

NBR ANALYSIS

APRIL 2013

Whose Pacific Century? The 113th Congress and Asia

Foreword 3

Meredith Miller & Sonia Luthra

Whose Pacific Century? The 113th Congress and Asia 7

Edward Gresser & Daniel Twining

THE NATIONAL BUREAU *of* ASIAN RESEARCH

The *NBR Analysis* (ISSN 1052-164X) offers timely essays on countries, events, and issues from recognized specialists. The views expressed in these essays are those of the authors, and do not necessarily reflect the views of other NBR research associates or institutions that support NBR.

The National Bureau of Asian Research is a nonprofit, nonpartisan research institution dedicated to informing and strengthening policy. NBR conducts advanced independent research on strategic, political, economic, globalization, health, and energy issues affecting U.S. relations with Asia. Drawing upon an extensive network of the world's leading specialists and leveraging the latest technology, NBR bridges the academic, business, and policy arenas. The institution disseminates its research through briefings, publications, conferences, Congressional testimony, and email forums, and by collaborating with leading institutions worldwide. NBR also provides exceptional internship opportunities to graduate and undergraduate students for the purpose of attracting and training the next generation of Asia specialists. NBR was started in 1989 with a major grant from the Henry M. Jackson Foundation.

Funding for NBR's research and publications comes from foundations, corporations, individuals, the U.S. government, and from NBR itself. NBR does not conduct proprietary or classified research. The organization undertakes contract work for government and private sector organizations only when NBR can maintain the right to publish findings from such work.

This report may be reproduced for personal use. Otherwise, the *NBR Analysis* may not be reproduced in full without the written permission of NBR. When information from NBR publications is cited or quoted, please cite the author and The National Bureau of Asian Research

To download issues of the *NBR Analysis*, please visit the NBR website <http://www.nbr.org>.

This is the 98th issue of the *NBR Analysis*.

NBR is a tax-exempt, nonprofit corporation under I.R.C. Sec. 501(c)(3), qualified to receive tax-exempt contributions.

© 2013 by The National Bureau of Asian Research.

Printed in the United States of America.

For further information about NBR, contact:

THE NATIONAL BUREAU OF ASIAN RESEARCH
1414 NE 42ND STREET, SUITE 300
SEATTLE, WASHINGTON 98105
206-632-7370 PHONE
206-632-7487 FAX
NBR@NBR.ORG E-MAIL
HTTP://WWW.NBR.ORG

Foreword

Asia's rising global influence may be the most important story of this century. As the United States and Europe continue to struggle with the effects of the financial crisis, Asia is growing in economic and strategic weight and rapidly changing the global policy landscape. Its share of worldwide GDP is larger today than before the financial crisis, as are its corresponding demands for resources to continue powering the region's remarkable rise out of poverty. In the security realm, disputes in the East China Sea and South China Sea remain unsettled, and China, India, and other countries are seeking to modernize their militaries. The United States' regional partnerships are also expanding. In particular, Myanmar is undertaking a series of political and economic reforms that offer new opportunities for Washington to engage with the Association of Southeast Asian Nations (ASEAN). More broadly, in recognition of Asia's increasing importance, the Obama administration announced a policy of rebalancing toward the region in late 2011. The 113th Congress takes office as this strategy is being implemented. At a time of constrained resources and competing domestic priorities, Congress will play a pivotal role in determining and executing many aspects of rebalancing as it allocates funds, provides oversight, and ratifies trade agreements.

Since 1989, the National Bureau of Asian Research (NBR) has conducted policy-relevant research on key issues of U.S. interest in the Asia-Pacific. Founded to continue the legacy of Senator Henry "Scoop" Jackson, NBR seeks to bridge the gap between the academic and policymaking spheres. We commissioned this issue of the *NBR Analysis* as part of our commitment to help policymakers make informed decisions on issues affecting U.S. interests in Asia and to help others understand the critical role of Congress in formulating U.S. policy toward the region.

This *NBR Analysis* examines the central issues facing the new 113th Congress in the dynamic Asia-Pacific trade and security environment. Authors Edward Gresser and Daniel Twining draw on their exceptional knowledge of Asia and experience in forming U.S. foreign policy. This report offers insights into the role of the 113th Congress in shaping policy as the United States rebalances toward Asia, as well as into how shifts in the composition of the House and Senate may affect the direction of policy. The authors' insights into changes both in U.S. strategy and in the region since 2011 are equally valuable. The rebalance represents an opportunity for the United States to deepen strategic cooperation with its Asian allies and partners to help ensure regional stability. For example, the March 2013 announcement that Japan, a close U.S. ally and partner in the region, will join the Trans-Pacific Partnership negotiations opens the door to expanded trade liberalization with one of the United States' most important trading partners.

NBR ANALYSIS

In addition to being grateful to the report's authors, NBR would like to thank its individual and institutional sponsors, particularly David and Daphne Tang, John and Sarah Rindlaub, the Henry M. Jackson Foundation, Chevron, and ExxonMobil, for their generous sponsorship of NBR's outreach initiatives. Their continued support has made this *NBR Analysis* possible.

Meredith Miller
Senior Vice President of Trade, Economic, and Energy Affairs & Outreach
Director, Washington, D.C., Office
The National Bureau of Asian Research

Sonia Luthra
Assistant Director of Outreach
The National Bureau of Asian Research

Whose Pacific Century? The 113th Congress and Asia

Edward Gresser & Daniel Twining

Edward Gresser is Director of the Progressive Economy Project at the GlobalWorks Foundation. He previously directed the Trade and Global Markets Project for the Progressive Policy Institute and the Democratic Leadership Council, served as Policy Advisor for the U.S. Trade Representative during the second Clinton administration, and also worked as Legislative Assistant and Policy Director for Senator Max Baucus (D-MT). He can be reached at <egresser@globalworksfoundation.org>.

Daniel Twining is Senior Fellow for Asia at the German Marshall Fund of the United States, where he leads a fifteen-member team working on the rise of Asia and its implications for the West. He previously served as a member of the Secretary of State's Policy Planning Staff and as Foreign Policy Advisor to Senator John McCain (R-AZ). He can be reached at <dtwining@gmfus.org>.

Executive Summary

This report examines the issues in Asia that the 113th Congress will confront—from the pace and scale of military drawdown in Afghanistan to an increasingly dangerous North Korea—and argues that domestic policy choices on debts and deficits will ultimately determine whether the U.S. can realize the promise of its strategic rebalance toward the Indo-Pacific.

Main Argument

Issues before the 113th Congress include the planned withdrawal of combat forces from Afghanistan in 2014 and the future relationship with Pakistan; a decision on “trade promotion authority” for future trade agreements, including the possible 2014 conclusion of a Trans-Pacific Partnership agreement; sustaining and resourcing the U.S. strategic “rebalance” to Asia in ways that invest old allies like Japan and new partners like India in closer long-term cooperation with the U.S.; the progress of last year’s unexpected reconciliation with Burma/Myanmar, including the status of the recently waived investment and trade sanctions; the appropriate response to North Korea’s aggressively advancing nuclear and missile programs; stalemated negotiations on trade and climate change; and growing questions about assertive Chinese regional diplomacy and maritime claims, which have deeply unsettled Asian security and forced both Congress and the Obama administration to think hard about the foundations of U.S. regional strategy. To these topics, the 113th Congress will likely bring a strong bipartisan consensus. But domestic-policy disagreements may undercut the ability of the U.S. to resource and sustain the rebalance to Asia over the longer term, threatening vital U.S. interests in the Indo-Pacific.

Policy Implications

- Nationalist and territorial conflicts driven by China’s aggressive posture, as well as North Korea’s missile and nuclear threats, render the U.S. role in Asia even more important and require the U.S. to adapt its military, diplomatic, and economic leadership to intensifying challenges.
- Deep divisions within Congress on domestic policy, and fiscal policy in particular, may have significant effects on the capacity of this and future administrations to implement policy toward Asia.
- Choices on taxation, spending, and debt are also choices about strategy. Their influence on the long-run capacity of the U.S. to shape the Indo-Pacific may be felt years after the issues of 2013 fade.

On the idle hill of summer,
 Sleepy with the flow of streams,
 Far I hear the steady drummer
 Drumming like a noise in dreams.

