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P R O C E E D I N G S

MR. O'HANLON: Good morning, everyone. Good morning and welcome to Brookings. Thank you for coming. I'm Mike O'Hanlon in the Brookings 21 CDI effort at the Foreign Policy Program, and I'm joined by one colleague from Brookings and two good friends and colleagues from the broader university and think tank environment.

We are going to talk today about East Asian security in the context of the ongoing U.S. debate over the future of its defense budget and defense strategy and in anticipation of Secretary Panetta's upcoming trip to East Asia, which will begin later this week and of course will be his inaugural visit as Secretary of Defense. And so we would like to cover a wide range of issues within this broader framework, everything from U.S. arm sales to Taiwan to U.S. base issues on Okinawa to broader matters of defense strategy and of course how to wrestle with the ongoing challenges of North Korea and the challenge of a rising China.

So, we will look forward, after an opening round of discussion and questioning from me towards the panelists, to your involvement as well in the Q&A phase of this morning's discussion.

To my left is Mike Green, who was senior director at the National Security Council for East Asia extending all the way over to the Indian subcontinent and his research has continued in that broader vein as well. He's currently working on a book on the history of U.S. strategy towards Asia. He's a professor at Georgetown and also a senior fellow at CSIS, and one of his recent important books in addition to his current project is *Japan's Reluctant Realism*. And so we'll look forward to hearing from Mike in just a moment who has, in many ways, great U.S.-Japan expertise, but also a broader regional point of view and portfolio.

To my right is Jonathan Pollack, who is a senior fellow in the Thornton

Center here at Brookings, who has been here now about a year after a distinguished career in two other major think tanks -- the RAND Corporation and the Naval War College -- and has written extensively on many issues about East Asia as well throughout his career and many different aspects of Northeast Asia, including Japan. But more recently he's been focusing on China and North Korea, and his recent book on North Korea is called *No Exit*. It's a history of North Korea's view towards its nuclear weapons program and other aspects of evolution of North Korean Security policy, which I highly recommend. And he's working right now on a book on debates within China over how to understand the United States and how to understand their relationship with the United States.

And then to my far right is my good friend and former Brookings colleague, Mike Mochizuki, who holds the Sigur chair at George Washington University and is one of the nation's paramount experts on U.S.-Japan relations and Japanese history and is also now working on a book on reconciling rivals, looking at relationships within East Asia and trying to understand the way to get beyond, obviously, some of the antagonisms, some of the challenges in this very turbulent era in that region's history.

So, we will begin, as I say, with Mike Green, and then work our way, and I'll go through two rounds of discussion and question. And Mike, thank you again very much for being here. I wanted to begin, really, with just a broad question about how you see the region. Before we bore in on the American debate and American policy options and get to Washington and Beltway-centric, I would just welcome your views -- and I realize it's an impossibly big question for a big region, on -- I'm not asking you to give a full primer, but what you see as the most important two or three recent developments that we have to bear in mind as we shape American policy options.

MR. GREEN: Well, I think my colleagues will end up covering some of the same ground, and I think we should because we may have different takes on these. Obviously the biggest tectonic shift and challenge is the rise of Chinese power in Asia. I would just make a few preliminary points on that one. First, it's not the first time the

United States has faced rising powers in Asia. We dealt with this initially with the British, the established powers, we were trying to put our own mark on the region. We dealt in various ways at various points in the 19th century with Russia, Prussia, and even France, and then the big ones, Japan and then the Soviet Union, and now China. So, it's not as if we've got no history with our foreign policy and strategy managing rising powers in Asia.

Unfortunately, we have a mixed history and I think one of the lessons, certainly in this book I'm working on, that we should consider is, we need a comprehensive toolkit. This is not an issue that can be solved by simply moving to a concert of power or simply moving to a balance of power. We need a sophisticated mix. It's an issue that absolutely in my view requires military capabilities, but those are necessary but not sufficient. We have to have a trade piece, which is why the Korea Free Trade Agreement was so significant. We have to have a diplomatic piece, including the emerging architecture, and we have to, in my view, be faithful to the Founding Fathers' commitment to democracy, which is a strategic issue.

So, that's China. I think we're at a defection point. Mike and I are Japan hands -- I think we -- Japan hands were all taught in the '90s -- '80s and '90s not to make linear projections and so a note of caution on China, but it is the first one. North Korea, you know, Jonathan's written the best book on North Korea in many years. All I would say is that it's a challenge like Iran, a challenge regionally, to regional security, but unlike Iran, North Korea is not a hegemonistic, irredentist, expansionist power. It's doing this out of survival, and the question is, can you contain it? I don't think you can in the near term negotiate this problem away. Can you contain it? And I think that's a big question. And if you can't, what are the implications?

I'd stop there unless we're doing Pakistan, but that may be too hard for today, so I'll just put a placeholder on Pakistan if you want to bring it up. That's an awful lot to chew, though.

