seems to me that a lot of the states surrounding China, particularly in Southeast Asia, but also perhaps a bit farther north, are, regardless of what we do and say, constantly nervous that we're going to abandon them in one form or another, that we're not going to be there when they need us, we're not going to do what they want us to do, or that we're going to disappear entirely.

And it seems to me over a long period of time, nothing that we've said or done has changed that. So I guess my question is, one, is that so, in your perception? Two, why? And what can we do to change it?

DR. SUTTER: Do we remember George W. Bush? The nations in Asia at that time--

VICE CHAIRMAN REINSCH: I try not to.

[Laughter.]

DR. SUTTER: Right. The nations in Asia at that time were all worried about the United States doing something more to them, being so intervening and so forth, and so it's sort of like the porridge is too hot, the porridge is too cold. Right now the U.S. is withdrawing from two major conflicts, two major wars. So these countries are obviously going to be concerned about this, about will this happen to them?

Are they always worried about withdrawing? No. I would think during the War on Terror, they were worried that the U.S. would come in with boots on the ground and do something there that would be detrimental to their interests. So it was a very--it changed. It changed over time, and I think the thing that changed was the withdrawal from Iraq and the withdrawal from Afghanistan. Those are the key elements that I think add to this type of thing.

How we can reassure? That is difficult. I think it's steady, resolute interaction with the region, deepening the engagement that we've been talking about, particularly in the intelligence and the security apparatus.

I don't have a clearance that allows me to understand what the U.S. is doing in this regard, but what I see is an ever-deepening security and economic-- security and military relationship with just about every government in the region with the exception probably of North Korea and maybe now Myanmar, but maybe that's changing. I'm not sure.

And so I think we should continue to do that. That will keep the situation stable from the government point of view. Popular opinion in the region and elite opinion can vary widely over time. I personally don't think

elite opinion and popular opinion counts for very much in the decision-making of most Asian governments.

My experience in interviewing these officials is that they're very calculating, and as Bonnie has indicated, they'll make different calculations depending on their read of how the U.S. is acting in the region. I agree with that completely, and so we just have to keep interacting with them, and I think that's deepening as we speak.

HEARING CO-CHAIR FIEDLER: Thank you.

I have a quick question before we start a second round.

VICE CHAIRMAN REINSCH: Can Bonnie comment on that, too?

HEARING CO-CHAIR FIEDLER: Oh, sorry.

MS. GLASER: That's okay. I'll be brief.

HEARING CO-CHAIR FIEDLER: Sorry.

MS. GLASER: I certainly agree with Bob's remarks. We are in a phase now of countries being quite concerned about China so there is a need to step up and there's a need to step up our consultations with the region, and we have done this in ways in this administration in response to the calls from the regions.

We have a new mechanism with the Philippines, for example, and, of course, we have our 2 Plus 2 with Japan, and something similar with Australia. We need to be doing more in that regard. Obviously, the partnership military exercises are very important. At the same time, as I said, as these nations, they not only worry about abandonment, but they sometimes worry that the United States is not managing our relationship with China rightwell, and so we need to do more of thatwork to mitigate their concerns.

There's actually been a serious effort by this administration to expand cooperation with China in the region, and it's been very, very difficult. Just coming up with projects that-- we can work together on—the first thing that they agreed on was a food security project in Timor-Leste and it was very difficult to get the United States and China to actually get that started.

But take a country like Myanmar where there is so much need for assistance, and the Chinese are so suspicious of what we're doing, I think we actually should be working with China on, you know, education and, health or infrastructure projects in Myanmar. The region would find it reassuring to see that the U.S. is working with China in the region and that we are getting more involved in terms of economic projects on the ground. They want to see that.

They like the military side of things, but they want us to do more in terms of economic and diplomatic engagement. So I think essentially the things that we are doing are correct. We will probably never completely reassure the region of potential abandonment.

And I would also say we have to be careful to not be giving any

nation a blank check. I mean that'sThat's something any U.S. policymaker must keep in mind. We don't want to signal, for example, to the Philippines, that it's perfectly all right if they go use the cutters that we sold them to go take over some reef or shoal. If they militarize the problem, they're going to provide a pretext for China to militarize the problem as well. So we have to be careful.

VICE CHAIRMAN REINSCH: Thank you.

HEARING CO-CHAIR FIEDLER: Mike. Oh, Dan. Commissioner Slane.

COMMISSIONER SLANE: I worry about the post-2020, and I take what you're saying is really predicated on a strong economy in the United States, and what seems to me to deter them is our superior military, advantage in our technology, and having the presence in Asia.

Now the Navy complains to us that they don't have the resources to do the job that they're being asked to do. And when you see, if you take the Chinese position that we are in decline, and they start catching up militarily, and it becomes more and more expensive for us to continue that presence, then I'm assuming that all bets are off here, what you're saying? The bottom line is that without a strong economy, you can't have a strong defense. That's what worries me.

MS. GLASER: I share your concerns. I think I'm just more bullish on America than you are, but I am certainly concerned. It is the strength of our economy and our technological competitiveness that undergirds our ability to have a very strong military, and I know you had a terrific panel several months ago where you really looked at Chinese military modernization.

And so then the implications are, yesquestion is, are we going to have the resources in order to invest what we need? But ultimately if I can answer that question as to how much is enough, I do think that is the key. If we remain strong enough, the Chinese I believe are not going to challenge a strong America.

Now, ultimately, we may not be able to have the primacy in that region that we have had for so many decades, but that doesn't mean that we can't be strong enough to deter China from taking the kind of actions that would be harmful to American interests and to the interests of our partners in the region.

DR. SUTTER: Just following Bonnie's comments, which I agree with completely, one of the things that sets apart the United States from a country like China, and many others, is the mind-set of American people and American officials and how they deal with Asia.

Why is the United States the leader of Asia? Because it's willing to undertake the risks and the costs and commitments that come with leadership, and they're willing to do it even though it costs 50 to 100 billion a

year, conservatively speaking, and it risks lots of casualties.

When I do interviews throughout the Asia-Pacific region with government officials, I find this is the fundamental thing that determines U.S. leadership, and they know no one else is going to do this. They know that no one else will do this and certainly not China. China is cheap. It's risk adverse. It will not do this for the sake of Asian stability, and Asia does need stability because you're dealing with governments that don't like or trust each other very well, and they all understand this.

And so this is something we need to measure: will the U.S. continue to do this, to undertake these risks and costs that are essential for the well-being of these Asian governments? And these governments all recognize this. Will they continue to do it?

And so if we're looking at a power shift in 2020, we need to look at whether America continue to do it. My sense is it will. I've been through episodes in my career. 1975 to 1981, the working hypothesis was that the Soviet Union would be the dominant power in the Asia-Pacific region. That was the working--in Washington--that was the working hypothesis.

And then, of course, we had Japan being the dominant power. Remember that? And so now we're looking at China. And China is a formidable foe in a lot of ways, but I think that we need to understand America a little bit, and I think America is willing to do this.

This is not controversial. There is bipartisan support for this kind of role for the United States in Asia, and so I say we're still doing it. And will it stop? Maybe. We can watch that, but my sense is that it won't.

HEARING CO-CHAIR FIEDLER: Thank you.

I have a quick question. I would observe that Xi Jinping is consolidating power in a way quite unlike his predecessors, especially his immediate predecessor, who one could argue never did consolidate power, and I'm wondering how much effect the consolidation of power has on the obvious behavior of assertiveness vis-a-vis the Chinese and lesser extent the South China Sea?

Do we have any sense of a political calculus on his part that it's very useful for him to do this in order to consolidate power?

DR. SUTTER: I don't think we have a good sense of this. Obviously, the shift in looking at these territorial issues in the East China Sea and the South China Sea is very high priority. Happened before Xi Jinping actually took power. This happened under Hu Jintao, under the previous leadership.

Xi was involved in that decision-making. He was the vice president and so forth. He had a senior position. But-- one assumes that this firm position on territorial issues is helpful to him in consolidating support as he tries to consolidate his power, and he is consolidating his power in a

dramatic way.

Is he consolidating his authority? He certainly has the power. He's in the right positions. Does he have the authority? We just don't know that yet. He's got a lot to do.

I think we need to keep in mind. So bottom line is this behavior predates his leadership. Defining the Diaoyu/Senkakus and the South China Sea issues as something similar to the way they treat Taiwan happened in 2012 before he took power, and now it's continued. So he's following through on that.

So the net result, I think it is a positive for him. It does help him in his leadership position.

MS. GLASER: I think that the strength of Xi Jinping in the system is a very critical variable when we examine both China's both domestic and foreign policies. I believe that it is his princeling status, his relationships with important people throughout the system, that really explain, in addition to his style and his personality, his own character, that really explain his ability to consolidate power so quickly, and we have yet to see, I think, what he's really going to do.

HEARING CO-CHAIR FIEDLER: Do with it.

MS. GLASER: But I think it's a very important factor.

I would perhaps disagree a little bit with Bob on this question of the origins of this assertiveness and the difference of policy under Jiang, Hu Jintao and now under Xi Jinping on these territorial disputes.

In the past, the pattern of China for many years was to alternate between a policy of charm offensive toward the neighbors and then assertiveness or use of force or coercion.

What we are seeing today is that China is pursuing both, and Xi Jinping has made quite clear--we. We saw this in October at the Periphery Diplomacy work Conference that was held under Xi Jinping, and. Xi Jinping has since said repeatedly that we will not compromise on any of our territorial and sovereignty disputes, but we're going to have good relations with the neighbors.

In September 2012 where we saw how they were going to deal with the Diaoyu/Senkaku situation, when Xi Jinping was put in charge of that a newly stood up maritime office. It was really sort of like an ad hoc leading small group. They call it the Maritime Rights Office or the Maritime Affairs Office. So he has been in charge of that response from the very, very beginning.

And so I think we have to assign a great deal to him personally. This is something that is actually hotly debated in the community. There are some people who still emphasize collective leadership, which still exists in China. I'm not saying that Xi is a Mao Zedong's Zedong--like strongman in China. I mean there is certainly some balance here, but He has to have the

support of other leaders and various parts of the system. But I think he's a fundamentally different kind of leader with very strong relationships that will have an impact on Chinese policy going forward.

HEARING CO-CHAIR FIEDLER: Thank you very much.

A quick second round. Two questions. Commissioner Brookes and then Commissioner Shea. Yes, okay. We're going to use the full ten minutes. Let's have it quick so we can get everybody in.

HEARING CO-CHAIR BROOKES: Okay. I kind of wanted to get your thoughts on--I know Bonnie has written on this--on the "new great power relationship" and what that means. Is this an effort to avoid the "Thucydides trapTrap," an effort to get recognition of China as a great power from a public relations standpoint, to tell the U.S. and Russia that China is now an equal of to them as a great power, or is it something else?

MS. GLASER: If it were just to avoid the Thucydides trap, then the Chinese would have agreed. They would have stopped at the definition of let's just avoid a war between the rising power and the existing power, --but they didn't. When Xi Jinping met with President Obama at Sunnylands, the Chinese insisted on defining this publicly as not just the negative of what we avoid but what we want to create, which includes mutual respect or respect for each other's major concerns and core interests.

So, yes, I think that the Chinese do want more, and this includes obviously their ever-expanding, I'm afraid, definition of their core interests. So I think theyThey want to have a stable relationship with the United States. It will help them to deal with their domestic issues and their other foreign policy issues that they have, but. But to them, mutual respect is something more than what we would think of as sitting down and taking each other's interests into account, butand working together to advance things.a common agenda. I don't think that's the way the Chinese really, really look at it.

I think that they would like to keep the United States at bay, to the extent that they can, the United States at bay by saying you respect our core interests, and now that means you let us do whatever we need to do to protect our territory, sovereignty, our issues dealing with Tibet, Xinjiang, of course, and Taiwan as well.

HEARING CO-CHAIR BROOKES: Bob, do you have anything?

DR. SUTTER: Just quick points. I agree with Bonnie on that. This new great power relationship is the latest framework of trying to manage this, defining and framing the U.S.-China relationship since Tiananmen and the end of the Cold War, and please keep in mind they've all failed.

Strategic partnership, G2, responsible stakeholder, emphasis on distrust, they've all failed. And so I have low expectations of this. And they're gaming it at the same time, and as Bonnie pointed out, they're trying to use it for their own interests. They always do this.

And so that's what we're in, and so, but I think, fortunately, I

think the Obama administration is very experienced in dealing with China. I'm sure they have low expectations of all this. They want to manage the relationship. They don't want trouble, and the Chinese don't want trouble. It's pragmatic, getting along with one another, but as far as some sort of great relationship and so forth, you know, I think give it a rest.

HEARING CO-CHAIR FIEDLER: Commissioner Shea.

CHAIRMAN SHEA: Thank you.

I'm glad Commissioner Cleveland mentioned Ukraine because the President went on television before the invasion and said there will be consequences if Russia invaded Ukraine.

So, Ms. Glaser, when I was reading your testimony that Congress should urge the executive branch to impose consequences on China when it violates international norms, I was thinking of President Obama, and I was thinking the importance of making sure what you know--that you have a menu of consequences in mind before you even open your mouth. So that's just an observation.

Taiwan. You mentioned Taiwan, the 9-dash line. The 9-dash line is from the KMT government, 1947. Is there a difference, do you see any difference of a view on that? And you suggested that renunciation of the 9-dash line by Taiwan would be beneficial potentially to U.S. interests? Do you see any difference between the DPP and KMT on that issue? Would one more likely take that position than the other?

And secondly, for both of you, what do you see as the role of Taiwan in the rebalance on military, economic and diplomatic?

HEARING CO-CHAIR FIEDLER: In 30 seconds or less.

DR. SUTTER: Okay. I'm not sure there's a lot of difference between the DPP and the KMT on this issue, but I think the idea that Bonnie suggested, which echoes something that I think Jeff Bader has suggested as well, that we should work with Taiwan to get them to modify their position on this, and I think both would be accommodating to U.S. interests to some degree.

What they're prepared to do is not clear to me because it's very sensitive with China, and they probably don't want real trouble with China over this issue. So I think it would put them in an awkward position to do that type of thing.

I'm sorry. What's the second part?

MS. GLASER: The role of Taiwan in the rebalance.

DR. SUTTER: In the rebalance. It's not talked about much. And so my sense is it's handled a bit differently. I think Taiwan is handled in the context of U.S.-China relations. And so the idea that--and this is quite different than in the past.

When George W. Bush came into office, he had a rebalance too. He was very concerned that the security situation had gotten very lax in the

region and China needed to be deterred. And so he had a rebalance that focused on this. For about a year or so, he did this. And Taiwan was front and center in his policy. It was very prominent in a whole range of ways as well as relations with Japan and others.

And the Obama rebalance isn't that way at all. Taiwan is hardly there. It's handled discretely and presumably for the sake of the overall U.S.-China relationship.

MS. GLASER: First, let me just clarify that I don't think I was calling for Taiwan to renounce the 9-dash line.

CHAIRMAN SHEA: You weren't calling it, but the implication was there that it would be helpful.

MS. GLASER: What I think Taiwan should do is to clarify it. What does it mean? Is it coordinates on a map? Is it just that they claim that there are certain land features, maybe all of them? And then do they generate a 200 nautical mile EEZ, or just the 12 mile territorial waters? What's left are obviously just high seas.

So it's really a clarification, not renunciation. Taiwan could start by going into its archives, and figuring out what the original people who created this line meant.

So it's not just modification, or renunciation. I think it's just a question of clarifying it and defining it in a way that is in accordance with international law, especially UNCLOS, the U.N. Convention on the Law of the Sea.

CHAIRMAN SHEA: Okay.

MS. GLASER: And particularly aligned with UNCLOS, the U.N. Convention on Law of the Sea. There probably is a difference between the DPP and the KMT on this -- if they were to seriously consider this, and that's really a big if. But I think certainly the KMT would have more concern about the risk to the relationship with the mainland.

Obviously, the KMT has done a good job. It has been attaching a great deal of importance to improving that cross-Strait relationship, which I would say has largely been an American interest, but there might be some differences as to how they in the way that the KMT or DPP would handle it going forward or how much importance they would attach to Beijing's reaction.

And, then, finally, on the role of Taiwan in the rebalance, I think that highlighting any role publicly would be counterproductive. We talked earlier about provoking China unnecessarily. This is one thing that would really provoke China so I don't think that we should highlight it, but that doesn't mean that Taiwan doesn't have an important role to play, and particularly in the area of the US working with Taiwan to ensure that it has sufficient military capabilities to have make the mainland think twice about using any force against it, and I think that's particularly important.

But there's also been an effort to expand our economic cooperation with Taiwan, which is very important. Taiwan is very interested in joining the TPP, and if it does what is necessary in order to meet those requirements, and if the United States can help them with that, I would be very much supportive of that. We don't need to say it's part of the rebalance to Asia.

HEARING CO-CHAIR FIEDLER: I'd like to get one last two-minute exchange in there with Senator Talent.

COMMISSIONER TALENT: Really briefly. Just to challenge you again cordially on the impact of the shifting balance of power on Chinese calculations.

Now, you both have said the Chinese are risk averse, they want to be careful about confrontations that they don't think they can win, and yet if you look at what they've been doing, they've been confronting the United States and its allies in the region. And I don't think it's an accident that they've been confronting the Philippines and Japan, two countries the United States is bound explicitly by treaty to defend.

And if they are risk averse and yet they're engaging in this activity, doesn't that suggest that their calculus of the risk is changing? And that they now believe they are more and more playing from a position of strength? That would explain it.

MS. GLASER: I do believe that they see themselves as playing from a position of greater strength than in the past and they have capabilities that they didn't have in the past. They are confronting the U.S., but only to an extent. We do not see the Chinese directly using military assets in order to advance their interests with Japan and/or with the Philippines.

They have enormous extensive law enforcement capabilities that they are building, and so this is a strategy that they have seen as very effective, whereas because, as I said they can keep the United States at bay and they can put pressure on these countries.

So I think that they are looking for ways that they can use their strengths while not engaging the United States, and if they believe that they can continue to do this and get no reaction from the United States, as they did, as we discussed earlier with Scarborough Shoal, then they will continue to do so.

So we have to find a way to better use our economic and diplomatic capabilities because in this situation--we're not going to be able to manage this militarily, I believe, other than having the assets there to deter China from using force, but we should not be intervening militarily because we're going to be provoking the Chinese. So we have to find more effective ways to impose costs in response to how the Chinese are using what they see as their strengths.

Dr. Sutter, quickly.

DR. SUTTER: Yes. I associate myself with Bonnie's remarks, particularly the capabilities of China have increased to do this kind of thing. The Chinese are pushing our insecurities. We need to push their insecurities. That's how we respond.

And we can do that consistent with international norms that are accepted in the region. North Korea. Push them on North Korea. These kinds of military exercises that I talked about. They don't have a good grasp of submarine warfare, and we're very strong in that. Show it. Show it. And just demonstrate it. These big boats have the capability of annihilating any attacking force on a small island immediately, and so just show it.

You don't have to do an awful lot. And I think the--but make sure we are consistent with international norms, but I think that is where they're insecure. They don't have good anti-submarine warfare. We do. Use it. And I think that if we play to our strengths and focus on the insecurities, their insecurities, indirectly, not directly, indirectly, I think that would be very helpful.

HEARING CO-CHAIR FIEDLER: Thank you very much, both of you. It's been a good session.

We're going to break for 15 minutes and return at--or actually for 13 minutes and return at 11 o'clock. Thank you.

[Whereupon, a short recess was taken.]

PANEL II INTRODUCTION BY COMMISSIONER PETER BROOKES

HEARING CO-CHAIR BROOKES: Good morning. Welcome back. We'll do panel two, Security Dynamics in Northeast Asia. Our panel examines China and the security dynamics in Northeast Asia, particularly in light of U.S. alliances and partnerships in the region.

Mr. James Schoff is a Senior Associate with the Asia Program at the Carnegie Endowment for International Peace. He previously worked at the U.S. Office of the Secretary of Defense on strategic planning and policy development for U.S. relations with Japan and South Korea.

Dr. Jennifer Lind is an Associate Professor at Dartmouth College--welcome--a Faculty Associate at Harvard, and a Fellow in the U.S.-Japan Network for the Future. She's currently researching U.S.-China competition in the Western Pacific.

Thank you both for providing testimony. Before we begin, a quick reminder to keep your comments to about seven minutes if you can to allow the maximum amount of time for questions and answers, and I'll be taking the list of Commissioners who wish to ask questions during this panel.

But, Mr. Schoff, if you'd start us off.

OPENING STATEMENT OF MR. JAMES SCHOFF, SENIOR ASSOCIATE, ASIA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

MR. SCHOFF: Thank you, Mr. Chairman, and I'd like to thank the members of the Commission for the opportunity to testify here today.

It's clear that China's economic and military rise in Northeast Asia is prompting adjustments by Japan and the Republic of Korea that will impact U.S. relations with its allies.

On the one hand, allies are seeking closer ties and reassurance with Washington of its continued defense commitments and economic staying power while, on the other hand, they are hedging against U.S. retrenchment by bolstering national military capabilities and pursuing new diplomatic initiatives in the region.

Driving this reaction is the simple fact that these two countries are highly industrialized global trading powers with few natural resources, and for whom China is now both their largest import and export partner. Open and stable trade is crucial.

Underpinning this open and stable trading system is the United States and its hub-and-spoke alliance system, which guarantees military access when necessary to preserve the system. China has benefited from this system and will likely continue to support it, but China's efforts to hinder U.S. military access and its demonstrated willingness to use paramilitary and trade leverage to pressure neighbors politically are prompting Tokyo and Seoul to take steps to mitigate this transition of power in Asia.

For the sake of time, I'd like to highlight five key points related

to Japan:

First, its reaction so far has been modest. On the military front, Japan has responded incrementally over the years, yielding a modern navy and air force, complete with mid-air refueling, airborne warning and control aircraft, air-to-ship missiles, missile defense capabilities, as well as helicopter destroyers and soon fifth generation fighter aircraft.

It has done that with a flat military budget, over the last 15 years spending less than one percent of its GDP annually on defense.

Second, Japan's reaction is now accelerating. A change of government in Japan and China's stepped-up pressure on Japan's Senkaku Islands, which China claims, is prompting current Prime Minister Abe to push further and farther and faster than ever before.

In 2013, he Abe passed a law to strengthen protection of classified information, established a new National Security Council, and revised Japan's defense policy guidance and procurement plans, and in this Japan will boost the defense budget slightly, by about one to two percent a year, and extend the life of existing equipment as a way to affordably expand military power.

Japan will make new investments to improve maritime domain awareness, strengthen outer island defense with amphibious and more joint operations, and improve missile defense. In short, Japan is going beyond "presence" and mere deterrence and actually considering how to fight and contain a low-level conflict.

This is all positive for the alliance as long as the alliance can become more integrated and Japan can more effectively be plugged into multilateral security cooperation activities in the region.

Third, the good news is this is precisely what Prime Minister Abe wants to do, and the alliance integration opportunity right now is the bilateral Defense Guideline revision process going on in 2014.

My written testimony describes an integration approach to certain enabling defense functions that can bolster deterrence and help share the security burden in the region with allies and partners, and a possible reinterpretation in Japan of its right to exercise collective self-defense would enhance this dynamic.

Fourth, the bad news is that this effort could be undermined by rising diplomatic tensions caused by the politicization of competing historical narratives left over from the first half of the 20th century. All sides share blame for this situation. Also, the United States is not an indifferent observer of this growing bitterness, not only because it negatively impacts our desire to promote U.S.-Japan-South Korea trilateral cooperation vis-a-vis North Korea, but also because this "diplomatic war over history" increases the risk of conflict amongst neighbors, possibly drawing in the United States.

Fifth, Japan's efforts to strengthen the alliance is accompanied by active outreach to Southeast Asia, which is both an effort to diversify

economic interests beyond China and an attempt to expand Japan's influence along China's periphery. This is an opportunity, I think, for the United States to coordinate with Japan and reinforce our rebalance to Asia strategy.

There is less to discuss about South Korea in terms of tangible reactions to China's rise, mostly because Seoul's threat perceptions are driven more by North Korea in the short term, but it is worth highlighting three points with regard to China:

First, South Korea knows that it must hedge against possible Chinese military or economic coercion in the long term. In addition to investing to deal with North Korea, including preparations for the U.S. transfer of wartime operational control, or OPCON, to South Korea by 2015, the Korean military has acquired other capabilities that are essentially dual-use in that they help counter North Korea today and can be useful for broader national defense later.

Aegis-capable destroyers, an ever larger submarine force, AWACs aircraft, longer-range missiles, missile defense, and UAVs fit this category.

Of course, in the short term, there is the possibility for some kind of Chinese military intervention in a North Korean collapse scenario or similar contingency, and Seoul knows this, but it doesn't have a plan to counter China's involvement beyond relying on the alliance at this time.

Second, for economic and for future unification reasons, Seoul has an additional hedging strategy, which is to pursue better ties with China itself, and it has made some progress.

Although some in Japan and the United States worry that diplomatic outreach risks driving a wedge between the United States and Korea and possibly Seoul and Japan as well, the fact, I believe, is that better Korea-China relations can have positive effects, to promote regional stability and facilitate cooperation in the event of turmoil in North Korea.

So better Korea-China ties are not necessarily a zero-sum dynamic, but much effort by Washington, Tokyo and Seoul is required to overcome this.

And third, the earlier-referenced OPCON transition sits precariously amidst an unpredictable nuclear-capable North Korea and a rising China, which does not mean the policy is ill-advised, but it does call for careful evaluation going forward.

To conclude, my written testimony has a number of recommendations, and to conclude today, I'd just like to highlight a couple of points.

Overall, the U.S. response to changing security dynamics in Northeast Asia should include concrete steps to reassure allies and deter Chinese coercion, combined with active diplomacy and networking in the region.

So my first recommendation that I'd like to highlight is in order

to address an underlying source of tension in the region and to reassure allies, the U.S. should push back diplomatically against expansive Chinese maritime claims by insisting that China clarify the legal basis for the so-called 9-dashed demarcation line, and we should assemble a regional coalition to support this position.

Number two, support Japan's reinterpretation of exercising collective self-defense rights, particularly regarding North Korea and U.N. peacekeeping operations as a way to promote deeper alliance integration.

Three, similarly, be supportive of other steps Japan might take to normalize its military with broader rules of engagement and possibly include development of retaliatory strike capability vis-a-vis North Korea so that Japan is better able to protect its own territory.

Four, follow-through on the relocation of the U.S. Marines from Okinawa to Guam as a way to strengthen the political sustainability of U.S. military presence in Japan.

And five, sustain sufficient U.S. defense spending to reassure allies and encourage support for a U.S. initiative to network alliances and partnerships in the region to strengthen the regional security architecture, inclusive of China, over time. Support for negotiation of the high-standard Trans-Pacific Partnership, TPP, trade deal I believe is an important component of this effort.

And I believe I've run out of time so I'll stop here with my oral testimony.

HEARING CO-CHAIR BROOKES: Thank you.
Dr. Lind.

PREPARED STATEMENT OF MR. JAMES SCHOFF, SENIOR ASSOCIATE, ASIA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

“Security Dynamics in Northeast Asia and Implications for the United States”

**Testimony before the U.S.-China Economic & Security Review Commission
Hearing on “China and the Evolving Security Dynamics in East Asia”**

**James L. Schoff
Senior Associate, Asia Program
Carnegie Endowment for International Peace**

March 13, 2014

Summary

China’s economic and military rise in Northeast Asia is prompting adjustments by Japan and the Republic of Korea (ROK or South Korea) that will impact U.S. relations with its allies.³⁸ On the one hand, allies are seeking closer ties and reassurance from Washington of its continued defense commitments, while on the other they are hedging against U.S. retrenchment by bolstering national capabilities and pursuing new diplomatic initiatives in the region. The U.S. response to this challenge should include concrete steps to support reassurance and deter Chinese coercion, combined with active diplomacy and networking in the region to foster a more collective approach to rulemaking and enforcement as Asia grows. This can ultimately help spread the burden for maintaining peace and territorial integrity beyond the traditional hub-and-spoke U.S. alliance system, although for the time being these alliances are the primary means to preserve stability and prosperity in East Asia.

Japan’s and South Korea’s Key Strategic Interests and Perceived Pressure from China

Japan

It has been clear for some time that the regional security equation in Asia is tilting against Japan, and a variety of defense and foreign policy decisions by Tokyo in recent years reflect the government’s attempt to grapple with this slide into a “security deficit.”³⁹ For Japan, the

³⁸ This testimony focuses primarily on Japan and secondarily on South Korea, in order to consider efficiently the most important implications for the United States. Taiwan and Russia are certainly consequential when evaluating the security dynamics in Northeast Asia and should not be forgotten, but the major near-term challenges for U.S. policy makers involve Japan and the Korean Peninsula (including North Korea).