—A.E. Housman

Housman’s late Victorian poem evokes an idyllic landscape, troubled by the dim consciousness of looming crisis. In *The Proud Tower*, Barbara Tuchman used it as the epigraph for the diplomacies of activists, economists, and admirals in the first decade of the twentieth century, placing their hopes to avert confrontation through disarmament, logic, or deterrence against the economic growth and cultural exchange of the age, and against the war to come.

The poem is perhaps evocative again in the Asia of 2013, where territorial rivalries and hints of great-power confrontation are increasing in frequency and emotion despite sunny announcements of growth, investment, and development. It may be so as well in Washington, where the administration’s broadly supported updating of Asia-Pacific policy is proceeding against a domestic-policy landscape of recurrent fiscal-policy crises and decisions made on budgetary grounds, whose future consequences for security may be very large.

The 113th Congress and the Asian Backdrop

Even more so than in a typical inaugural year, the 113th Congress will begin focused on domestic matters—in fact, with the third fiscal-policy crisis in eighteen months, as its members move seamlessly from “fiscal cliff” agreement to “debt ceiling” and “sequestration” confrontation. They will proceed to foreign policy and Asian affairs only later in 2013. But when they do so, members of Congress will face decisions ranging from very immediate questions of military deployment and legislative strategy for trade to longer-term questions about the multilateralism and engagement with China that have helped guide U.S. foreign policy for two generations. The list includes:

- The planned withdrawal of combat forces from Afghanistan in 2014 and the future relationship with Pakistan
- A decision on “trade promotion authority,” or “fast track” rules, for future trade agreements, including the possible 2014 conclusion of a Trans-Pacific Partnership (TPP) agreement

- The progress of last year's unexpected reconciliation with Burma/Myanmar, including the status of the recently waived investment and trade sanctions
- The appropriate response to North Korea's aggressively advancing nuclear and missile programs
- Stalemated negotiations on trade and climate change, in which apparently intractable divisions between China, India, and several other large middle-income nations, on the one hand, and the United States, on the other, make major multilateral agreements on any topic difficult to imagine for some time
- Growing questions about China's regional diplomacy and maritime claims, which have deeply unsettled Asian security and forced both Congress and the Obama administration to think hard about the foundations of U.S. strategy in the region

To these topics, the 113th Congress will likely bring a strong bipartisan consensus. Congress appears, and in fact is, deeply divided on many issues, some of which have great relevance to the future of U.S. foreign policy. But policy toward Asia appears to remain an exception. In diplomacy, the Obama administration's broad decision to "pivot" or "rebalance" U.S. resources toward Asia won support across party lines in Congress. In economics, the last Congress's trade policy success—it passed seven trade bills, including the long-delayed U.S.-Korea Free Trade Agreement—may have created a pro-trade coalition that will continue through the next two years. Further, this Congress looks closer to the administration than the last on relations with China: a decade's worth of arguments appear to be giving way to bipartisan concern that Chinese foreign policy—both toward the United States and toward many of China's neighbors—has shifted for the worse and that the United States must rebalance its strategy (and plan its public finances as well) to maintain a position of strength and leadership in Asia.

The likelihood, then, is for a strong working relationship between Congress and the administration on strategy toward Asia. Differences will emerge on matters of judgment—perhaps most likely on Afghanistan, given the large decisions ahead—but seem less likely on fundamental principles. But the divisions within Congress on domestic policy, and fiscal policy in particular, may have significant effects on the capacity of this and future administrations to implement policy toward Asia, even if that policy enjoys wide support. Although choices on taxation, spending, and management of debt are beyond the scope of this report, it is essential to remember that they are also choices about strategy, since they will determine the resources available for U.S. military deployments, aid policies, and responses to emergencies for the rest of this decade and much of

the next. Barring some grave, imminent, and unforeseen crisis, the influence of these decisions on the United States' long-term capacity to shape the Asia-Pacific may be felt long after the issues of 2013 fade.

Congressional Lineups

The leading personalities shaping all these decisions will in most cases be familiar. Neither House nor Senate leadership offices will change in any substantial way. Speaker John Boehner (R-OH), his counterpart Majority Leader Harry Reid (D-NV), and Minority Leaders Nancy Pelosi (D-CA) and Mitch McConnell (R-KY) have all been re-elected by their peers. In the House of Representatives, Representatives Dave Camp (R-MI) and Sander Levin (D-MI) once again serve as chairman and ranking member of the House Ways and Means Committee, while Representatives Buck McKeon (R-CA) and Adam Smith (D-WA) continue to lead the Armed Services Committee. Senate Democrats, sustaining their majority in the 2012 elections as Republicans did in the House, have reappointed Senators Max Baucus (D-MT) and Carl Levin (D-MI) as chairmen of the Finance and Armed Services committees, while Senator Orrin Hatch (R-UT) will again serve as ranking member of the Senate Finance Committee. A significant change takes place, however, on the Senate Armed Services Committee, where Senate Republican committee term limits mean that James Inhofe (R-OK) takes the place of John McCain (R-AZ) as ranking member. Nonetheless, Senator McCain remains a senior member of the Armed Services Committee, and his new membership on the Senate Foreign Relations Committee will give him an additional platform for his traditional leadership on national security affairs.

The major shifts are in leadership of the committees focused on foreign policy. Each of the four committee leadership positions has changed, as have most subcommittee leaderships beneath them. Senate Foreign Relations Committee chairman John Kerry has left the Senate to serve as secretary of state and is succeeded by Senator Robert Menendez (D-NJ), a veteran legislator with a long-standing interest in India. Senator Bob Corker (R-TN) has assumed a new role as ranking member on the Foreign Relations Committee, bringing with him a new staff in key areas. House Foreign Affairs Committee chairwoman Ileana Ros-Lehtinen (R-FL) has stepped down due to term limits. Ranking members Richard Lugar and Howard Berman, exceptionally gifted and internationally admired leaders on Asian affairs, have left Congress after intra-party defeats. The House committee's leadership shifts to Ed Royce (R-CA). On the Democratic side is Eliot Engel (D-NY), a careful moderate principally focused to date on the Middle East and Europe.

Post-Crisis Asia: Steady Growth, Rising Tension

These leaders will inherit a strong and generally successful tradition of policy toward Asia. Since the 1970s, eight U.S. administrations and twenty Congresses have agreed on a strategic approach to the region combining strong alliances with regional democracies (led by Japan), promotion of open markets, engagement with China, and the forward deployment of substantial U.S. forces to secure peace and give Asia the security and stability that have underpinned the region's economic development. These concepts retain wide support within the region, illustrated, for example, in Australia's October 2012 white paper on Asia policy, entitled *Australia in the Asian Century*. It notes that "the security guarantees provided by the United States to its key allies in the region, especially Japan and South Korea, and the development of an effective working relationship between Washington and Beijing after 1972, provided strategic (and business) confidence that helped frame and support the region's economic development."¹ Looking forward, the white paper predicts that "Australia's alliance with the United States and a strong U.S. presence in Asia will support regional stability, as will China's full participation in regional developments."²

But as successful and widely supported as these concepts have been, Asia is changing rapidly in ways that raise profound questions about their durability. The following two sections will consider the changes that Asia is undergoing in the economic and security spheres.

Economics: Asia's rise accelerates. In economics the principal fact is obvious: Asia's rise in the world is accelerating. Growth in China, Southeast Asia, and India has admittedly slowed a bit since the financial crisis of 2008–9. Projections by the International Monetary Fund (IMF) in late 2012 predict that Chinese growth will further slow from earlier rates of 9%–10% to rates averaging 8.5% annually from 2012 to 2017 and that India will slow from rates of 7%–10% to 6%.³ In China, the growing weight of state enterprises—three are among the ten largest companies in the Fortune Global 500 this year—and a stall in reform detailed in reports by the American Chamber of Commerce in the People's Republic of China raise questions about the future.⁴

¹ Australian Government, *Australia in the Asian Century* (Canberra, October 2012), 40, <http://asiancentury.dpmc.gov.au/sites/default/files/white-paper/australia-in-the-asian-century-white-paper.pdf>.

² *Ibid.*, 3.

³ International Monetary Fund, World Economic Outlook Database, October 2012, available at <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx>.

⁴ See "China's Course Over the Next Ten Years," in *American Business in China White Paper 2012* (Beijing: American Chamber of Commerce in the People's Republic of China, 2012), <http://www.amchamchina.org/article/9548>.

That being said, China's and India's growth rates continue to pace the world. And with Japan in recession, the United States still grappling with the aftereffects of the 2008–9 economic crisis, and Europe more recently stricken by debt crises, Asia's share in the world economy—and particularly the share of Asia less Japan—is sharply larger than in the pre-crisis years and is likely to grow for most of this decade.