MR. O'HANLON: Let me add one thing, though, before we move on, and I'm not going to ask you to talk about the Redskins' quarterback controversy, but --

MR. GREEN: That is the biggest --

MR. O'HANLON: But Jonathan may have a thought on that, but he'll have now fair warning, but I would like, if you don't mind, just to bring in a word on India and the extent to which India is, you know, integral to this region and anything we think about East Asia now has to really include India on the short list. By implication, I guess, you're saying no because you didn't include it yourself in the opening, but maybe you're just trying to be a good, concise presenter.

Let me ask you, to what extent is India now inherently part of East Asian security dynamics? Or is it sort of a second order issue?

MR. GREEN: Oh, it absolutely is. I didn't mention it because I was doing the challenges. I think India's part of the solution. When I was senior director at the NSC, I was the senior director for Asia and it included South Asia, and part of the reason was a strategic assumption or intention to include India in the larger approach to East Asia, and I think it's something that began in the Clinton Administration and carries through to the Obama Administration. I do not think Asia is moving towards a bipolar structure of power between the United States and China. I think the United States will remain preeminent for some time to come and that you also have a multipolarity in Asia and that we strategically should think in those terms.

China is obviously the biggest challenge, in some ways the biggest opportunity, but India; Japan, which is still the third largest economy in the world; Korea, dynamic; Indonesia; Australia; and especially, you know, India in this mix -- our diplomacy has to take account of the other poles in what is becoming in some ways a multipolar Asia. And each of those other poles is dealing with China in some of the same ways we are, a combination of cooperation, economically and strategic competition, and to the extent we have good relations with all those other poles, we'll be in a much better position to manage our relationship with China in a beneficial way for the whole region.

MR. O'HANLON: Jonathan, if I could turn to you and ask you to hone in specifically, to the extent you'd like, on China and Korea, but obviously whatever broader

context you'd like.

MR. POLLACK: Sure. Sure. Just a useful comment on Mike's observation that this rise of Asia is more than China. I think one of the great dangers is if we singularize China relative to a much more comprehensive strategic transition that's underway all across Asia, but let me make some specific comments on China and Korea.

It always seems to me axiomatic that when you look at states from afar it looks much more seamless and disciplined and organized and cohesive, and the closer you get, the more granularity you get, the more it seems to differ. I think this is very, very much the case in China that in some respects, as people have responded to China's emergence, reemergence, if you will, having a couple of observations seems appropriate. First, this is a delayed reaction, a deferred reaction to what has been ongoing for a number of years, obviously, and we all know some of the reasons why, but for the first decade of the 21st century we were otherwise engaged. So to some extent this presumed repositioning, as Secretary Clinton likes to describe it, is simply a response after the fact to what has been ongoing for some time.

The difference, however, is that our reengagement, if you will, with East Asia, and Asia as a whole, comes after a long period where China's undertaken enormous economic growth, has steadily modernized its military, as they said they would. In September of 2002, Jiang Zemin, the party general secretary, said that China was entering a 20-year period of strategic opportunity, and they've proceeded accordingly. So, we're coming in after these brutalizing conflicts in Iraq and continuing now in Afghanistan, so, in some sense, all of our debate has to weigh these different factors as considerations.

Having said that, the closer you get to China, the more it looks like a troubled society and a troubled system. It's less uniformity at the top. I know there are a lot of characterizations of this supposed Beijing Consensus, I don't see it. If anything, it's a Beijing dis-sensus, not a Beijing consensus, and you see debate all over the map on a range of issues covering China's internal evolution and how it is seen, covering obviously

it's international strategies, in particular it's relationship with the United States, but in addition, a growing sense that China's relations with all of its neighbors has a focal point of its own.

So, I don't want to say that simply the fact that the Chinese are all over the map on these different questions means, therefore, that they can't do anything in purpose of fashion. They can, but it's a much more complex equation, I think, than people generally realize. Let's not be deceived by the banner headlines, if you will, and let's look a little more closely.

North Korea is a very special case, obviously. It is the conspicuous strategic outlier of the region. If I look at it historically, the problems that we confront with North Korea are nothing new. They have been grappled with, for better or for worse, by all the region's powers, including its long-time former allies in China and Russia, formerly the Soviet Union, but the dangers and the risks here, I think, are significant as we look to questions of North Korea's own problematic future, as it has become a state armed with nuclear weapons and it has options and may be prepared to take risks that it was not prepared to take before. This is an issue for all the states of the region, including China, and if you will, how we manage this, if it can be managed successfully, is, I think, going to be a fundamental question about whether or not the United States, China, and other regional -- and the regional actors can find a credible means by which we can actually collaborate on what demonstrably has to be a shared concern.

MR. O'HANLON: Just one very quick follow-up on that, you said something towards the end that really caught my ear, worrying about the potential that North Korea's becoming more prone to take risks. Is that something that you -- you hedged it, but do you feel like that is a likelihood? Is that a trend we're already seeing based on last year's tragedies with the Cheonan and other incidents, or is it just a possibility that you want us to be alert to?