³⁹ See James L. Schoff, “Realigning Priorities: The U.S.-Japan Alliance & the Future of Extended Deterrence,” Institute for Foreign Policy Analysis, March 2009, pp. 7-19 at <http://www.ifpa.org/pdf/RealignPriorities.pdf>. See also James L. Schoff, “Transformation of the U.S.-Japan Alliance,” *Fletcher Forum of World Affairs* 31, no.1 (Winter) 2007 or Michael Mochizuki, “Japan’s Shifting Strategy toward the Rise of China,” *Journal of Strategic Studies* 30, no. 4-5 (August-October): 739-76.

perception of vulnerability and growing threat (particularly vis-à-vis China but including North Korea) is multifaceted and includes security, economic, and diplomatic concerns. It is not an immediate crisis, but for a country that prioritizes stability, openness and access in the region, current trends do not bode well for the future.⁴⁰

Japan is a highly industrialized global trading power with relatively few indigenous natural resources, but a highly skilled workforce and a strong technology knowledge base. Open and stable global trade is critical for Japan, as it relies on imports for about 92 percent of its primary energy supply and 64 percent of its calorie intake.⁴¹ National wealth is generated by adding value in the manufacturing and service sectors and thereby earning more through exports than is paid for imports, and investing the surplus domestically and overseas for productivity gains, investment return, manufacturing diversification, and risk mitigation. This strategy – which has worked so well for decades – is faltering recently, however, as a weakening Yen and rising fossil fuel imports (to compensate for the shutdown of its nuclear energy industry) have pushed Japan into trade deficits.⁴²

Japan is the world's third largest oil importing country (after the United States), the third largest oil consumer, and the fourth largest electricity consumer. While Japan's population has increased by about 50 percent since 1950, its consumption of energy has soared by nearly 300 percent, underscoring the vital role that energy plays in Japan's modern economy.⁴³

Japan has a strong position in terms of foreign currency reserves (over \$1.2 trillion), but due to persistent fiscal deficits the country's public debt is now 224 percent of GDP, and debt service consumes almost a quarter of the annual general account budget.⁴⁴ The Japanese government faces significant fiscal constraints.

Because the bulk of Japan's trade is conducted by ship, freedom of navigation is critical for Japan to sustain itself. Although Japan is a small country in terms of land area (ranked sixty-first globally), its recognized territorial waters and exclusive economic zone (EEZ) are the sixth largest in the world at nearly 4.5 million square kilometers, so it has a lot of area to both exploit and patrol.⁴⁵ Maritime chokepoints outside of the EEZ, such as the Strait of Malacca and the Strait of Hormuz, are also strategically important to Japan, since any major disruptions there would quickly force time-consuming and expensive re-routing of vital shipments.

⁴⁰ "Access" in this case, describes the ability of Japan and its U.S. ally to be able to take steps to maintain stability and openness, as they deem it necessary to protect national interests.

⁴¹ Japan's Agency for Natural Resources and Energy and Ministry of Agriculture, Forestry and Fisheries for 2012.

⁴² Japan's annual trade surplus was over \$90 billion as recently as 2007, but it shifted to deficit in 2011 and reached a record \$112 billion in 2013. See OECD statistical profile and Elain Kurtenbach, "Japan Posts Record \$112bn Trade Deficit in 2013," Associated Press, January 27, 2014.

⁴³ Japan's Agency for Natural Resources and Energy, "White Paper on Energy 2007" [in Japanese].

<http://www.enecho.meti.go.jp/topics/hakusho/2007/index.htm> (accessed June 17, 2008).

⁴⁴ Ministry of Finance.

⁴⁵ "Oceans white paper: Japanese and world developments" [in Japanese]. Oceans Policy Research Institute, Ship and Ocean Foundation, 2005.

Although North Korea remains a significant and unpredictable security concern for Japan, it is China's growing military capabilities and willingness to brandish them to press claims and expand its influence in the East China Sea and beyond that are prompting a Japanese reaction.⁴⁶ The situation is most acute around the Japanese-administered Senkaku Islands, which Beijing insists belong to China, but it extends to disputed EEZ demarcations in the East China Sea and claims to associated seabed resources. Japan's sense of vulnerability is exacerbated by elements of economic dependence (e.g., extensive direct investments in China and dependence on certain imports such as rare earth metals and food products) and even exposure to drifting air pollution from China.

Republic of Korea

Global trade is similarly important to South Korea, in part because it imports about 82 percent of its primary energy supply, but also benefiting from consistent current account surpluses in recent years.⁴⁷ A rising portion of ROK merchandise trade – and its surpluses – is with China, which became South Korea's largest destination for foreign direct investment (FDI) and trading partner in 2002 and 2003, respectively. Like Tokyo, Seoul seeks regional/global stability and openness to support its economy and rising wealth, which has grown fantastically since 1980 (with gross national income per capita up by a factor of ten in 2000 and then doubling again by 2012 to over \$22,000).⁴⁸

Seoul has increased its defense budget accordingly since 2000, more than doubling to about \$32 billion in 2013.⁴⁹ The country has steered some of that spending toward military capabilities that would help it protect far flung investments, but the predominant concern is North Korea's military threat and unpredictable nature. This dynamic focuses ROK attention closer to home, and it gives added weight to Seoul's relations with Beijing, due to China's economic – and to some extent political – influence in the North.

The military threat from North Korea overshadows most concerns that South Korea might have about China's soaring defense spending, but China's intervention in the Korean War (1950-1953) is remembered in the South, and Seoul is wary about becoming vulnerable to Chinese intimidation in the future. In this sense, South Korea does not feel the same kind of deepening vulnerability or imminent danger that many Japanese leaders feel, even as there exists an underlying recognition of China's historical willingness to exert its influence in Korea for

⁴⁶ China's military investments have grown exponentially in the last two decades – with average 10-plus percent annual growth in the last ten years – to the point where it spends more on defense than Japan, the ROK, Taiwan, and Vietnam combined. It is enhancing not only its ability to deny allied access into its near seas and airspace, but also expanding its power projection capabilities.

⁴⁷ South Korea ran a \$43.3 billion surplus in 2012 or almost 4 percent of gross domestic product (GDP). The World Bank, <http://data.worldbank.org/indicator/EG.IMP.CON.S.ZS/countries/1W-KR?display=graph> and <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD>

⁴⁸ The World Bank, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=6>

⁴⁹ (2014) Chapter Two: Comparative defense statistics, *The Military Balance*, 114:1, 23-30, Taylor & Francis.

national gain.

The modern day example could be any sort of North Korean instability or collapse scenario that tempts Chinese interference, including territorial encroachment, which the ROK would strongly resist. Seoul is also looking forward with some trepidation to a post-unification situation when it will share a border with China (and China's influence in the North is already strong), so there are factors that make China both attractive and repelling. Currently, these tensions reveal themselves in skirmishes between the ROK Coast Guard and intruding Chinese fishing boats or China's unilateral declaration of an air defense identification zone (ADIZ) that overlaps with certain ROK claims in the East China Sea.

For both Japan and South Korea, public and government support for their alliances with the United States remains strong, and they recognize the alignment of our national interests with the agenda of stability, openness, and access. But U.S. fiscal restraints and political dysfunction, combined with China's rise, raises doubts in Tokyo and Seoul about the long-term sustainability of American primacy in Asia, and they are taking different steps to hedge against relative U.S. decline. The challenge for U.S. policy makers is to find feasible ways to reassure the allies without simply subsidizing their security at an unsustainable financial and political cost to America, essentially to live up to the policy promise of the so-called rebalance to Asia in a consistent and practical manner.

Responses to China's Rise in Northeast Asia

By some measures, the policy and military responses to China's rise by Tokyo and Seoul remain modest, suggesting sufficient confidence – for the moment – in national strength and the value and reliability of their alliance relationship with the United States. After all, China has been a significant source of growth for both countries, and a stable and prosperous China has been good for Asia overall. Despite consistent year-on-year Chinese military budget growth of 10-plus percent, for example, Japan's defense spending has been flat since 2000 and South Korea's increase has averaged less than 4 percent per year (and that has been driven more by North Korea than by China).⁵⁰ Japanese and Korean direct investment in China during this time continued to grow significantly, perhaps belying any concern about increasing economic vulnerability.

Japan Defense Posture

In Japan's case, part of its apparent complacency on the military front can be attributed to the strong bilateral alliance and its own modern armed forces. Although purely defense oriented and relatively small given Japan's wealth, the country's Self-Defense Forces (SDF) boast the world's

⁵⁰ Japan's defense budget in 2000 was about ¥49 trillion, which is precisely where it stood in 2013, and defense spending represents consistently less than 1 percent of Japan's GDP. From Ministry of Defense, "Our Country's Defense and Budget (from 2000 to 2013)," [in Japanese] available at <http://www.mod.go.jp/j/library/archives/yosan/yosan.html> ROK figures from David Kang, "Paper Tiger: Why isn't the rest of Asia afraid of China?" *Foreign Policy*, April 25, 2013.

seventh largest defense budget in the world including such high-end capabilities as mid-air refueling, airborne warning and control (AWACs), Joint Direct Attack Munitions (JDAMs), Hyuga-class (helicopter) destroyers and Atago-class Aegis (missile defense) destroyers, and will soon field 5th generation fighter aircraft in the form of the F-35.

What Japan lacks, however, is a legal and political framework that would allow the flexible application of these forces to support a wide range of national security objectives, either alone or in concert with the United States. The SDF was built primarily to operate domestically in response to potential attacks on the homeland. Typical of the parochial nature of Japan's forces, it possesses one of the world's largest inventories of CH-47 transport helicopters but no way to deploy them quickly overseas. Its new XC-2 military transport aircraft was designed to be large enough to carry Patriot missile defense batteries for national defense, but not the large helicopters that could be useful in an international crisis. U.S. officials would like to see Japan expand the range of security cooperation activities it can conduct with its ally and with other partners.

Ever since Japan's purely financial contributions to the Gulf War in 1991 were derided as mere "checkbook diplomacy," successive administrations have expanded modestly the range of SDF missions that Japan can conduct overseas, both legally and operationally. These changes came about slowly – at times through temporary authorization that eventually expired – and they were usually of a non-military nature, such as providing logistical or engineering support to a United Nations operation or multilateral security initiative. The purpose was to contribute more directly to international peace and security, but it was also a way to sustain the alliance by satisfying U.S. requests for more burden sharing in this field, and some saw benefit in the SDF gaining overseas deployment experience. In this sense, Japan has been hedging modestly for several years, maintaining a modern military and broadening its reach.

In contrast to this incremental approach, current Prime Minister Shinzo Abe is pursuing a more substantive overhaul of the nation's security laws, driven more directly and urgently by the rise of China, as well as North Korea's nuclear and missile development. In 2013, he has already passed a law to strengthen the national protection of classified information, established a new National Security Council to enhance crisis management and oversee the country's first National Security Strategy, and his administration has revised the National Defense Program Guidelines (NDPG) and Midterm Defense Plan (MTDP), which governs Japan's future defense procurement. In this area, Japan will boost the defense budget slightly (about 1-2 percent per year) and extend the life of existing submarines and destroyers as a way to expand its military power affordably.

At the operational level, Tokyo's focus is on:

- strengthening intelligence gathering, maritime domain awareness in the East China Sea, and information security (e.g., with plans to buy unmanned aerial vehicles (UAVs), enhancing the use of space with new X-band communications and reconnaissance satellites, and bolstering cyber security capabilities);

- strengthening outer island defense and rapid deployment capability (by acquiring amphibious vehicles, conducting joint training with U.S. Marines, and planning to buy Osprey tilt-rotor aircraft);
- improved defense against nuclear/missile attack (with continued investments in missile defense and possibly developing a retaliatory strike capability, either via aircraft or cruise missiles);⁵¹ and
- expanding weapons export and defense industry development opportunities by loosening legal restrictions and allowing a wider range of companies to get involved in the global supply chain for defense or dual-use articles.

Connected to this is the Abe administration's push to "normalize" the country's defense posture in the near term by allowing Japan to exercise collective self-defense in certain situations, and longer term by revising the military's legal status with a new Fundamental Law on National Security. Abe has also promoted the goal of revising the nation's Constitution, which could expand further Japan's ability to utilize its military in a flexible manner.

The key issue for Japan (and what is most noticeable about the new NDPG) is that it is thinking beyond deterrence as the only role for the military and understanding that it might actually become necessary to use force for self-defense (either around the Senkaku Islands or vis-à-vis North Korea). Previously, Tokyo tended to believe that the mere existence (and later, presence) of Japan's SDF – combined with the U.S. alliance – was enough to satisfy its deterrence needs. It now realizes that lower thresholds of conflict might only be deterred if it shows willingness and ability to fight, and the object of this deterrence is China in the East China Sea. Moreover, Japan needs to be able to project force in a flexible manner to adapt to unpredictable situations in case deterrence fails, as well as to give Japan's leaders different options for controlling escalation.

Of course, Japan is not just looking to increase its own military capability as a means to thwart Chinese intimidation and so-called gray zone conflict (i.e., a state of neither peace nor war, such as skirmishes between Coast Guard vessels). Boosting the military is also seen as responding to U.S. requests for more proactive Japanese contributions to regional security, and strengthening the Japan's alliance with the United States is another way for Tokyo to bolster deterrence by signaling to Beijing that conflict with Japan ensures U.S. involvement. This is the backdrop for the bilateral initiative to revise Guidelines for US-Japan Defense Cooperation.

Before examining the opportunity for the alliance in this defense guideline revision process, it is worth highlighting recent U.S. concern that the process could be complicated by a possible agenda that Prime Minister Abe and his circle have for historical revisionism, which has soured Japan's relations with the ROK and China. One Abe visit to the controversial Yasukuni Shrine

⁵¹ The possible development of a strike capability is being studied in Japan, and no decisions have been made. For a country with a restrictive "no war" constitution and a defense-only military, the move would be politically sensitive, even if only technically available for defensive purposes. All of Japan's neighbors already possess such capability.

can probably be managed (he visited in December 2013), but a larger problem would be a sustained high-level campaign to rationalize or even dismiss some uncomfortable aspects of Japan's history in the first half of the 20th Century. This would make it harder for the United States and Japan to strengthen their alliance, because Americans simply do not share in the belief of such a revisionist agenda. The damage to Japan-ROK ties (and thus potential U.S.-Japan-ROK trilateral cooperation vis-à-vis North Korea) is particularly acute. The Abe cabinet's ultimate position on some of these history issues remains to be determined, but it is a potential point of friction in the alliance and could frustrate what would otherwise be a more united alliance response to China's rise in Northeast Asia.

On the diplomatic side, in addition to Japan's push to strengthen alliance relations with the United States, the Abe Cabinet is also making a concerted effort to improve ties with Russia (to diversify energy supplies, compensate for poor relations with the ROK and China, and to settle a long-standing territorial dispute). Japan is also spending a lot of diplomatic energy in strengthening relations with many Southeast Asian nations, both to create economic opportunity but also to bolster Japan's political influence along China's periphery and help shape the emergence of Asia in favorable terms. Prime Minister Abe was the first ever to visit all ten ASEAN countries within his first year of office.

Opportunities in U.S.-Japan Defense Guideline Revision

Washington hopes that Japan will expand its interpretation to exercise collective self-defense (and sees this as separate from the history issue), since collective self-defense might apply to UN-approved international security cooperation activities and to a situation involving North Korea. This would allow for more integrated alliance defense cooperation, particularly in the areas of intelligence, surveillance, and reconnaissance (including space and cyber domains), logistical support, and maritime force protection.⁵² These are some of the issues currently being discussed by the allies as they work to revise their Guidelines for Bilateral Defense Cooperation throughout 2014, and is only the third time in over fifty years that they have taken on this task. The purpose of this stepped-up security cooperation would be two-fold:

- To complement the U.S. rebalance to Asia as a response to a more demanding regional security environment (primarily to deter North Korean aggression but also to balance against Chinese maritime expansion); and
- To combine with other allies and like-minded partners (e.g., Australia, South Korea, and some Southeast Asian countries) to build habits of regional security cooperation and a regional security architecture that can eventually involve China and help dampen security competition in East Asia.

⁵² For more on how the United States and Japan could use the Defense Guideline revision process to develop a more integrated "front office/back office" alliance posture, see James L. Schoff, "How to Upgrade U.S.-Japan Defense Cooperation," Carnegie Endowment for International Peace Policy Outlook, January 16, 2014 available at <http://carnegieendowment.org/2014/01/16/how-to-upgrade-u.s.-japan-defense-cooperation/gykq>

For most of 2013, the United States and Japan reviewed their defense guidelines in light of North Korea's nuclear and missile advances, China's growing military capabilities, and the introduction of new domains—cyberspace and outer space—to the potential battlefield. By October the two countries agreed that a new round of revision was warranted, and the “2+2” joint statement issued by the U.S. secretaries of defense and state and the Japanese ministers of foreign affairs and defense instructed alliance managers to recommend changes to accomplish several objectives beyond the core mission of responding to a possible armed attack against Japan.⁵³ The aims include:

- 1) expanding the scope of bilateral cooperation,
- 2) promoting security cooperation with other regional partners,
- 3) enhancing bilateral consultation and coordination mechanisms,
- 4) describing the appropriate role sharing within bilateral defense cooperation,
- 5) and evaluating bilateral defense cooperation in emerging strategic domains.

Any given security cooperation mission involves an overlapping cycle of activity that runs continuously through information gathering, assessment and analysis, decision making, planning, mobilization, execution, and back to information gathering, assessment, and so on. The goal of this revision effort should be to help Japan become a more meaningful and reliable partner in many of these activities, bilaterally with the United States as well as in broader coalitions. Exploring these opportunities concretely and then taking the steps necessary to operationalize the most promising should be the primary objective of the defense guideline revision process. This will be ambitious and complex—given the need to bring together subject-matter experts from each country who have rarely worked together before—but this is the task assigned by the 2+2.

Developing an overarching concept to guide this new era of alliance cooperation will help the allies navigate the complex revision process. A conceptual framework similar to the spear/shield and forward area/rear area mantras of the past is necessary to describe—for both internal and external audiences—the purpose, value, and limits of alliance cooperation. It should serve as a bridge between the two nations' defense planning documents, and it will shape how each military perceives its role and manages the procurement and training associated with their cooperation. Without a clear concept, alliance ties can weaken, defense planning can lose focus, and neighbors are more likely to misinterpret alliance intentions.

Designing this framework begins with the underlying goal of the 2+2 joint statement that the United States and Japan should “be full partners in a more balanced and effective Alliance” in which they “can jointly and ably rise to meet the regional and global challenges of the 21st century.” Connectivity and interoperability are key enablers for any such “jointness,” and they are also highlighted in Japan's new National Security Strategy and NDPG released in December

⁵³ “Joint Statement of the Security Consultative Committee toward a More Robust Alliance and Greater Shared Responsibilities,” October 3, 2013. Available at <http://www.defense.gov/pubs/U.S.-Japan-Joint-Statement-of-the-Security-Consultative-Committee.pdf>

2013. The challenge is both to improve alliance capabilities and encourage broader security cooperation with other nations to enhance regional stability, while discouraging military rivalry.

To accomplish this, the alliance should pursue a capabilities-based (or functional) approach to cooperation that can apply to different situations. Similar to the way a retail store leverages all aspects of the company to maximize productivity at the point of sale, Japan's "back office" support functions could be better integrated with U.S. "front office" military activities. A functional approach can enhance alliance flexibility and better integrate alliance cooperation than the current approach without carving out new—potentially politically sensitive—overseas missions for Japan's SDF. This approach can be applied to the core alliance mission (responding to armed attack against Japan), as well as to wider regional/global security cooperation scenarios in both bilateral and multilateral contexts.

The new approach stands in contrast to the location- and mission-oriented nature of past and current guidelines. The current defense guidelines from the 1990s make a distinction between forward-area and rear-area activities, and they identify specific missions that Japan's SDF can carry out on its own. This means that Washington and Tokyo do not fully leverage alliance potential because an "I'll do this here, while you do that there" dynamic leads to inefficiencies when resources are not shared. Japanese ISR to support its own minesweeping or search and rescue, for example, could be applied technically to U.S. forward operations (and vice versa), but the current guidelines constrain this potential synergy.

Adopting a front office/back office approach would increase alliance productivity. Even if Japan spends most of its time in the rear area, lessons are learned as a team and this helps the allies make quicker adjustments for improvement in the heat of battle.

The alliance would also benefit from a more collaborative structure. In the corporate hierarchy, back-office leaders are on the same level as other executives, and they are closely involved in strategic planning for any new initiative. They are considered integral to business operations, and this collaboration maximizes efficiency and productivity.

A front office/back office construct is one way to upgrade bilateral defense cooperation in a meaningful but more politically acceptable way—not only within Japan, but also for other nations in the region, particularly the ROK. Domestically speaking, forward deployment of Japan's SDF into hostile areas will be almost impossible in most bilateral or multilateral coalition operations due to political resistance and lingering legal restraints, despite Prime Minister Abe's defense reform efforts. Most Japanese cherish their "peace constitution" and rarely support SDF dispatch to areas of potential conflict. The physical concept of "rear area" will be hard to break among the Japanese public, which has only recently become comfortable with overseas deployments to noncombat zones. The front office/back office concept is an incremental evolution of alliance cooperation in this regard, since Japan for the most part would connect to forward operations by technical means without a physical forward presence.

A limit on Japanese forward presence, which this concept would provide, should receive a

positive response in the region. The ROK has been wary of Japan's defense reform agenda, in part for fear that it could lead to deployment of Japanese forces onto the Korean Peninsula in a North Korean contingency, however remote a possibility. In this sense, a front office/back office approach can help reassure Seoul that it can gain the operational benefit of more effective U.S.-Japan support without the political problems associated with Japanese "boots" on Korean ground. In addition, closer U.S.-Japan coordination will be more reassuring to neighbors compared to the alternative, which could be a Japan that develops greater military independence from the United States.

Moreover, a functional approach to guideline revision would focus less on specific threats and the location of alliance cooperation, which would help counter the assumption that defense guideline revision is simply a reaction to China's military rise. China's muscle flexing is a factor, of course, but defense guideline revision has just as much to do with the technological evolution of warfare, North Korea's development of nuclear armed missiles, and the need to extract more productivity from tight alliance defense budgets. Putting the focus on capabilities and not threats would be consistent with U.S. statements that the alliance is designed to deal with more than just China contingencies, though deep Chinese suspicion of the alliance means that Washington and Tokyo should seek to reassure Beijing of their peaceful intent even as they maintain a posture of deterrence in the East China Sea.

The functional approach can also be an opportunity to strengthen regional security cooperation by enhancing the capacity of regional coalitions to address common security challenges. The United States and NATO, for example, essentially utilize a front office/back office concept, with different countries taking the lead depending on the situation. The United States led in Afghanistan, while European nations led the enforcement of UN Security Council Resolution 1973 to impose a no-fly zone against Libya in 2011. Many East Asian nations are also doing this in the Gulf of Aden through coordinated counterpiracy operations, for example, and this framework could be extended in Asia to counter illicit weapons proliferation, respond to large-scale natural disasters, or deploy more capable peacekeeping and peace-building teams.

Republic of Korea

There is simply less to describe about South Korea in the context of tangible reactions to China's economic and military rise. ROK defense investments in recent years have been driven more by developments involving North Korea rather than China, particularly after North Korean attacks in 2010 led to the buttressing of Northwest Island defenses and other counter-battery systems. Much of this has been considered in close consultation with the United States, and the allies approved in 2013 a new coordinated plan to respond to future North Korean provocations (enhancing deterrence) and added new bilateral working groups in the areas of cyber and space security policy.⁵⁴

⁵⁴ See "Joint Communique: The 45th ROK-U.S. Security Consultative Meeting," Department of Defense, October 2, 2013 at <http://www.defense.gov/pubs/Joint%20Communique,%2045th%20ROK-U.S.%20Security%20Consultative%20Meeting.pdf>

The Roh Moo-Hyun administration around 2005 promoted a defense procurement policy to grow the Navy and Air Force and allow them to be more expeditionary, with the idea that the North Korean threat would diminish as North-South relations improved and the ROK's regional and global interests would expand. Renewed North Korean belligerence and its nuclear tests, however, soon led to a paring back of that defense plan, and the result is a sort of hybrid procurement strategy that tries to serve both of Korea's security needs (i.e., on-Peninsula first and foremost, but also a broader regional and even global reach over the longer term).

As such, in addition to investing in battle readiness at home (including a variety of command and control systems and related infrastructure to prepare for the transfer of wartime operational control (OPCON) to South Korea from the United States by 2015), the ROK military has acquired Aegis capable destroyers, an ever larger submarine force, and AWACs aircraft – among other modernization initiatives – that will help Seoul hedge against Chinese regional military dominance in the future. Indeed, although the ROK push to extend the range of its indigenous ballistic missiles from 300km to 800km in 2012 was explained as a way to counter North Korean missile capabilities, it can also be seen as a long-term investment in a capability that might be needed post-unification, when Korea will be hemmed in by two large nuclear and missile powers in Russia and China. Recent ROK investments in missile defense and UAVs will have a similar “dual use” (i.e., for North Korea now, and for wider national defense later).

Coupled with this hedging on the military side, a different form of diplomatic hedging by Seoul includes pursuing better ties with China itself, since the cool relations that pervaded the Lee Myung-bak administration (2008-2012) – as Beijing often rose to protect Pyongyang despite its aggressiveness – was seen as strategically undesirable. Although some in Japan and the United States worry that this diplomatic outreach risks driving a wedge between the U.S.-ROK alliance and between South Korea and Japan, better ROK-China relations can have many positive effects (e.g., to promote regional stability and facilitate cooperation in case of turmoil involving North Korea). Better ROK-China ties is not necessarily a zero-sum dynamic, and Washington, Tokyo and Seoul should make efforts to ensure it does not move in this direction.

The danger, of course, is that many key factors are moving in negative directions. As Japan-ROK ties worsen, for example, suspicion grows in both countries that steps taken to mitigate the China risk (particularly in the military realm) might also be turned against one another. This exacerbates the security dilemma prompted by China's defense spending growth, and it is hardening public attitudes in all three countries. Sensitive history issues have become highly politicized in the region when precisely the opposite dynamic (i.e., shifting the historical debates to the academic rather than political arena) is preferred. All of this complicates U.S. plans for the rebalance to Asia and risks drawing Washington into a cultural/historical struggle going back centuries, which can only end with strained U.S. relations with one ally or the other.

Policy Recommendations

Japan

- In order to address an underlying source of tension in the region, push back diplomatically against expansive Chinese maritime claims in the South China Sea and East China Sea by insisting that China clarify the legal basis for its so-called nine-dashed line demarcation and pursue more actively a regional coalition in support of this position. The State Department has begun recently to press this point more directly, and now the task is to cultivate broader regional reinforcement.
- Support Japan's reinterpretation of exercising collective self-defense rights, particularly with regard to a North Korea scenario and UN peace keeping operations as a means to support deeper alliance integration of security cooperation. China (and possibly South Korea) will complain that such a move would be a sign of dangerous Japanese militarism, but it is simply assuming the same rights as any other nation and responding to a degrading security environment.
- Similarly, be supportive of other steps Japan might take to normalize its military with broader rules of engagement and possibly include development of a retaliatory strike capability, so that Japan is better able to protect its own territory without heavy U.S. involvement. Of course, security treaty commitments mean that the United States could be drawn into any China-Japan conflict in the East China Sea, so adequate bilateral consultation, planning, and defense coordination is required. In this sense, something akin to the U.S.-ROK counter-provocation plan might be a useful way to make sure that operational and political/diplomatic issues are fully considered as an alliance. This might be discussed as part of the Defense Guideline revision process.
- Overall, be inclined to support the sale of U.S defense equipment such as UAVs and other systems, as well as the deepening of bilateral defense industrial cooperation. Incorporating Japanese commercial technology (such as fuel cells and advanced materials) has the potential to improve the quality and cost-effectiveness of certain U.S. weapon systems.
- There might be times when some criticism of Japanese historical revisionism is called for, but overall resist the urge to weigh in publicly on issues that do not directly involve the United States. Also, be clear that those historical disagreements are separate from Japan's attempt to bolster national defense in the modern day.
- Consider expanding opportunities to export U.S. natural gas as a way to support U.S. industry and help Japan diversify its supply sources.
- Follow-through on the relocation of U.S. Marines from Okinawa to Guam as a way to strengthen the political sustainability of U.S. military presence in Japan and to support the Pentagon's policy of geographic distribution in the region. The move to Guam will reduce modestly the burden of hosting Marines on Okinawa, and it will add momentum to the

Futenma Marine Base relocation project and overall U.S. realignment in Japan. In a variety of ways, therefore, it will enhance the alliance posture vis-à-vis China.

- Sustain sufficient U.S. defense spending to reassure allies and engender support for a U.S. initiative to network alliances and partnerships in the region to strengthen the regional security architecture (inclusive of China). Support for negotiation of the high-standard Trans-Pacific Partnership (TPP) trade deal is an important component of this effort. This is part of living up to the policy promise of the Rebalance to Asia.

Republic of Korea

- Although China is often reluctant, seek joint U.S.-ROK dialogue with Beijing regarding future scenarios involving North Korea (everything from collapse to violent lashing out against the alliance or Japan). The main ROK concern about China involves its approach to various North Korea contingencies, and better communication and more predictability is needed on this front. Such discussions might be able to alleviate Chinese fears about the future posture of the U.S.-ROK alliance post-unification, and if so it could soften Beijing's support for North Korea.
- Support the transfer of wartime OPCON from the United States to ROK, even if it takes a little longer than 2015 to realize (to accommodate the need for further ROK preparations). This is a way to show North Korea that its primary counterpart for discussions about the future of the Peninsula is South Korea (not the United States), and it is time for South Korea to assume this responsibility.
- Continue to encourage ROK participation in regional security cooperation activities (such as the counter-piracy mission in the Gulf of Aden and the Proliferation Security Initiative), as this can help operationalize the regional security architecture and build stronger ROK-Japan, ROK-Australia, and other mil-to-mil relationships that might help shape/moderate Chinese behavior.
- Despite ROK-Japan tensions over history, encourage Seoul to keep up trilateral security cooperation, given the vital role that Japan plays in South Korea's security (via its hosting of U.S. bases and promised rear area support in various North Korean contingencies).