The IMF's estimates place Asia's GDP at 37% of the world total in 2012 (on the basis of purchasing power parity), up from 32% in 2007, and forecast that this percentage will perhaps reach 40% in 2017 (see **Table 1**). For China alone, the percentage is projected to rise from 11% in 2007 to 15% in 2012 and 18% by 2017—on a par with the United States and the European Union. **Table 2** shows the same projections in a different form, suggesting that Asia will account for two-fifths of world growth in the next five years.

Of course, growth reflects many things—construction of useful and unneeded buildings, consumer confidence, wise and foolish investments—and can fade quickly. But measurements of technology and science show very similar trends: Asia's role is growing rapidly, and China's especially rapidly. Data from the Organisation for Economic Co-operation and Development (OECD) shows that Chinese R&D spending quadrupled in a decade, from \$48 billion in 2000 to \$179 billion in 2010—exceeding Japanese spending for the first time and now trailing only the United States' \$401

TABLE 1 Share of World GDP during 2007–17 by Region and Country

	2007	2012	2017
WORLD	\$66.8 trillion	\$82.8 trillion	\$110.4 trillion
Asia-Pacific	31.9%	36.9%	40.2%
<i>China</i>	11.0%	15.0%	18.3%
ASEAN	3.9%	4.3%	4.6%
<i>India</i>	4.7%	6.0%	6.4%
<i>South Korea, Hong Kong, and Taiwan</i>	3.5%	3.5%	3.5%
<i>Japan</i>	6.4%	5.6%	4.8%
<i>Other</i>	2.5%	2.5%	2.6%
United States	21.0%	18.9%	17.9%
European Union	22.3%	19.4%	17.2%
Latin America	8.5%	8.7%	8.6%

SOURCE: International Monetary Fund, "World Economic Outlook Database," October 2012.

NOTE: "Other" combines Australia, New Zealand, Papua New Guinea, East Timor, Afghanistan, Bangladesh, Pakistan, Nepal, Sri Lanka, and Mongolia.

TABLE 2 Growth Projections for 2012–17 by Region and Country

	Growth projection (\$ trillion)	Share of growth (%)
WORLD	21.7	100
Asia-Pacific	8.4	39
<i>China</i>	3.8	17
ASEAN	1.5	7
<i>India</i>	1.2	5
<i>South Korea, Hong Kong, and Taiwan</i>	0.8	4
<i>Japan</i>	0.6	3
<i>Other</i>	0.5	3
United States	4.1	19
European Union	2.3	11
Latin America	1.8	8

SOURCE: International Monetary Fund, “World Economic Outlook Database,” October 2012.

NOTE: “Other” combines Australia, New Zealand, Papua New Guinea, East Timor, Afghanistan, Bangladesh, Pakistan, Nepal, Sri Lanka, and Mongolia.

billion in spending.⁵ The results appear in the form of inventions: the U.S. Patent and Trademark Office, having granted 115 patents to Chinese inventors in 2000, granted 661 in 2007 and 3,174 in 2011. World Bank estimates likewise show Indian R&D rising steadily and more rapidly than Indian GDP, and the Patent and Trade Office’s statisticians find India’s patents rising almost as fast as China’s, from 131 in 2000 to 679 in 2009 and 1,234 in 2011.⁶

To date neither Congress nor the American public in general has reacted defensively to this growth. Rather, Congress has continued to believe that the United States’ stake in Asian economic success remains strong and has looked to trade agreements and trade enforcement to help Americans tap Asian demand for growth and employment. This approach is logical in terms of the United States’ own immediate needs but also optimistic about the U.S. capacity to compete.

⁵ Organisation for Economic Co-operation and Development (OECD), Main Science and Technology Indicators Database, available at http://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB.

⁶ U.S. Patent and Trademark Office, “Utility Patents by Country, State, and Year,” December 2011, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_utl.pdf.

Post-crisis recovery has been slow, painful, and frequently interrupted. This reflects economic fundamentals that domestic policies cannot easily change; and if the recovery is to grow stronger, U.S. exports need to rise and the United States needs to attract international investors. One statistic suggests why this may be the case: Federal Reserve analysts find that American family wealth in homes has shrunk from a pre-crisis level of \$14 trillion to \$8.2 trillion.⁷ Because of this lost wealth, and despite very low interest rates, families feel they need to rebuild retirement accounts and offset the risk of job loss. They thus continue to save rather than spend. U.S. businesses in turn continue to hold cash, given the weakness of domestic demand, and defer investment and hiring. With public debt levels high and partisan opinion about the utility of stimulus deeply divergent, Congress is unlikely to step in with additional spending as a substitute for private-sector demand.

The United States thus needs to tap foreign demand for exports and foreign capital for investment. Asia is a logical center of attention, with Europe depressed, World Trade Organization (WTO) negotiations stalemated, and the IMF projections noted above indicating that Asia will be the driver of global growth for the next five years. Trade and investment figures suggest that these hopes are realistic. U.S. exporters to Asia have been remarkably successful, with goods exports up by \$140 billion from 2009 to 2012—a jump of 50%—and services exports up by a likely \$45 billion.⁸ Asia is likewise a growing and more diverse investor in the United States, accounting for \$46 billion of the \$226 billion in FDI that the country attracted in 2011. This is a record for the region, though still well below European levels, and an important milestone, given that 2011 was the first year in which FDI from Asia in the United States exceeded U.S. FDI in Asia.⁹ Disputes and areas of friction remain common, in particular over Chinese theft of U.S. intellectual property and allegations of cyber-espionage; however, the underlying trends are that trade and investment are rapidly growing and Congress and the Obama administration are attempting to capitalize on this situation. The last Congress's record in trade policy suggests that one powerful effect of the crisis has been to intensify congressional interest in trade as a source of growth.

⁷ Federal Reserve, "Flow of Funds Accounts of the United States," March 7, 2013, table B.100, line 49.

⁸ See the data for goods trade from the U.S. International Trade Commission, Interactive Tariff and Trade DataWeb, <http://dataweb.usitc.gov>; and the statistics for services trade from the U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/international/international_services.htm#detailedstatisticsfor.

⁹ See the data on FDI from the U.S. Department of Commerce, Bureau of Economic Analysis, http://www.bea.gov/iTable/index_MNC.cfm.

Security: Political tension grows. The world of security is quite different: the economic crisis has eroded some of the strengths of previous generations of Asia policy and required new thinking. Since the crisis, Asia's principal security fact has not been the development of trust and institutions through shared economic growth. Nor has it been the acute but limited threats posed by the anomalous case of North Korea or radical fundamentalism. Rather, it is the increasing number of questions about China's relationships with its Asian neighbors—in particular, but not only, Japan.

China has made a strategic shift from pursuing a policy of reassurance toward its neighbors to assertively staking claims for primacy in long-festering territorial disputes—most prominently, over the Senkaku/Diaoyu Islands in the East China Sea and the entirety of the South China Sea. These territorial claims have put China in conflict with Japan, Vietnam, and the Philippines, in particular. China also claims vast swathes of territory in India, demonstrating that its territorial disputes are not limited to the maritime sphere. After seeking a role as a patron of Southeast Asia a decade ago, China has more recently used its position in regional institutions like the Association of Southeast Asian Nations (ASEAN) Regional Forum and privileged relationships with authoritarian governments in Cambodia and Laos to prevent ASEAN from officially adopting a common position on maritime conflicts. Further, China has used targeted economic embargoes of key products—including rare earth mineral exports to Japan and banana imports from the Philippines—to punish countries with which it is engaged in diplomatic disputes. China has also mobilized popular nationalism against Japan, deployed maritime patrol vessels to harass Japanese ships, and raised the stakes in its claim to the Japanese-controlled Senkaku Islands, including by claiming administrative control of the islands and penetrating Japanese airspace with combat aircraft. These actions risk drawing the United States into a military conflict with China on behalf of its Japanese ally.

In sum, the last two years have seen China's relations deteriorate with most of its neighbors over territorial issues, which are highly emotional, difficult to solve, and historically frequent causes of conflict. The drummer's faraway tapping, in effect, has grown louder, even as trade and investment increase, Pacific summits and agreements multiply, and Asian prosperity rises. This trend in turn has raised a series of questions for U.S. policymakers. Particularly, in a period of fiscal stress and consolidation, Chinese skepticism over whether the U.S. forward-deployed posture in Asia is sustainable may encourage China to employ a more forceful tone toward neighboring countries and exhibit a greater willingness to take risks in latent or dormant disputes.