MR. POLLACK: I would put it more in the realm of possibility rather than certainty. I think it is associated in some measure with North Korea's own internal

transition, the succession to new leadership. This is not a frequent event, after all. It's a dynastic system and it may very well be that the events of 2010 had a lot to do with Kim Jong-un, in effect, imparting his own authority if he has authority, or at least presenting him as having that authority, but I think we need to be very, very careful about how we proceed here. I mean, at the moment, North Korea is trying to put on more of a smiling, constructive face. Nothing lasts forever with North Korea. There are, I think, specific reasons, there given their own powerless economic circumstances, the impending events of 2012 with respect to the 100th anniversary of the birth of Kim Il-sung, the founding father of the regime, so that may give them a near-term incentive for better behavior, but I would not be really optimistic about the longer term. Indeed, if anything, I think we need to consider, for example, the possibility of a third nuclear weapons test very possibly sometime next year.

MR. O'HANLON: Thank you. And then, Mike, turning to you and of course asking just for your broad take on the region, and Japan particularly, but if I could just add a little bit of an angle to the question, to ask you to assess the state of U.S.-Japan relations. Here we are in 2011. There was sort of a golden period with Bush-Koizumi a while ago, and -- not that that was an untroubled phase of U.S. relations in East Asia by any means, but at least there was a stability and a continuity to the alliance, and I'm -- or at least I'm putting that out as a proposition and wondering if you see the potential for things to stabilize, perhaps, and become a little bit more regularized now under a new Japanese leader or are we going to continue to go through this turbulence, which has characterized the last few years?

MR. MOCHIZUKI: Well, thanks, Mike, for that question. Let me start by addressing the broader strategic picture. And Mike Green is absolutely right that what's going on in Asia is more than the rise of China, and I see this as a fundamental power transition. And when I look back at history, we have not managed power transitions very well, and here, you know, we have the case of the rise of China, but an increasingly kind of multipolar, with different centers of power, emerging, and that really complicates the

challenge of how to manage a power transition.

When I look back at history, you know, we didn't manage this power transition in Europe very well, that led to two world wars; and we didn't manage the power transition in East Asia very well, that led to the Pacific War. And, you know, when I look at the nature of U.S.-Japan relations in the early 1920s, it has a remarkable similarity with the uneasy state of U.S.-China relations. At that point, you know, we achieved a strategic accommodation, an understanding between the United States and Japan after World War I. But we never developed a broad consensus in the United States about how to deal with Japan, and so we sent mixed signals, some hard-line policies, some soft-line policies, the classic debate between Ambassador Grew and Assistant Secretary of State Hornbeck. And so we pursued a hedging strategy, which, in the end, led to a dynamic in Japan, which led, I think, ultimately to the rise of militarism and the Pacific War. So, I think we really have to look seriously at the lessons of history when we manage the U.S.-China relationship.

The second point I would make, and I think this is a sea change and I'm not quite sure what it really means, but I remember, you know, back when I was at Brookings we would often say that compared to Europe, the East Asians don't talk to each other about security, and to the extent they talk to each other, they talk bilaterally. But over the last 10 years it's just been an amazing explosion of many-lateral and multilateral dialogues. You know, we move from APEC to the ASEAN Regional Forum, now we have the ASEAN defense ministers meeting plus eight, and I think that's one of the reasons why Secretary of Defense Leon Panetta is going out to Asia, and then we have the East Asian summit.

In addition to that, our U.S. alliance network has moved slowly but remarkably from a straight hub-and-spokes system to what I would call kind of a soft multilateralism. Now, it's not actually clear what kind of architecture will emerge. There probably will be some culling that's necessary, but I think that's one of the big policy choices that we face is how do we harness this explosion of dialogues to promote

stability as well as our interests in the region.

Now, to get to your question on the U.S.-Japan -- our relationship, yeah, certainly when Mike Green was in government, the U.S.-Japan alliance looked very good, and I agree with many of the commentators that this was probably the golden era in U.S.-Japan relations, but I think that led to a certain complacency and despite the warnings of many Japanese -- Japan specialists in the United States, I think we were caught flat-footed in trying to deal with the political transformation in Japan and the rise of the Democratic Party of Japan, and so I would say that for a while the U.S.-Japan alliance has been in serious drift. Some of that has been corrected after Prime Minister Hatoyama stepped down, and then especially after the 3/11 tsunami and earthquake, Operation Tomodachi has helped to restore some of the goodwill in the relationship. But the fundamental structural problems are still there, and I think -- and as we argued back 15 years ago that the time may be ripe for a new strategic bargain between the United States, where the Japanese play a more robust role in regional security. Secondly, there's greater U.S.-Japan defense cooperation. But then finally, as part of this strategic bargain, that the United States takes much more bold steps in reducing the burden on Okinawa so that our long-term sustainability of our bases becomes much more realistic.