**OPENING STATEMENT OF DR. JENNIFER LIND, ASSOCIATE PROFESSOR,
DEPARTMENT OF GOVERNMENT, DARTMOUTH COLLEGE**

DR. LIND: Commissioner Brookes, Commissioner Fiedler, thanks so much for the invitation to testify today.

In the past few years, we've seen significant changes in East Asian security alignments, but these were not triggered by China's rise, per se. China's wealth and military capabilities have been growing for decades, yet during that period the U.S. relationship with Japan experienced a period of drift, and the U.S. alliance with the Philippines was largely dormant.

Rather, Chinese behavior in the past few years has had a significant effect on regional alignments. China has grown more assertive in its territorial claims with important implications for U.S. alliances.

First, countries that dispute territory with China have grown more alarmed and have been reinvigorating their alliances with the United States as a result.

Now, it's very important, of course, to note that diplomatic relations in East Asia between the U.S. and China and between China and its neighbors are generally very productive, and we're far from seeing a balancing coalition or a containment effort. And, indeed, we may never see this emerge.

But at the same time, some countries clearly feel threatened by China's recent behavior and are moving closer to the United States. This includes firstly Australia which dwells near the South China Sea where Chinese assertiveness has increased.

Now a long time U.S. partner, before Australia posted a few American troops. But in 2011, the allies announced that 2,500 U.S. Marines would be stationed in Darwin. Australia is less central to the U.S. pivot or rebalancing effort in East Asia.

Secondly, the Philippines is also moving closer to the United States. The Philippines claims part of the Spratly Island chain which China claims in full. U.S. and Philippine military cooperation is increasing, and we're nearing the settlement of an agreement that would allow for more frequent U.S. troop rotation.

The most profound strategic development in East Asia that has increased--sorry--the most profound strategic development is that increased tension between China and Japan has led to the strengthening of the U.S.-Japan relationship. Japan is wary of China for many reasons. Anti-Japanese sentiment is widespread there. The two countries run an increasing risk of conflict over islands in the East China Sea known as Senkaku or Diaoyu.

Chinese incursions into the airspace and waters of these islands have grown more frequent, and observers are warning of an increased risk of crisis.

In this context, Tokyo and Washington have moved closer together. Tokyo has enacted several policies to facilitate cooperation with the United States, such as an agreement to move forward on an important base relocation in Okinawa.

Many U.S. allies have thus reinvigorated their alliances with us as a result of China's increasingly assertive behavior in these territorial disputes, and we share with these countries a common worry about how a great power China may behave in the region. So in that sense we have significantly compatible interests.

So why then do we recently hear so much doubt expressed by our allies? The answer stems in great part from the fact that our interests, though significantly overlapping, do not perfectly align. Namely, both Japan and the Philippines have these island disputes with China, but the United States takes no position on the sovereignty of those islands.

In light of China's increased assertiveness there, U.S. alliances with those countries create the risk of dragging the United States into a crisis or war with a nuclear-armed great power over an issue of little strategic import.

In coming years, China will likely keep pushing what we can call the soft spots of these U.S. alliances, soft because our interests and our allies' interests diverge there. Thus, managing its alliances in these island disputes will be the central challenge for the United States going forward.

Let me now discuss the country that has not necessarily been closer to the United States, which is South Korea. Unlike these other allies, Seoul interestingly does not have a territorial dispute with China. It remains, of course, a close U.S. ally, and bilateral relations are very good, but its policy can be described as hedging between Beijing and Washington.

Seoul has developed very warm ties with Beijing. The two countries enjoy deep economic and cultural ties. Upon the celebration of the 20-year anniversary of the normalized relations, Chinese leaders called this the best period of ROK-China relations in history.

An important aspect of South Korea's hedging is the distance it maintains from Japan. Indeed, in recent years, Korea-Japan relations have grown noticeably worse. Seoul has rejected military cooperation with Japan and continues to stoke historical animosity. In fact, recently, the Chinese and South Koreans together erected a statue in Korea of a Korean who during the Japanese occupation assassinated a Japanese official.

Seoul's rejection of closer relations with Tokyo reassures China that South Korea is not participating in an anti-China balancing effort.

Now what does this suggest for U.S. policy? Expect increased U.S. frustration in coming years. Washington may seek more support in countering Chinese power and influence than Seoul will be willing to extend. But Washington would be wise to proceed with a soft touch. At this stage in

which U.S.-China competition remains at low levels and may indeed never fully develop, there is nothing to be gained from forcing South Korea to, quote, "choose sides."

U.S. leaders should understand that in the past, as we've seen, Beijing's policies have pushed other countries closer to the United States. In the future, it may, in fact, do the same with respect to Seoul.

Thank you.

**PREPARED STATEMENT OF DR. JENNIFER LIND, ASSOCIATE PROFESSOR,
DEPARTMENT OF GOVERNMENT, DARTMOUTH COLLEGE**

**Testimony before the U.S.-China Economic and Security Review Commission
Hearing on "China and Evolving Security Dynamics in East Asia"
March 13, 2014**

**Jennifer Lind
Associate Professor of Government
Dartmouth College**

Commissioner Brookes and Commissioner Fiedler, and other distinguished members of the commission: I thank you for your invitation to testify before you today on the topic of evolving security dynamics in East Asia.

I understand the Commission is interested in the question of how countries in the region are reacting, and how regional alignments are changing, in response to China's rise. I argue that China's growing wealth and military power has not had a significant effect on regional alignments. China's wealth and military capabilities have been growing for decades, yet during that period the U.S. relationship with Japan experienced a period of drift, and the U.S. alliance with the Philippines was largely dormant.

Although China's *rise* per se has not affected regional alignments, Chinese *behavior* most certainly has. In the past five or so years, China has grown more assertive in its territorial claims. As China expert Alastair Iain Johnston has written, we have seen "more frequent patrols by various maritime-related administrative agencies, more risk-acceptant action to defend Chinese fishing activities, the encouragement of tourism, and more vigorous diplomatic pushback against others states' claims."⁵⁵

As Chinese behavior has grown more assertive, countries that dispute territory with it (Japan and the Philippines) have grown more alarmed and have been reinvigorating their alliances with the

⁵⁵ Alastair Iain Johnston, "How New and Assertive is China's New Assertiveness?" *International Security*, Vol. 37, No. 4 (Spring 2013), p. 46.

United States. Another U.S. ally, Australia (which lives in the vicinity of the South China Sea), has also been moving closer to Washington. Tellingly, the one country that is not moving closer to the United States, and indeed can be seen as “hedging” between Beijing and Washington, is South Korea: which does *not* have a territorial dispute with China.

The countries of East Asia, in other words, are not threatened by Chinese power, but many of them do feel increasingly threatened by Chinese behavior. Why is this an important distinction? If countries were reacting to Chinese power, and moving closer to the United States as a result, a trend of growing Chinese power would lead Washington to expect a trend of closer alignments with its allies—including South Korea.

But if countries are moving closer to the United States because of China’s more assertive behavior in its territorial disputes, this has two implications. First, expect increased strain and distance in the U.S. alliance relationship with South Korea. As Seoul continues to hedge, Washington will likely seek more support in countering Chinese power and influence than Seoul will be willing to extend.

Second, regarding its other, increasingly close partnerships, Washington should not take this closeness for granted. They are being driven by China’s current assertive behavior—which has changed before, and could change again.

In the remainder of my testimony, I describe (1) the allies who appear to be moving closer to the United States, namely Australia, the Philippines, and Japan. I next (2) turn to a discussion of South Korean hedging, in which I note that one form of South Korean hedging is its unwillingness to move closer to Tokyo. Finally, (3) I conclude with implications for American diplomacy. I draw upon the case of Cold War Berlin as a model for U.S. alliance management in future challenges in East Asia.

REACTIONS TO RISING POWER

The Commission has attentively monitored the stunning rise of Chinese wealth, as well as China’s increased military power. At the outset it is important to note that the United States has so far welcomed the increase of Chinese wealth and influence, and has sought to integrate China into the global economy and leadership institutions. This has created a situation in which the United States and China find their two societies and economies deeply interconnected, to both of their benefit. Many scholars of international relations, however, expect that if Chinese wealth continues to grow, relations with the United States will grow more competitive. In such a competition, the United States would care deeply about its network of regional alliances, and how allies are reacting to an increasingly powerful China.

When confronting a rising power, countries might be more accommodating or more antagonistic. On the accommodating end of the spectrum, countries might acquiesce to the demands that the rising power is making (territorial, political, economic). They might choose to strategically align

with the rising power, viewing this as less expensive and less dangerous than attempting to confront it. They will embrace a narrative that unites the two countries and distances them from others. Usually, it is smaller powers (rather than great powers) that adopt more accommodating strategies: because they lack the capacity to balance against the rising power, or because allies are unavailable.⁵⁶

At the other end of the spectrum is “balancing,” in which countries seek to limit the other country’s rise. They build up their own military power and mobilize their societies against the rising power. They search for diplomatic and military allies to aid them in their effort. They reject the rising power’s growing demands, engage in competitive diplomacy, and may also seek to arm its enemies at home and abroad. Countries that adopt this strategy are usually other great powers, who have the capacity to stand up to the rising state.

Countries can also react to a rising power by “hedging”—by working both sides. They accommodate the rising power in many ways, but keep their options open by maintaining good relationships with other potential allies.

THE BALANCERS

In some cases, China’s increased territorial assertiveness has led countries to take steps to “balance” against China’s rise by moving closer to the United States.

Australia. The strengthening that we have seen in ties between the United States and Australia— allies through the 1951 ANZUS treaty—was far from a foregone conclusion. Australia enjoys favorable geography that puts long stretches of Pacific Ocean between itself and China. Furthermore, China is Australia’s largest trading partner: indeed, as the Chinese economy has boomed, Chinese demand for Australia’s raw material exports has soared. Some Australian strategists have urged Canberra to adopt a hedging strategy, so to avoid angering Beijing, and to help dampen what they see as an unnecessary “spiral” of competition in U.S.-China relations.

Nonetheless, in recent years, the alliance between the United States and Australia has become stronger. Formerly, Australia hosted only a smattering of American troops. Today, Australia is playing a major role in the U.S. “pivot” or “rebalancing” to Asia – in 2011 the allies announced that 2,500 U.S. Marines would be stationed in Darwin.

The Philippines. The United States and the Philippines are also moving closer together. A U.S. ally since 1952, the Philippines ejected the U.S. military from its bases (Clark Air Force Base and U.S. Naval Base Subic Bay) in 1992. The alliance continued, but only recently has it become more strategically significant to both sides. Both sides are reacting out of greater concern about Chinese behavior. For its part, the Philippines claims parts of the disputed Spratly Islands, which the Chinese have claimed in full. The Philippines has arguably absorbed the brunt of China’s

⁵⁶ Stephen Walt, *The Origin of Alliances* (Ithaca, NY: Cornell University Press, 1987).

increased territorial assertiveness—they previously controlled an area, Scarborough Shoal, but lost control of it to China, which has been pressing for control in other areas (Ayungin).⁵⁷

In this context Washington and Manila have been pursuing renewed security cooperation. Secretary of State Hillary Clinton visited there in 2011 to celebrate the 60th anniversary of the alliance, with a prominent photo-op on the deck of a U.S. warship. More recently Secretary of State John Kerry has also visited, as over 1,000 U.S. soldiers and Marines provided disaster relief in the wake of Typhoon Haiyan. The U.S. and the Philippines are currently negotiating a deal, which they are expected to conclude soon, in which there would be increased U.S. troop rotation through the Philippines. Last month, Philippine President Benigno Aquino warned about a failure to resist aggression in the South China Sea by comparing the situation to Hitler’s aggression in Czechoslovakia in the 1930s.

A reinvigorated U.S.-Philippine relationship keeps a longstanding ally, a democracy—with whose people our society and our military have a deep history and close ties—within the U.S. political orbit. At the same time, the U.S. security guarantee of the Philippines brings danger as well. It exposes the United States to the risk of being entangled in a crisis or even war over this territorial dispute—one in which Americans have no direct stake and would not otherwise be involved.

Japan. The U.S.-Japan alliance has been reinvigorated by China’s increased hawkishness in the East China Sea. After the fall of the Soviet Union, people worried about an alliance “adrift”; the Japanese worried that the United States no longer valued Japan as an ally, and feared that the United States was prioritizing Beijing over Tokyo. But the days of “Japan-passing” have passed. Japan is America’s most valuable ally in the Pacific because of its wealth and high level of development, its highly capable maritime forces, and because both countries worry about China’s increasingly aggressive behavior.

Beijing has given Japan several grounds for concern about how a powerful China would behave. Since the 1990s the Chinese Communist Party conducted a “patriotic education campaign” that emphasizes China’s wartime suffering at the hands of the Japanese. In the Chinese media, “anti-Japanism” sells, and thus flourishes; hatred of Japan surges through Chinese microblogs. Anti-Japanese protests in China in 2012 featured violence against Japanese-owned businesses, and calls for the extermination of Japanese (rhetoric that Beijing did not repudiate).

The two countries run an increasing risk of conflict over competing claims to ownership of islands in the East China Sea (Senkaku/Diaoyu). A political crisis occurred in 2010 when a Chinese fishing trawler rammed a Japanese Coast Guard ship, after which the Japanese authorities arrested the captain. Since then Chinese incursions into the airspace and waters of the islands have grown more frequent. Japan Air Self-Defense Force F-15J fighters have intercepted Chinese surveillance planes about 30 km from the Senkaku/Diaoyu islands. A Chinese helicopter

⁵⁷ Robert Haddick, “Salami Slicing in the South China Sea,” *Foreign Policy*, August 3, 2012.

once flew to within 70 meters of Japanese Maritime Self-Defense Force destroyer *Samidare*. Last year, a Chinese vessel locked weapons-guiding radar on Japanese destroyer. Earlier this winter, the Japanese protested when Beijing declared a Chinese Air Defense Identification Zone (ADIZ) over the area.

In this context of growing Chinese assertiveness, Tokyo and Washington have been moving closer together. A series of Japanese policies reflect a renewed Japanese commitment to the alliance. Japan ousted a prime minister (Hatoyama) who seemed to advocate a more equidistant approach toward China and the United States. In the wake of anti-Japanese violence in China in 2012, the conservative Abe Shinzo became prime minister. Abe favors a “patriotic” stance on history issues, advocates close alliance relations with the United States, and wants to strengthen Japanese defense. Tokyo and Washington have smoothed over obstacles to resolving basing disputes on Okinawa (i.e., the relocation of Marine Corps Air Station Futenma). The Futenma relocation has vexed the allies for more than a decade; while the road to its resolution remains rocky, the issue in the past few years has moved in a far more productive direction.

Abe is also pursuing important legal and institutional reforms that will have the effect of facilitating U.S.-Japan cooperation and greater Japanese defense activities. Abe’s government presided over the establishment of a National Security Council (a move welcomed by U.S. defense officials to ease policy coordination) and the passing of a secrecy law (viewed as important for intelligence sharing).

Additionally, the Abe government is deciding whether to lift its long-standing legal prohibition against “collective self-defense,” namely, Japan’s ability to come to the defense of allies (when Japan itself is not under attack). Constitutional interpretation has long held that collective self-defense is prohibited. Toward changing this interpretation, the Abe government has appointed a group of experts to study the issue; their report (due in April) is expected to recommend a lifting of the ban. The government will likely submit revision for the Diet’s approval this autumn (although Abe has said Cabinet approval alone would be enough to change the prevailing constitutional interpretation). Someday, Japan under Abe may also decide to move toward constitutional revision—the revision or abolishment of Article 9: a seminal event that would permit Japanese power projection.⁵⁸

All of these profound and (from the U.S. standpoint) positive changes in Japanese security policy suggest a rock-solid alliance, yet at the same time, a flurry of commentary in both Japan and the United States laments an alliance in trouble. The reason for this doubt (which I will discuss later in my testimony) relates to the fact that while the United States and Japan share many common security interests, their interests are not perfectly aligned, and the area of divergence—namely, Japan’s island disputes—are becoming increasingly salient in East Asia. It is important, however, to understand that *never before* have U.S. and Japanese interests been so compatible, and thus never before has foundation of the alliance seemed so robust.

⁵⁸ Helene Cooper, “In Japan’s Drill with the U.S., a Message for Beijing,” *New York Times*, February 22, 2014.

HEDGING

Not all allies are moving closer to the United States in response to China's rise. Specifically, the Republic of Korea (ROK), an ally since the Korean War in 1953, appears to be pursuing a hedging strategy of maintaining close ties with both Beijing and Washington. According to Yonsei University professor Han Suk-lee, "South Koreans believe that it is against their national interest to promote one relationship at the expense of the other."⁵⁹

U.S.-ROK military relations remain close, but show signs of some distance. Seoul maintains its alliance with the United States, and the two countries enjoy excellent political, military, economic, and cultural relations. In the past several years, the two countries have negotiated a realignment of U.S. forces in South Korea with an eye to making the U.S. military presence there more sustainable. At the same time, South Korean military doctrine also reflects the pursuit of independent military capabilities, particularly related to its concerns about North Korean nuclear weapons. Poll data show that over 60 percent of the South Korean people believe that South Korea should acquire an independent nuclear deterrent. Although this has not yet occurred, Seoul has been pursuing greater autonomy from the United States in the strategic realm. With the North Korean threat in mind, Seoul concluded a deal last year with the United States to extend the range of its missiles (up to a 500 mile range). The South Korean military is also developing an independent cyberweapons capability with which to independently attack North Korean nuclear facilities.⁶⁰ The pursuit of such capabilities represents one form of South Korean hedging.

Hedging is also evident in Seoul's close ties with Beijing. The two countries enjoy deep trade and cultural ties. They normalized political relations in 1993, recently celebrating the twenty-year anniversary of formal ties. Political relations between Beijing and Seoul have become very warm and productive. Indeed, Chinese leaders have described the recent period as "the best period of ROK-China relations in history." This is not accidental; as Chinese analyst Jin Kai argues, "Reaching out to Seoul is a part of China's counter-measures to the U.S. 'pivot to Asia.'"⁶¹

One aspect of South Korea's hedging is the distance it maintains from Japan. Seoul's rejection of closer relations with Tokyo reassures China that the ROK is not participating in a balancing effort. Just a decade or so ago, observers were heralding a new, amicable era in Japan-ROK relations. South Korean leaders accepted Japanese apologies for World War II atrocities and pledged to move relations forward. But as Chinese power has grown, relations between Seoul and Tokyo have grown noticeably less cooperative. After some South Korean leaders sought to promote intelligence-sharing with the Japanese (an agreement known as the General Security of

⁵⁹ Han Suk-lee, "South Korea Seeks to Balance Relations with China and the United States," Council on Foreign Relations, November 2012. <http://www.cfr.org/south-korea/south-korea-seeks-balance-relations-china-united-states/p29447>

⁶⁰ <http://www.bbc.com/news/technology-26287527>

⁶¹ Jin Kai, "The Weakest Link: How China Seeks to Destabilize the US-ROK-Japan Triangle," *The Diplomat*, February 10, 2014.

Military Information Agreement, or GSOMIA), many South Koreans lashed out against it, citing that Japan could not be trusted. Similarly, plans by South Korean leaders for logistical cooperation in peacekeeping/humanitarian/disaster relief operations (the Acquisition and Cross-Servicing Agreement, ACSA) had to be shelved amidst the public outcry it produced.⁶²

The South Korean narrative (evident in leaders' statements and media coverage) depicts Japan as a malignant, potentially recidivist aggressor. Frequent in the South Korean discussion of Japan is its mistreatment of Koreans in the early twentieth century, and calls for Japan to atone for its past atrocities toward Koreans and others. South Korean commemoration emphasizes anti-Japanism, and this includes "ganging up" with Beijing against Tokyo. Recently, the Chinese and South Koreans erected a statue in Harbin, China of Ahn Jung-geun, a Korean who during the Japanese occupation shot and killed Japanese official Ito Hirobumi while Ito was visiting Harbin. This statue is South Korean hedging cast in bronze.

To be sure, Koreans suffered terribly at Japan's hands during Japan's colonial rule from 1910-1945. And when Koreans raise history issues, they are often justifiably reacting to times when Japanese leaders said or did something quite troubling. Tokyo, for its part, could make itself a far more amiable ally with its own dealings with history. Yet at the same time, as seen in the remarkable transformation of relations in other cases (for example, U.S.-Japan relations, and Franco-German relations after World War II), countries intent on reconciliation forge compromise on historical issues and craft a unifying narrative about the past. Instead, Seoul has reversed previous steps to put the past behind. South Korean leaders lambast Japan for impenitence for its World War II atrocities and demand additional Japanese apologies. This approach reflects disinterest in reconciliation with Tokyo.

In other words, the common theme that "history is getting in the way" of reconciliation between Japan and South Korea is incorrect. History does not "get in the way": leaders decide (based on strategic or other interests) whether or not they want to seek reconciliation, and as a result they either put history in the way, or make efforts to remove it as an obstacle.⁶³ The fact that South Koreans are unwilling to compromise on history issues certainly relates in some part to Japanese behavior, but also reflects Seoul's hedging between China and the United States. This has enabled the Chinese to conclude, as does analyst Jin Kai, "Seoul is not with the 'other side' at the moment, and Beijing won't have to worry about a face-off with "The Three Musketeers."⁶⁴

IMPLICATIONS FOR U.S. POLICY

In its East Asian alliances, the United States sees some allies who are seeking closer cooperation with it. They have done so not as a result of China's rise *per se*, but rather as a result of China's

⁶² Ralph Cossa, "Japan-South Korea Relations: Time to Open Both Eyes," Council on Foreign Relations, July 2012. At <http://www.cfr.org/south-korea/japan-south-korea-relations-time-open-both-eyes/p28736>

⁶³ Jennifer Lind, "Getting to No": "Getting to No": Narratives and Reconciliation in Japan-ROK Relations," Paper Prepared for the Annual Meeting of the American Political Science Association, Chicago, IL, August 28-Sept 1, 2013.

⁶⁴ Kai, "The Weakest Link."

territorial assertiveness, which began in the past five or so years. South Korea, which does not have a territorial dispute with China, is the exception. While Seoul maintains its alliance with the United States, it is cultivating excellent relations with Beijing, and distancing itself from Japan, a potential alliance partner.

What are the implications for U.S. policy? First, Seoul's hedging shows us that South Koreans perceive divergence between its interests and those of the United States and Japan. This will likely fuel increased frustration on the U.S. side in coming years. Washington may seek more support in countering Chinese power and influence than Seoul will be willing to extend.

In future years, Washington would be wise to proceed with a soft touch regarding its South Korean ally. At this early stage—in which U.S.-China competition remains at low levels, and may possibly never fully develop—there is nothing to be gained from forcing South Korea to “choose” between Beijing and Washington. The current iciness in Korea-Japan ties may be in large part due to the particular government in power in Seoul; the ROK may grow warmer toward Japan under a different leader. Additionally, Washington should understand that Beijing's policies have pushed other countries closer to the United States, and in the future it may in fact do the same with respect to Seoul.⁶⁵

A second implication of this analysis relates to those allies that have moved closer. Washington should not take for granted the recent closeness in U.S. alliance relations with Australia, Japan, and the Philippines. Their drift toward the United States was not an inevitable reaction to China's increased power, but rather a reaction to Chinese behavior—which could change. Beijing has already shifted from a more reassuring, accommodating posture in the late 1990s~2000s (its period of “smile diplomacy”) to a more hawkish posture. Beijing may begin to recognize the costs of its assertive diplomacy and may tactically moderate its policy to appear less threatening to U.S. partners. This would return the United States back to the period in which its allies were less committed than they are today.

Observers may be tempted to draw the conclusion that precisely because the United States should not take its partners for granted, it must be particularly solicitous of their needs and interests. Indeed, some have argued that Washington should more clearly state its support for its allies in their island disputes vis-à-vis China: in order to assuage possible abandonment fears and to maintain strong alliances. As one U.S. official put it, “If all we have are diplomatic response[s] when China is creating new facts on the ground/in the sea/air, this will continue to erode U.S. credibility with allies and partners.” Similarly, “It is time,” argues another analyst, “for tighter security relations and clearer commitments to Japan and other allies like the Philippines that are now under pressure from Beijing. If the administration maintains a cool distance in hopes it will

⁶⁵ The two countries share key potential areas of dispute, including perceived Chinese coddling of North Korea, and a potential territorial designs by China on what some argue is historic Chinese territory within Korea (the Kingdom of Koguryo).

prevent escalation, the result will be more hedging by America's allies...."⁶⁶

These analysts are correct in the sense that—because of its alliance commitments—Washington will be perceived, by its allies and by the world, as obliged to come to the aid of these countries if China uses force against them over disputed territory. More broadly, these analysts are also correct that the credibility of American security guarantees is vital: without it, American threats and promises will not be believed.

At the same time, a blank American check to its allies would be ill advised, given the entrapment risk and given the stakes. Although the United States has many overlapping interests with its allies (indeed, more so than perhaps ever before), these interests are not perfectly aligned.

For example, while the United States and Japan have very strong overlapping interests regarding China's rise, their interests diverge over the Senkaku/Diaoyu islands. Tokyo considers them Japanese territory, and views Chinese dominance in the area as unacceptably menacing to Okinawa and the Ryukyu islands. By contrast, Washington takes no position with respect to the islands' sovereignty.⁶⁷ The United States has no direct strategic interest in who owns the tiny, uninhabited islands. The prospect that this issue might trigger a crisis or war with China – a major economic partner and a nuclear-armed power—is a horrifying one.

America's Asian alliances are based on real, important, and shared interests, and these alliances entail the United States accepting tremendous risk. As such, these alliances need to be built on genuine interests and values. The United States does not want to confront China in dangerous crises over issues in which it perceives little actual strategic interest.

LESSONS FOR ALLIANCE MANAGEMENT FROM BERLIN

In future years, the United States should expect more frequent Chinese efforts to increase its presence in, and control of, disputed areas. Through "salami-tactics," Beijing will attempt to raise the costs to the United States and its allies of operating there, and to win small symbolic victories to create a sense of Chinese legitimacy and authority. In the South China Sea, Beijing has engaged in a pattern of testing, probing, and seeking to change "facts on the ground."

With increased patrols, and with its declaration of an ADIZ, Beijing is adopting the same tactics in the East China Sea. As Deputy Secretary of State William Burns said during a visit to Beijing, China has been engaging in "an unprecedented spike in recent activity"; he lamented China's "growing incremental pattern of efforts" to assert control.⁶⁸ In coming years, China will likely

⁶⁶ Quoted in Bill Gertz, "Inside the Ring: U.S., China in war of words over South China Sea air zone," *Washington Times*, February 12, 2014, at <http://www.washingtontimes.com/news/2014/feb/12/inside-the-ring-obama-pushback-against-china-is-pr/#ixzz2vCLvsBcU>; Dan Blumenthal, "Japan and China: Not yet 1914, but time to pay attention," *Foreign Policy*, January 28, 2014.

⁶⁷ The U.S. position is that the areas are currently "administered" by Japan, and as such fall under the auspices of the U.S.-Japan security treaty.

⁶⁸ Quoted in <http://japandailypress.com/u-s-advises-china-to-stop-risky-activities-in-the-east-china-sea-0643744/>

seek to drive a wedge between the United States and Japan as it attempts to “change the facts on the ground” in the East China Sea.

As they react to future disputes, and manage alliance relations, the United States and its partners should look to the instructive case of NATO in Cold War Berlin. In the late 1950s and early 1960s, the Soviets and their East German allies repeatedly sought to squeeze and restrict NATO access to the autobahns that connected West Germany to the isolated city of West Berlin within the East. The West Germans saw in these actions dire threats to West Berlin and to the West German state. They suggested repeatedly that the issue at hand was one of extraordinary import, which challenged NATO credibility and the value of the NATO alliance.

At one point the Soviets demanded that NATO convoys present documents to be stamped by East German (rather than Soviet) border guards. Bonn decried this as unacceptable political recognition of East Germany (one of its core concerns); many West Germans, supported by some U.S. foreign policy officials, declared that this issue was central to NATO credibility in West German eyes, and that the United States must take a firm stance—to the point of risking what would have been a nuclear war.

After many intra-alliance disputes, over multiple crises prompted by the Soviets, the United States chose to define the issue differently. The John F. Kennedy administration decided, as one official commented, that the United States was “not prepared to risk war over rubber stamps.” President Kennedy declared that the core issues at stake—shared by West Germany and the rest of NATO—were “our presence in Berlin, and our access to Berlin.”⁶⁹ Whether the Soviets wanted to stamp paperwork with red or blue or purple stamps, in triplicate or in duplicate, or if they wanted Soviet, East German, or Hungarian guards to stamp them, was beside the point—and was not worth risking a nuclear war over.

The Kennedy administration thus distinguished between core issues to West Germany and NATO, versus issues that (though cared about by West Germany) were largely symbolic to other NATO members. This created a foundation for a much stronger alliance: one in which members actually believed that their partners would fight if necessary, because the alliance was focused on issues of shared critical concern, rather than on issues of importance to only one side.

Today the United States and its allies need to come to a similar set of understandings in East Asia. To Japan and other U.S. allies, the issue of sovereignty over disputed islands is very important; the challenge facing the United States and its partners is to identify what are the core issues regarding those disputes in which the allies share a strong interest—versus what are the “rubber stamps”: issues that one partner might prefer a stronger stance over, but the other partner views as outside the shared interest.

⁶⁹ Quotes from Daryl G. Press, *Calculating Credibility: How Leaders Assess Military Threats* (Ithaca, NY: Cornell University Press, 2005), p. 104.