Allies, New Relationships, and U.S. Policy Goals during 2013–14

The combination of dynamic economic growth, rising Chinese power, and steadily escalating tensions is the environment from which the Obama administration's 2011 pivot toward Asia emerged and helps explain the considerable support for this policy in the last Congress. In many respects, rebalancing was not a new approach: Washington has been increasing its attention to the region since the end of the Cold War, including through the revitalization of the U.S.-Japan alliance under President Bill Clinton and the construction of a strategic partnership with India under President George W. Bush. Nonetheless, the Obama administration's announcement underlined U.S. determination to not cede regional leadership in the face of China's rise and to refocus American power after a decade of conflict in the wider Middle East. In practical terms, the results included reinforcement of the United States' traditional alliances and rapid expansion of relations with several new partners, with examples ranging from approval of the U.S.-Korea Free Trade Agreement to revival of military ties with New Zealand and support for waivers of sanctions on Burma/Myanmar in tandem with the country's sudden launch of reform. The next two years are likely to strengthen this orientation of policy through ongoing negotiation of the TPP; the continuation of the Obama administration's rebalancing strategy; the strengthening of traditional alliances, particularly with Japan; and further development of relations with Southeast Asian countries, particularly Vietnam and Burma/Myanmar.

Trans-Pacific Partnership

The Obama administration's signature trade initiative, the TPP, joins the United States with ten other Pacific countries, including Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and new additions Mexico and Canada. It is designed as a "21st-century agreement" meant to create a Pacific region open to flows of goods, knowledge, and services, and to which new members are welcome to accede. U.S. officials hope to conclude the TPP by late 2013, which would imply a vote in 2014. Prime Minister Abe has now indicated the intent of Japan to join as well, meaning the agreement covers relations with three of the United States' five largest trading partners and with nearly 40% of the world economy.

The trade agreement would be the most complex ever concluded by a U.S. administration, by virtue both of the many partners it includes and of its hope to address new topics. At the time of writing, the TPP members had held sixteen negotiating sessions and were approaching decisions on especially difficult topics. Some of these are very new or even pathbreaking topics for trade policy, such as data flows over the

Internet and the management of state-enterprise competition; others are staples of twentieth-century and even nineteenth-century trade debates, such as textile tariffs, sugar policy, and dairy quotas. The 113th Congress is likely to consider the TPP, if successfully concluded, in 2014. Depending on administration views, Congress may take up a trade promotion authority bill that would create specific negotiating objectives for the TPP in 2013. As it does so, Congress will need to consider both individual issues and larger hopes of a Pacific economic system shaped in part by U.S. interests and values. One particular challenge will be designing procedures for accession of new members once the TPP is complete. No such procedures exist elsewhere in U.S. trade policy, and given that in contrast to membership in the WTO, entry to the TPP will require reducing U.S. tariffs, such procedures will likely require separate congressional approval. Japan's planned accession to the TPP group means a still more complicated political challenge, but also greatly adds to the agreement's economic potential and strategic weight.

Military and Diplomatic Follow-up to Strategic Rebalancing

If the TPP is an opportunity to create a new and durable economic structure, the actions of 2011–12 under the “pivot” concept were meant to strengthen long-standing alliance relationships and develop new partnerships. This policy demonstrates without doubt that the United States remains “here to stay” in the region and is willing to make the economic, diplomatic, and military commitments necessary to sustain this presence over time. During this period, the Obama administration worked to strengthen Asian regional institutions by sending senior officials to Asian summits; encouraged Burma's fragile political and economic opening with visits by the secretary of state and the president, as well as by waiving sanctions on investment, provision of financial services, and imports; launched a U.S.-Japan-India trilateral grouping that could anchor a future Asian balance of power; and deepened U.S. military relations with key partners, especially South Korea, the Philippines, Singapore, and Vietnam. The United States has also redeployed navy vessels from the Atlantic to the Pacific and Indian oceans, while a military basing agreement with Australia positions a small number of U.S. combat vessels and marines near contested Southeast Asian waterways. India's armed forces now exercise more with U.S. counterparts than with the forces of any other country, and the United States has become one of India's top defense suppliers.

Alliance Renewal

New Japanese prime minister Shinzo Abe confronts problems that make those of some other nations look mild. Japan has one of the oldest populations in the world, its economy has yet to recover from the tsunami and nuclear crisis of 2011, and its politics have been plagued by gridlock. But Japan's strengths remain considerable. It is still the United States' strongest ally in Asia, with world-class capabilities that make it a serious player in the global balance of power. Tokyo has worked creatively to forge new strategic relationships that could reshape East Asia, and a resonant debate over national identity could drive the country's evolution from pacifism toward a more assertive regional posture.

The basis of Japanese power remains its economy, whose growth rates are slow but whose sophistication and potential remain unmatched in Asia. Japan was the original Asian tiger, growing for several decades at rates comparable to China's today. Though China has now surpassed it in GDP by harnessing the productive power of 1.3 billion people, Japan produces a similar output with less than one-tenth the population and retains the technological excellence central to potential military power and long-term growth. In statistical terms, Japan produces about 14% of world manufacturing output as measured in value-added terms, accounts for 11% of world research spending, and filed 46,000 of the 116,000 foreign patent applications in the United States as of 2011.¹⁰ Japanese firms, meanwhile, hold over \$1 trillion in overseas direct investments, accounting for a significant share of the industrial GDP of Southeast Asia and coastal China and playing a substantial role in the United States as well.

Tokyo has translated that economic might into foreign-policy activity. One of the world's top foreign-aid donors, Japan has pledged \$5 billion to help rebuild Iraq; pledged another \$7 billion for Afghanistan, where it is the largest donor after the United States; and has taken the lead in helping Burma/Myanmar reconstruct infrastructure and human resources frayed by decades of neglect.¹¹ In addition, Japan still offers bases and generous host-nation support to nearly 50,000 U.S. troops who serve as a linchpin of security in East Asia. It has also built up its military power and spends more on

¹⁰ See the statistical country brief for Japan for manufacturing value-added output from the UN Industrial Development Organization, available at <http://www.unido.org/resources/statistics/statistical-country-briefs.html>; OECD, Main Science and Technology Indicators Database; and U.S. Patent and Trademark Office, "Utility Patents by Country, State, and Year."

¹¹ Ministry of Foreign Affairs of Japan, "Japan's ODA: Official Development Assistance," website, <http://www.mofa.go.jp/policy/oda>.

defense than all but four countries.¹² Japan boasts a technologically sophisticated, if often overlooked, military capable of working closely with U.S. forces across a range of missions. Its navy is the most capable of any U.S. ally, and it possesses superior missile defenses. In a shift of role, Japan increasingly uses its military power—for example, by refueling warships in the Indian Ocean to support the war in Afghanistan; deploying troops to Iraq; participating in the tsunami recovery mission in Indonesia; sending officers to police a ceasefire in Nepal; exercising with the Indian, Australian, and U.S. navies; participating in the UN stabilization mission in Haiti; and dispatching naval vessels off Somalia for antipiracy operations.

In the context of rising Chinese challenges to Japanese sovereignty, Tokyo and Washington need to resolve their ongoing disagreement over the relocation of U.S. forces on Okinawa. There can be no worse time for the allies to be wrangling over the disposition of the U.S. forces that protect Japan than one in which Chinese air and naval forces are actively probing Japanese airspace and territorial waters. The United States is treaty-bound to protect Japan, and Japan is pledged to host U.S. forces in ways that enable rather than constrain the United States' ability to defend the country. The alliance has become far more balanced over the previous fifteen years as Japan has assumed greater responsibility for cooperation and interoperability with U.S. forces. Congressional oversight can help ensure that both countries continue to improve the alliance's effectiveness, including through a final resolution of the dispute over the relocation of U.S. forces on Okinawa.