MR. O'HANLON: Thank you. That's a perfect segue now to the other question I want to put to the panel before we go to all of you, and I'm just going to frame it in one sentence or a couple of sentences one time for everyone and then just ask the panelists to respond sequentially, and it's really just the $64,000 question of what does this mean for the current U.S. defense strategy and budget debate we're having in the United States right now? So, that could include everything from how much can we cut, if at all, in defense spending? Obviously $350 billion over 10 years is already mandated, but laws can be overtaken by other laws, so maybe nothing is written in stone, but perhaps more likely than seeing that $350 billion reversed is seeing it added to with additional cuts, especially if there's sequestration. So, one big question for the panel, to the extent you want to comment on numbers is, you know, how big can we go? But if

you don't want to get into that kind of nitty-gritty, obviously I'm very concerned -- or very interested in your answer to the question of, what overall message do we have to send as we're going through this round of cutting, everything from cooperation with allies, arms sales, basing issues, carrier deployments, regional diplomacy, and our assertiveness towards South China Sea issues that China may engender -- the whole enchilada. But what message do we really need to concentrate on sending as we go through these very turbulent months in our own politics and our own budgeting about the future of American military capabilities? And if I could start with you, please, Mike.

MR. GREEN: Well, I was intrigued that Mike brought up U.S.-Japan relations in the '20s, especially the mid to late '20s, I think you mean, as a kind of unnerving parallel to where we are with China today. History doesn't repeat itself, it rhymes. Nothing is automatic, but there are some sort of evocative experiences we had in the '20s with Japan.

I would argue -- Mike's right that we sent conflicting signals to Japan. I would argue the problem, though, wasn't that we were hedging in those days, is that we were not hedging, we weren't really hedging, so the fights between Joseph Grew in Tokyo and Stanley Hornbeck, the director of Far Eastern Affairs -- the assistant secretary job today -- those were famous fights. But the really interesting fights were between Hornbeck and the U.S. Navy because the U.S. Navy was saying to Hornbeck, you are challenging the Japanese, but we don't have the resources to back up your firm stance, because after the Washington Naval Treaties, we basically didn't build up to the treaty limits. And during the Hoover Administration, we didn't lay a single keel at a time when Japan's Imperial Navy was, you know, going off the charts.

So, by 1939, Japan had parity in the Pacific, not only with the U.S., but with every power combined. That historical lesson should not be forgotten. I think we are -- I don't think we want to get in a position where we are down to eight carrier battle groups, for example, because there's the old four-to-one rule: you have to have four carriers to keep one on station all the time because of training, refitting, and contingency

operations, and so forth.

The $800 billion, $900 billion figure that's talked about as a possibility if the super committee can't get its act together, would probably put us down to eight carrier battle groups. That means we can have, in good circumstances, one off stationed in the South Western -- in Southwest Asia and one in the Western Pacific. That is not where we want to be. And in addition to that, there are questions of how many F-22 -- well, how many F-35s and so forth we'll have to deal with the growing tactical air problem.

So, I think we are at the point where we really can't afford to cut much more if we're going to implement the strategy that Secretary Clinton put out very, I think, properly in the foreign policy piece about the pivot to Asia. It's not going to be enough to go to the ASEAN Regional Forum, not even close, so I think that the 300-, $400 billion, we're really getting close to what is becoming unsafe, and if we get up to a trillion, that's really dangerous in my view.

MR. O'HANLON: And just to footnote one thing, Mike mentioned the Clinton foreign policy article that was written last week, as I understand --

MR. GREEN: Right.

MR. O'HANLON: -- for those of you who may not yet have seen it. Jonathan, over to you, please, on the same question.

MR. POLLACK: Although there's an easy temptation to try to cost things out and sort of figure out, you know, where do you cut and all that, I mean, it's much more fundamentally a question of strategy rather than budgets per se, but in that context one has to ask what are the requirements of what a coherent, durable, American strategy would be trying to combine the different elements of American power.

I agree with Mike, it can't be diplomacy alone. It's interesting that the State Department has adopted the metaphor of American military power, forward deployed diplomatic power, and, you know, you're almost kind of reminded of, you know, Stalin's observation about, you know, how many divisions did the Pope have, you know. But it would seem to me that if we cannot -- and by "we," I mean, the Congress, the super