Discerning between these issues is the key challenge for U.S. alliance management. For in future disputes, the Japanese (like the West Germans) will pressure Washington for solidarity. They will be joined by voices declaring that the United States must stand with Tokyo or risk a devastating loss of credibility in allies' eyes across the globe; they will be joined by Japan experts explaining how vital the issue is to Tokyo. Sometimes these analysts will be right (when it's core issues at stake); but sometimes the issue will be akin to rubber stamps: over which a hawkish U.S. policy would be too dangerous given the U.S. interest. In Berlin, as the Kennedy administration formulated it, the core issues were "presence and access." Determining what are the core issues in island disputes, that the United States and its allies share an interest in defending, is the key challenge for U.S. alliance management in East Asia.

PANEL II QUESTION AND ANSWER

HEARING CO-CHAIR BROOKES: Thank you very much.

Let's move to questions. Jeff, did you have a question?

HEARING CO-CHAIR FIEDLER: Yes.

HEARING CO-CHAIR BROOKES: Commissioner Fiedler.

HEARING CO-CHAIR FIEDLER: What's the view of how long it would take Japan should it decide to have a nuclear capability? What's the sort of common knowledge on that?

MR. SCHOFF: Well, if I may, sir, I would say Japan is not a few screwdriver turns away from having a nuclear weapon and just to have a device that's actually credible to use or to deliver would probably take about two years.

But certainly it has all the components, and if it needed to go in that direction or felt it needed to go in that direction, it would probably pursue a more sophisticated long-range development program that would take five or ten years to actually develop, using reprocessing capabilities and perfecting delivery vehicles.

But I believe Japan would be the last to go nuclear in the region. It would probably follow South Korea and not go before, but you could see steps--we haven't seen them yet--but you could see steps where they would hedge a little bit more overtly in that direction before they would actually cross that threshold.

HEARING CO-CHAIR FIEDLER: Do you think there's a point at which the Chinese assertiveness vis-a-vis the Japanese, given divergence of interests that are more than just geographic but economic and whatever, would force the Japanese to think more seriously about the value of their alliance with the United States?

DR. LIND: I'm sorry. Can you repeat that?

HEARING CO-CHAIR FIEDLER: What factors would go into the Japanese saying, we can't depend so much on the United States; therefore, we have to really seriously build up our capability to deal with the Chinese?

DR. LIND: I would say that never has Japan needed the United States more than now, and therefore I think there are significant common interests here that--

HEARING CO-CHAIR FIEDLER: I understand that, but there's a question of reliability.

DR. LIND: Uh-huh.

HEARING CO-CHAIR FIEDLER: If I'm Japanese, I would wonder how reliable ultimately the United States is in the divergence of interest question.

DR. LIND: Yeah. This is precisely the alliance management challenge, which is to state our commitment and demonstrate our commitment

to Tokyo so it does not fear U.S. reliability but, on the other hand, to not reassure Tokyo to the extent that it emboldens risky Japanese behavior.

HEARING CO-CHAIR FIEDLER: Can the Japanese make up our naval shortcomings themselves?

DR. LIND: You mean in the absence of a U.S. alliance?

HEARING CO-CHAIR FIEDLER: No. In the context of a U.S. alliance, are the Japanese willing to make up U.S. naval capability shortfalls themselves as part of the alliance?

DR. LIND: I'm not sure what shortfalls you're referring to.

HEARING CO-CHAIR FIEDLER: If we don't have a big enough Navy or a capable enough Navy in the Pacific to deal with the Chinese assertiveness going down the road, are the Japanese prepared to fill that gap?

DR. LIND: Again, just taking a step back and emphasizing the Japanese military dominance in the maritime sphere relative to China and the overwhelming U.S. naval dominance relative to either actor I think is an important context, and if Japan is not willing--if there is some shortfall and Japan is not willing to do this, then one wonders are they indeed worried about their national security?

MR. SCHOFF: If I may add, I do think that any move Japan would make given a loss of confidence in the U.S. alliance would be a graded scale of continuing to utilize the alliance or rely on it, but then find ways to subsidize that or fill in these gaps.

For example, there was some question in Japan about the credibility of the U.S. nuclear umbrella in the context of reliable or replacement warhead debate and whether or not our nuclear infrastructure was disappearing and we were reducing numbers. So the extended deterrence dialogue that we created with Japan was a good mechanism to begin to address some of these concerns, and that was a very modest step.

Now, let's say there's a conflict over the Senkaku Islands, and the U.S. is really coming in and trying to convince Japan not to bother defending them or somehow really letting Japan down in that regard, that would certainly raise alarm bells in Tokyo and would change, let's say, the current debate on developing maybe strike aircraft or cruise missile capability to deal with North Korean mobile missiles and say, maybe we actually need ballistic missiles in this case.

So you would see kind of a graded change. I think right now, and the history shows, it's been a very modest response by Japan because of the confidence in the alliance, but you would see a marginal increase in spending and in sophisticated weapon systems as that confidence erodes.

HEARING CO-CHAIR FIEDLER: Thank you.

HEARING CO-CHAIR BROOKES: Commissioner Shea.

CHAIRMAN SHEA: Thank you, both, for being here and thank you for your testimony. Appreciate it.

Dr. Lind, you make a very strong case that South Korea and Japan have a very thriving economic relationship and the U.S. should have lesser expectations vis-a-vis South Korea than Japan.

One thing that's always sort of perplexed me about that is, and you relegate this issue to a footnote, you say the two countries, i.e., China and South Korea, share key potential areas of dispute, including perceived Chinese coddling of North Korea.

You know, as an outsider, you would think that the fact that China is North Korea's only ally, treaty ally--they support and give sustenance to the North Korean regime--the North Korean regime, in turn, poses an existential military threat towards South Korea, it does not complain about the 200,000 or so individuals in the gulags in North Korea, you would think that would weigh more heavily, as an outsider, on the South Korean psyche.

And I was wondering if you could help me explain why it apparently doesn't?

DR. LIND: These issues certainly do weigh on South Korea, and you're right, in my testimony, I was emphasizing Seoul's strategy of hedging and the good relations it's pursuing with Beijing, but I do want to emphasize there's a potential for trouble there as well, as in any relationship, and I noted that the areas for trouble with respect to China and South Korean relations are certainly China's relationship with North Korea, which during the sinking of the Cheonan was just galling and mortifying to South Korea, that the Chinese would be supporting a country that just did this to them.

The other issue is there is kind of the early stirrings of one, and that some Chinese, not Chinese officials, but there's been talk in China of a kind of ancient Kingdom of Kouguryo within Korea that was part of China, so that has the potential to divide these countries as well.

CHAIRMAN SHEA: I read that. That report came out two or three years ago, and it was some obscure Chinese think--maybe not an obscure--but a Chinese think tank, and one would normally just sort of say it's just a think tank making these territorial claims. But you wonder whether it's a predicate for the absorption of that territory in a post-Kim collapse scenario that you blame some sort of intellectual or historical predicate for doing that.

Am I farfetched in thinking?

DR. LIND: That's precisely what the South Koreans were thinking, and I think from the U.S. standpoint, the most interesting thing about this is, as you noted, it's not necessarily high level policy or anything, but the most interesting thing is the vehemence of the South Korean reaction to this, and so that was very interesting from the U.S. perspective.

CHAIRMAN SHEA: Yes, Mr. Schoff.

MR. SCHOFF: If I may add to that, sir, when I was at the

Pentagon, one of my primary responsibilities was the Defense Trilateral Talks in the U.S.-Japan-South Korea security cooperation from 2010 to 2012, which was kind of the heyday of trilateral cooperation.

Little by little, we were able to interest South Korea into Nimble Titen observing the Nimble Titen missile defense exercise and then actually becoming a participant, and then we began to actually include missile defense as an agenda item within the Trilateral discussion.

We eventually had missile defense related exercises off the coast of Hawaii, et cetera, and I think the defense community in Korea understands and values the role that Japan plays in their own defense and the U.S. bases there, and they also see the benefit of tapping into some of the ISR and reconnaissance capabilities and tracking capabilities that are in Japan.

So they would like to, I think even now, still continue to promote greater defense cooperation with Japan and the United States, but it has to be done within the political context, which I see as oscillating up and down. Certainly I agree with Professor Lind, but I guess I could see it swinging, you know, we're one North Korean crisis away from possibly having Japan as a closer friend perhaps.

CHAIRMAN SHEA: Okay. Thank you.

HEARING CO-CHAIR BROOKES: I have a question. Can you tell us what U.S. obligations and commitments are under the 1960 U.S.-Japan Mutual Defense Treaty, especially as it applies to the East China Sea situation, because it's. It's important to put it in that context when we talk about these sort of things?. So if you could both give me your thoughts on that for the record, I'd appreciate it.

DR. LIND: My understanding is that this is something we've clarified in recent years, and that we've said we don't take a position on the sovereignty of those islands, but the treaty does apply to areas, quote, "administered by Japan." And we hold, and others agree, that these islands are currently administered by Japan.

And so this is something that former Secretary of State Clinton clarified and Secretary Kerry later clarified as well, that the U.S. security treaty does indeed apply to any attacks against Japan in the East China Sea.

MR. SCHOFF: I agree. I would just add that the actual language of the treaty itself is somewhat vague in terms of precisely what we're obligated to do. It talks both in the context of attacks on Japan or areas administered by Japan as triggering a consultation and a collaboration to deal with that.

Now, over the decades, it has been clear that that means the United States would work with Japan to come to the defense of Japan in the context of an attack. And then also to consult in situations in the surrounding areas in the Far East that could have a security impact so there's these two situations, a regional security dynamic which would force a

consultation and a collaboration, and then an actual attack on Japan.

I think it's important to note that in a Senkaku issue or any issue where Japan itself is attacked, the basic assumption and the direct negotiation between our two countries has been to say that Japan is in the lead for its own defense and we are supplementing that.

Obviously, the original idea of the Soviet Union coming in with a massive attack, the U.S. supplement was a very hard-edged, forward-leaning; we were the spear and Japan was the shield providing the defensive role on the home islands.

But in the Senkaku issue, in this gray zone issue, I think as we're discussing now in the Defense Guidelines, Japan would really be on the front line and the U.S. would be playing a supporting role.

Exactly what that is we have to see, and we faced this with South Korea in the context of Yeonpyeong attacks that North Korea took in 2010, which forced the development or prompted the development of a counter-provocation plan between the United States and South Korea to kind of sort out how we would deal with low-level provocations where our ally is in the front but we are on the hook in case the conflict escalates much higher.

So we want to be support, but we don't want to feed into a higher escalation conflict, and so it may be that the United States and Japan will want to enter in some kind of counter-provocation discussion.

HEARING CO-CHAIR BROOKES: Is there anything in the treaty or any of the guidelines that talk about a Korean contingency? I thought the treaty only applied to the defense of Japan. Am I out of date?

MR. SCHOFF: No, well, the treaty also has a clause to talk about consultation and collaboration or cooperation in the context of security. I forget the exact language, but activities in the Far East, things that would happen in the region, and this was originally considered to be thought in the context of Korea and then also Taiwan when it was written.

But it doesn't obligate anybody necessarily, and Japan also by law has interpreted that it cannot directly come to our aid or come to the aid of another country unless it is attacked.

HEARING CO-CHAIR BROOKES: Under Article 9. So there is no automatic military trigger on the part of the United States. It has to go through our constitutional processes before anything would happen--is that correct? Because we often talk about if there were an attack on the islands, if we consider this to be under Japanese administration or fall under the treaty, that the United States would be obligated to respond militarily, but I believe the treaty talks about constitutional processes; right?

MR. SCHOFF: I believe you're correct, but I also--

HEARING CO-CHAIR BROOKES: Well, it's pretty important. I'm not putting you on the hook, but we should make sure we understand that.

MR. SCHOFF: Yeah.

DR. LIND: I think there's a distinction between legally obligated and people talk about the U.S. political obligation and the perception that the U.S. would be very much--

HEARING CO-CHAIR BROOKES: Yeah, a difference between a perception and the treaty is important for us to know.

DR. LIND: Oh, to that obligation.

MR. SCHOFF: Although the Pacific, the commander of the PACOM has some discretion in the immediate term to either come to aid or come to defense of--

HEARING CO-CHAIR BROOKES: Under what which authorization is that? Okay. We can look into that further.

Thank you.

Okay. Commissioner Slane.

COMMISSIONER SLANE: Thank you, both, for taking the time to come.

I'm trying to understand the mind-set of China taking on Japan, a country whose technology they vitally need, and they're so focused on their economy, yet they seem to want to jeopardize this economic relationship. Do you have any light that you can shed on this for me?

DR. LIND: For many years under Deng Xiaoping's leadership, people have emphasized, and the previous panel has emphasized, that China focused on the economy and kept its head down-- "hide and bide" as the strategy is known as--bided its time and tried to be very pragmatic in its policy dealings with other countries.

And that was wildly successful for China, and people are emphasizing now in the Chinese strategic debate, people are--many people in China are calling for a continuation of this approach, to work amicably with China's neighbors, to avoid confrontation. So there's very much within China many voices calling for a continuation of this approach.

At the same time, as China grows more powerful, there are voices in China calling for greater assertion of Chinese preferences and greater Chinese influence, and many people in the international relations realm talk about how this is-- some say inevitable, some say more likely-- as countries gain in their military power.

And so this is precisely the big strategic debate in China right now, and we don't know how it's going to resolve itself. We certainly hope that they will continue a strategy of regional amity and cooperation and economic development rather than confrontation, but that's something we'll have to see in the future.

MR. SCHOFF: And just to add quickly, I've had an ongoing debate with some of my Chinese studies colleagues at Carnegie and elsewhere trying to understand the difference between what I would consider and many consider in Japan to be "salami slicing" tactics by China to increase pressure

and actually achieve certain gains in the maritime area versus what some of my friends would consider are Chinese forms of deterrence, and that, in other words, this is not, this is not an inevitable progression necessarily to eventually capture this territory and then have this jurisdiction over this land, that China kind of interprets deterrence in a more aggressive way than perhaps we do.

It's still not clear to me exactly where that fits, but it suggests to me that it's possible that, you know, I think China, what it's doing around the Senkaku Islands, for example, it sees as containable or manageable, that the risks and the costs are not necessarily that high, and that somehow it feels confident that it can control and manage that situation.

I feel like it's quite dangerous and frankly doesn't have any basis in international law, but it may not be perceived that way in Beijing.

COMMISSIONER SLANE: But if you're a Japanese business owner, doesn't it give you pause, where if you're especially in the high tech world, to invest in China in this environment?

MR. SCHOFF: There are some signs that Japanese companies are trying to diversify a little bit beyond China, but the Chinese market is also so valuable now, not only as an export platform but really selling into China and the local provinces farther into China where all these new big huge cities and rising per capita GDPs, per capita incomes have been rising, they are actively attracting Japanese investment all the while Beijing is rattling its kind of patriotic and anti-Japanese sentiment.

So on the one hand, they're hearing what's going on in Beijing, but they're also being very welcomed and supported in the provinces by provincial governments from what I understand.

DR. LIND: If I may, people have been describing this as "hot economics" and "cold politics" where we see very tense political relations and at the same time very productive economic relations.

I was recently giving a talk on U.S.-China competition regarding energy, and someone in the back of the room said: "I just don't understand all this, I'm going to Beijing next week to help advise them on their Strategic Petroleum Reserve!" and we were laughing at how simultaneously on different levels, you see so much cooperation but also, you know, growing competition.

So I think the Japanese are just very much part of this, and, again, it's because the market is so important to them. There have been times when we've wondered if this is--like along with you--is this safe for them? In fall 2012, with the anti-Japanese riots in Beijing and elsewhere in China during this crisis over the Senkaku, Japan's nationalization of those islands, Japanese businesses were fire-bombed and Japanese people were being advised by their government to stay in their homes if they were in Beijing, living in this climate of threat and danger.

You know, that's something that again we see flare-ups such as

that, and it's not the norm by any means, and it subsides. But that's the question: is that kind of thing going to increase or is that going to be an aberration? Because if it is going to increase, then I'm sure that Japanese businesses will start to really think about the extent to which they can be economically engaged in a country that's increasingly adversarial toward them.

HEARING CO-CHAIR BROOKES: Commissioner Cleveland.

COMMISSIONER CLEVELAND: I'm interested in the fact that as we characterize China as being more assertive in Southeast Asia relative to Japan and Southeast Asian allies, they seem to be less assertive when it comes to North Korea, particularly after Jang Sung-taek's removal and removal of the colleagues that seemed closest to Beijing.

So I'm interested in what do you see as the conversation that's going on between Seoul and Beijing about the turn of events which may not necessarily bode well for China? What's the conversation going on between Seoul and Beijing? And what do you see as their mutual short, medium, and long-term interests when it comes to North Korea?

DR. LIND: The overriding interests in terms of China's interests and North Korea is stability, and that has been the driving force behind Chinese policy. Every time North Korea engages in one of these violent acts like the sinking of the Cheonan or Yeonpyeong Island or nuclear-related technology transfer--any time it does one of these vexing North Korean behaviors--the United States tries to put pressure on China, which has the most economic leverage over North Korea because North Korea is essentially their dependent.

So we try and put pressure on China: can't you do something about this, can't you rein in this country? And the media agonizingly analyzed Chinese statements--which verb did they use to condemn North Korea's behavior--and that's kind of what it delves into. But the bottom line is that Beijing doesn't crack down, doesn't put pressure, and the reason is because of this driving interest in stability; that this is a country that's already quite economically weak, that politically is (we don't know how) precarious, and that the Chinese are deeply worried about regime collapse in North Korea, which would lead to opening up a Pandora's box of such dangerous instability that the Chinese and the Americans, for the most part, as well, would really prefer to avoid this, such as refugee flows flowing across the Chinese border, a loose nukes problem on the Korean peninsula, the eventual unification of Korea under an ROK government that would probably be U.S. aligned and therefore a pro-U.S. country on the Chinese border.

Again, we could go on and on. And so this is something that the Chinese do not want to have happen.

COMMISSIONER CLEVELAND: That is not answering the

question about the Seoul-Beijing dialogue.

DR. LIND: The Seoul-Beijing dialogue? I'm sorry. I missed that part of the question.

MR. SCHOFF: Well, I'll address that, and then, and perhaps Jennifer will come in as well. I think in the short-term right now there is an effort between Seoul and Beijing to try to get some traction and put some substance behind North Korea's illusive charm offensive that emerges and then disappears and emerges and disappears.

And they see it in both of their interests to calm that situation and see if they can generate some substance to it that would be consistent with the "trust politik" policy of President Park, and it would be a way to improve the atmosphere from Beijing's perspective to possibly help restart the Six Party Talks, et cetera, which they both want.

So in the short term, I think there's some convergence there that they can talk about and whether Mount Kumgang or the Kaesong Industrial Complex and the reunions, et cetera, all plays into that. For China to improve the situation for Six Party Talks, it needs North-South reconciliation, and it probably is trying to encourage Beijing, Pyongyang to follow along.

I think longer term, there's actually an interesting convergence of interests as well. China has always been pushing this idea that North Korea ought to follow its own model and have a one-party, more open market economy develop, and if they just develop like that, then they'll be able to take care of their people and strengthen their country.

I think Seoul actually sees that as, sure, if they want to modernize and become more like China, that would be great economically, but also politically eventually that means we win because the more open it gets, unlike in the China situation, there was no South China that they were going to look at and see all the lives that they had.

So I think, in a way, even the long-term goal, for different reasons Seoul and Beijing might think they're heading in the same direction.

COMMISSIONER CLEVELAND: I agree.

HEARING CO-CHAIR BROOKES: Thank you.

Commissioner Tobin.

COMMISSIONER TOBIN: Great. Thank you, both, for joining us today.

I have quite different questions for each of you so let me start with Mr. Schoff. In your recommendations at the end, there were a couple that I'd like you to embellish to give us more detail on.

In particular, you note--and I want to draw from your experience in the Department of Defense--"Sustain sufficient U.S. defense spending to reassure allies and engender support for a U.S. initiative to network alliances and partnerships in the region to strengthen the regional security

architecture."

Can you be--since we think over the course of our year and build from prior years what recommendations we want to make, can you give us your opinion on whether we're sufficient now and perhaps even comment on the FY15 budget that was submitted by the White House last week as it relates to this part of the world?

MR. SCHOFF: Right. Yes, "sufficient" is a good term when you don't have a specific figure in mind. But clearly there is some concern in Tokyo that the sequester and continued deep cuts in U.S. defense spending would have a very tangible impact on our ability to do what we want to do and what we've been doing in Asia.

I think the rebalance to Asia has protected our assets out there to some extent so that we've seen a relatively minor change in terms of what's on the ground and in many ways we're actually expanding capability.

But, you know, when I was in the Pentagon and we released the Strategic Guidance in the beginning of 2012, that was really a strategy to deal with what were already going to be considered to be significant cuts and a way to preserve and have a strategy to protect what was most important longer-term in U.S. interests, which was a defense presence in Asia.

The current budget I think makes the best of a tough situation in that regard. Losing certain platforms, like the A-10 or some other platforms like that, don't bother Japan that much. But much smaller F-35 buys and increasing unit costs on that front and not being able to sustain the nuclear infrastructure longer term, a long-range bomber down the line, or pulling other big systems out of the pipeline or delaying them will have a noticeable impact - and the talk about possibly not refueling the George Washington.

If you go down much lower, reducing the number of carrier strike groups would have a huge symbolic impact even though we would continue to reassure that we have this capability.

But, so I think we are at a manageable level now, not ideal, but manageable, and I would hate to see it continue to drop further at the rate that we're going in light of the increased spending we see in Asia.

That said, I also don't necessarily want to just rush and spend American taxpayer money to reassure all of our allies when Japan is only spending one percent of GDP and Korea is making incremental investments but not necessarily going full force into funding the updates needed for OPCON transition, et cetera.

So there has been this odd dichotomy of the sense everybody is raising alarm bells about the security in Asia, but many of the countries in Asia who are quite wealthy are not necessarily spending wildly themselves. That's good to some extent to keep a lid on this security dilemma that you can get into if everybody starts boosting dead-end military spending.

But I'd like to strike a balance where I don't necessarily want to

compensate for lower investments by allies.

COMMISSIONER TOBIN: Thank you.

Although the numbers are not necessarily apples to apples you have to look at-- and I'm certain you have--but how new their armaments or ships are and where ours are too, relatively. Age is really what I'm talking about too. But thank you very much.

Dr. Lind, I believe one of our staff members said that you've done some work outside of the Asia-Pacific on post-war apologies by various countries. Can you comment on it? The South Korea situation--and I've lived in Japan-- there have been times when that situation--it's always an undercurrent, but it's been so highly fueled.

What have you learned from your other work? Because I really think that democracy and Japanese democracy, we've got to move South Korea to be pretty clear what they need to do vis-a-vis Japan.

DR. LIND: Thank you.

My work was on Japan-Korea relations as well as looking at Franco-German relations; I also teach classes on how other countries all over the world have handled this, so I've thought about it a lot.

I think it's important to reframe the conversation about East Asia's, quote, "history problem." Generally that conversation is framed as Japan is bad; if Japan were to improve its behavior, things would get better.

And certainly Japan is not making things easier for itself or for the United States. I think its handling of history issues is just absolutely lamentable and often deeply offensive. When you hear comments by very high-ranking Japanese leaders about, "oh, that never happened" or "everybody acts that way"--when the thing to do is to admit your country did it to emphasize that isn't us anymore and to repudiate that and move on.

They're not doing that, and the fact that the Chinese and the South Koreans want to have the conversation be about their behavior 70 years ago and are making that conversation about human rights violations 70 years ago instead of Chinese and North Korean human violations today, the Japanese have not handled that well.

Basically, I think that we need to reframe, as I say, this conversation because history issues are a problem when countries make them into a problem. What we see is that in the Franco-German case, for example, in the case of U.S.-Japan reconciliation, for example, we see countries that perceived a very important strategic need to reconcile, and they said, all right, let's figure out how we're going to talk about the past because we need to get along. This is important.

So we did. And rule number one in that is to acknowledge the bad things you did to each other. What we're seeing in Asia today, I would argue, is that countries haven't reached that realization-- or I don't want to call it a realization because maybe it's completely justified on their part. As I

talked about, South Korea is in a very difficult strategic position.

So the South Koreans and the Japanese for many reasons have grounds to stay apart. The Japanese don't want to get drawn into a North Korea-South Korean mess. The South Koreans don't want to get drawn into what the Chinese perceive as a balancing coalition. So they have grounds to stay apart, and we see that their history, their kind of drudging up of history and their treatment of history is rather uncooperative as a result.

So, again, this is not inevitable history rearing its ugly head and preventing countries from getting along. This is leaders, because they're not interested in reconciling, making history a problem.

COMMISSIONER TOBIN: Thank you.

MR. SCHOFF: I'm sorry, Commissioner Tobin. I neglected to answer a part of your question about the security architecture piece, and I just wanted to address that because the "sufficiently funding to be able to contribute to a networked set of alliances and partnerships" I think is critically important.

When we have a proliferation security initiative exercise in the region, for example, or the counter-piracy operation, it's the United States and then a couple of key allies that bring the assets to the table and help operationalize this kind of cooperation. And as we've seen with the ADMM-Plus creation and the set-up of different expert working groups on certain security-related issues in the region that are drawing in ASEAN and that China and other countries can play in, I think it's critical for us to be a strong part of that, a key part of that.

And PACOM's exercise agenda and USFJ and USFK, as well, what they participate in in the region, we're still in the formative years of this coming together, which long-term is hopefully going to develop into something where it creates more stability and defuses conflict. But we're certainly not there yet. So that kind of sustained commitment is part of what I was talking about.

COMMISSIONER TOBIN: Thank you.

HEARING CO-CHAIR BROOKES: Commissioner Goodwin.

COMMISSIONER GOODWIN: Thank you.

Just to follow up, given the history and the historical tension that Dr. Lind just spoke about, I would like to get your thoughts on how South Korea might react if, as you suggest, we did support Japanese efforts to reinterpret their right of collective self-defense and make other moves to normalize their military or self-defense force?

MR. SCHOFF: There is no doubt Japan is making it harder or the Abe cabinet is making it harder to do that as easily as we'd like to. There has been an initiative, as I understand, where Japanese officials at a variety of levels and U.S. officials, as well, have been visiting Seoul and talking to counterparts there about what this collective self-defense interpretation

means and why the United States is supportive of it. Because it is assuming the same rights that any other country has because Japan has demonstrated in this past six decades that it's certainly responsible in that way, that it has the ability to contribute both in multilateral security cooperation activities, but even more importantly assisting in the defense of South Korea in the context of potential conflict on North Korea.

And I think South Korea has concerns about, well, does this mean Japanese troops are going to be landing in North Korea or will they be able to attack without clearing it with us or this and that, and there have been a lot of misunderstandings and misperceptions about what I think would eventually be a relatively modest reinterpretation and adjustment because it still has to fit within the constitution in Japan, and there is political opposition in Japan as well that will moderate how extensive this is.

So I think on the South Korea side, it's manageable on the collective self-defense issue through explanation and transparency in this process. I think China will continue to complain about it, and then we will have to see if the strike debate really develops--Japan really begins to say we want to develop an independent capability to hit North Korean missile sites if necessary, if we've been attacked repeatedly, et cetera.

That's going to be another threshold of conversation because right now South Korea's answer is don't worry about that. If they attack you, we'll take care of it for you. Essentially you don't have the right to attack Korea without asking us. So that's a whole another threshold, but the collective self-defense piece, I think, is manageable through conversation.

COMMISSIONER GOODWIN: Dr. Lind, I'd actually like to switch gears with you and talk a little bit about the passage at the end of your written testimony, which I thought was fascinating, where you draw parallels from NATO's experience in Cold War Berlin and perhaps suggest that we could learn some lessons that could be applied with regard to the territorial disputes in Asia-Pacific, talking specifically about the example of convoys traveling from West Germany into Berlin and the dispute was who's going to stamp the passports, the East Germans or the Soviets? And President Kennedy remarked he didn't want somebody dying over rubber stamps. The point being how do we distinguish between those issues that are important and, in that instance, particularly important to the West Germans, but not necessarily core issues shared by all the allies?

You then conclude your written testimony by saying that's the challenge here, is determining what are those core issues, but I don't want to let you off the hook. What do you think those core issues are? And how can they be distinguished?

I wouldn't think that disputes over territorial sovereignty could be equated to rubber-stamp disputes, but I understand it still doesn't necessarily mean they rise to the level of being a core interest for the United States. So

how do you distinguish and what do you think those core interests may prove to be?

DR. LIND: Well, I'm (in the abstract) glad you didn't leave me off the hook for this. But now I'm trying to think, okay, how would I answer this question? I think the most important thing I did was to identify a parallel between events that we might not have thought of, and as I was thinking about it--again, I certainly don't want to say that the Senkaku Islands are Berlin. They are not. In the Cold War, Berlin was an absolute core U.S. interest.

It was the U.S. government over a sequence of crises facing the Soviets that basically pinpointed, okay, what is it that we see as the core issue here: summarizing as our presence in Berlin and our access to Berlin as guaranteed by the post-War treaties. And so the rest of the stuff that Khrushchev was trying to raise, basically we said, okay, we understand that our ally, West Germany, cares deeply about these issues, and we respect that, but we're not going to start a nuclear war over rubber stamps.

So, again, the question is what are the rubber stamps in the Senkakus? This is something that the United States needs to figure out. This is something that it needs to talk to the Japanese about in the way that we did with West Germany that, of course, was very disappointed and, indeed, felt betrayed by the United States.

And if we do this with Japan, you will see the media jumping all over whoever is responsible for this policy and being told that we're selling out our ally, and you will see Japan experts explaining, no, you don't understand how much this means to the Japanese. So all of that will happen just like it happened with the U.S. policy in Berlin.