Strong U.S. alliances with South Korea and Australia—as Australia's October 2012 white paper insists—likewise remain critical pillars of a regional security architecture that encourages China to pursue a peaceful rise and dampens security competition among Asia's powerhouse economies. The rotation of U.S. marines and naval vessels through Australia inaugurates a new phase in U.S.-Australia relations that will help the alliance continue to adapt to Asia's emerging security environment. Renewal of military relations with New Zealand will likewise extend Washington's rebalancing strategy even farther beyond Southeast Asia. Perhaps most importantly, the United States will need to work even more closely with the administration of the new South Korean president Park Geun-hye to manage the growing dangers posed by North Korea's nuclear and ballistic missile programs—dangers intensified by the brinkmanship of a young North Korean leader whose policies seem designed to keep adversaries in Seoul and Washington and allies in Beijing off balance.

¹² International Institute for Strategic Studies, "Figure: Comparative Defense Statistics: Defense Budget and Expenditures," available at <http://www.iiss.org/publications/military-balance/the-military-balance-2012/press-statement/figure-comparative-defence-statistics>.

Southeast Asia

Over the past decade, and especially since the crisis, Southeast Asia has grown steadily more reliant on trade and investment with China but warier of the growth of Chinese power. This region, which has long valued U.S. diplomatic presence, continues to do so and views other major powers—India and Japan, in particular—as important balancers and allies as well. ASEAN states cannot balance China by themselves or even in combination; for that, they need to pull in countervailing great powers, and typically hope to do so quietly. In this sense, their objectives dovetail with the U.S. interest in supporting a pluralism of power in Asia.

Southeast Asia's shared goal has been remarkably consistent over the 40 years since the founding of ASEAN: to preserve national autonomy against larger outside powers through political cohesion matched by economic development and integration. The growth of Chinese power represents a far more complex challenge to this objective than existed in earlier periods. In the current environment, strategies to achieve it include supporting ASEAN solidarity so as to create a power bloc that prevents China from pursuing a divide-and-conquer strategy; involving China in regional institutions in which ASEAN can deploy its combined weight; seeking close trade relations with China to capitalize on export, investment, and in some cases aid relationships; and engaging the United States, Japan, and India both in regional clubs and separately in order to use their power and influence as a balancer against China and preserve foreign-policy autonomy.

Likewise, in light of expanding Chinese power and assertiveness, the urgency behind Southeast Asian military modernization—particularly in Indonesia, the Philippines, and Vietnam—provides important opportunities for the United States. Southeast Asian states each have their own requirements and sensitivities, but most want to see more U.S. leadership and presence in their region and U.S. security assistance and training for their military modernization. Vietnam, Singapore, Malaysia, and Indonesia are also expanding security ties with India, whose rise they view as useful ballast against Chinese dominion. Most ASEAN states have been wary of Japan in light of its imperial history, but acute concern over China is mitigating that legacy, producing openings for expanded Japanese security assistance in creative forms. For instance, Japan's coast guard has deployed to Southeast Asia to assist with naval modernization in countries such as Indonesia.

In economics, the United States has large trade and investment relationships with most ASEAN members and, as stated above, views the TPP as the main opportunity to deepen these relationships. For U.S. policymakers, this raises a difficult question: the

ASEAN countries involved in the TPP—Brunei, Malaysia, Vietnam, and Singapore—do not include the United States’ two treaty allies, Thailand and the Philippines; the group’s largest member, Indonesia; or the group’s three least-developed countries. At least one of these, Cambodia, might suffer badly from trade diversion in its keystone garment industry once the TPP is completed. More generally, the long-term U.S. political interest in ASEAN cohesion may suffer from an agreement that includes some but not all members. The administration’s enhanced economic engagement program, which hopes to sign at least some of these countries to investment and trade-facilitation agreements mirroring TPP chapters, may help address these questions. A trade promotion authority bill provides another important way for Congress to shape broader answers.

Burma/Myanmar: In from the Cold?

The unexpected policy event in Southeast Asia during 2011 and 2012, and a continuing question for 2013 and 2014, was the sudden and rapid U.S. re-engagement with Burma/Myanmar. After the retirement of the former junta’s two senior leaders, Generals Than Shwe and Maung Aye, regime leaders have overseen a wide-ranging, though still incomplete and reversible, set of reforms. Highlighted by the partial elections a year ago that brought opposition leader Aung San Suu Kyi and 42 other members of her National League for Democracy to the parliament, these reforms have also included liberalization of the press; reopening to foreign NGOs; authorization of Suu Kyi’s visits to Thailand, Europe, and India; and negotiations with ethnic organizations representing Karen, Shan, Mon, and other nationalities. The Obama administration, with some trepidation but ultimately support from Congress, responded with a visit by then secretary of state Hillary Clinton late in 2011, a waiver of sanctions on investment in mid-2012, and finally a presidential visit and a waiver of a ban on imports from Burma/Myanmar in November 2012.

The origins of the reform program remain mysterious. One theory is that sanctions worked: Burmese military officers feared exclusive political dependence on China and were convinced by the sanctions programs that they would be unable to restore ties to the Western world and the United States—and hence to create balancing relationships—without reforms, including the release of political prisoners and the opening of media and political space for opposition. Another theory is that ASEAN engagement worked, drawing regime officials out into Southeast Asia and impressing upon them the widening economic gap between Burma/Myanmar and its historical peers elsewhere in the region. A third cause might involve the internal politics of the army, if repressive policies were personally associated with Than Shwe and Maung Aye and enjoyed less

support among junior officers than analysts abroad had realized. And of course all these theories may be true simultaneously.

Whatever the motive may be, the result has so far dovetailed with Washington's hope that the rebalancing effort will strengthen the U.S. role in the region by finding new partners and restoring some of the stability that was eroded by Chinese growth. Yet re-engagement with Burma/Myanmar is only partial and still tentative and will likely undergo an assessment period in Congress and the administration in the next two years. Neither the State Department nor opposition groups are satisfied that all political prisoners have been released. The Burmese government's talks with ethnic minority groups have thus far not yielded a permanent settlement agreement or the return of refugees. In the northern Kachin State the armed forces continue to make war and commit human rights abuses, while a communal conflict pitting Buddhists against Muslims has erupted in the western Rakhine State. Congress thus continues to be cautious about the future of reform. Although it is committed to encouraging democratic transition and consolidation, the dramatic steps in U.S. policy over the past year are likely complete for the moment. Congress will likely retain sanctions laws on the books and monitor aid proposals closely, with the national elections in 2015 offering the next opportunity for a major turning point in the relationship.

Two Giants

As the Obama administration's second term begins, U.S. policy has been surprisingly productive in maintaining traditional alliances, developing trade policy, and cultivating new partnerships—and, perhaps also surprisingly, achieved less with the two fast-growing giants, China and India. Early in the administration's first term, much of the energy in Asia policy thought was focused on China. The president's 2010 visit to India symbolized his hopes for closer relations with Asia's other rising giant. Both countries remain central to thinking in the administration and Congress about long-term strategy, and the 113th Congress is likely to devote much of its oversight role to the relationship with China. But neither Congress nor the administration appears to envision major new achievements in relations. The relationship with India is also likely to develop slowly and in increments. Furthermore, in some multilateral forums, notably the WTO's Doha Round and the 2009 UN climate change talks, China and India have emerged more as partners in frustrating U.S. policy than as partners with the United States.

China: Managing an Increasingly Difficult Relationship

Prospects for activism in China policy are especially dim. The administration's two centerpiece policy goals for Asia—the TPP and the rebalancing—work around China rather than seeking any particular Chinese concession or making any concession to China in hopes of improving relations. Trade disputes are being managed by WTO filings, and broader economic policy disagreements are settled through bilateral policy venues. Meanwhile, congressional appetite for legislation on China policy—most notably the currency bills proposed between 2004 and 2010—appears to have waned. As the first session of Congress opens, no major legislation on China seems likely, though a trade promotion authority bill could create a vehicle for some ideas and cybersecurity law will likely be a major topic.

The interesting question of course is why this has happened, after significant efforts and use of political capital by both the Bush administration and the Obama administration to create a durable and useful relationship. An optimistic explanation is that the U.S.-China policy environment has reached an uncomfortable equilibrium, in which the level of trust between the two countries is low and the prospects for improvement are small, but the issues capable of producing a genuinely dangerous break are under control. The United States' engagement with China has rarely been as broad and deep as it is in 2013. The two countries remain engaged in a wide and regular array of discussions, and trade and investment continue to grow rapidly on the ground. Although recent achievements on security and diplomacy have been few, so have crises. The semi-regular eruptions in the 1990s over the Taiwan Strait have not recurred. Administration diplomats have won incomplete and selective cooperation on Iran. Some perennial concerns, such as missile proliferation and human rights, have been diminished or downplayed. China has mounted no challenge to the NATO mission in Afghanistan and seems uninterested in doing so, even as Beijing more actively looks after its own interests there in light of the Western military drawdown. If this interpretation of events is correct, the relationship—while greatly complicated by China's new approach to maritime disputes—may not dangerously deteriorate.