committee -- cannot reconcile, in some sense, on what we have to face, then we need to look very, very starkly at a set of choices. I daresay that -- and almost an implication to some of what Mike said, and I kind of put back to him -- is that if the requirements of our strategy are as substantial as they may be, for example, if you want to talk about ramping up the rates of production of different kinds of weapons systems, and if you want to venture into new domains on weapons systems that haven't been there before, for sake of argument, the costs are going to be staggering. Let's not kid ourselves. And if the costs are staggering, the question is, where does the money come from? I'm struck that Representative McKeon, I'm told, chairman of the House Arms Services Committee, has purportedly said that if the choice is cutting the U.S. defense budget or increasing taxes, he'll opt for increasing taxes. Now that's -- he's being honest about it, all right, about what his presumed priorities are because I think in all of this, though, we have to ask ourselves first and foremost, what is it that we are ramping up to? If the argument, for example, is that we, at a minimum, need to have a more credible hedge vis-à-vis China, what does a hedge really look like? What is the signal that one sends to China in that context? Is there always the danger that that hedge becomes a little too self-fulfilling given that, frankly, as China grows, both economically and militarily, and as it expresses its own animosities of one kind or another towards the United States, the easy temptation to make China, if you will, the force that will save the DoD budget, if I could coin a phrase, could be very, very pernicious in its own right, begging the issue of whether or not there is a means by which we could conceptualize a longer-term, regional order that does not include China in a meaningful sense.

I mean, we have to ask questions about where are Chinese presumed security goals in conflict with the United States, where are they not? Can we ask ourselves questions about this rather than getting uneasy that this period of unquestioned American dominance has obviously -- is obviously easing over time? The United States is looking for partners in a variety of ways to make some kind of a strategic transition. It, at least, ought to be a question that we should ask about whether and when and how, if

and if you can encompass China in that process, rather than sort of seeing it as this outside force that, in some measure, threatens to undermine peace and stability in the Asia Pacific region.

MR. O'HANLON: So, let me go to Mike, and then if you care to respond, feel free, and then we'll go to the audience for your questions. Sir?

MR. MOCHIZUKI: Well, you know, just to pick up on a point that Mike Green made about the lack of hedging during the 1930s, and here I would agree absolutely that as it became clear that the United States was on a collision course with Japan, the United States talked the talk, but did not walk the walk, and really did not develop the military capabilities to deter or even contain Japanese expansionism.

But my point really relates to an earlier time and is up to the London Naval Conference when the United States was not sensitive to the security interests of Japan and, you know, there was a lot of debate about what kind of naval capabilities Japan should be allowed to have in order for its own security. And the United States took a hard line position, which really struck a death knell at the kind of pro-American, pro-international cooperation coalition in Japan, which really had a very fragile majority, and this was after a period of the anti-immigration law, going against the equal rights clause in the League of Nations, and then finally protectionism.

So, you know, these are some of the things that I think we need to be sensitive to.

Now, in terms of the budget, you know, certainly we need to cut, but it's -- it needs to be cut strategically. And it's not just a matter of maintaining what we have because China is not standing still and so we have to really focus our priorities on what is absolutely critical for deterrence. And, you know, I'm not certain that the current foreign posture and foreign structure is the most efficient way of meeting China's asymmetric military capabilities that could weaken our deterrents.

And the other thing -- and this gets into Japan -- is that, you know, I think there's a lot of kind of static thinking when we look at Japan. I mean, Japan also is facing

major budgetary constraints and I think we need to look hard at what sorts of expenditures are really helpful for buttressing deterrents in this new era and what things may be really a waste of money, and high on my list on that is the construction of the Futenma Replacement Facility in Henoko. I mean, I think that's $10 billion that could be spent on other things.

MR. O'HANLON: Thank you. Would you care to respond to especially Jonathan's questions or anything else?

MR. GREEN: I think -- well, first of all, I think you need to have another seminar on the 1920s and '30s because there really is a lot of rich historical discussion that sheds light on our current problems. The one thing I would really agree with and put an exclamation point on is what Mike said about the gratuitous moves by Wilson -- Woodrow Wilson and others since him, Republican presidents as well, to allow anti-immigration bills to pass in California and elsewhere, to block the anti-racism clause in the League of Nations. Theodore Roosevelt blocked all of those things when he was president. He built up the Navy, he tried to reach an accommodation with Japan, he blocked gratuitous insults to the Japanese. It's a useful model for us today. You know, the fact is that the China equation is not simply a military equation; there's enormous and complex economic interdependence. Of course, we do have common interests in many parts of Asia and the world, and gratuitous sort of threat baiting would be counterproductive, I agree.

On the other hand, I think it's quite clear where we have overlapping disinterests and they're of a military nature -- cyberspace, the South China Sea, the East China Sea, the missile buildup off of Taiwan -- where China's near sea doctrine and military modernization program is a direct and clear challenge to 200 years of British and then American protection of the freedom of navigation interrupted only briefly by Japan in 1941. So, what the Chinese government and the PLA would clearly like to see is for us to do less surveillance, to stop selling arms to Taiwan, to no longer have preeminence in the areas that stretch from the South China Sea to the East China Sea, through which

the vast majority of world shipping traffic travels. And we have to ask ourselves, is that an acceptable form of accommodation of China's rise? I would say the answer is absolutely not, nor do we have to, but when you're talking about the East Asia Summit, about APEC, about the Six-Party Talks and other areas, absolutely we have interest in accommodating and working with China.