So we would have to say, for example, if the Chinese are blocking Japanese vessels from operating in those zones, this is something that we could not tolerate because the Japanese, as the country administering this area, has a right to operate within its waters. So it would be something like that, as opposed to the Air Defense Identification Zone, for example--okay--you want us to file flight plans, whatever, right.

So the Chinese are going to keep pushing, and they're going to keep finding new ways to create distance between the U.S. and Tokyo, exactly as Khrushchev tried to create distance between the United States and West Germany. And in a great deal of policy wisdom, the U.S. figured out how to handle this over Berlin without having a nuclear war over it. So that's going to be our next challenge with the Chinese here.

MR. SCHOFF: Could I just add briefly? One potential rubber stamp might be UAVs. When China flew a UAV in and around the Senkaku Islands, there was some loose talk in Tokyo about, well, maybe we ought to think about shooting it down if they do that again, and there was discussion about what the rules of engagement would be vis-a-vis UAVs in and around

the Senkaku Islands.

I think ultimately they decided they would treat them as manned aircraft, and the rules of engagement for manned aircraft are they can fire but only if they have permission from the cabinet essentially or if their life is in danger or if lives and property of Japanese are in danger.

And I think the U.S. is trying to potentially convince Japan that it's okay to have two different sets of rules of engagement, one for main islands of Japan and Ryukyu chain and where people and property are, and it's okay to have a slightly separate set of rules of engagement for the Senkaku Islands which have no people and no property or anything.

How do you do that and convince them that it's okay to have maybe a little looser set of rules of engagement around the Senkaku Islands without undermining confidence and sounding like you're trying to talk them down or force them to compromise, et cetera? So that's the nuance there.

But I think it is reasonable to say let's not start a shooting war just because a UAV is hovering around the Senkaku Islands, but--

DR. LIND: Can I add really quickly? I think ultimately our ability to do this is something that would greatly strengthen this alliance and that right now we see all these doubts about the U.S. commitment, but if we reassure the Japanese, this is something we are completely with you, we would find unacceptable this range of behavior, we are completely with you, and we would never allow any country to violate that, I think that would lead to--even though I'm sure the Japanese would be disappointed, and they would like to see even more commitment, but I think that would reassure them of the shared core interest there and of the U.S. credibility.

HEARING CO-CHAIR BROOKES: Thank you.

And that was one of my points about the treaty. I mean it is the source document for the relationship on the defense level, and it's important we stay familiar with what that it says, but pursuant to what you were talking about is the Defense Guidelines, the first time they're going to be reviewed since 1997.

I don't know if that's started or will start soon. Some of the press reporting is speaking about desire on the part of the Japanese to include scenarios, and the press reporting also says there's a reluctance on the part of the United States to commit to those.

So what, what are your thoughts about the Defense Guidelines? What are your thoughts about the prospects? I mean there's also reporting that the United States is trying to push on Article 9 on regarding collective self-defense. So I'd be interested in your thoughts, if you have any, on the either ongoing or upcoming Defense Guideline talks between the United States and Japan on these issues, especially as it might apply to a contingency in the East China Sea.

MR. SCHOFF: Thank you, Mr. Chairman.

I actually have a whole separate little policy paper on this topic specifically which I'd be happy to send to you. My understanding is the process has started, and they will begin using scenarios to look at as a way to inform their discussion and develop these Defense Guidelines, similar to what they did in '97.

The press reporting seems a little bit off from what I understand. Yes, I mean we have this perception gap or this gap a little bit. The United States would like to--in some ways, the near-term operational challenge from a security point of view is really North Korea from a U.S. perspective. Japan is obviously much more occupied with these gray zone conflicts and potential conflict over Senkaku Islands, but, again, from the U.S. perspective, that's a Japanese responsibility. We're there to help support.

We're more a little bit preoccupied--all of our forces do more of their focus on North Korea. So, you know, we give a little to get a little, and we have to address all of these issues, and I think the U.S. is certainly willing and is including Senkaku/Southwest Islands as part of this process. We just don't want to make the whole revision process about this, and we want to keep it in a more general context as opposed to making it a propaganda exercise so that Tokyo can say to Beijing, oh, look, we've got the U.S. by our side. We're trying to keep this professional and focused on the operational needs.

So I think it's a great opportunity, and I've talked about this front office/back office concept in the Defense Guideline process where the U.S.--it used to be forward area/rear area, and Japan would do things over here that were within its legal rights, and we would take care of the fight and other things over here. But Japan was not able to supply us with ammunition. They were not able to provide ISR intelligence capability that would connect at all to U.S. combat operations, et cetera, based on their legal restrictions.

The collective self-defense piece might help alleviate some of that. If North Korea can be included in a scenario that where Japan can say because of nuclear-tipped missiles in North Korea, because we could be struck at any time, the situation is now different than where it has even been, and our own national security and self-defense is deeply entwined with any kind of collective effort vis-a-vis North Korea. If the Abe cabinet can make that argument and say collective self-defense is now permissible in a North Korean scenario, then Japan can play a much more direct interconnected role with the United States in support of a collective operation, probably still primarily in defense roles.

So what I've described is more of an integrated front office/back office network where Japan provides ISR support and some logistical support and research and development and other kinds of things, but we're still primarily taking care of the front office. Japan is still primarily taking care of the back, but there is more of a connection between the two going forward.

Now, in a Senkaku situation, you almost flip that and Japan becomes front office, and we become back office, and there's deeper integration in how we cooperate and collaborate and share information. And China would know that we're there and we're connected, but, again, Japan needs to know that when it makes decisions vis-a-vis the Senkakus, it is first and foremost going to be the one dealing with the consequences of that.

I think it's important that the United States be a partner in that process of trying to figure out how to make those decisions and then to be connected to provide our support.

HEARING CO-CHAIR BROOKES: Dr. Lind, do you have anything to add to that?

DR. LIND: Yeah, I'd like to come back to a theme we talked about earlier. There are really interesting changes afoot in Japanese national security policy, and Mr. Schoff has talked about how this has been a very gradual thing.

It really is a remarkable thing for people who are observing, who have been observing Japan for decades to see the expansion in the roles and the institutional changes in Japan that have been going on. So there is something important going on here, and it's gradual, and it's something that the U.S. should welcome as we would like to see a wealthy free friend of America engaging more proactively in regional security. So this is, I think, good news.

We have to also understand, though, that as Japan is debating this new interpretation of its policies on collective security, as it's talking about the Defense Guidelines, as it's perhaps someday having a conversation about constitutional revision as opposed to constitutional interpretation changes, there are really serious regional sensitivities here, and that's an important context to understand.

With respect to South Korea specifically, I did a lot of work looking at how South Koreans have reacted over time to changes in Japanese defense, and in the 1970s when Japan really started taking on a much more assertive role--this is something that was prompted by actually the U.S. stepping back--at that time, the South Koreans welcomed this because they were worried about the increased Soviet threat in the region and they were observing that the U.S. was not meeting that threat to the level they would like.

And the South Koreans, when they saw Japan playing a larger role, they welcomed this. And today, I've been emphasizing the kind of distance in relations between South Korea and Japan. But I want to underscore what Mr. Schoff was saying earlier about how that really might be something that is--what did you say--oscillating--good word--where the current government in South Korea we know has political reasons why it might need to not be super-friendly to the Japanese--and we can go into that.

And so that might be something that a North Korea crisis or a change in government would rapidly change.

I certainly don't want to say, oh, these countries are forever at odds--that that's not the case, and also that there really are a number of people, mostly I would say within the bureaucracy in South Korea, that are interested in working with Japan and that see Japan as a partner, and that the sort of folks who go to the Trilateral Dialogues that Mr. Schoff was talking about, they're completely okay with seeing Japan as a partner. That they are, however, facing a South Korean public and South Korean politicians that are less comfortable and they're more sort of worried about historical issues.

HEARING CO-CHAIR BROOKES: Thank you.

Round two. Commissioner Shea. Let's--

CHAIRMAN SHEA: Jim.

HEARING CO-CHAIR BROOKES: Jim didn't have--
Commissioner Talent didn't have a first one. So we'll go--

COMMISSIONER TALENT: I'll try and be brief. Dr. Lind, I want to follow up on Commissioner Fiedler's question. I think at the beginning of the questioning, I think I heard you refer--and I may be wrong--to the overwhelming military power of the United States. Did I, I mean did I hear that correctly?

DR. LIND: Yes.

COMMISSIONER TALENT: Well, I mean do you think the balance of power is shifting at all in the Western Pacific?

DR. LIND: Well, sure. I mean the recent changes in Chinese maritime power are certainly important to take note of, but again they started from such a low baseline. They were a very weak military that was primarily oriented toward ground forces, and so the fact that they're building up their maritime power is certainly notable, but we should note the military balance that we still see, which is highly skewed in the favor of Japan and then certainly highly skewed toward the world's predominant naval power.

COMMISSIONER TALENT: Well, by 2020, I mean the Chinese are going to have upwards of 340 ships, modern, multi-mission, which will be substantially bigger than the United States Navy.

I mean I could go down the list of the capabilities that they're going to possess by then, and their actions are consistent with a perception on their part that they're growing stronger vis-a-vis the United States. You obviously have a different view, but I mean I--let me shift to Mr. Schoff.

Three years ago, and I don't know if you still were at the department in 2011; were you?

MR. SCHOFF: I was.

COMMISSIONER TALENT: Yeah. Well, then, you'll remember Secretary Gates submitted budgets calling for modest increases in the top line through the rest of 2020. And since then with the BCA and the sequester, the

baseline has been reduced by about \$100 billion off what Secretary Gates thought necessary.

So I guess what I'm asking you is because most of that has got to come out of force structure or the modernization accounts--so how are we going to be able to do all the things you talked about and develop a new bomber, buy out the F-35, develop this new frigate, which Secretary Hagel wants to, which I agree it's a good idea, I mean meet these basic needs with accounts that are almost \$100 billion a year lower than what Secretary Gates thought we would need?

MR. SCHOFF: That's a very good question, sir. I don't know exactly on the bomber side, for example, you know, recapitalizing the nuclear triad is a whole another side of things that I haven't done the math on.

COMMISSIONER TALENT: Even for conventional purposes.

MR. SCHOFF: Yeah.

COMMISSIONER TALENT: You know, just to increase our long-range precision strike for conventional purposes would be the reason, one of the reasons we need the bomber.

MR. SCHOFF: Yeah. I mean I think, obviously some things have changed in the basic assumptions or the parameters that were given to Secretary Gates at the time envisioned maintaining a capability I think to carry out ground, to deal with ground insurgencies and long-term stability operations, et cetera, which we've now said we're going to let that go.

So that, in a sense, frees up the planners to say, okay, now we can move some of this money around and reduce the numbers of forces, and he made a hard decision on the F-22, and there are some other tough decisions now being proposed.

COMMISSIONER TALENT: He made that before the 2011 Budget.

MR. SCHOFF: Right.

COMMISSIONER TALENT: I'm not going to ask you to explain--

MR. SCHOFF: So, yeah.

COMMISSIONER TALENT: --what the department can't, I mean because there is no way they can pour ten pounds of potatoes in a five-pound sack.

The reason I asked it was how do you think this is affecting Chinese perceptions? Because we have implemented a defense baseline that Secretary Panetta said at the time would be devastating. I mean you know-- Chairman Dempsey said it, and we've done it, and we can't seem to come off of that baseline. And they're looking at their power going up. It's an unprecedented military buildup they're engaged in.

And us doing something to ourselves that we call devastating-- doesn't this have to be affecting their calculus about what we're going to be willing to do or not do in the Western Pacific?

MR. SCHOFF: I mean I certainly think it will affect their calculus. I am still confident in U.S. and allied power beyond the shores of China in the near future. I mean I think China will be able to control or manage or be highly effective within its own territory and to some dozens or hundreds of nautical miles beyond.

Out and about in the open ocean and dealing with sustained operations far away from China I think is still going to be quite a challenge for them in the long term.

COMMISSIONER TALENT: Well, it depends what you mean by "far away." I mean, look, by the end of this decade, they're going to be able to bring to bear in the East or South China Sea three times the number of ships we have, stuffed with anti-ship missiles. They're going to have sophisticated ISR, integrated air defenses, the ability to attack our space architecture in every orbital regime, long-range land-based cruise missiles.

MR. SCHOFF: Right. No, I--

COMMISSIONER TALENT: I mean this is a reality.

MR. SCHOFF: Right. I mean the key, the key challenge is to not get to a point where both of us are throwing our massive inventories and arsenals at each other, but they will increasingly be able to do incredible amounts of damage if they want to.

COMMISSIONER TALENT: Okay. Well, I don't want an arms race either, but I don't want them racing and us not.

MR. SCHOFF: No, I agree, sir, and I think to me this underscores the importance of networking and regional security architecture, which I know gets a lot of lip service, but I do think there is an action/reaction dynamic.

The more aggressive China is, the bigger it gets, it gives us opportunities to work with allies and partners; you call it containment, or you call it balancing, or you call it networking, and China has an opportunity to play and be a part of this, this region. It will have a choice to make, but the scarier they get, the easier it should be for us to assemble like-minded countries with investing in real capabilities that can help dissuade or deter any kind of serious aggression.

HEARING CO-CHAIR BROOKES: Commissioner Shea.

CHAIRMAN SHEA: Well, just to Senator Talent's point, in our report last year we laid it out, on page 215 and 216, the growing Chinese naval capability with ships and Office of Naval Intelligence predicts 310 to 340 ships by 2020, most of them being modern and very capable, and as Senator Talent points out, that will outsize the U.S. Navy, and we have global responsibilities, and they have more regional outlook.

So is anyone in the U.S. government actually looking at this regional architecture to see what the Japanese can do, what the South Koreans can do, etc..., as we face these fiscal pressures on our defense budget? Is

there anyone in the U.S. government that you're aware of who's figuring out who can, how responsibility can be assigned to our allies?

MR. SCHOFF: I believe there is, sir. You know, certainly the policy when I was there in the Asia-Pacific Division of Policy at OSD and working with State was to move in the direction of promoting the development of this architecture.

Now we were not at the stage of saying, okay, you guys handle anti-submarine warfare and you guys handle ISR, this kind of thing, but the idea was to use less controversial, nontraditional security cooperation as a means to build these networks, you know, when--the PSI is a particularly good example because that utilizes real warfighting hardware in a sense. I mean disaster relief exercises help, too, but--and for those it was always the U.S. and Japan and Korea who brought the ships.

Matter of fact, one time our Korean friends said could you convince Australia to bring something because it looks too much like a trilateral thing; we want to make it more multilateral. And so Australia contributed as well.

Singapore down the line may be able to do some things. Some of the capacity building initiatives on maritime patrol and such could help as well.

I think ultimately, this is a goal that we are driving towards, and I think NATO informs it to some extent with its separable but not separate concept where we don't want to develop something that requires everybody to be together to be able to do something.

So there is going to be redundant capabilities and there may be centers of excellence. The key is to be able to plug in when you can, build a coalition of willing participants, and we've done this on the disaster relief side with MPAT, the Multinational Planning Augmentation Team, concept where they develop common standard operating procedures among all different kinds of countries in the disaster relief realm so when they show up in tsunami relief in the Indian Ocean or in the Philippines, et cetera, they all are working from the same book of standard operating procedures.

And we're beginning to do some of that now in the counter-piracy side because the laws allow more countries to participate because that's a police action as opposed to a military action so there is more flexibility there, and China is a part of that although slightly on the outside looking in.

And counter-proliferation is a growing realm there. We may be able to get into other realms where the circle might get smaller the harder the political challenge becomes, and people don't necessarily want to be seen as being antagonistic vis-a-vis China, but I think that's the direction we want to try to go into.

CHAIRMAN SHEA: Thank you very much.

DR. LIND: Can I add? Back to Senator Talent's question. I

think that this is, we certainly have to acknowledge that China's power is increasing and keep an eye, as the Commission is certainly doing, on China's maritime modernization.

At the same time, there's a danger of kind of seeing the 50-foot tall China and not letting ourselves get too carried away with it. So, of course, the question of military hardware versus military effectiveness is a really important one.

Maybe China is buying a whole bunch of new stuff, but is it actually able to use it, and we hope that's never going to be put to the test. China hasn't fought a war since a border skirmish in 1979. It knows the opponent that it would be facing, which has been "training," shall I say, in a variety of theaters for the past 20 years.

There's also issues of Chinese economic vulnerability. Every other day, we hear about the coming collapse of the Chinese economy, and I have no idea if that's going to happen or not, and nobody seems to. China has a demographic time bomb on its hands. It's just got a terrible, terrible situation it's looking at down the line with a serious entitlements problem at home.

So there's all of these things to factor in when we're thinking about how much energy and money can China pour into its military spending.

But I agree that we see this more assertive behavior by China, and we see it at a time when China's power is growing. I would tend to bring us back to the point, though, to think about this as kind of an asymmetric strategy. China's policies in Asia are frequently described as such, pursuing an asymmetric strategy of access denial. When you're facing a more superior opponent, you pursue asymmetric strategies, and so this has been the Chinese policy recently--access denial.

We also see asymmetric political strategies that it's pursuing in terms of when you're facing a superior coalition, it's Strategy 101 to try and break that coalition up, and again so Khrushchev did this with respect to the Berlin access routes, trying to drive this wedge between West Germany and the United States, and China is doing this both with respect to these incursions in the various disputed islands and also with respect to history issues, which have the potential to divide these coalitions.

So, again, the key thing about these asymmetric strategies is to first recognize that they are done in the presence of asymmetry. That is the prevailing situation, but then, of course, the degree to which it remains asymmetric is something we absolutely have to keep our eye on.

COMMISSIONER TALENT: Well, we haven't fought the kind of war we're talking about either in a long time, the wars we've been fighting, counterinsurgencies, are not relevant to this. And the Air Force had to ground a third of its squadrons last year for lack of training. That training thing cuts both ways.

And they're concentrating on becoming battle ready. This has been President Xi's major--there's a tendency on the part of the United States, because it has been dominant for so long, just to assume that that's going to maintain itself and to sort of think, well, they can't train up to our standards now, which are very high. I mean I--I don't know. To me that's sort of projecting on them our feelings.

HEARING CO-CHAIR BROOKES: I also think that the asymmetry argument is getting a bit tattered, and it's become conventional wisdom, which means that we should question it.

You know, if everybody agrees at this table, somebody is wrong. This is just closing remarks, but in the coming years, you're going to see the Chinese military look very much like the American military, which will make us no longer be asymmetric.

The nuclear deterrent, going to sea, the development of submarines, the aircraft carriers, that's not asymmetric; that's totally symmetric. So I think you're going to see them copy the world's best military, and it will look very much like the American military in years to come.

In the past, the David and Goliath scenario I think played a role because they did have a very weak hand, but it's increasingly capable.

So, on that note, I want to thank you for your terrific testimony today--very thoughtful--and for joining us in adding to our deliberations about this very challenging problem.

We're going to adjourn now until 1:15; right? Thank you very much.

[Whereupon, at 12:28 p.m., the hearing recessed, to reconvene at 1:15 p.m., this same day.]

PANEL III INTRODUCTION BY COMMISSIONER JEFFREY FIEDLER

HEARING CO-CHAIR FIEDLER: All right. Our final panel discusses China and evolving security dynamics in Southeast Asia and will also look at implications for the United States.

Joining us again is Mr. Walter Lohman, Director of the Asian Studies Center at the Heritage Foundation. His work includes American policy interests in Southeast Asia, Australia, and New Zealand. Prior to this, he served as Senior Vice President and Executive Director of the U.S.-ASEAN Business Council.

Dr. Ely Ratner serves as Senior Fellow and Deputy Director for the Asia-Pacific Security Program at the Center for New American Security. His career includes serving on the China Desk at the State Department, as well as at RAND and the Senate Foreign Relations Committee.

Thank you, both. I'd like to remind you to keep your remarks within a reasonable time. We generally have a rule for seven minutes, but I know Mr. Lohman will go slightly over that. So we'll give Ely the same courtesy. And since we have somewhat fewer Commissioners here, we can get to maybe two rounds of questions.

Dr. Lohman or Mr. Lohman.

OPENING STATEMENT OF MR. WALTER LOHMAN, DIRECTOR, ASIAN STUDIES CENTER, HERITAGE FOUNDATION

MR. LOHMAN: Thank you. I particularly appreciate the Ph.D. you gave me.

[Laughter.]

MR. LOHMAN: I didn't have to have the dissertation or anything like that.

HEARING CO-CHAIR FIEDLER: I think Peter appreciates that.

MR. LOHMAN: Yeah, I know he does. I know he does. But thank you for having me.

I'm a Southeast Asia guy. That's why I'm here. That's why you all invited me.

HEARING CO-CHAIR FIEDLER: Actually what I was doing, I was trying to get used to calling him Dr. Brookes.

MR. LOHMAN: Yeah, that's going to take a lot of getting used to, I think.

[Laughter.]

MR. LOHMAN: But even though I'm focused on Southeast Asia, I very much think Southeast Asia policies should be about managing China, first and foremost. It's therefore I think very fitting that you would take the time to look at the way the nations in the region--that is in Southeast Asia--see their own strategic interests.

As a whole, as reflected in ASEAN, the nations in the region are

hedging both sides against the middle for the sake of their own autonomy, in short.

Even a nation as pro-American and pressed by China as the Philippines has a stake in that objective.

This presents a problem for the United States because ASEAN's autonomy is not necessarily in our interests. Our interest in ASEAN is in managing China's rise. To the extent that ASEAN autonomy helps us in that regard, it's good. When it works against us, it's bad. In the case of the South China Sea, which I focus on in my remarks and I'll mention here, ASEAN's strategic objectives, I believe, are working against us.

The U.S. has its own interests in the South China Sea, principally freedom of navigation and the security of its allies. ASEAN's balancing game vis-a-vis China is not in the U.S. interest. I hope it's obvious that we would not have an interest in balancing our own influence.

The practical implication of this is that the ASEAN states are, on the whole, less interested in real progress on the matter--this is the South China Sea--than we are. They have a competing interest in the preservation of ASEAN and its ability to thoroughly engage China.

That's why from the perspective of American interests, ASEAN has performed so dismally in managing the South China Sea conflict. For more than 20 years, ASEAN's engagement with China on the South China Sea has revolved around three objectives: negotiation of a code of conduct; application of the U.N. Convention on the Law of the Sea; and institutionalization of "self-restraint," quote-unquote.

That's 20 years of diplomacy focused on those objectives, and still to this day, it's not meeting any of those objectives.

Let me just cite a few data points pointing to this underperformance. As we speak, there's an impasse over the Second Thomas Shoal between China and Philippines, and it's right now over a Filipino effort to resupply.

Second data point, the "first consultations," quote-unquote, on code of conduct between China and ASEAN, this was talked about for most of last year and then finally happened in September.

The problem with it is that I don't know how we call it the "first consultations." You know, ASEAN and China have been talking for quite some time. The agreement they reached in 2002 is the result of two years of talks, of consultations, of negotiations over a code of conduct.

What they got eventually was not a code of conduct, but that's what those talks were about. They did the same for nine years after that before producing guidelines on their Declaration. They were consulting all that time. So I don't think we have any interest in buying into the semantics of ASEAN.

They have been engaged in negotiations, and, you know, we

shouldn't celebrate this latest round as if it's some sort of new breakthrough progress.

ASEAN's reaction to China's declaration of ADIZ over the East China Sea maybe we can get into in question and answer. I won't go into the details right now, but ASEAN's reaction was underwhelming to that.

ASEAN's reaction to Hainan's new fishing regulations that went into effect on January 1, a similar sort of thing. The ASEAN ministers were meeting in Bagan, Burma later that month, and they came to the following conclusion. This is a quote from their statement.

"They expressed their concerns"--quote: "They expressed their concerns on the recent developments in the South China Sea. They further affirmed ASEAN's Six Point Principles on South China Sea and the importance of maintaining peace and stability, maritime security, freedom of navigation in and overflight above the South China Sea."

So that was their best reaction they could come up to on what China is attempting to do in the South China Sea with regard to fishing regulations. I'd say that's underwhelming, to be charitable.

You know, I reference these Six Point Principles in the process of that statement. Those Six Points is what Indonesians negotiated in the collapse two years ago in Cambodia over how to handle this issue. It's interesting. If you look at that statement, all it does is reaffirm those same three principles I laid out at the beginning. That is code of conduct, respect for UNCLOS, and the principle of self-restraint. That's all it does.

And for that, the minister, the Foreign Minister of Indonesia was celebrated as having saved the day. I think it's important to understand why he was so celebrated. It's not just because ASEAN is frivolous. I think we kind of fall into that, and that's an error. I mean it's fun because they come up with these ridiculously bland statements in the face of serious provocation, but he was celebrated because he did something really important from ASEAN's perspective. He preserved its unity.

In this case, the price of that unity is of secondary importance to the problem at hand, which is the South China Sea. For the United States, that price, that is China's gradual absorption of South China Sea as its own territory, is the whole ball game. We don't have the same stake ASEAN does in its own preservation. We can't continue to play their game and help them achieve their interests. That is my whole point.

I do hope to get into some of these statements later if people have questions about it, but I think for the sake of time, I think I'll end there.

PREPARED STATEMENT OF MR. WALTER LOHMAN, DIRECTOR, ASIAN
STUDIES CENTER, HERITAGE FOUNDATION

A China-Focused Policy for Southeast Asia

**Testimony before the
US-China Economic and Security Review
Commission**

March 13, 2014

**Walter Lohman
Director, Asian Studies Center
The Heritage Foundation**

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.

Now and for many decades to come, peace and prosperity in the Western Pacific will turn on the successful management of China's rise, checking its ambitions for territorial aggrandizement and channeling its growing power through existing international institutions and norms. For this reason, China policy should be central to U.S. relationships throughout the region. This does not mean that nations there do not commend themselves to many forms of American engagement for purposes beyond China management. It is simply a matter of priority.

It is therefore thoroughly fitting that the Commission take a close look at the way the nations of Southeast Asia and, collectively, their organization—the Association of Southeast Asian Nations (ASEAN)—see their own strategic interests. The way the organization has dealt with China amidst its aggressiveness in the South China Sea in particular argues for hedging against the inability of ASEAN processes to protect American interests. They will serve American interests only under pressure.

ASEAN's Strategic Objective: Autonomy

Several years ago, in Washington's finest echo-chamber tradition, the assertion, "They [Southeast Asians] don't want to choose between the U.S. and China," became the

default for summing up America's strategic options in the region. It was true enough. Even today, "they" do not want to choose. But given that no one in the U.S. government has ever asked ASEAN members to make a strategic Cold War–like choice between the U.S. and China, what this formulation really amounts to is "Don't make us do things that might complicate our relationships with China."

The plea has found receptivity in the Obama Administration because it coincides with its own interest in placid U.S.–China relations. This was not much different in the Bush Administration, focused as it was on the overriding priority of prosecuting the war on terrorism and, in fact, asking Southeast Asian states to do things in that pursuit that they would rather not do. However, since 2009, China has raised the stakes. Its aggressiveness at sea directly challenges U.S. interests in the freedom of navigation and security of our allies. Yet, absent sufficient American assertions, ASEAN is reluctant to challenge China, even at the request of put upon members.

It is worth trying to understand why this is the case. Like any foreign policy establishment, those of Southeast Asia seek maximum decision-making autonomy. Because all of them, except Indonesia, are small to medium-sized powers, in 1967, they founded ASEAN to expand their room for maneuver.

It took many years for the international environment to evolve in a way that enabled ASEAN's autonomy. It was often divided between nations that believed their individual national interests lay with explicit alignment with the U.S. side of the Cold War and those which, although staunchly anti-Communist, sought alternatives. With the end of the Cold War, ASEAN was empowered to pursue its own vision. Today, ASEAN seeks to maintain autonomy by reaching out to all comers. It therefore follows that complications in ASEAN's relationships with China are unwelcome because they threaten to throw its external relationships out of balance.

This gets to the most common misperception in Washington about Southeast Asia. ASEAN is not seeking to counterbalance China any more than it seeks to counterbalance the U.S. It is hedging against the power of both for the sake of its own autonomy. Of late, China is proving the more difficult challenge, so that side of the equation is making more headlines. Commissioners should be careful, however, not to construct a false narrative out of them.

For every story of Southeast Asian narrowing concern over China, there are other, better documented ones pointing to vacillation and deference to China. There have been two major developments in this regard over the past six months. The first was the Chinese declaration of an ADIZ over the *East China Sea* in November 2013—and credible reports,⁷⁰ confirmed in private discussions with Chinese officials and scholars,

⁷⁰ Nanae Kurashige, "Beijing Preparing New Air Defense Zone in South China Sea," *The Asahi Shimbun*, January 31, 2014, <http://ajw.asahi.com/article/asia/AJ201401310211> (accessed March 10, 2014).

that it is planning a similar declaration for the *South China Sea*. The second was the January 1 entry into force of new fishing regulations by authorities on Hainan assuming administration of disputed waters in the South China Sea.

What has been ASEAN's reaction to these developments? China's declaration of the ADIZ closely preceded a Japan–ASEAN heads of state commemorative summit in Tokyo. Headlines from the summit and photos of the participants linking hands gave the impression of unity in the face of a common challenge.⁷¹ In fact, all the Japan–ASEAN joint statement said was that the participants “agreed to enhance cooperation in ensuring the freedom of overflight and civil aviation safety in accordance with the universally recognized principles of international law....”⁷² There was never any prospect that the summit would call out China by name, despite the fact that China alone had precipitated the crisis. Even short of this, however, the statement is hardly a call to action. In fact, it is so general that China could easily sign up itself.