But other, darker possibilities are also real. Domestic Chinese stresses, for example, may be creating more aggressive foreign policies. In this scenario, in a political landscape of frequent scandal and eroding Communist Party legitimacy, popular nationalism and a sense of national grievance are encouraged by leaders, and rapid military modernization and a powerful sense of the need to secure energy and resources to fuel industrial growth and employment make international confrontations both politically acceptable and likely. Alternatively, elite perceptions of Chinese strength and eroding U.S. power might have a similar result. Leading Chinese scholar and government

adviser Wang Jisi, in a widely read joint paper with the Brookings Institution's Kenneth Lieberthal, puts it this way:

The United States is seen in China generally as a declining power over the long run. America's financial disorder, alarming deficit and unemployment rate, slow economic recovery, and domestic political polarization are viewed as but a few indications that the United States is headed for decline. To be sure, China's top leadership has been sober-minded enough to observe the resilience of U.S. power and not to have reached the conclusion that America's superpower status is seriously challenged as of now.... It is strongly believed in China that the ultimate goal of the United States in world affairs is to maintain its hegemony and dominance and, as a result, Washington will attempt to prevent the emerging powers, in particular China, from achieving their goals and enhancing their stature.¹³

If this reading of the official Chinese mindset is correct, neither U.S. pressures nor conciliatory tactics will make much difference to the relationship, as either will be interpreted through a mistaken lens to signify malign intent. From a broader perspective, the structural pressures on the reigning superpower and its rising challenger could push them into conflict, particularly given their overlapping spheres of interest along the Asian littoral and the anxieties of Washington's core Asian allies over China's ascendance.

In either of the two negative futures, the apparent decision by the administration and Congress to use strategic rebalancing to re-energize relationships with long-standing allies and find new partners makes a great deal of sense. Any policy that makes international confrontations appear riskier to Chinese leaders, and which discredits theories of U.S. weakness, is likely to increase the region's stability.

India: Slow Growth of Bilateral Cooperation

Indian relations with the United States have developed more slowly than many Americans and Indians had hoped but still steadily and with future promise. Although Indian leaders continue to debate postcolonial principles of nonalignment and statist economics, they identify the United States as a vital long-term partner on the grounds that the United States and India share a convergence of many interests. Both seek to balance Chinese power in Asia to encourage China's peaceful rise. Both want to defeat terrorism, reduce the appeal of extremism, and promote democratic state-building

¹³ Kenneth Lieberthal and Wang Jisi, "Addressing U.S.-China Strategic Distrust," Brookings Institution, John L. Thornton China Center Monograph Series, no. 4, March 2012, 9, 10–11, http://www.brookings.edu/~media/research/files/papers/2012/3/30%20us%20china%20lieberthal/0330_china_lieberthal.pdf.

in South Asia, especially in Pakistan and Afghanistan, to ensure that responsible governments rule there with a focus on internal development rather than fomenting external insecurity. Both want to ensure freedom of the maritime commons in the Indian Ocean, across which most world trade in energy flows. Both believe greater economic cooperation will promote growth in their knowledge, technology, and manufacturing sectors.

That said, a deep partnership remains a hope for the future. President Obama's prioritization of U.S. relations with China during his first year in office disappointed Indians expecting a continuation of the Indo-U.S. special relationship that had developed under his predecessor. For its part, India has disappointed the United States with slowing economic growth, political dysfunction, and continued reluctance to cooperate fully on sensitive issues like Iran's nuclear program. After some dramatic gestures on the part of the United States—loosening export controls to allow greater technology transfers, expanding counterterrorism cooperation, and endorsing New Delhi's pursuit of membership in the UN Security Council—a number of initiatives stalled on the Indian side. Key defense agreements have gone unsigned, and the long-awaited civil nuclear cooperation agreement has run afoul of India's anomalous liability law. Nor do the two countries agree on the important issue of sanctioning Iran to prevent its development of nuclear weapons.

Nonetheless, the pursuit of a closer partnership with India remains a long-term calculation of strategic interest, rooted in a foundation of shared values. The strategic logic underlying U.S.-India relations remains sound. The U.S. rebalance to Asia will fail without India—which the National Intelligence Council predicts could emerge as the world's largest economy by century's end—as an anchor.¹⁴ Reinvigorating Indo-U.S. ties should begin with a specific agenda to deepen the underdeveloped economic relationship between the two countries through robust investment and trade, matched by expanded opportunities for people-to-people ties in mutually rewarding commerce, education, and research. One possibility, which enjoys considerable support in business and bureaucracies in both countries, would be the conclusion of a bilateral investment treaty (BIT). This is, however, a challenging goal—even if less so than a free trade agreement—given that the two governments begin the task with very divergent “model BITs” and have found little common ground in trade negotiations at the WTO. In security, Washington and New Delhi can cooperate more intimately on Afghanistan, the Arab awakening, missile defense, maritime security in the Indian Ocean, and East Asian security with partners like Japan. A high priority for India is that the United States

¹⁴ National Intelligence Council, *Global Trends 2030: Alternative Worlds* (Washington, D.C., November 2012), <http://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf>.

develop a predictable visa regime for high-tech workers who come from India to boost U.S. prosperity, working at firms in Silicon Valley and elsewhere. Liberalization of entry for highly skilled immigrants is an American, not just an Indian, interest, and is widely seen as such in Congress. It is thus likely to be part of any immigration reform bill.

Potential Flashpoints

Maritime Issues

As the administration and Congress have developed detailed policies to implement the rebalance, China's territorial and maritime conflicts with a number of its neighbors have grown in frequency and seriousness. Maritime claims encompassing the South China Sea have led to armed incidents at sea between Chinese patrol vessels and those from Vietnam and the Philippines. Still more troubling for U.S. interests, given the United States' commitment to the defense of Japan and the fact that the U.S.-Japan Security Treaty covers the Senkaku/Diaoyu Islands in the East China Sea, has been Beijing's threatened and actual use of military force to assert its rights to that disputed island chain. Whereas U.S. military planners previously envisaged the Taiwan Strait as the most likely arena for a confrontation between China and the United States, the East China Sea now appears to be the most likely flashpoint.

Moreover, political change in both Beijing and Tokyo has elevated hawkish nationalists to the pinnacle of power. This development intensifies the security dilemma inherent in the island conflict and heightens the risk that the United States will find itself using military force to support its keystone ally in Asia against its top trading partner in the region. Similar factors are at work in Japan-South Korea relations, where a dispute over the Dokdo/Takeshima Islands risks unraveling a growing partnership between Washington's most important Asian allies.

Given the saliency of these maritime disputes and the growing threat that Chinese weapons systems pose to the ability of U.S. forces to operate along the Asian littoral, the United States will need to accelerate its strategy of diversifying and enlarging its posture in East and Southeast Asia. Beyond large numbers of forward-deployed forces in Japan and South Korea, the United States will likely need more regular access to naval refueling and resupply stations in Singapore, the Philippines, Vietnam, Indonesia, Thailand, and possibly Burma/Myanmar. Washington will also need to take advantage of its relatively new basing agreement with Australia to use that core ally's territory for regular naval and air patrols, while exploring opportunities for expanding missile-defense cooperation with allies beyond Japan. However, China's growing capacity and the pressures on the

U.S. defense budget mean that the days when the United States alone could police the Indo-Pacific commons are over. Washington will need to develop or expand joint concepts of operation and joint deployments with allied navies and air forces all along the Indo-Pacific littoral, from India in the west to Japan and Australia in the east.

Last, there will be a critical role for U.S. assistance to promote capacity-building in Southeast Asian nations such as Indonesia, Vietnam, and Burma/Myanmar. Such assistance would enlarge these countries' ability to conduct naval and air patrols and effectively monitor their own territorial waters. In addition, the U.S. Senate may well need to reconsider ratification of the United Nations Convention on the Law of the Sea (UNCLOS)—a priority for John Kerry as a senator and likely now as secretary of state.