So, we'll have to decide. It's not a one-size-fits-all, and I don't think Jonathan's suggesting this. It's not a one-size-fits-all where we decide philosophically we're going to accommodate China everywhere. We have to decide where our fundamental interests are and where we benefit from or can have room for giving China or -- giving is the wrong word because China's an independent actor, but moving towards more of a cooperative stance, and it's going to be case-by-case. But I would argue if we see it on the cases where it is in our national interest, like the South China Sea, East China Sea or Taiwan arm sales, it will be to the detriment of those areas where we want to cooperate with China because it will weaken our leverage in those diplomatic areas if we start retreating on interests of core national concern. MR. O'HANLON: One of the problems, as always, is when we talk about a concept like deterrence, for example, is we're never quite sure how it's done. There's a presumption that there's a magic formula or something that would constrain and inhibit. I do think what warrants notice on China is that China, right now, in a military sense, is reemerging or emerging as a potent force. They do this from a very, very underdeveloped background, very much ground orientation, and you are seeing the beginnings -- China being on the cusp of a variety of capabilities, some of which may be appropriate, if you will, for any major power. That's an argument that the Chinese would make, for example, with respect to their very nascent aircraft carrier program, others that would be much more worrisome in the event of specific contingencies, and I concede that it's -- that we need to be very, very mindful of what we are really talking about. If there really is concern about the, if you will, the risks of a military conflict, then we're really talking about conflict with a major power. There has never been, for example, an open war between

nuclear arm states. There's a lot of loose talk, frankly, about things that either they can do to us or we can do to them that I think we need to restrain ourselves as the Chinese need to restrain themselves as well. So, there are some real risks here and, frankly, the inability to reach some kind of a tolerable basis for military-to-military communication, to me, is very, very worrisome. It's not a question of approving or disapproving, of either what they may be doing or what we may insist that we maybe want to do, but absent that, I think that long term, both countries are really asking for a lot of potential trouble, not maybe by design, but whether by inadvertence, all kinds of things that will have a much more problematic effect on the region in which we operate.

One other point, though, about the question of freedom of navigation. Given China's dependence on the freedom of navigation for their energy needs, for their trans-shipment of goods and the like, I have a hard time figuring out exactly where and how China, beyond some of its words that contest, if you will, things that the United States has said about freedom of navigation, why it would be perceived by anyone in China in their interest to try to impede or constrict the flow of these resources.

There are some scenarios, to some extent, that talk about this that are often suggested. I still have a hard time figuring out -- for someone needs to tell me the story of how this would evolve. That's where I think there may be, if anything, a bit of a risk in applying the lessons learned vis-à-vis Japan with those of China. It's a different circumstance, I would argue, and a very, very different time. So, I think it's good that policymakers are aware of this history, but let's not try to see it as too much of a replay of that past.

MR. GREEN: That's certainly not what I'm saying in the case of the South China Sea and East China Sea. I think the danger in the South China Sea and East China Sea is if the PLA navy, or more to the point, the other four maritime services can, with impunity, smack the Vietnamese, smack the Philippines, smack the Malaysians, and start asserting presence and essentially naval preeminence in that region, that fundamentally has an effect on not only the navigation through that region, but the

orientation, security hedging confidence of the states in the region. So it's geostrategic, it's not just -- of course the Chinese have an interest in sea lanes to the Middle East, and in some ways that's an area where we may build cooperation. But if the PLA navy and its associated services conclude that they can, with impunity, use force against these smaller states, as they have in recent years, that fundamentally changes the geostrategic nature of Asia to our detriment. That's what I'm getting at.

MR. POLLACK: Right. Right. Okay, I take your point. I do take your point.

MR. O'HANLON: Mike, anything you want to add here?

MR. MOCHIZUKI: Yes. What I think is important to distinguish this whole issue of maritime security at kind of two levels, and I find some of the writings from the Japanese side quite instructive in this. Americans tend to focus on high-end conflict and I think if there is the possibility of a military confrontation between two nuclear powers, the United States and China, I can only imagine it over Taiwan, and I certainly hope that that does not happen. But barring that, there still could be, you know, what the Japanese call kind of lower end, gray area type of competition and this will be about competing intelligence surveillance and reconnaissance missions in a very crowded area, there's the likelihood of accidents, and there have been accidents already in this region. And these should not escalate into a kind of higher end conflicts.

So, I think one of the things that should really be on the front burner is how to think about incidents at sea agreements, to establish rules in terms of how military and non-military vessels should operate in the East China Sea and the South China Sea, because otherwise, these kinds of competitions could lead to a military collision that would be hard to manage.

MR. O'HANLON: Thank you. Why don't we go to the crowd? We'll have the same set of subjects, I'm sure, brought up by others. And so, why don't we begin here in the front row? Please wait for a microphone and briefly introduce yourself even though most of us know who you are, good sir, and pose the question to the whole

panel or to one person in particular if you like.