ASEAN had another convenient opportunity to assert itself in the case of Hainan's new fishing regulations. ASEAN Foreign Ministers met in January at an official retreat in Bagan, Burma. What was their reaction to the new fishing regulations for the South China Sea? They “expressed their concerns on the recent developments in the South China Sea. They further reaffirmed ASEAN's Six-Point Principles on the South China Sea and the importance of maintaining peace and stability, maritime security, freedom of navigation in and overflight above the South China Sea.”⁷³ Of course, no specific mention of China. And like the ADIZ, not likely to get China's attention in any regard. It is also incongruous that both Japan and the U.S.—countries with no territorial interests in the region—both condemned the move, as did ASEAN members Vietnam and the Philippines.

⁷¹ Reiji Yoshida, “China's ADIZ Steals Show at Japan–ASEAN Celebratory Summit,” *The Japan Times*, December 14, 2013, <http://www.japantimes.co.jp/news/2013/12/14/national/chinas-adiz-steals-show-at-japan-asean-celebratory-summit/> (accessed March 10, 2014). and “Japan Rallies ASEAN Support Against China's ADIZ,” *Want ChinaTimes*, December 16, 2013, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20131216000034&cid=1101> (accessed March 10, 2014).

⁷² Ministry of Foreign Affairs Japan, *Joint Statement of the ASEAN–Japan Commemorative Summit: “Hand in Hand, Facing Regional and Global Challenges,”* December 14, 2013, <http://www.mofa.go.jp/files/000022451.pdf> (accessed March 10, 2014).

⁷³ Association of Southeast Asian Nations, *Myanmar Commences Role as ASEAN Chair; Hosts Foreign Ministers Meeting in Bagan*, January 17, 2014, <http://www.asean.org/news/asean-secretariat-news/item/myanmar-commences-role-as-asean-chair-hosts-foreign-ministers-meeting-in-bagan> (accessed March 10, 2014).

The Chinese have rebuffed all “concerns”. Just last week, Hainan’s Communist Party Secretary indicated that encounters with fishing boats were occurring on a weekly if not daily basis.⁷⁴

Southeast Asia’s Security Interests

ASEAN is a pillar of all its members’ strategic visions. At any given time, for example, the Philippines may be frustrated with ASEAN’s lack of support or initiative concerning its interests in the South China Sea. Yet ASEAN is still close to the heart of the Philippines’ foreign policy. This is because the Philippines as well as the other members have bought into ASEAN’s long-term interest in balance. It is reflected at the bilateral level as well as the multilateral level.

A case in point: protracted negotiations over the U.S.–Philippines Increased Rotational Presence Framework Agreement. Hopefully, the U.S. and the Philippines will come to agreement on this soon, perhaps to coincide with President Obama’s upcoming visit. But the pace of the negotiations betrays a concern for its own sovereignty vis-à-vis the United States that is strong enough to compete with its worries about China. And this is in the Philippines, the most pro-American nation in the region and one of the most pro-American places in the world.

Similarly, Vietnam may be stressed by the Chinese over the South China Sea. That does not, however, make it ready for anything but a slow evolution of strategic relations with the United States; it also directly courts the Chinese.⁷⁵

ASEAN is not the only—or necessarily the principal—venue that Southeast Asian nations use to pursue their individual interests. They seek to manage their external security environment through a variety of mechanisms. The Philippines and Thailand are treaty allies, and Singapore a near treaty ally, of the United States. Other Southeast Asian countries engage in a range of alternative joint arrangements with the United States. Indonesia and Vietnam have “Comprehensive Partnerships” with the United States. Malaysia, Cambodia, Laos, and Brunei have official dialogues. Several of them engage in major multilateral military exercises, like Cobra Gold and RIMPAC, and significant bilateral exercises with the U.S.

⁷⁴ “China Apprehending Boats Weekly in Disputed South China Sea,” Reuters, March 6, 2014, <http://www.reuters.com/article/2014/03/06/us-china-parliament-seas-idUSBREA2512I20140306> (accessed March 10, 2014).

⁷⁵ Colonel William Jordan, Lewis M. Stern, and Walter Lohman, “U.S.–Vietnam Defense Relations: Investing in Strategic Alignment,” Heritage Foundation *Backgrounder* No. 2707, July 18, 2012, <http://www.heritage.org/research/reports/2012/07/us-vietnam-defense-relations-investing-in-strategic-alignment> (accessed March 10, 2014).

Yet even here, as much as these relationships make real contributions to their security, ASEAN nations seek a semblance of balancing them. Across the board, they have countervailing, albeit often far less extensive, relationships with China. These include “Comprehensive Strategic Partnerships” with Vietnam, Burma, Malaysia, and Indonesia, among many other similar initiatives.

Most ASEAN countries have a foreign policy explicitly formulated to cultivate “a million friends and zero enemies,” as the Indonesians put it. The Thais call their similar approach an “omnidirectional” foreign policy.⁷⁶ In short, Southeast Asian nations are managing downside risks of U.S.–China competition by hedging against both ends.

Southeast Asia’s Economic Interests

Southeast Asian hedging also has an upside. Like the U.S. itself, all members of ASEAN are intensely interested in the economic benefits of relations with China. China has been ASEAN’s largest trading partner since 2009, and over the course of 2012, that trade increased by more than 13 percent. (By contrast, total U.S.–ASEAN trade increased by less than 1 percent.)⁷⁷

On the investment side, according to the China Global Investment Tracker,⁷⁸ Chinese investment in ASEAN reached roughly \$92 billion in 2013, making it the number one Chinese global investment destination. (U.S. investment, as measured by the Commerce Department’s Bureau of Economic Analysis, is estimated at \$189 billion, but with almost three-quarters of it concentrated in Singapore.⁷⁹)

While these numbers are illustrative of broad trends, it is more instructive to look at the bilateral stakes of individual ASEAN members.

The Philippines and Vietnam, two countries that are often paired in discussion of the region’s difficulties with China, actually present two very different angles on the numbers. The total value of exports from the Philippines to China in 2012 was

⁷⁶ Walter Lohman, “Reinvigorating the U.S.–Thailand Alliance,” Heritage Foundation *Backgrounder* No. 2609, September 28, 2011, <http://www.heritage.org/research/reports/2011/09/reinvigorating-the-u-s-thailand-alliance> (accessed March 10, 2014).

⁷⁷ Ministry of International Trade and Industry Malaysia, *Statistics*, October 14, 2013, http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.section.Section_8d46f140-c0a81573-1bef1bef-9524c069 (accessed March 10, 2014).

⁷⁸ “China Global Investment Tracker,” The Heritage Foundation and American Enterprise Institute, 2014, <http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map> (accessed March 10, 2014). The Heritage Foundation and American Enterprise Institute China Investment Tracker includes investments and construction and emerging contracts valued at over \$100 million.

⁷⁹ Bureau of Economic Analysis, *U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data*, December 17, 2013, <http://www.bea.gov/international/di1usdbal.htm> (accessed March 10, 2014).

essentially unchanged from 2011 despite problems in the relationship,⁸⁰ 11.8 percent of its total, behind both the Japan and the U.S. China represents about the same share of Vietnam's export market.⁸¹ Yet, Vietnam is far more trade-dependent than the Philippines⁸² and exports twice as much in value to China. On the investment side of the ledger, the Tracker shows Chinese investment in the Philippines dwindling to the point that it records no new investments for 2011–2013. Vietnam hosts a total of \$11.5 billion, three times as much as the Philippines.

Add the economic upsides of Vietnam's engagement with China to its shared border and history and party-to-party contacts, and there is the basis for a very complex relationship, the constant, careful calibration of which occasionally may be crowded out by news reports of tensions. The Philippines, by contrast, has less to lose.

Lessons from ASEAN's Handling of the South China Sea

This mix of Southeast Asian interests and the consensus decision-making processes make for ineffectiveness in managing the most serious security crisis it has faced since 1991—rising tensions in the South China Sea. For more than 20 years, ASEAN's engagement with China on the South China Sea has revolved around three objectives: negotiation of a code of conduct, application of the U.N. Convention on the Law of the Sea (UNCLOS), and institutionalization of "self-restraint." It is failing on all scores. China's grudging recent acceptance of "consultations" on a code of conduct must be seen in the context of this longer track record. Whether by design or not, what the Chinese are doing is using ASEAN's plodding, consensus-driven processes against it while simultaneously creating facts in the water.

China's aggressiveness is not sufficiently galvanizing ASEAN against China's challenge. Something needs to be done to change its calculation. This argues for greater American pressure on ASEAN while hedging against its continued failure.

It is good that the U.S. is consistently engaged in ASEAN diplomatic architecture. Indeed, there is no other viable alternative to an ASEAN-centered regional diplomatic architecture. Standing up the architecture and participating in it, however, is not enough. Neither are incipient areas of multilateral security cooperation through organizations like the ASEAN Regional Forum or ASEAN Defense Ministers Meeting Plus.

⁸⁰ Republic of the Philippines, Philippine Statistics Authority–National Statistical Coordination Board, *Foreign Trade of the Philippines 2013*, <http://www.census.gov.ph/content/foreign-trade-statistics-philippines-2012> (accessed March 10, 2014).

⁸¹ General Statistics Office of Vietnam, *Exports of Goods by Country Group, Country and Territory*, 2013, http://www.gso.gov.vn/default_en.aspx?tabid=472&idmid=3&ItemID=14611 (accessed March 10, 2014).

⁸² Association of Southeast Asian Nations, *ASEAN Community in Figures*, 2012, http://www.asean.org/images/2013/resources/publication/2013_ACIF_2012%20Mar.pdf (accessed March 10, 2014).

The U.S. has to speak up forcefully for its interests in the South China Sea—not unlike the way Secretary of State Clinton did at the ASEAN Regional Forum 2010.⁸³ That meeting is now famous for then-Foreign Minister Yang Jiechi’s response: “China is a big country and other countries are small countries, and that’s just a fact.”⁸⁴ The most substantive element of this incident was Secretary Clinton’s assertion that claims to water must be based on claims to land. Just last month, Assistant Secretary Danny Russel made an excellent statement affirming this position in the context of recent events.⁸⁵ The U.S. should press ASEAN to do the same and to support the Philippines, which has a case pending on the matter before an UNCLOS arbitral panel.

A new aggressive American approach is going to cause ASEAN discomfort. It prefers peaceful, predictable meetings to effective discomfort. Yet, although it may not want to make difficult policy choices that pit U.S. interests against Chinese, neither does it want that choice made for it through U.S. disinterest. This is a point of American leverage.

⁸³ Walter Lohman, “Not the Time to Go Wobbly: Press U.S. Advantage on South China Sea,” Heritage Foundation *WebMemo* No. 3023, September 22, 2010, <http://www.heritage.org/research/reports/2010/09/not-the-time-to-go-wobbly-press-us-advantage-on-south-china-sea> (accessed March 10, 2014).

⁸⁴ John Pomfret, “U.S. Takes a Tougher Tone With China,” *The Washington Post*, July 30, 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html> (accessed March 10, 2014).

⁸⁵ Daniel R. Russell, “Maritime Disputes in East Asia,” testimony before the Subcommittee on Asia and the Pacific, Committee on Foreign Affairs, U.S. House of Representatives, February 5, 2014, <http://www.state.gov/p/eap/rls/rm/2014/02/221293.htm> (accessed March 10, 2014).

China-focused ASEAN Policy

The name of the game in the Western Pacific for many decades will be managing China's rise. It must therefore be explicitly central to America's interaction with Southeast Asia. This means recognizing ASEAN's limitations to this end and working to remedy them—if sometimes against ASEAN's own instincts and self-assessment. Left to formulate its interests absent American pressure, ASEAN will not meet the China challenge in a way that is most conducive to American national interests and long-term peace and prosperity.

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2012, it had nearly 700,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2012 income came from the following sources:

<i>Individuals</i>	81%
<i>Foundations</i>	14%
<i>Corporations</i>	5%

The top five corporate givers provided The Heritage Foundation with 2% of its 2012 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey & Pullen. A list of major donors is available from The Heritage Foundation upon request.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

**OPENING STATEMENT OF DR. ELY RATNER, SENIOR FELLOW AND DEPUTY
DIRECTOR, ASIA-PACIFIC SECURITY PROGRAM, CENTER FOR A NEW
AMERICAN SECURITY**

DR. RATNER: Great. Well, thank you very much for the opportunity to be here today.

I work primarily on Southeast Asia through the lens of China's rise and U.S. strategy in South China Sea and in the region more broadly so I welcome this discussion and this particular focus on the issue and on the region.

Obviously, the role of China in the region is critical, in part, because it's the centerpiece of the Obama administration's rebalancing to Asia, his deeper engagement with Southeast Asia, and insofar as China's growing economic and military influence is arguably the most important factor shaping the regional security environment. So I think the role of China and the response of the United States really is the issue.

In terms of what's happening in the region now, I think it's important to note we are in a period of sustained economic growth in Southeast Asia, which has translated into significantly larger defense budgets. Although countries remain and still put huge priority on internal security in the face of terrorism and other non-traditional security threats, we are seeing military modernization in the region in a way that has a more outward external orientation than what we've seen in the past.

And maritime security has received particular attention as littoral states are seeking to defend against challenges to claims over sovereignty, claims over natural resources, as well as challenges to freedom of navigation and the free flow of commerce.

And so the result has been that across the board states that are able to do so have put an emphasis on developing and procuring capabilities for a limited force projection into the region, enhanced intelligence surveillance and reconnaissance, ISR, and counter-intervention capabilities, in particular development or procurement of submarines.

So China is not the only reason for this growth in military spending. There are local threats. There's regional rivalry. There's domestic politics, but there's no doubt that the expanding capability and activity of the PLA and Chinese governmental non-military vessels are playing a huge role in shaping regional defense policy.

No country can compete with China in terms of quantity certainly, and in many instances, quality. However, even if regional militaries are outmatched by China's military, they can still enhance their security through modernization that focuses on maritime domain awareness, which has been a huge focus, as well as developing capabilities to deter Chinese assertiveness and intervention.

I was in the region last year, and a government official said to

me, well, of course, we wouldn't be able to defeat China in a war, that's not our goal, but we do want to have the capability to give them a bloody nose, and that's the deterrent that we need. So that's what we should be thinking about, not trying to match from a major war perspective Chinese capabilities.

As I described in my written testimony, I think it's worth remembering characteristics of Southeast Asia when it comes to security issues. In terms of diversity and dynamism and uncertainty--that's how I describe it in my written testimony-- the region is very diverse in terms of levels of economic development and military modernization, certainly not uniform in that regard.

It's diverse in terms of its threat perceptions as well as its external security relationships. The region is dynamic. It has vibrant and emerging economies, political turmoil and transitions, and a rapidly evolving regional security architecture that I'm a little bit more optimistic than Walter in terms of ASEAN, and I'm sure we'll talk about that in the questions.

And finally, it's a region defined by uncertainties. Principally it's associated with huge questions about the rise of China as well as the future role of the United States.

So U.S. policy then has to be attuned to these sensitivities and these constraints insofar as they shape regional responses to China as well as the willingness and ability of countries to partner more closely with the United States and to engage in multilateral initiatives, as Walter mentioned.

I saw in Walter's written testimony, there is a very oft-repeated phrase, which I think merits mentioning, which is that governments in the region don't want to have to choose between the United States and China. Certainly we don't force that choice upon them. And countries are pursuing, by and large, a portfolio approach to enhance their security and to hedge against prevailing uncertainty to retain the autonomy that Walter spoke about.

So they are at once deepening security ties with Washington, deepening ties with Beijing, at the same time building up their own independent military capabilities, developing security partnerships with other countries in Asia, and looking to regional institutions and international law to manage disputes and temper great power competition.

So an effective U.S. policy toward Southeast Asia is going to have to deal with these realities of the opportunities and the insecurities and interdependencies that states face in the face of China's rise.

So with the balance of my time, let me just mention, again, much more detail in my written testimony about specific recommendations for the U.S. government and for Congress, but let me just highlight three.

The first would be that Congress should reinstate trade promotion authority in support of the Trans-Pacific Partnership. You know, this is, some folks might say it's counterintuitive to talk about a trade deal in the context of national security priorities, but it is my view that the successful

completion of TPP, the Trans-Pacific Partnership, is the single-most important policy issue currently affecting U.S. power and leadership in Southeast Asia.

Economics and security are inextricably linked in the region, and the United States is not going to maintain its interests or position in the region through military power alone. So we need to start thinking about TPP as a strategic level issue, and Congress needs to be treating it as such.

The second recommendation I made was with regards to Chinese assertiveness in the South China Sea, and the notion that the United States, as a government, needs a more coherent and proactive strategy to deter Chinese assertiveness.

I think clearly you folks are well aware of the destabilizing effects of this, and I have some particular ideas of how the United States can do that as it relates to international tribunals, U.S. policy toward Scarborough Reef and other issues, military issues, we may want to get into in the discussion.

Finally, the final recommendation that I would highlight, and I'll just take maybe an additional minute, is to suggest that the administration needs to do a better job of describing the intention and the future of the rebalancing policy, that there remains a lot of confusion in our own government, a lot of confusion in the region among both allies and partners and potential adversaries, and that leads to all sorts of negative implications when our commitment isn't clear. When our intentions aren't clear, we leave it to others to define them.

And in my own experience, my own research, traveling around Southeast Asia, there's lots of misperceptions that aren't helpful to U.S. interests. So I'll leave it at that and just say U.S. engagement in this region is, I think, will remain a priority in the years to decades to come, but being effective is going to require really a multifaceted approach that looks beyond just military toward economic and diplomatic initiatives as well.

I'll stop there. Thank you.

**PREPARED STATEMENT OF DR. ELY RATNER, SENIOR FELLOW AND DEPUTY
DIRECTOR, ASIA-PACIFIC SECURITY PROGRAM, CENTER FOR A NEW
AMERICAN SECURITY**

March 13, 2014

**Testimony before the U.S.-China Economic and Security Review Commission
“China and the Evolving Security Dynamics in East Asia: Security Dynamics in Southeast
Asia and Oceania and Implications for the United States”**

Prepared Statement of Dr. Ely Ratner

*Senior Fellow and Deputy Director of the Asia-Pacific Security Program,
Center for a New American Security*

Commissioner Brookes, Commissioner Fiedler and other distinguished members of the Commission, thank you for inviting me here today to discuss the rise of China, security dynamics in Southeast Asia and implications for the United States.

These are critical issues given that deepening U.S. engagement in Southeast Asia is a key element of the Obama administration’s broader policy of rebalancing to Asia, and because China’s growing economic and military influence is arguably the most important factor shaping the regional security environment.

Effective U.S. policy toward Southeast Asia will therefore have to account for the rise of China, including the opportunities, insecurities and interdependencies it creates for states throughout the region. This puts a premium on sustaining U.S. military power backed by a robust forward presence, but also on pursuing a multifaceted policy that includes economic statecraft, building partner capacity, and greater attention to constructing a rules-based regional security order undergirded by norms and institutions.

Diversity, Dynamism and Uncertainty in Southeast Asia

Southeast Asia faces substantial security challenges ranging from traditional threats of sovereignty disputes and major power competition to non-traditional challenges that include terrorism, climate change, natural disasters, epidemics, energy and food security, and illicit trafficking in people, narcotics and weapons. As the region seeks to respond to these myriad challenges, the rise of China stands as a key factor shaping the future of security competition and cooperation in Southeast Asia.

Sustained economic growth in Southeast Asia has brought with it significantly larger defense budgets. Although internal security remains a priority in the face of terrorism and other nontraditional security threats, military modernization in the region has an increasingly external orientation. Maritime security has received particular attention as littoral states are seeking to defend against potential challenges to their claims on natural resources and disputed territories,

as well as to freedom of navigation and the free flow of commerce. The result has been an emphasis on developing or procuring capabilities for limited force projection, enhanced intelligence, surveillance and reconnaissance (ISR), and counter-intervention (including submarines and anti-ship missiles).

China is not the only reason for this growth in military spending—local threats, domestic politics and regional rivalry are also at play—but there is no doubt that expanding PLA capability is shaping regional behavior. No country can compete with China in terms of quantity or, increasingly, in terms of quality. But even if regional militaries remain considerably outmatched by China's military, they can still enhance their security through better maritime domain awareness and by developing capabilities to deter Chinese assertiveness and intervention.

The regional security environment in Southeast is shaped by three dominant characteristics: diversity, dynamism and uncertainty.

The diversity of Southeast Asian manifests on several fronts. Countries in the sub-region fall along a wide spectrum in terms of economic development and military modernization. They also differ significantly in the threats derived from mainland versus maritime states, as well as claimants versus non-claimants in the South China Sea. Countries also have distinctly different security partnerships with the United States from treaty ally to relatively low levels of military cooperation. Taken together, these factors produce a range of threat perceptions regarding China, which in turn affect regional states' willingness to and interest in aligning more closely with Washington or Beijing.

This diversity is accompanied by a distinct dynamism as individual countries and the region as a whole are emerging to play more prominent roles in regional security affairs. Southeast Asia not only sits at the fulcrum of 21st-century geopolitics, but also is increasingly home to emerging economic and military powerhouses in their own right. Military modernization is meanwhile occurring during a period in which a number of Southeast Asian countries are pursuing a more outward orientation in security matters. At the same time, region-wide institutions, mostly revolving around the Association for Southeast Asian Nations (ASEAN), are becoming more active on security issues. The net result is a greater number of capable actors in the region.

Finally, the regional security environment is defined by significant uncertainty. Although the United States continues to play a fundamental role in guaranteeing regional peace and stability, there are persistent concerns in the region about the long-term sustainability of the U.S. commitment. Despite the policy of U.S. rebalancing to Asia, there is a relatively common view in the region that the United States--whether by choice, limited resources or dysfunction--may be unable to sustain itself as a reliable ally, partner or active participant in the region's economic and political affairs.

Similarly, there is considerable uncertainty about the future implications of China's rise. A number of countries are concerned about China's pattern of assertiveness in recent years, which

has included a willingness to use military and economic coercion to settle political disputes. At the same time, there are powerful factors limiting countries' ability and willingness to stand up to this behavior. One obvious driver is the growing gap in military and maritime capability between China and individual Southeast Asia states. In addition, every country in the region counts China as its first or second leading trade partner, leaving governments appropriately worried about the economic implications of political or military tensions with Beijing.

Compounding military disparities and economic interdependence is the geographic reality of China. Governments in the region frequently note that while U.S. attention to Southeast Asia has historically blown hot and cold over time, China will almost certainly retain outsized economic, cultural and political influence in the region. This means that engaging and working with China is more a necessity than a choice.

The bottom line is that when it comes to matters of regional security, short of an armed conflict that dramatically reorients the security order in the region, the vast majority of states in Southeast Asia--regardless of their relative concerns about the implications of China's rise--are unlikely to assume a traditional balancing posture against China. Simply put, governments in the region do not want to have to choose between the United States and China. Instead, Southeast Asian countries are by and large pursuing a portfolio approach to enhance their security and hedge against prevailing uncertainties. This includes at once seeking stronger security ties with Washington, deepening relations with Beijing, building up their own independent military capabilities, developing security partnerships with other Asian countries, and looking to regional institutions and international law to manage disputes and temper great power competition.

The Role of ASEAN and Challenges to Multilateral Security Cooperation

ASEAN and ASEAN-centered institutions are increasingly active on regional security affairs. These organizations include the ASEAN Regional Forum (ARF)⁸⁶ and the East Asia Summit (EAS),⁸⁷ which are now regularly attended by the U.S. secretary of state and president, respectively.

Despite being consensus- and process-based, these institutions are hosting progressively direct and substantive interactions on security issues. The ARF and EAS are now the most important multilateral forums for discussing South China Sea and maritime security issues more broadly. Both have served as important venues for U.S. officials to affirm U.S. national interests, advocate for peaceful and diplomatic solutions to disputes and shed light on destabilizing actions by China and others in the region.

⁸⁶ The 27 members of the ARF include the ten members of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam), the ten ASEAN dialogue partners (Australia, Canada, China, the European Union, India, Japan, New Zealand, Republic of Korea, Russia and the United States), one ASEAN observer (Papua New Guinea) as well as Bangladesh, North Korea, Mongolia, Pakistan, Sri Lanka, and Timor-Leste.

⁸⁷ The 18 members of the EAS include the ten ASEAN countries plus Australia, China, India, Japan, New Zealand, the Republic of Korea, Russia, and the United States.

The ASEAN Defense Ministers Meeting Plus (ADMM+) is particularly notable in taking ASEAN from a “talk shop to a workshop.” In addition to biennial defense ministerial meetings, the ADMM+ hosts Expert Working Groups to build capacity, develop expertise and enhance coordination in areas that include maritime security, peacekeeping, counterterrorism, military medicine and humanitarian assistance and disaster relief (HA/DR). These working groups are leading to unprecedented multilateral security cooperation and field exercises. In June 2013, the ADMM+ held its first-ever HA/DR exercise, which included more than 3,000 personnel from 18 nations.

ASEAN as a group is also engaging with non-Southeast Asian states on an individual basis to address regional security issues. In the first event of its kind, ASEAN’s defense ministers will meet with Secretary Hagel in Hawaii in April 2014. ASEAN also recently sent a delegation to Tokyo for an unprecedented dialogue with Japan. Moreover, ASEAN is aiming to negotiate a Code of Conduct for the South China Sea with China, although there are good reasons to believe that process may never result in an effective and binding agreement.

Despite this noteworthy progress, ASEAN continues to face serious limitations. The institution itself has a relatively weak secretariat and the rotation of ASEAN chairs leads to a loss of institutional memory and sometimes-counterproductive leadership styles from particular chairs.

It is also unclear whether ASEAN and its surrounding institutions will ever become strong or mature enough to prevent and manage serious crises. Most of the security cooperation to date has occurred in areas of low-hanging fruit like HA/DR and military medicine. Without taking anything away from the importance of regional coordination on these issues, the jury is still out as to whether this is a harbinger of deeper and more substantive cooperation on sensitive security issues, or rather the terminal limit of security cooperation given the many economic and political constraints in the region.

ASEAN’s ability to engage in more substantive security cooperation will also hinge on China’s willingness to see the organization play a more important role in ways that also invite participation from other leading states, including India, Japan, Russia, the United States, and possibly Europe. China has expressed hostility to an open and inclusive regional order that multilateralizes regional disputes and imposes constraints on China’s ability to exercise power.

Beijing would prefer to maximize its leverage in the region by working with countries on a bilateral basis or, at the very least, with ASEAN directly in the absence of the United States and other outside powers. There are also few indications that China is willing to sign up to regional norms, rules and institutions--such as the Code of Conduct in the South China Sea--if doing so limits its ability to apply economic, diplomatic and military pressure on its smaller, weaker neighbors.

For the many reasons discussed above, regional countries have to take Beijing’s preferences into

consideration, thereby creating a fundamental obstacle to developing an effective ASEAN-based regional security architecture. Most countries in ASEAN, regardless of their private preferences, are reluctant to override China's objections to more robust regional security cooperation and rulemaking.

U.S. Strategy and Recommendations for Policy

U.S. policymakers are tasked with navigating the diversity, dynamism and uncertainty that defines the regional security order in Southeast Asia. This requires being attuned to the sensitivities and constraints that shape regional responses to China's rise and, as a corollary, the willingness and ability of states to partner with the United States. Simply put, countries in the region do not want to have to choose between the United States and China. Ignoring this precept will only result in dividing the region, weakening ASEAN, and ultimately reducing U.S. influence and leverage.

Nevertheless, the United States should continue deepening its treaty alliances and security partnerships in Southeast Asia. This has the multiple benefits of enhancing U.S. military access and presence in the region, building partner capacity to support U.S. operations, and augmenting the capabilities of individual states to more independently defend their interests and deter Chinese coercion.

The United States has the dual charge in Southeast Asia of deterring Chinese coercion without escalating tensions, while simultaneously seeking a cooperative relationship with Beijing that avoids creating a permissive environment for Chinese assertiveness. This means getting the right mix of engagement and balancing in Southeast Asia, which in reality is an extension of the hedging strategy that has defined U.S. China policy for decades.

In addition, U.S. strategy in Asia should privilege the construction of an open and inclusive regional security order undergirded by widely-accepted rules and institutions. Any effort to enhance U.S. influence and leadership in Southeast Asia must include efforts to shape a rules-based regional order that strengthens regional security cooperation while preventing and managing military competition and crises. Moreover, it is notable that such efforts often hinge on U.S. strategy and political will, not defense budgets and spending.

The construction of a rules-based regional order that comports with American values and interests is a central goal of U.S. Asia policy. It is also an aim that unites most of the region and elides the kinds of divisions and exclusions that sometimes frustrate U.S. efforts.

Taking these regional dynamics into account, below is a list of eight recommendations for how the United States can advance its security interests in Southeast Asia. Note that these items are meant to supplement the already existent components of the U.S. rebalancing policy to Asia, which include strengthening U.S. alliances and security partnerships, deepening ties with China, elevating economic statecraft, engaging regional institutions and diversifying the U.S. forward-deployed military presence.

1. Reinstatement Trade Promotion Authority (TPA) in support of the Trans-Pacific Partnership (TPP)

Although it may seem counterintuitive to begin a list of national security priorities with a multilateral trade deal, the successful completion of the Trans-Pacific Partnership (TPP) – both among the negotiators and on Capitol Hill – is the single most important policy issue currently on the table affecting U.S. power and leadership in Asia. Economics and security are inextricably linked in the region and the United States cannot cement a long-term role in Asia through military muscle alone. Southeast Asian states are looking to Washington to take leadership on economic issues as well, which will in turn open avenues for deeper political and security cooperation. TPP is a strategic-level issue and must be treated as such by the U.S. Congress.