By setting a common standard for national territorial claims and maritime rules of the road, UNCLOS would bring greater clarity to contending national claims in the East and South China seas and promote peaceful settlement of maritime territorial disputes that otherwise risk exploding into conflict. Ratification would also highlight the contradiction between the unilateral approach China has taken to maritime disputes and otherwise universally accepted basic international maritime laws and conventions. On legal as well as diplomatic grounds, the leadership of the U.S. Navy supports ratification of UNCLOS as further legitimizing the United States' naval presence in international waters off the Asian mainland.

Pakistan and Afghanistan

Maritime disputes in the Pacific raise large strategic questions about great-power relations and heighten the risk of a sudden crisis. Yet, for Congress and the administration alike, the most predictable and complex challenge of 2013 and 2014 will appear at the other edge of Asia, in the drawdown of troops from Afghanistan and the management of the postwar relationship with Pakistan. Pakistan is a fragile, nuclear-armed state, whose weakening and radicalization could be more consequential for U.S. security interests than nearly any other contingency; Afghanistan is a center of strategic competition among Asian powers and has cost the West a decade of war to defeat extremism and build lasting stability.

In Pakistan, congressional leadership in aid, oversight of policies, and highlighting difficult problems in the relationship remains essential to prevent pathologies such as intelligence-service complicity in terrorism, weak institutions, and a foreign policy that exports insecurity by undermining fundamental U.S. interests in the future of Afghanistan, nonproliferation, the defeat of terrorism, and the dampening of extremism. As the United States draws down forces from Afghanistan, Pakistan will lose

the leverage it has held on U.S. policy via control of primary supply routes. This creates the prospect for a more mature and balanced U.S.-Pakistan relationship in which U.S. policy concentrates not on buying off the Pakistani military but on strengthening the development of Pakistani civilian institutions.

In considering the future of U.S. civilian assistance, Congress may want to focus on strengthening Pakistan's economy and, in particular, its energy sector to help offset the rise of radicalism associated with the country's chronic economic crises and build goodwill among a population that is fervently anti-American. Liberalization of trade, including duty-free treatment of Pakistani textiles coming into the United States, could be as important (if not more important) than official assistance in this regard. Military assistance will remain a stabilizing force in a bilateral relationship fraught with tension, although the degree of conditionality Congress imposes will depend on how helpful Pakistan is in supporting an endgame in Afghanistan that does not allow the Taliban to retake power and that upholds the Afghan constitution's commitments to democracy and women's rights.

In Afghanistan, the next U.S. administration will need to fill out the existing strategic partnership agreement with a commitment to keep some U.S. forces in the country. Such a commitment will be necessary to train Afghan forces, contain Taliban attacks against state institutions, keep insurgents in Pakistan off balance, and ensure that neighboring powers with predatory designs do not fill a vacuum that would otherwise be left by the U.S. withdrawal. Congressional support for an adequate U.S. follow-on force that can protect the gains of the past decades will be vital—as will congressional oversight of the Obama administration's accelerated timeline for troop withdrawals, which at least some senior members worry could create grave instabilities in a region where Washington has invested so much. Afghanistan's 2014 elections will be pivotal to the post-Western dispensation of the country, and U.S. engagement with friends like India will be key to ensuring that the gains Afghanistan has made over the past decade are sustainable. Afghanistan is also likely to assume a more prominent role in U.S.-China relations as Western forces depart, given Beijing's own equities there. More broadly, international support will be instrumental in helping Afghanistan build a self-sustaining economy not dependent on foreign aid. In this regard, the country could serve as a gateway for South Asian trade and investment with Central Asia.

Taiwan

Congress remains strongly committed to the U.S. relationship with Taiwan. As in previous periods, an intellectual debate in Washington is underway over this

relationship, with a critical school of thought assuming that relations between the United States and mainland China will define the 21st century and arguing that they should not be held hostage to the legacy of the civil war between Chinese nationalists and Communists in the 1940s.¹⁵ As in the past, this argument is unlikely to win broad political support, particularly in Congress. The dominant view, with good reason, remains that a sharp downgrading of relations with Taiwan might do little to encourage better relations with Beijing and instead encourage China's hopes to bully the United States into a further retreat from its commitments in East Asia. A downgrading of relations might likewise transform the calculus of vital U.S. allies such as Japan and South Korea, who might plausibly wonder whether the U.S. commitment to their security is equally flexible. Congressional opinion will likely continue seeking ways to preserve or strengthen the partnership with Taiwan—for example, through arms sales and a possible U.S.-Taiwan free trade agreement comparable to the agreement Taiwan has already reached with China. In particular, Congress is likely to continue to pressure the Obama administration to sell Taiwan more advanced F-16s than it has previously been willing to offer (partly for fear of upsetting Beijing). As the cross-strait imbalance grows ever more lopsided in the mainland's favor and China steps up military pressure on its neighbors, arguments to deny Taiwan advanced military hardware in order to curry favor with Beijing will likely become less rather than more persuasive on Capitol Hill.

North Korea

The ascension of Kim Jong-un to power in Pyongyang following the death of Kim Jong-il brought hopes for a thaw in inter-Korean relations and in U.S.–North Korea relations. Hopes were raised early in his tenure when the younger Kim signaled some support for gradual economic reform, leading commentators to speculate that a Chinese-style economic opening might replace the military-first ideology propounded by his father. A Pyongyang regime that embraced the cautious economic liberalization of China in the 1980s or Vietnam in the 1990s could over time find a posture of unreconstructed confrontation with the international community less attractive. But these hopes have not been borne out.

On the contrary, the younger Kim seems as intent as his grandfather Kim Il-sung on nurturing the cult of personality and the dynastic one-party state. He also seems

¹⁵ Charles Glaser, "Will China's Rise Lead to War?" *Foreign Affairs* 90, no. 2 (2011): 80–91, <http://www.foreignaffairs.com/articles/67479/charles-glaser/will-chinas-rise-lead-to-war>; Nancy Bernkopf Tucker and Bonnie Glaser, "Should the United States Abandon Taiwan?" *Washington Quarterly* 34, no. 4 (2011): 23–37; and "Why Taiwan Matters," Hearing before the House Foreign Affairs Committee, June 16, 2011.

as determined as his father to accelerate North Korea's ballistic missile and nuclear weapons programs. In December 2012, he authorized the launch of an advanced intercontinental ballistic missile (ICBM), which was followed by the country's third nuclear test in February 2013. The progressive development of an ICBM potentially capable of carrying a nuclear payload that could hit the mainland United States demonstrates the continued recklessness of the Pyongyang regime, matched by a dangerously growing military capability. It also underlines the dangerous disconnect between a U.S. policy of denuclearization and the significant strides made by the Pyongyang regime to miniaturize and successfully deploy its nuclear arsenal atop missiles capable of targeting not only U.S. allies but the U.S. homeland. Congress is likely to pursue legislation tightening U.S. and third-party sanctions on North Korea, as well as sanctioning Chinese financial and trading enterprises known to do business with the North. Pyongyang's aggressive policies only make it more likely that Beijing's support for the regime will further complicate U.S.-China relations, raising hard questions for the new Chinese president Xi Jinping as to how far his government is willing to accommodate reckless North Korean actions that erode Chinese cooperation with the United States and South Korea.

The election of President Park Geun-hye in South Korea could augur a different dynamic in inter-Korean relations. During the presidential campaign, she proposed mixing military vigilance vis-à-vis the North with greater economic and diplomatic engagement than her predecessor, Lee Myung-bak. Pyongyang's provocations during Park's first months in office, however, will place greater pressure on her to revert to Lee's policy of pledging a South Korean military response to any limited North Korean attack on South Korean territory, as occurred in 2010. South Korea's February 2013 test of a cruise missile capable of targeting any location in North Korea and Beijing's clear inability or unwillingness to appropriately restrain its ally in Pyongyang suggest that the danger of military confrontation on the Korean Peninsula is growing. That this flashpoint has existed for some time does not mean the situation is stable; it could in fact degenerate into confrontation very rapidly as North Korea's young leader continues to test the red lines of Seoul, Washington, and Tokyo, on the one hand, and Beijing, on the other.

Conclusion

On Asia policy writ large, the 113th Congress inherits a remarkably successful record. Over four decades, U.S. policymakers have managed Pacific military and economic affairs in a way that has created enduring alliances with Asia's major

democracies, helped China move from Maoist poverty to global economic prominence, and underpinned unbroken peace among Pacific powers. Over these years, Asia has outpaced other regions in the speed and scale of economic development and poverty reduction while offering striking examples of transition from authoritarian rule to democracy. And yet in this transformed landscape, marked by regular summit meetings, complex supply chains, trade agreements, and scientific collaborations, the tension among great powers is higher than at any time since the Cold War.