MR. McVADON: Eric McVadon, the Institute of Foreign Policy Analysis. I noticed in the note I wrote myself, the battle of the ASBs -- the anti-ship ballistic missile and the air-sea battle -- the two sides seem to be threatening each other with that as far as this confrontation, but I think it's more interesting to look beyond this prospect of the confrontation and look to the prospects of engagement and cooperation. And I think it's rather puzzling that 2010, we had a pretty rough time in the relationship and then in 2011, at least many of my interlocutors seem to have changed horses at midstream, and I'm talking about Yong Yi and Yong Shi Yu and Jeong Shing Jong and Shun Ding Lee and others who suddenly became very conciliatory, and I'm wondering what this reflects. Is this simply a disparate view among various people in Beijing or is this an opportunity that we might be looking to? And I know that -- and I guess that Jong Bing Da gave Admiral Mullen a lecture and, of course, Tai Bing Wa said some things that are pretty difficult to live with, but when we look at this conciliatory attitude that seems to have arisen, is there an opportunity here for us to move forward in the area of engagement and cooperation in not only the military relationship, but more broadly?

MR. O'HANLON: Would you like to start?

MR. GREEN: Well, the shift in tone you describe is -- I agree, I'm hearing some similar things. Does it represent a fundamental shift in strategy and doctrine for the PLA? I think not. I mean, two months ago I was at the Academy of Military Science, sort of asking for an update on doctrine and there was no change there in terms of the fundamentals of what is called the "near sea strategy" or "near sea doctrine". So, why did the foreign ministry or the foreign affairs part of the PLA shift? Because they had seen alignment, especially in Southeast Asia, like they hadn't seen in years. A U.S.-Japan-Korea trilateral foreign ministers meeting here in December that almost put out -- and the Chinese would know this -- almost put out a collective security statement among the U.S., Japan, and Korea. Unbelievable. Unbelievable that an attack on one -- by North Korea, in this case -- is an attack on all. That is, from a Chinese

strategic perspective, a very bad development, and they just -- it was a strong statement, the Korean side pulled back a bit and they didn't make that collective security statement. Or the way that the Philippines, Vietnam, and other countries in Southeast Asia have not only picked up security consultations with the U.S., but invited the U.S. to play a more active role in the ASEAN Regional Forum and so forth.

So, it was a definite diplomatic setback for China, and I think the Chinese, who have good, you know, diplomats on the ground and realize this, have been adjusting. It does not, as far as I can see, represent a change in strategy. However, it may be an opportunity and, you know, I don't think anyone on the panel disagrees that we need more dialogue, transparency, and confidence-building, and we ought to get what we can out of it. I would agree with that.

MR. POLLACK: I think a lot of what we have observed over the last year or two suggests to me, at least, that to put it mildly, the Chinese are not well-organized in these areas. This is a lamentation, I might add, from a number of Chinese who will express deep concern about precisely the increased likelihood of incidents and accidents by virtue of the fact that you do not have, within the Chinese bureaucratic and policymaking process, the means by which these issues get adjudicated and overseen at the top, deliberated fully at the top. That's how you get to some of these really nasty incidents that, again, I don't think are by design, but do reflect the fact that there is an increasing devolution of power in China, power that attaches to different components of the military and associated areas, if we think about the maritime environment, devolution of power at the provincial level in China. We may think of China in this very top down, orchestrated sense of those nine men at the top who make decisions, but that's not a process that, at least as we can see it from afar, that has been disciplined in the way it needs to be. Indeed, that's one of the kind of ironies for us. What we don't want is that kind of fractionation power. You do want some sense of an authoritative center to whom, and with whom, you can interact and talk.

Now that's, again, a tall order over time, but I think that the Chinese are

going through enormous growing pains on this. The problem, however, is that they are now on the cusp of their own political succession; there will be a new leadership in place about a year from now. If we're looking for response of a significant sort from the current leadership, the best we might be able to hope for, I think, is, if you will, something of a damage-limiting strategy at this point. But what's striking to me and may have been at least as much of a factor as what Mike mentioned before in terms of the pushback from others, is an awareness among some, either at or near the top, that they were losing effective control over all the different dimensions of Chinese policymaking, and it had to be reasserted.

So, it has been reasserted. Whether that's going to be binding and committal over time remains to be seen, but that's, if you will, the public face of Chinese policy and diplomacy. It doesn't speak to the deeper issues here of strategic and doctrinal transitions within the Chinese armed forces, but, frankly, I see those as an inevitability. I mean, they are coming in a variety of ways. We don't -- I mean, again, it's -- some of that may be issues that really concern us very, very deeply, but we want to be able to have that kind of a serious discussion with them on these things lest we see things really running off the rails, either in terms of Chinese behavior or on possible responses to Chinese behavior of which we disapprove.

MR. O'HANLON: Let me stay up here in the front row for a moment and work our way back.