Reinstating Trade Promotion Authority (TPA), which would increase the likelihood of eventual TPP approval on Capitol Hill, would offer a much-needed and immediate boost to the negotiations by giving leaders throughout the region confidence that it will be worthwhile to make the domestic political compromises necessary to reach a deal. No other act by Congress in the coming months would contribute more to U.S. foreign policy and national security interests in the region. President Obama will have to lead on this issue, but Congress has a vital role to play in setting the terms of the debate and ensuring that vital national interests are served.

2. Develop a strategy to deter Chinese assertiveness in the South China Sea

Over the past several years, China has engaged in economic, diplomatic and military coercion to revise the administrative status quo in East Asia. This has primarily occurred below the military threshold with the effect of avoiding intervention by the United States military. The most egregious examples of this include China's illegal seizure and occupation of Scarborough Reef in the South China Sea and its ongoing efforts to undermine de facto Japanese administration of the Senkaku Islands.⁸⁸ These are deeply destabilizing actions that, if permitted to continue, will increase the likelihood of serious conflict down the road.

Given this pattern of behavior against the Philippines, Vietnam and more recently Malaysia, the United States should develop an interagency strategy for deterring and responding to Chinese revisionism in the South China Sea.⁸⁹ In the context of continued engagement with Beijing, this strategy should consider ways to impose costs on China for undertaking acts of assertiveness. The strategy must also take effect in the short term, rather than relying only on efforts like building partner capacity and strengthening regional institutions that are vitally important but will take years to bear fruit. It is also clear that private bilateral diplomacy with Beijing and public multilateral diplomacy have in and of themselves been insufficient to stem Chinese revisionism.

Assistant Secretary of State Danny Russel's February 5, 2014 testimony before the House

⁸⁸ See Ely Ratner, "Learning the Lessons of Scarborough Reef," *The National Interest*, November 21, 2013, <http://nationalinterest.org/print/commentary/learning-the-lessons-scarborough-reef-9442>.

⁸⁹ See Elbridge Colby and Ely Ratner, "Roiling the Waters," *Foreign Policy*, January/February 2014, http://www.foreignpolicy.com/articles/2014/01/21/roiling_the_waters,

Committee on Foreign Affairs and Secretary Kerry's remarks during his recent trip to the region demonstrate that the Administration is aware of this challenge and working through potential responses.⁹⁰ To reiterate, the goal here is not to contain China, but rather to ensure that political disputes are managed through peaceful diplomatic means rather than coercion and the use of force.

3. Reject China's illegal occupation of Scarborough Reef

Related to the discussion above, the United States should be unequivocal that it does not accept China's illegal seizure and continued occupation of Scarborough Reef. U.S. officials have said repeatedly that the United States has national interests in the maintenance of peace and stability, respect for international law, freedom of navigation, and unimpeded lawful commerce in the South China Sea. China's behavior at Scarborough Reef has violated all of these principles.

Although the reef itself does not harbor specific economic or strategic significance, it is profoundly important that the United States, the region and the international community not accept the use of force and coercion as the arbiter of political disputes in Asia. In response, the United States should make clear in bilateral engagements with China and at multilateral meetings in the region that it expects China to withdraw from the disputed feature and return to the status quo that existed prior to China's 2012 act of revisionism. The United States military should also conduct freedom of navigation operations in areas surrounding the reef as demonstrations of its unwillingness to accept China's illegal occupation.

4. Build an international consensus on the legitimacy of international arbitration for maritime and sovereignty disputes in the South China Sea

Consistent with U.S. policy, the United States should proactively support international law and arbitration on issues related to maritime and sovereignty disputes in the South China Sea. As part of that, the United States should work to build an international consensus on the importance of the arbitration case that the Philippines has taken to the International Tribunal on the Law of the Sea. Without making judgments on the merits of the case itself, the United States can work with like-minded countries to build support for the process and highlight its significance as an unambiguous test of China's willingness to manage differences through peaceful means. This is a prime opportunity for leading European nations to make a key contribution to the maintenance of peace in the region in ways that comport with their comparative strengths in international law and regional institutions.

Should this opportunity to support regional order and institutions slip by without sufficient diplomatic and political attention, it will set a terrible precedent for future disputes and could close off a critical avenue for the peaceful management of competition in Southeast Asia.

⁹⁰ Daniel R. Russel, Assistant Secretary, Bureau of East Asian and Pacific Affairs, "Testimony Before the House Committee on Foreign Affairs Subcommittee on Asia and the Pacific," Washington, DC, February 5, 2014, <http://www.state.gov/p/eap/rls/rm/2014/02/221293.htm>.

5. Support the “early harvest” of agreed-upon elements in the Code of Conduct for the South China Sea

Sovereignty disputes in the South China Sea will not be resolved any time soon. Nevertheless, there is a pressing need for preventing and managing crises as the waters and surrounding airspace become increasingly crowded with government and military vessels. The principal mechanism for advancing multilateral maritime security and safety mechanisms has been the Code of Conduct for the South China Sea being developed by members of ASEAN and China.

Although the United States should sustain its full support for this process, it is also the case that negotiations have dragged on for too long, with China sending mixed signals about its willingness to enter into serious negotiations toward a binding set of rules. In this context, the United States should supplement its policy toward the Code of Conduct by supporting the “early harvest” of agreed-upon initiatives that could be implemented in the short-term without agreement on the full Code of Conduct, which may never occur. The United States, in cooperation with allies and partners, can consider leveraging ASEAN and ASEAN-centered institutions to implement these initiatives. Some could also be agreed upon and implemented by a majority of countries if universal consensus cannot be reached.

6. Develop a “common operating picture” for the South China Sea

The United States has been working on a bilateral basis with a number of states in Southeast Asia to build partner capacity in the area of maritime domain awareness. This is critically important for helping regional states monitor their territorial waters and respond to potential incidents. In cooperation with allies and partners, the United States should explore broadening these efforts to construct a common operating picture for the South China Sea that would permit countries in the region to be aware of potentially destabilizing maritime activity. This could have the additional effect of deterring adventurous behavior if it were visible to all.

7. Ensure that the U.S. military presence in Southeast Asia is politically sustainable in the region

Current U.S. policy is seeking a more geographically-distributed force posture in Southeast Asia in response to the evolving regional security environment. This goal of diversifying the U.S. military presence in the Asia Pacific has included efforts to develop new presence and access arrangements in Australia, the Philippines and Singapore, and new opportunities for training and access in Brunei, Indonesia, Malaysia, Thailand, Vietnam and elsewhere.

Although threat dynamics open doors for the United States to deepen security ties with allies and partners, the ability of the U.S. military to establish new arrangements, deepen them over time and sustain them in the long term will hinge on conducive political environments in partner countries. At this stage of developing a number of new arrangements in Southeast Asia, operational considerations cannot crowd out the fundamentally important task of ensuring political sustainability, without which U.S. force posture objectives in the region cannot be achieved.

The Center for a New American Security recently completed a yearlong study examining how the United States can most effectively achieve a politically sustainable military presence in Southeast Asia and Australia.⁹¹ It concluded that U.S. policy should integrate posture initiatives within three broader objectives in U.S. defense and national security strategy in Asia: strengthening U.S. bilateral military and defense partnerships; building comprehensive bilateral relationships, including diplomacy and economics; and advancing U.S. regional strategy and multilateral cooperation. This research produced the following key principles within these three broader goals.

Objective	Key principles
<i>Strengthening bilateral military and defense partnerships</i>	<ul style="list-style-type: none"> • Require that new force posture initiatives directly support an explicit and shared vision for the future of the bilateral security relationship • Ensure that new force posture initiatives address the interests of partner countries and contribute to official and public perceptions of a mutually-beneficial partnership • Pursue an evolutionary approach that takes incremental steps, avoiding rapid and large-scale initiatives even if viable at particular moments in time
<i>Building comprehensive bilateral relationships, including diplomacy and economics</i>	<ul style="list-style-type: none"> • Ensure that U.S. policymaking, negotiations and engagement on posture issues are done within the broader context of alliance management, active diplomacy and official White House guidance • Take an inclusive and transparent approach to engaging partners on force posture issues across a broad spectrum of political actors, including lawmakers, opposition figures and local communities. • Maintain robust and reliable high-level U.S. engagement with regional states and institutions, and couple force posture announcements and activities with investment, trade and development initiatives
<i>Advancing U.S. regional strategy and multilateral cooperation</i>	<ul style="list-style-type: none"> • Ensure that force posture initiatives contribute directly to ASEAN-centered and other region-wide activities, using multilateral mechanisms to engage China and manage U.S.-China competition. • Take measures to reduce the likelihood that crises involving U.S. allies and partners occur because of accidents, incidents and miscalculation

⁹¹ Ely Ratner, "Resident Power: Building a Politically Sustainable U.S. Military Presence in Southeast Asia and Australia," Center for a New American Security, October 2013, http://www.cnas.org/files/documents/publications/CNAS_ResidentPower_Ratner.pdf.

	<ul style="list-style-type: none"> • Develop a coordinated communications strategy for audiences in partner countries and the region
--	---

8. Continue to underscore the U.S. commitment to Southeast Asia

Despite the official U.S. policy of rebalancing to Asia, there continue to be lingering doubts in the region about the long-term commitment of the United States. This stems from any number of sources including continued U.S. attention to the Middle East, concerns about the effects of sequestration on America's military presence and power in Asia, grand strategic debates that question the utility of an internationalist U.S. foreign policy, and the many effects of China's rise.

An intensification of these perceptions will undermine U.S. interests by causing allies and partners to question the utility of working more closely with the United States, while also diminishing U.S. influence in regional institutions and potentially encouraging countries to engage in acts of aggression or provocation that they otherwise would not.

Some degree of doubt about the credibility of the U.S. commitment is inevitable, but the Administration should make a concerted effort to counter the misperception that the U.S. rebalancing to Asia is wavering or hollow. This can begin with statements by President Obama about the importance of the Asia-Pacific region and a clearer articulation from the Administration about the intent, achievements and future of the rebalancing strategy. The Administration can also more clearly articulate how defense cuts will and will not affect U.S. posture and presence in Asia, which is particularly important in the wake of the release of the Quadrennial Defense Review.

Conclusion

Deepening U.S. engagement in Southeast Asia should remain a U.S. priority in the years and decades to come. Doing so effectively will require navigating diversity, dynamism and uncertainty in the regional security environment, all of which are being amplified by the rise of China. The foundation of U.S. defense policy will remain a strong U.S. military presence that is supported by treaty alliances and security partnerships, but this will have to be complemented by a multi-faceted strategy that includes economic engagement and greater attention to building a rules-based regional security order.

PANEL III QUESTION AND ANSWER

HEARING CO-CHAIR FIEDLER: Thank you very much.
Commissioner Brookes.

HEARING CO-CHAIR BROOKES: Thank you. Thank you for your testimony.

Regarding the 9-dash line, which some people say is actually a 10-dash line now, which is outside of Taiwan and showing on some Chinese maps,. But if the 9-dash line becomes a fait accompli, what is Chinese behavior after that? If it's ceded to China that it's actually part of Chinese territory, do they only restrict natural resources and fishing or does it become that they would restrict sea lines of communication, and free navigation through that area? I mean what does it look like?

So in other words, if the United States retrenches and it becomes that the Chinese are the dominant power, I'm really trying to get a sense, and I asked this in some of the other panels, what Chinese hegemonism looks like, in this case in Southeast Asia? How does it affect things?

But we can start certainly with the watery domain.

MR. LOHMAN: Well, I think we've already seen the future in Chinese behavior over the last five years or so. I mean they've been clear that they will protect freedom of navigation, but it's their freedom to protect and they're the ones who own it and they'll decide. That's why they can issue these fishing regulations. That's why they determine whether or not the Filipinos can resupply and rotate forces in and out of Second Thomas Shoal. That's, you know--that's why they harass American vessels as well as other vessels in the region.

So I think we're seeing what the future looks like without, without a U.S. presence, and what it will look like if somehow China's case for the 9-dash map is accepted in the region.

DR. RATNER: Yeah. I would just add to that. One thing I would note is probably that I don't think there's a grand strategic vision in Beijing for what Chinese hegemony in Asia or in the world or in the region exactly is going to look like. So I think there is a degree to which they're figuring this out as they go along.

That being said, I think if we get to that point where the 9-dash line is for all intents and purposes the de facto border, then we're already at a point where international law is out the window, international institutions are out the window, and multilateral mechanisms are unlikely to be playing a major role because, by any account, the 9-dash line has no basis in international law.

So I think that's the context in which that would happen in addition to perhaps the background condition of American retrenchment.

The other, just to put a couple points on that, I think to echo

Walter's point--there's a troubling pattern of Chinese behavior over the last couple of years of using economic coercion for political purposes. There traditionally had been somewhat of a firewall between these issues in the region where people would say, well, cold security but hot economy, where these things could be separated.

However, China during certain political disputes, restricting rare earth exports to Japan in 2010, restricting Philippine fruit exports during the standoff over Scarborough Reef in 2012, much less more recent incidents, demonstrate that they're willing to use, to restrict international trade for political purposes.

So if they did have sea control over elements of the South China Sea, I think that could be particularly troubling, and as you may or may have heard this morning, there are disagreements between the United States and China over interpretations of UNCLOS as it relates to the freedom of navigation of military vessels.

So if they enforced their definition of UNCLOS in the South China Sea and claim most of the water, the United States Navy, for instance, would need Chinese permission to sail from Japan to Singapore, and that's not certainly a world we want to live in.

HEARING CO-CHAIR BROOKES: Do you suspect they would restrict commercial shipping, I mean other than for some potential specific reason but, in general, through the South China Sea?

I'm just trying--I mean sometimes we get into this conversation, and we talk about doing all these things, and I'm kind of saying, well, what are we guarding against? What scenario, what environment are we guarding against, and sometimes it can be, it can be difficult to define that, you know, because people are proposing actions, but at the same time I say what are we guarding against?

I mean are we talking about the Chinese in Southeast Asia or Northeast Asia or in Asia, in general? Are we talking about expansionism? I mean is this Soviet Union 2.0? Are we talking about them trying to change political regimes within Southeast Asia?

I mean what are we looking at? Where does this sort of stuff affect the U.S. interests specifically?

MR. LOHMAN: I don't think that, I don't think they have a general interest in impeding commercial shipping, but I do think that if they have an ability to do so, they can pick and choose as they please.

So, say, in a Taiwan contingency, they could blockade Taiwan or they could certainly inhibit the United States coming to the defense of Taiwan if they control the South China Sea. I mean those are kind of the things that I would look for.

HEARING CO-CHAIR BROOKES: Well, how would they inhibit our ability to enter the South China Sea? You see what I'm saying? In other

words--

HEARING CO-CHAIR FIEDLER: We just do it.

HEARING CO-CHAIR BROOKES: We just do it. I mean, you know, you're already dealing with an area access or anti-access/area denial sort of strategy. How does that change if they were to-- I'm not promoting the idea that China take over the South China Sea. I'm just pulling some threads here to get some thoughts.

MR. LOHMAN: I know. But I think it's all a part of a broader approach. There's a certain amount of legal warfare going on. Yeah, they could prevent us. You know, if they just had the physical means to prevent us from sailing through the South China Sea, yeah, they could do that, but all the better for them I think if they can couch it in international law, and I think that's what they're attempting to do.

That's why some of the efforts out there like the Filipinos case that they've taken to arbitration is so important because it potentially could take the legs out from under a legal case.

Now, they're going to still make an effort there, and you can't count out what they're able to do, how they're able to twist things in their direction, but that's the sort of thing I think that supports a broader approach that they have to the region.

DR. RATNER: I would just add to that, I think you're right in some ways. China is as reliant on international trade as anyone, and so they're not going to be loosely cutting off trade and what not, but I think the concern is in particular crises that they may be willing to do so. They've demonstrated the willingness and ability to do so.

I think we're still a long way from a direct confrontation with the United States. I think what we're seeing now is a strategy to develop a very close relationship with the United States and hold that up in a way that allows them to bully other countries in the region, and I think we're likely to see much more of that as opposed to standing up against the U.S. Navy, for instance. I don't think they're interested in that at all.

In terms of what are the potential broader effects of Chinese hegemony, I think we're seeing it in the international community now if you look at China asserting itself more proactively on the U.N. Security Council as it relates to Syria, for instance, or other instances in which the United States is interested in supporting individual rights in the way that violates Chinese interests in very hardened perceptions of sovereignties.

So I think there would be a far less prioritization on human rights and democracy and much more on economic growth and support from Beijing for leaders that supported China's interests regardless of how they treated their people internally. I think that's what we're seeing from Chinese foreign policy more broadly in the region and Africa and the Middle East.

MR. LOHMAN: May I just add one more thing? I think to this

end, you also have to look at how the region is responding to the Chinese legal effort, and they have been anything but forceful.

We're putting a lot of our investment in ASEAN and their ability to handle this issue, but many of the ASEAN countries actually have the same position China does on military activities in the EEZs, for example.

They have not been vocal about China's 9-dash map, especially as an organization. They have said these sort of vague things about the importance of navigation, et cetera, but they have not come out very forcefully against that. The best you can get is say the Singaporeans who come out and say they ought to clarify their claim. That's as strong as you get about it.

None of them have supported the Philippines case. They have said they acknowledge that they have submitted this case, and that under law, they have a right to do that, and from their perspective that's being very strong. So I think when we're looking for allies and we're looking to engage in what is really the legal background, the legal warfare that's going to support whatever contingencies are down the line, we have to look at how we're choosing our allies and how they are actually responding to the situation.

HEARING CO-CHAIR FIEDLER: Thank you very much.
Commissioner Shea.

CHAIRMAN SHEA: Thank you, both, for being here.

Dr. Ratner, you stated something in an article that you wrote that I agree with, and I was glad to see that you wrote this. You said that Washington should blur the false distinction between non-military and military ships by stating that it will respond to physical coercion and the use of force as deemed appropriate, and I just get the sense as I observe this South China Sea and the East China Sea and the modernization of the maritime forces of China and the consolidation that their capability there is growing, and it is sort of becoming silly to give the Chinese too much credit for just deploying coast guard vessels and law enforcement vessels in these cases when they're really sort of an arm of state power.

So I was just wondering if you could flesh out your thoughts more on that.

DR. RATNER: Sure. I think you described it well. Just to reiterate the point, the front end of the spear of Chinese coercion and bullying in the South China Sea is with these non-military maritime vessel, coast guard-like services with the express intent of staying below a military threshold so to be able to use those forces, which are sometimes armed, are sometimes larger than naval vessels of regional militaries, without inviting the participation of the U.S. Navy, and in some ways, the United States and Japan and others have actually facilitated the drawing of those lines and said, well, isn't it great that this is kept at the coast guard level because if

militaries were involved, navies were involved, then this could escalate or it would be much more dangerous.

I think that may have been true years ago. I think looking at the size and modernization and operational conduct of these forces from China, however, I don't think that's a fair statement to believe that drawing that line is useful anymore.

In terms of specific actions, in terms of declaratorial policy, the United States should make clear that--and there has been talk about raising this issue at regional forums on the U.S. side, and we haven't done it for a variety of reasons.

But I think it's probably time to think about this, as well as in terms of exercises and training, the U.S. Navy should think about coordinating more closely with regional coast guards and respond, for instance, exercising using the U.S. Navy to respond to incidents where coast guards are rammed or harassed by non-military vessels.

And I would just add, this is non-military vessels that the Chinese are using, but they often have PLA Navy warships parked right over the horizon, for instance, during the Scarborough Reef incident. So in my view, that's almost no different than using their navy in the first place in terms of the threat they're making.

CHAIRMAN SHEA: Thank you.

You also said in your testimony that the U.S. should contest Chinese administration of Scarborough Shoal by sending the U.S. Navy through the area to assert its freedom of navigation. Why hasn't the United States done that?

DR. RATNER: That's a great question. I would encourage you to ask members of Congress to ask administration officials. I think there are always debates about how important any one of these individual rocks or islands are in the grand scheme of U.S. foreign policy or U.S.-China relations, and is it worth upsetting our relationship with Beijing or causing disturbances over something, over a bunch of rocks? That's the phrase that critics often use.

So I think that view as it relates to Scarborough Reef has probably prevailed, and also there's some sense that the Philippines walked themselves into that crisis at their own doing.

CHAIRMAN SHEA: By sending a U.S. Coast Guard ship, a former U.S. Coast Guard ship there, which confirms your point about blurring the lines between white hull and gray hull--

DR. RATNER: Yeah, I don't defend that position, but I think there are people who use it. Every chance I get in these kind of forums and otherwise, I make the argument that we should put Scarborough Reef at the top of our diplomatic agenda. We should be calling upon Beijing to withdraw from there.

We should be saying that in private to China. We should be saying it publicly at multilateral meetings. There's no reason to accept that illegal administration. It violates everything our leaders say are U.S. national interests when they talk about these issues: freedom of navigation; free flow of commerce; peaceful resolution of disputes; non-use of coercion. And yet, we haven't really put as bright a light on this particular issue as we should. So I think any way we can do it, we should.

MR. LOHMAN: May I just make a quick point?

CHAIRMAN SHEA: Sure.

MR. LOHMAN: I think on the Scarborough Shoal incident, I think it might be something the Commission wants to look into, just the circumstances of the Filipino decision to deploy a Navy ship to Scarborough Shoal because I don't think the Filipinos have done a very good job of explaining it themselves, and there's a narrative that's taken hold, that actually already has taken hold that the Filipinos kind of brought it on themselves, and that all the Chinese were doing were responding and too bad for the Philippines, but they responded twice as hard as the Filipinos.

They sort of took advantage of it, and that's sort of the charitable position, is that they took advantage of it and they hammered it home.

As I understand it, the Filipino Navy is actually deputized to do coast guard type work on a standing basis. They didn't have another ship available.

CHAIRMAN SHEA: It was a Coast Guard vessel at one point.

MR. LOHMAN: No, it was a navy ship. It was a navy ship.

CHAIRMAN SHEA: It was a navy ship, but it was a U.S. Coast Guard.

MR. LOHMAN: Yeah, right, but it was a Filipino Navy ship.

CHAIRMAN SHEA: Right. They painted it over.

MR. LOHMAN: Yeah, yeah. That's true, but the case that's made is that that was a navy ship, that they did deploy a gray hull. It was the Filipinos, therefore, that--

CHAIRMAN SHEA: Right.

MR. LOHMAN: --first escalated the conflict. All I'm saying is that it's not exactly like it looks, and I don't think the Filipinos did a very good job of explaining exactly why a navy ship would do that. It's because they don't have enough coast guard vessels. They don't have vessels that can get out that far and stay on station and come back.

So That's the only one near by that they had and they deployed. That's how I understand it, but it might be something the Commission wants to understand better, again, to counter a narrative before it gets ingrained too deeply.

CHAIRMAN SHEA: Thank you.

HEARING CO-CHAIR FIEDLER: Thank you.

Commissioner Tobin.

COMMISSIONER TOBIN: Thank you, gentlemen.

I have a question for you, Dr. Ratner, and then a separate one to follow for you, Mr. Lohman. You said today that you're more optimistic possibly than Mr. Lohman, and my question for you, are you more optimistic because ASEAN has the potential for us to use strategically or are you more optimistic because you see that they have accomplished something that has served us, or I guess it could be a little bit of both? So that's part one.

Part two is you talked about giving China a bloody nose; the smaller countries might want to do that. How might we be ready to do the bloody nose ourselves other than with the Scarborough Shoal?

DR. RATNER: Well, I'll answer the first one. I'll probably give you a fuzzy answer to the second one. But in terms of reasons for optimism as it relates to ASEAN's role in regional security, I would say certainly I accept all of the limitations that Walter mentioned, but we have seen some movement in recent years.

For instance, the ASEAN Defense Ministers Meeting Plus mechanism, which is relatively new, has what people have described moving from talk shop to workshop. They've gone from what ASEAN has been notorious for of getting around and yapping to actually getting out and doing field exercises, and last year, we saw the first of these humanitarian assistance/disaster relief and military medicine exercise that involved 3,000 military personnel and 18 countries.

So this isn't necessarily all about high end, high security deterrence, but it is about, we do see increasing security cooperation on issues that are important to the United States--humanitarian assistance, disaster relief. The ADMM Plus is also working on counterterrorism, search and rescue, military medicine, a lot of important issues, which contributes to regional security. So that is one aspect.

On the code of conduct, I totally agree, this is a process that I think the administration has overemphasized given that it has been very easy for China and others to kick the can down the road on this. However, there is recent talk of what's called "early harvesting" of elements of those discussions, those upon which there is agreement, and implementing them as soon as possible.

We haven't seen this yet, but I think there may be an inflection point where people say, look, we're never going to get to that code of conduct, why don't we cooperate on what we can, and ASEAN will be the institution through which those can be done.

We've also seen more intra-Asian discussions and security cooperation in ways that we haven't seen before. For instance, we're seeing the early buds of something that the United States has long supported, which are discussions between the South China Sea claimants, not so much Brunei,

but Malaysia, Vietnam and the Philippines are quietly getting together and talking about, okay, what are we doing here and what's our plan forward? Those are really important developments.

And, finally, I do think these regional meetings do have some constraining effect on Chinese behavior to the extent that you get several countries together, leaders, in public forms to talk about what's acceptable and what's not.

I think there are reasons for optimism. Again, I think we're in a point in the evolution where we don't know, okay, have we sort of hit the terminal point of where this is going, or we're never going to get to a NATO nor should we aim to, but could we imagine something that would be, an institution that would be more effective on issues of high, more high politics, deterrence, major power issues?

I think the jury is still out on that, but I do think there's progress over the last several years.

In terms of the bloody nose question, I guess I would put it a separate way to say what I have written about as it relates to Chinese revisionism and assertiveness is that the United States has not done as effective a job as it could on imposing costs on China for this behavior, so I wouldn't necessarily call it a bloody nose.

I was saying in that context of that's how smaller countries think about asymmetric military threats.

COMMISSIONER TOBIN: Right. Right.

DR. RATNER: We can't beat you in a big war, but we can use submarines quite effectively to shut down your shipping. That's sort of the bloody nose. That's not what the United States has to do. That's an asymmetric small country response.

But there are ways that the United States could more effectively impose costs on China for its revisionist behavior, and until it does, I think we're likely to see exactly what we've seen, which is step by step by step by step acts of "salami slicing," as political scientists call them, but many acts of revising the territorial status quo in the region.

HEARING CO-CHAIR BROOKES: What are those costs?

DR. RATNER: What are potential costs the United States could consider imposing? Well, the ones, there are several diplomatic ones. I mean in terms of the I guess harder security ones--

HEARING CO-CHAIR BROOKES: Include all of them. I'm sorry. I'm just interested.

DR. RATNER: Okay. Well, I don't want to take too much time, but let me get to the ones that may be of interest. One would be enhancing the military presence in Southeast Asia, which is something this administration has actually spoken about to the media in the context of trying to deter China from announcing an ADIZ in the South China Sea. They said

that would be one potential effect. Enhanced U.S. presence.

We could think about expanding the scope of our security guarantees with allies and partners. Some of those are relatively ambiguous. We could make them stronger. We could transfer different types of military capabilities to these countries which we're not doing now, particularly counter-intervention capabilities.

As we often hear, the Chinese have a strategy of anti-access/area denial, A2AD. Maybe you heard this term this morning. We could think about helping countries in the region develop their own A2AD capabilities to deter Chinese force projection.

We could think about altering our position of neutrality on sovereignty disputes. This would be an incredibly sensitive issue, and we would not want to do so lightly, but it should be on the table in the event that Chinese assertiveness becomes chronic.

We could more proactively offer legal assistance to countries like the Philippines that are interested in using international arbitration if others choose to do so. And as Commissioner Shea mentioned in that line of questions, we could think about how we undermine China's ability to use non-military vessels through coercion, and I think there's a lot of ways we can do that.

So that's a sampling of issues, and I guess I'll stop there, but those are some of the ideas that I've floated in my own research anyway.

HEARING CO-CHAIR FIEDLER: Thank you.

I have a couple of questions. Oh, you want to follow up?

COMMISSIONER TOBIN: The second. Not really the second part of my question, but I was going to address a question to you, Mr. Lohman.

Dr. Ratner spoke about TPP, and it potentially being the most powerful tool we might have if we could pass that. What are your predictions in terms of politics in the United States, whether this might happen or might not, and what might support it getting through?

MR. LOHMAN: Well, I think with all trade agreements--well, I won't say all trade agreements, but there's been many times where trade agreements have looked doomed and like it could never possibly happen until the minute they actually happen. So that's both at the negotiation stage and in the stage when they come up for votes in Congress.

So I think it's possible. I don't see anything that has fundamentally changed about the debate over trade in Washington. Free trade always has an uphill battle, and yet President Bush negotiated 14 trade agreements and we have NAFTA, we have the Uruguay Round and everything else. So I think it's very possible.

I do think, though, that TPP will rise and fall on its economic merits. I do think it's really important for our strategic position in the region,

but that doesn't mean that I think the United States ought to sign up to any agreement that it can get in order to fill that economic void in the pivot.

People are going to be looking at issues like IPR protection, rules of origin, market access, the treatment of SOEs, currency. There's so many issues that are going to be at stake in this debate. I think the geopolitical argument is the weakest, and I for one, trying to balance both of those, if it doesn't hit the economic marks, I think, I don't think it should pass. I think it has to hit those marks first.

Can I make just a very quick comment on your first question? I guess that's the advantage of answering second here. But my concern, I accept what Ely said about some of the progress that's been made, but my concern is that when you look at that progress in the context in ASEAN history, it's very minimal, and it's really, really slow.