Considering these facts and this trend, the 113th Congress will need to address at least three urgent challenges: trade policy and the United States' need for growth through exports, naval policy and maritime disputes, and management of troop withdrawal from Afghanistan. As it does so, Congress must place these specific topics, and others as they arise, in the context of the deeper, long-term challenge of an increasingly powerful China and its shift toward a more confrontational approach to neighboring countries. This would ensure that particular policy choices update a U.S. strategy that has been successful over the last 40 years for a different world. Congress will need to place domestic policy and fiscal debates in this context as well.

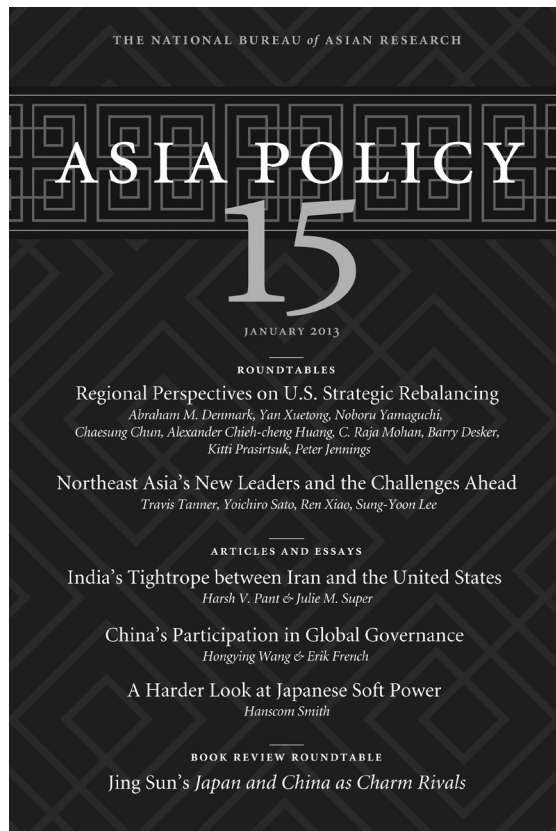
In the past two years, Congress and the administration were able to work collaboratively on Asia policy questions and build a very successful record. They will likely continue to do so in the next two years as well. The same collaboration, however, has not characterized domestic policymaking. This is particularly acute in fiscal matters, which have been marked by acrimony, recurrent crises, and decisions to temporarily settle these crises not by accord on taxation and retirement-spending issues but through cuts to discretionary spending, including the military budget and aid programs, which are essential to the success of the United States' Pacific strategy.

Naturally these facts raise concerns among U.S. allies about Washington's ability to match the ends and means of its Asian security strategy. How will the United States properly resource the rebalance? Is the administration's invigorated commitment to Asia backed by the resources to sustain it over time? Or will decisions on these questions be settled not by policy choice but indirectly and perhaps unintentionally by the future effects of budget negotiations? The answers are uncertain, and the sound of Housman's steady drummer grows a bit louder with every crisis and every year.

THE NATIONAL BUREAU of ASIAN RESEARCH

ASIA POLICY

A peer-reviewed journal devoted to bridging the gap between academic research and policymaking on issues related to the Asia-Pacific



Asia Policy publishes, in descending order of emphasis, three types of peer-reviewed essays:

- ≈ *social scientific research articles* that both use social science theories, concepts, and approaches and draw clear and concise policy implications on issues of import to the region
- ≈ *research notes* that present, in a well-organized format, new, important, and even exploratory conceptual frameworks or descriptive information of use to policymakers, especially on topics that have traditionally been underrepresented in the literature
- ≈ *policy analyses* that present original, persuasive, analytically rigorous, and clear and concise research-based argumentation on policy matters

Asia Policy welcomes the submission of policy-related research on important issues in the Asia-Pacific. Submissions may be sent to SUBMISSIONS@NBR.ORG.

Yearly subscription rates within North America are \$35 for individuals and \$95 for institutions. Yearly subscription rates outside North America are \$65 for individuals and \$125 for institutions. Two-year subscriptions receive a \$10 discount. Subscription orders can be placed at ORDERS@NBR.ORG.



<http://asiapolicy.nbr.org>

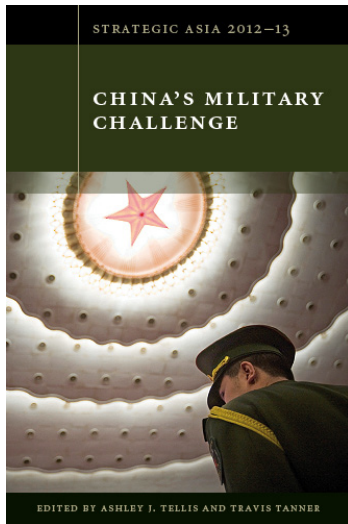


TABLE OF CONTENTS

Overview

Uphill Challenges: China's Military Modernization and Asian Security

≈ Ashley J. Tellis, Carnegie Endowment for International Peace and NBR

Emerging Chinese Military Capabilities

China's Land Forces: New Priorities and Capabilities

≈ Roy Kamphausen, NBR

China's Modernization of Its Naval and Air Power Capabilities

≈ Andrew S. Erickson, U.S. Naval War College

The Second Artillery Force and the Future of Long-Range Precision Strike

≈ Mark A. Stokes, Project 2049 Institute

Controlling the Information Domain: Space, Cyber, and Electronic Warfare

≈ Kevin Pollpeter, Defense Group Inc.

Regional Studies

China's Military Modernization: U.S. Allies and Partners in Northeast Asia

≈ Christopher W. Hughes, University of Warwick

Southeast Asia and Australia: Case Studies in Responding to China's Military Power

≈ Andrew Shearer, Victorian Department of Premier and Cabinet

China's Military Modernization: Responses from India

≈ Arun Sahgal, Institute of National Security Studies

U.S. Responses

The U.S. Response to China's Military Modernization

≈ Dan Blumenthal, American Enterprise Institute

Special Study

China's Vision of World Order

≈ Thomas Fingar, Stanford University

STRATEGIC ASIA 2012-13

CHINA'S MILITARY CHALLENGE

Edited by Ashley J. Tellis and Travis Tanner

The National Bureau of Asian Research • October 2012 • 428 pp
 ISBN 978-0-9818904-2-5 (paperback) • ISBN 978-1-939131-10-2 (PDF)
 \$34.95 (paperback) • \$19.95 (PDF)

ORDER ONLINE AT WWW.NBR.ORG/PUBLICATIONS

About the Book

In *Strategic Asia 2012-13: China's Military Challenge*, leading experts assess and forecast the impact of China's growing military capabilities. What are China's strategic aims? What are the challenges and opportunities facing the United States? How is the region responding to China's military power and to the U.S. policy of "strategic rebalancing"?

Recent Strategic Asia Volumes Include

- Strategic Asia 2011-12: Asia Responds to Its Rising Powers—China and India*
- Strategic Asia 2010-11: Asia's Rising Power and America's Continued Purpose*
- Strategic Asia 2009-10: Economic Meltdown and Geopolitical Stability*
- Strategic Asia 2008-09: Challenges and Choices*
- Strategic Asia 2007-08: Domestic Political Change and Grand Strategy*

How to Order

To order, please fill out the form below or visit <http://www.nbr.org/publications>. The full volume is available in print and electronic formats. Individual chapters can be downloaded for \$4.95 each. Previous volumes in the series are available at <http://www.nbr.org/publications>.

Name _____

Organization _____

Address _____

City _____ State _____ Zip Code _____

Phone _____ Fax _____

E-Mail _____

Method of payment:

Check Money order Credit card (Visa, MasterCard, or Amex)

Card number _____ Expiration date _____

Signature _____ Date _____

2012-13 Price Information
 Full volume – paperback \$34.95
 Full volume – electronic copy \$19.95
 Individual chapter – electronic copy \$4.95

Shipping and handling:
 Within North America – add \$8 for first book and \$2 for each additional book
 Outside North America – add \$16 for first book and \$8 for each additional book.
 Resellers, please contact orders@nbr.org for pricing and shipping.

Send order form with payment to: The National Bureau of Asian Research • 1414 NE 42nd Street, Suite 300, Seattle, WA 98105
 • Phone (206) 632-7370 • Fax (206) 632-7487 • Email: orders@nbr.org