ASEAN is the sort of organization that sometimes moves so slowly you can't tell if it's actually moving or not. You know you have to look really closely and see if it's moving, and sometimes you say there it goes. For instance, the disaster relief and military medicine exercises that's good, but it's a drop in the bucket, first of all.

In comparison to some of the multilateral exercises in the region or even U.S. bilateral exercises in the region, it's very small. But it's also intended to reach out to the Chinese. The ADMM Plus includes the Chinese. So I'm not sure what kind of capabilities we're developing there that are going to help us meet the China challenge.

HEARING CO-CHAIR FIEDLER: I have a couple questions. One or two of them are fact based. One, what's the role of ethnic Chinese populations in the politics of Southeast Asia to sort of mitigate countries' behavior?

Two, how would you characterize each of their economies or the major Southeast Asian economies, in terms of their dependence upon the Chinese economy?

Now, the motivation for the question, I understand actually and never expect any different from little countries hedging vis-a-vis two big countries, especially when you live in someone's backyard as big as China. So I don't have any high expectations of them sort of not hedging.

And I don't even care, but I'm more interested--and I tend to agree with you on the uselessness of ASEAN, generally speaking, but if that is true, and I think it is, why isn't our bilateral efforts, security-wise and economically, more aggressive? I hope they are actually and that we're not putting our faith in ASEAN as a vehicle for any outcomes.

For instance, our relationships with the Vietnamese have improved greatly, inhibited somewhat by their own authoritarian policies, but at some point, Cam Ranh Bay is a little more enticing as a security problem as the Chinese get to be more aggressive and assertive.

Can you address a couple of these concerns? Questions?
Comments?

MR. LOHMAN: Yeah. On the first question, I guess the issue of ethnicity in Southeast Asia is a pretty difficult one. Those Chinese populations in Southeast Asia have lived there for many generations, and I would dare say the vast majority of them, Mandarin is not even their ethnic language. They have other, smaller ethnic languages they all speak, and so their affinity with the mainland, again, I'm sure generalizing across the region, is not necessarily great.

I think there are some wealthy businessmen and that type -- Thailand comes to mind--of people who have gone back and made some money on the mainland, but it's not the same as the Taiwanese businessmen that are making a fortune in China. You don't have that same dynamic in any of these places. I don't see the impact of Chinese ethnic populations in those countries as being very big.

The other side of it is they have historically been accused of that and have suffered greatly for it, so they, on the other side have a reason to downplay any of those connections even if there were some, so I don't think that's something to worry about.

On the investment side, they all have interest in economic relations with China. They're either taking a lot of investment. Singapore, for example China is its biggest investment destination in the world now. Does that impact their behavior? It's hard to draw a direct line, but it probably impacts. You know, it's part of their calculation, both Singapore and Indonesia and anywhere else, but I think sometimes the correlation is drawn too tightly or the picture that's kind of being painted about the connections and the overwhelming power of the Chinese market is a little bit too stark.

If you look at numbers across the board, the U.S., China, Japan are all in the top three, and they're switching positions now and again. In some countries, China might be the biggest; the U.S. might be the biggest in another.

So it definitely complicates their decision-making process. No question. And I point out in my paper the difference, say, between Philippines and Vietnam where Philippines is benefiting a lot less than Vietnam from economic ties with China, and so it probably has some bigger impact. The Filipinos have a lot less to lose in taking on the Chinese. So it has some impact on policy.

Since I've gone on on these two questions, maybe Ely wants to answer the last one.

DR. RATNER: Sure. I guess maybe I'll have two responses. One, in terms of this issue of, well, they're hedging between the United States and China, shouldn't we expect that, I think from the perspective of the United States, from a strategic perspective, it's even worse than that because

it's not hedging between the United States and China, it's hedging between a huge country that's right on your doorstep versus one that you're not sure if they're going to be there or not.

So structurally, we're in a very difficult position. We're in a constant effort of reassurance and presence versus the reality of China being there, and that makes it very difficult --to deal with that hedging or to have it go any other way.

In terms of our bilateral relationships versus the energy we're spending on the multilaterals, I think in almost every case in Southeast Asia, we have been more focused on the bilateral relationships than in previous administrations.

I think if you walk through our engagements with Vietnam, certainly Burma obviously, Philippines, Indonesia, Australia, I think in every case you would find both more and deeper strategic engagement between the Defense Department and the State Department and their counterparts, as well as more military-to-military cooperation, so that's happening.

But there are constraints. There are constraints from Congress. When it comes to Vietnam, for instance, the inability to transfer lethal items. With Burma, huge sanction constraints on our ability to engage in more military-to-military cooperation even in terms of human rights training for military officers--we're not even talking about selling weapons--an inability to do that. And you'll see administration officials up on the Hill saying come on, guys, you know, this is what we're talking about; you should give us a little bit of a longer rope here.

There are also financial constraints. A lot of these countries will say great, we want to partner with you; now build us that multibillion dollar base over there. So there is this question of who pays that often comes up in these discussions and slows them down considerably. There is a lot of will but not always a lot of dollars.

And then there are domestic politics at play here. I think, as Walter mentioned in his written statement, even in the Philippines, a country with a long history with the United States, a U.S. treaty ally, we've had painstaking negotiations with them over a current access, military access agreement.

This is something that you'd think in the context of Scarborough Reef and Second Thomas Shoal would be a no-brainer, and yet even there, arguably the closest country to the United States under the most severe threat from China, and still the domestic politics of really symbolically and in a serious way enhancing military relations with the United States is heavily constrained.

But all these things are much, much easier in the multilateral context. So that's why that is retained in this environment. It's not that the bilateral isn't important; it's that there are serious constraints there. In many

instances, more can happen under the happy umbrella of ASEAN that would be more difficult in a bilateral setting.

HEARING CO-CHAIR FIEDLER: Thank you.

Commissioner Brookes.

HEARING CO-CHAIR BROOKES: What are U.S. defense obligations under the U.S.-Philippine defense treaty? Because there are questions as to whether something like Scarborough Shoal would actually apply, which is a pretty important question when you're talking about deterrence strategy towards overthis issue or freedom of navigation issues through Scarborough Shoal.

There's some interesting language in there, and I just wanted to get your interpretation of--

MR. LOHMAN: Yeah.

HEARING CO-CHAIR BROOKES: Maybe you haven't looked at it, and that's fine. You can let us know that, but it's an important source document, just like the Mutual Defense Treaty with Japan--

MR. LOHMAN: Right, right.

HEARING CO-CHAIR BROOKES: --as we talked about in the previous panel to see what's required of the U.S.

MR. LOHMAN: Right. Well, first of all, like the threat with Japan, there is no automatic mechanism. I mean it requires consultation before anything is done, but, secondly, as I understand it, it applies to the metropolitan territory of the Philippines, and armed vessels of the Philippine, Filipino armed services, and public vessels.

And so that would mean that no, it doesn't necessarily apply to Scarborough Shoal, but it would apply if a Filipino vessel in the region comes under fire from the Chinese, and what that would mean then is consultation between the two allies and the consultation back in the United States with our own constitutional processes to determine what to do.

The U.S. position for a long time has been that these disputed territories do not fall under the jurisdiction of the treaty, but the letter of the treaty is that it does apply to public vessels and vessels of the Filipino armed services.

HEARING CO-CHAIR BROOKES: And the metropolitan means the mainland basically of the Philippines?

MR. LOHMAN: Yeah, basically, that's right.

HEARING CO-CHAIR BROOKES: Okay.

MR. LOHMAN: And we determined that the Spratly Islands do not belong to that territory historically.

HEARING CO-CHAIR BROOKES: Do I still have some time left?

HEARING CO-CHAIR FIEDLER: You got it.

HEARING CO-CHAIR BROOKES: Ely, you talk about

misperceptions in Southeast Asia from your travels and discussions about the United States. Could you elaborate on that a little bit?

DR. RATNER: The project and research effort that I worked on more than any other, that I spent the bulk of my time on last year, sought to answer the question of how should the United States build a politically sustainable military presence in Southeast Asia?

We talk about the administration has had this mantra of ensuring that U.S. posture in the region is operationally resilient, geographically distributed, and politically sustainable, and yet that politically sustainable piece has never been well defined.

So I had the opportunity to travel to Australia, Philippines, Vietnam, Singapore and have discussions with officials, academics, military, including our own, and our own diplomats on the ground and asked this question of, you know, what does the region want out of the United States? How are they interpreting U.S. policy?

And with the exception of a very few number of individuals, you'd be hard-pressed to hear an articulation of U.S. strategy that sounds like what U.S. officials say when they talk about U.S. policy in the region. Probably the predominant misperception is that the U.S. rebalancing to Asia is all about China and all about containing China, whereas U.S. policy, of course, has been more balanced than that in terms of engaging China and in many ways welcoming and facilitating China's rise. So I think that's probably the biggest misperception.

Another one is that U.S. policy in the region is all military, which again the administration have some to blame for that in terms of the way the rebalancing was packaged and rolled out and some of the initiatives that were offered first, but clearly, over the last couple years, there's been a lot of effort to highlight diplomatic and people-to-people and cultural initiatives, economic initiatives that are associated with U.S. policy.

But there continues to be a perception that it is primarily a military endeavor so those are probably the predominant ones, and I would say they're relatively widespread.

HEARING CO-CHAIR BROOKES: Now, you talked a bit about U.S. military presence, in the region. What needs to be done in your estimation, beyond what is currently being done?

MR. LOHMAN: Well, I was thinking that was Ely's sort of statement.

HEARING CO-CHAIR BROOKES: Well, you both are welcome to answer. I wasn't directing it at either one of you, but--

MR. LOHMAN: We are currently doing quite a bit with the Filipinos. We have ramped up our FMF to the Philippines, and the Filipinos themselves are paying for a lot more, and they're buying from our allies some key capabilities, things like coast guard vessels from Japan, or they're

looking out in the international market for fighter jets. Probably things that we would consider trainers, they're going to turn into actual fighter jets.

I think probably the Philippines is the best example of where we're doing a lot. As mentioned, we're also working on this framework agreement with the Filipinos that has been in the works for some time, in negotiations since August at least, real negotiations, but it's been at least two years and more than that probably that we have been discussing the possibility of staging more or rotating more through, more American personnel through joint bases in the Philippines.

I'm a little bit less sanguine about the prospects of our cooperation with Vietnam just because I think if you look at the history of the relationship and how it's developed, you know, it's been very slow, and we still don't have a warship that's able to visit Cam Ranh Bay, and that has been a key component of successive administrations.

We actually want to get a warship in Cam Ranh Bay, and the Vietnamese because of I think strategic consideration, as much as anything, don't want to make that strategic call. I also have concerns about the nature of the regime and that sort of thing, and how much we really want to cooperate with it on those things.

But I think most of all it has to do with our own presence, our own unilateral presence, and you know the big problem with the pivot, as much as it is characterized in the region, and I agree with Ely, it is characterized as military in nature, there hasn't been enough military from my perspective.

You know, a couple of littoral combat ships to Singapore and 250 marines in Australia, supposedly to ramp up to 2,500 at some point, but I don't think we've even broken the 500, the 500 mark there, and have gone for times with no one there.

So I think it's really our presence that matters the most. We're the only ones by far that can match what the Chinese are growing into, and that all hinges on debates back here in Washington, debates that are not going well, in my opinion.

DR. RATNER: I would just add to that, I would echo I think the Philippines access agreement is really important in terms of the obvious next step in presence.

HEARING CO-CHAIR BROOKES: What are you looking at when you talk about the Philippines? We talk about access. Are you talking about reinvigorating Clark, access to Subic, permanent positioning in Philippines? What are you thinking about in terms of--

DR. RATNER: I think it would be a rotational presence akin to what we have in Darwin, Australia now.

HEARING CO-CHAIR BROOKES: Just ground forces or --

DR. RATNER: Maybe some prepositioning of materials and

assets as well. If I could just maybe make a couple additional points, one would be that I agree that the numbers themselves are maybe not enormous in terms of littoral combat ships or marines in Darwin, but we have to remember what they're doing there. They're there to do a couple things. One is training, and --the marines in Darwin are spending some time in Darwin, but they're spending a lot of time floating around the region training with other militaries.

In addition, they're facilitating the potential surge of U.S. capability if necessary so, yes, we only have 250 or 500 marines in Darwin, but in the event of a contingency, part of what they're working on is how could that become a much, much, much larger number. So it's about leveraging access, not about placing a huge number of troops there right now.

And the other issue related to our presence is not just sort of bean counting about how many of this we have or not, but thinking about ways to be more efficient in terms of how we cooperate with allies and partners. And there's a couple of ways that the Defense Department is thinking about doing that now.

One is better harmonizing our own training and building partner capacity with other partners so we're not the only ones in the region trying to strengthen the capabilities of regional militaries. The Australians are there, the Japanese are there, and surprisingly we're not really coordinating with them. So there are instances where we'll go in and do something with the Malaysians and the next month the Australians will come in and do the exact same thing, clearly not particularly effective.

So having those conversations and a little bit more of a division of labor with other capable militaries in terms of their engagements with Southeast Asia is important.

And then the other way is just thinking about ways to collaborate. So with respect to the Philippines, for instance, we're in discussions with Japan about whether Japanese aid agencies, for instance, can build infrastructure that would complement U.S. military training or access or capability. So we can both be smarter about how we divide responsibilities, and we can cooperate more in terms of how we try to build partner capacity.

MR. LOHMAN: Can I just respond quickly?

HEARING CO-CHAIR BROOKES: Yes.

MR. LOHMAN: With regard to the negotiations with the Philippines, from the way I understand the negotiations, and, obviously, they are private negotiations that get leaked out in the press once in awhile, but they're looking at a range of things. So they're looking at prepositioning equipment. They're looking at several different facilities. They're looking at building new facilities, and --part of the discussion is who is actually going to own and control that facility once it's built.

They are looking at ways you could use Subic. I'm not sure

they'll find a way, but Cubi Point, as you know, is empty at this point. It has been empty since FedEx left, and it's open. So they're looking at air assets there. They're looking at joint training army training and that sort of thing. There's a whole range of things that we could do with the Philippines.

It's just a matter of getting past Filipino sensitivities over their constitution, that's an important thing; right? A country's constitution, we want to be able to do it in a way that both meets that requirement and skirts Filipino politics, which as pro-American as they are, they have a very vocal and strong left that will protest almost anything that we do there.

And then really quickly, just one more point on the pivot and Darwin is that another element of that that's been overlooked a lot in the media and the analysis is the Air Force as another part of that presence is supposed to be in Darwin.

And that I know of, the ground hasn't even been broken on building the facility there that would be necessary for that. We're in negotiations with the Australians about how exactly to do that. So far, the military part of the pivot does amount mostly to 250 marines in Darwin and two littoral combat ships in Singapore.

DR. RATNER: But, yeah--

HEARING CO-CHAIR BROOKES: Please, this point.

DR. RATNER: If I could just add one point. I mean just to be fair, it is about presence; it's also about budgets and spending. And so if you look at the Quadrennial Defense Review or where the money is being spent now, the presence in Asia, though maybe not being increased, is being fenced and protected, and we are moving a lot of high value assets from the Middle East and South Asia to the Pacific that's not stuff that makes headlines like the big presence access arrangements, but it's equally important I think.

HEARING CO-CHAIR BROOKES: What's ourthe current presence of a U.S. carrier battle group in Southeast Asia? It used to be we always had one, a transit. Do we maintain a continuous presence of a carrier battle group in Southeast Asia anymore or are you just talking about the LCSs in Singapore? You may not know.

Operationally often carrier battle groups that were transiting to the Middle East, there was always at least one, sometimes two, carrier battle groups in Southeast Asia.

But you're not aware of that current sort of--

MR. LOHMAN: No, I'm not.

HEARING CO-CHAIR BROOKES: Because when we talk about presence, because you're talking about, is there only going to be two ships at Singapore or is there going to be more? There's more than that;, isn't there?

MR. LOHMAN: Up to four.

HEARING CO-CHAIR BROOKES: Up to four.

MR. LOHMAN: They've got agreement to have up to four so

there could be more.

HEARING CO-CHAIR BROOKES: And Changi is still being used, I assume.

MR. LOHMAN: Yeah, Changi is still being used, and that's one of the potential uses of Subic would be to have aircraft carriers pull in there again. U.S. ships replenish there now.

HEARING CO-CHAIR BROOKES: Right.

MR. LOHMAN: I think a lot of what goes on in Subic with U.S. ships, not that well advertised or known, we already use them.

HEARING CO-CHAIR BROOKES: Well, ship repair.

MR. LOHMAN: Yeah, ship repairs and replenishment and leave and that sort of thing, much less than in the heyday, but still they are there. It's not accommodating aircraft carriers, and it does have the capacity to do that.

HEARING CO-CHAIR FIEDLER: I'm going to come back to that after Commissioners Shea and Tobin have their questions. Commissioner Shea.

CHAIRMAN SHEA: Thank you.

This may be an unfair question, but maybe you can divide it up between the two of you. Let's look at five countries--Vietnam, Indonesia, Malaysia, Singapore and Australia, those five countries.

Could you if you're able--I'd be impressed if you are collectively able to tell us what are-- give us a a very brief primer, on their current military capabilities? What specific capabilities they are seeking and what their main security concerns are? How is that?

HEARING CO-CHAIR FIEDLER: In five minutes.

[Laughter.]

CHAIRMAN SHEA: Well, just real quick. I mean I would say Vietnam, they want submarines. They're getting them from the Russians; right? Those five countries, tell us what they can do, what they have and what they're seeking.

MR. LOHMAN: Man, that's a tough one. I'll volunteer and give Ely time to think here. Let me just take a couple. I'll do my best. It's a couple months' research question in itself.

But Indonesia, I think you really have to look at Indonesia mostly as concerned with its own internal politics and its own internal security more than anything else. It's famously 17,000 islands and four time zones or whatever. It's a huge place, and you've got hundreds of ethnicities and that sort of thing, and a history of trying to contain disunity.

So when you look at sales that are made to them or things that they need, I think you have to look at it in that context. For instance, they were just sold Apache helicopters by the U.S. that--I think they were made available actually under the FMF. That's how that's going to plug in. That

doesn't really have any utility, I think, in our bigger interest, which is in managing China.

As you mentioned, several of the countries in the region, including the Vietnamese, are looking for submarines, and I think the Vietnamese are buying Soviet or Russian submarines now so --that's a big issue for them.

The Singaporeans, probably in Southeast Asia, not including Australia, have the most capable military in the region, sort of a pound for pound basis. So that's three countries. I'll give the rest to--

DR. RATNER: Well, the Australians, obviously very capable, are currently debating where they're going with their submarine program. Looks like they're going to acquire more. They've reconfirmed their F-35 buy. It's a pretty substantial buy. I think upwards of a hundred.

Their principal focus of the training with the marines in Darwin to date has been on amphibious capabilities, which is something that they've been focused on, and they're also interested in improving their ISR, their surveillance capabilities. There was in the news today that they had announced they were going to be buying Triton UAVs, the first foreign country to purchase these from the United States.

And they've got a very vast ocean, particularly to their northwest, to worry about as it relates to illegal migrants and the Indian Ocean. So they're not just looking at their own neighborhood so I think we're likely to see--and that's obviously an area of potential collaboration with the United States. Those are priorities there.

In terms of countries not yet mentioned, the Philippines, which wasn't on your list, but having been there recently and talking with folks there, they're coming out of a period, a dire need for recapitalization. They were long dependent on the United States. The whole region was hit by the Asian financial crisis at the end of the '90s, and they're only beginning to come out of this, much less dealing still with a counterterrorism focus, and only starting to think about requirements for external security.

So they're really at the point now of trying to develop basic maritime domain awareness and patrol capability, even just to know it's going on in their near seas, particularly land-based radars where the United States is working with the Philippines on that, some air patrol assets, and otherwise, but they're not even near, you know, thinking about interdiction or sea control or anything like that in terms of naval capabilities.

CHAIRMAN SHEA: Malaysia?

DR. RATNER: Malaysia, I guess the short story on the Malaysians is that it's a similar story, they're moving from a primary focus on counterinsurgency and counterterrorism to new external requirements, including the protection of their EEZs.

Chinese harassment of Malaysia over the last several months has

been both not as public as one might expect in the media and very puzzling, frankly, from a strategic perspective as to why the Chinese are getting them animated on these issues, but they are, and so we're increasingly seeing Malaysia thinking about also amphibious capabilities.

They have submarines as well, and also other maritime security elements looking at the development of coast guard forces, looking at limited force projection capabilities, and intelligence, surveillance and reconnaissance capabilities as well. So I think you see a lot of--countries are at very different levels, but you see a lot of attention to what some describe as "green water" capability, so not blue water navies but being able to patrol out and control contested resources and territory.

MR. LOHMAN: Can I just add something really quickly? I do think it's a really important question though. I mean it's a difficult one for at least me to get to without looking into it in some depth. It's really important because what they want is not necessarily what we need to be selling them, and, the Philippines is a good example of where we're engaged in a constant process of talking to them about what they need, and so when we finally decide what they need, we have come to some sort of agreement on what's best for American strategic objectives, as well as their own, but something that meets.

And I mentioned the Apache helicopters. It's a perfect example. So the Indonesians want Apache helicopters. I don't have any problem on principle with selling them Apache helicopters, but how does that help what our priorities are in the region? I can't really see that.

And then one quick note on Malaysia is that their defense establishment is very much engaged and worried about the South China Sea, but just like every country, they have competing interests within their government, and I would say on the political side and on the foreign policy side, sort of foreign service establishment is not so worked up.

This is going to be the 40th year anniversary of Malaysian-Chinese relations. Nothing is going to get in the way of that. There are going to be a lot of celebrations. There are going to be a lot of good stuff, and as crazy as it sounds, that's going to weigh heavily on what they are able to do, at least publicly, or let anyone know about. It's not going to be a year for them taking on--

CHAIRMAN SHEA: Muted response to--

MR. LOHMAN: Yes.

CHAIRMAN SHEA: --shoal?

MR. LOHMAN: Yes, exactly.

CHAIRMAN SHEA: Thank you. You did very well, both of you.

HEARING CO-CHAIR FIEDLER: Commissioner Tobin.

COMMISSIONER TOBIN: Great. Gentlemen, the anti-access/area denial strategy, we all know has serious dangers for everyone, and

so about a month ago, RAND started floating an idea that I'd like to hear your thoughts on, and its idea was, and for all I know we've been thinking seriously about this for a long time, but using land-based missiles at various chokepoints as a kind of Plan B to Air-Sea Battle.

Given your knowledge of those countries that you just discussed, how, is that floating a trial balloon? Is it a serious Plan B that should be considered? What are your thoughts on what RAND has been talking about?

MR. LOHMAN: I haven't read the report so I can't talk about any detail, and I certainly can't talk about the technological feasibility of it.

I will say, though, that--I cannot imagine any of the countries in the region housing such a missile for us. So if it's dependent on us either getting the Vietnamese or the Filipinos or the Malaysians or someone else to allow us to station those missiles on their territory for purposes of defeating the Chinese, I don't think it has a chance.

DR. RATNER: I don't have too much to add to that. I also haven't seen the report, though I'm sure the RAND Corporation and the authors would be very happy to hear that someone is reading their studies.

COMMISSIONER TOBIN: Uh-huh. It's one of these things that theoretically--

DR. RATNER: Well, there's a lot of--there's a lot--

COMMISSIONER TOBIN: --some sense, but politically and diplomatically it doesn't--something is troubling me.

DR. RATNER: Right. Well, there's a lot of people thinking about alternative strategies to deal with anti-access/area denial challenges that disrupt the ability of the United States to conduct military operations in a way it has in the past, and part of that are technological solutions that allow us to penetrate. It's not really area denial or anti-access.

We can certainly access the area, just at higher risk. So we can potentially reduce that risk with technological innovation. Some people are talking about operating from farther away, either through long-range strike or unmanned systems, and then there are issues of blockade, and I would put this in sort of the category of blockade probably.

But I haven't read this in particular, but I would echo Walter's comments, that we shouldn't be pursuing a strategy that's incumbent upon countries in the region really sticking their necks out politically or putting themselves in a position that doesn't seem like a good fit for how they're balancing their relationship with China because even if at a particular moment, a certain leader was willing to participate in something like that, it would be vulnerable over time to politics that weren't interested in playing that role anymore.

So we have a long way to go in terms of the kinds of cooperation we should be building with these countries before we start thinking about how do we engineer our relationships with them essentially to fight war against

China. That's not going to be a winning strategy right now.

COMMISSIONER TOBIN: Thank you, both.

CHAIRMAN SHEA: The report that Dr. Tobin was referring to was an alternative to Air-Sea Battle, which is highly escalatory where it requires strikes on the mainland and, as Commissioner Tobin said, more distributed--turning anti-access on its head and have lower cost distributive weapons distributed throughout the region at around these chokepoints. So it's basically an alternative to Air-Sea Battle.

DR. RATNER: And a better alternative would be to equip these countries to have independent capabilities where they would be developing themselves with their own resources and have their own interests on the line rather than the United States being the one who has to put forward both the political will and the resources. So there's a lot of different ways of getting at this problem.

COMMISSIONER TOBIN: And actually, since I just read this, cursorily, it could well have been that, as an encouragement to them. Do you recall that?

DR. RATNER: Yeah, that's probably more likely than a U.S. system in some of these countries.

HEARING CO-CHAIR FIEDLER: Commissioner Brookes.

HEARING CO-CHAIR BROOKES: Oh, I'm finished.

HEARING CO-CHAIR FIEDLER: You've finished your interrogation of these two gentlemen.

HEARING CO-CHAIR BROOKES: Yes.

HEARING CO-CHAIR FIEDLER: Let me ask you a not necessarily Southeast Asia related question that comes up in the context of cost consequences. Does it strike you that successive U.S. administrations, say over the last decade or more, even more, have been unnecessarily afraid to upset the Chinese?

MR. LOHMAN: Yes, in short. I think that's a common thread both through the Bush administration, particularly the late Bush administration, and the current administration. I think often we capitulate in advance on things that we're afraid that the Chinese might have a problem with.

HEARING CO-CHAIR FIEDLER: Ely?

DR. RATNER: Yeah. My answer also is yes. I think there often are concerns that if we push too hard in one area, it's going to tip the balance on the full U.S.-China relationship, or at any one point in the U.S.-China relationship, we have a very important issue, whether it's Ukraine or Iran or North Korea, and therefore say there's a dust-up in the South China Sea, we're not going to push too hard because if we do--but I think that's wrong frankly.

And I think we have a lot more leeway to push than we take, and part of the reason why I say that is because we know very clearly that the

Chinese government, including Xi Jinping, highly value China's relationship with the United States, and it's not realistic to believe that if we bargain or compete heavily over a certain issue, that the Chinese themselves are going to be interested in allowing that to overturn what broadly continues to be a stable and professional, if not friendly, relationship.

So I think we have a lot more, we have a lot more ability to test and prod than we've done to date, and it's because of the concerns that it's going to have a broader effect on the relationship as a whole and on particular other issues of importance.

HEARING CO-CHAIR FIEDLER: I agree with you. Let me narrow this down. You had mentioned, and it's frequently mentioned, that North Korea and Iran are, serious, serious issues in that they would dwarf what we consider to be smaller issues. I also think, and it hasn't been articulated since Warren Christopher, that one of those same level factors is stability in China.

And stability meaning the continued governance by the Party in China for the foreseeable future because if it doesn't we have a difficult time understanding how we would deal with the situation otherwise.

What's your sense in the U.S. government? In my view, it's an inarticulated major consideration because it doesn't play very well publicly.

MR. LOHMAN: Yeah, the problem with China and dealing with China, I think, for any administration, and partly why its policy gets so complicated and so amorphous is because China is more complex than North Korea; right? We got such a different suite of interests--

HEARING CO-CHAIR FIEDLER: Yes.

MR. LOHMAN: --and really big interests--economic interests and many other interests--and international organizations. You go across the board, beyond all the threads that we're talking about and all the other things.

So I think maybe that's why it doesn't quite fit in that basket unless you can sort of boil down exactly what threat you're facing in each of those places--Chinese aggressiveness in the South China Sea, the threat from North Korea has nuclear weapons, the threat from-- you can be more specific about the threads, I think it fits. But in a big picture, it doesn't fit.

I think maybe why it hasn't been expressed, that is the particular concern about stability in China hasn't been expressed since Warren Christopher is probably because China is more stable. Partly he's responding to the aftermath of Tiananmen when he was Secretary of State because that was a time where stability in China and revolution and all this sort of stuff was fresh on everyone's mind.

HEARING CO-CHAIR FIEDLER: I mean what you're saying is that the U.S. government has more confidence than the Chinese government in stability in China? Given the dramatic costs that they're incurring for internal police and security--

MR. LOHMAN: Yeah, that's a good point.

HEARING CO-CHAIR FIEDLER: --Why are you spending that kind of money if you're so confident that your place is so stable?

And where their constant refrain, whether it be at the recent meetings or at the Third Plenum meetings about maintenance of stability is--

MR. LOHMAN: Yeah, I mean you're right. That's a good point. It's a judgment call, I guess, for everyone. Everybody is trying to figure it out. But I guess I don't want to call it faith, but I have a lot of faith in the power of authoritarian governments to keep people down, and if anything proved that it was the aftermath of Tiananmen Square.

You remember that time in June 1989, who would have thought we'd be here today. We all thought things were going to go much different than they did today, and the Chinese have put that all back in the box and gotten a lot of the population bought into it.

HEARING CO-CHAIR FIEDLER: All right. Thank you very much, gentlemen. We, as you know, have to get out of this room a little early today. It's been a good discussion this afternoon.

Thank you.

[Whereupon, at 2:42 p.m., the hearing was adjourned.]