MR. NELSON: Thanks very much. Chris Nelson, The Nelson Report. Thanks for a great discussion. In listening to you talking about the budget debate particularly, let's link it a bit to the U.S. political debate that's ongoing. We saw, for example, Mitt Romney had an op-ed last week on China, that basically was a regurgitation of the business community complaints by China of three, four years ago with a lot of focus on currency, something nobody in the business community says is important. From what you're hearing and seeing the U.S. political debate, marry that up to -- or with the coming fight over budget, what do you see as likely rational outcomes?

Are they possible? Or are we absolutely looking at a phenomenon of our Congress and the political leadership or talking about a parallel universe that you guys don't interact with at all?

MR. O'HANLON: Mike, do you want to start with that? Or do you --

MR. MOCHIZUKI: I mean, I would defer to you, Mike --

MR. GREEN: The rest of us here, we just deal with these easy places like China, Korea, Japan --

MR. O'HANLON: We don't do math.

MR. MOCHIZUKI: That's right.

MR. POLLACK: I'll make a quick comment. Others may want to correct me or amend or otherwise chime in. I was struck more by Governor Romney's foreign policy speech of 10 days ago. I thought it was a solid speech, very well presented, so I think those who saw him as better in small groups and not as good on the stage, you know, he's upping his game a little bit in terms of presentational skill, and that suggests, potentially, a vigorous competition with the incumbent if they wind up in a two-person race next fall. But to the specifics of defense in Asia, I was struck by two things, which are worth reminding you all of, even though I'm sure most of you took notice as well: one, he doesn't want to cut the defense budget, apparently even by the amount that's currently required, even by the $350 billion over 10 years; and secondly, he wants to increase naval shipbuilding. So it's almost as if he had been studying the 1920s and '30s or otherwise influenced by the, you know, desire to really focus in on a strong maritime strategy as the essence of what he'd like to see us focusing on in security policy.

Intriguing ideas. I'm glad for the specificity. I think he's got a huge problem with budget math if he wants to roll back the $350 billion cuts, which have become, you know, really the new, not only law, but the new conventional wisdom among most strategists as cuts we probably can afford, and I've often played a role in the debate the last few months cautioning against excessive cuts. But it's also worth bearing in mind that we do now have a defense budget that's twice as big as it was 10 years ago, and

even though that can lead one to think we can cut far more than I believe prudent, not cutting $350 billion and also presumably being against tax increases is a pretty tough way to start a budget conversation given the severity of the country's fiscal problems. So, that would be the one note of caution I would add.

But on the maritime issue, I'll just leave it as an open observation that I was intrigued, that for him, the essence of what he wanted to emphasize going forward, even though he did mention a few other things like missile defense, the real essence of what he wanted to do was to increase the shipbuilding rate from 9 keels per year to 15. Remarkable specificity and maybe others on the panel know more about the origins of that or the implications of that, but I was still struck by that emphasis in his speech.

MR. GREEN: There's been a prediction in every election cycle, I don't know, since 2000, that we would continue making China a major theme and the striking thing about 2004, 2008 is how little China was a theme compared with all the previous elections where it was a huge theme, from Nixon on. The party of the opposition usually came into office promising big changes in China policy and reverted more or less to the norm. That hasn't been true since 2000. And you'll recall Hillary Clinton made a brief run at the China issue in a Pennsylvania speech and it was kind of an air ball in 2008, and McCain and Obama had somewhat different views. I was working on the McCain campaign, you know, there were debates sort of like what we're having, but it wasn't a central issue.

My guess is this time it will be a bit more of a central issue than it has been in the past, but it's not going to be the issue. You'll see occasional little skirmishes like Governor Romney's statement on currency, but, you know, this is fundamentally an election about jobs, the size of the federal government, it's not a foreign policy election, so I'm not worried that the U.S.-China relationship is going to go into a tailspin because of our presidential year politics.

If you look at the foreign policy team that the Romney camp put out, you'd be hard-pressed to find a kind of a clear, hard-line, anti-China stance in there. It's

a variety of views on the center right, so -- anyway, there have been predictions of a disaster in U.S.-China relations every presidential cycle and it just hasn't risen to that level.

MR. O'HANLON: Other questions? Let's go right here, please, and then we'll keep working back.

MR. DOYLE: I'm Randall Doyle. I'm from the U.S. State Department. I teacher modern China and U.S. foreign policy, as well, and I'd like to ask you all a question because I think Mr. Pollack is on to something. History always tells us, sometimes belatedly, but there always seems to be a certain moment, a certain window of opportunity that's available to both nations, whether it was U.S.-Japan relations in the 1920s or Russian-U.S. relations in the 1960s, what have you. In this situation, from my experience traveling through China, that China is a very troubled society. It has increasingly social unrest, and the government last year spent more money on social security, or I should say internal security, than foreign security. Now, the United States, as you know, is in a lot greater danger economically than most people realize and we have the -- so, both countries have to clean up their houses. And I'm thinking, why isn't there more talk about diplomatic efforts that maybe we can come to some agreement because it would be in the benefit of both countries?

In the 2012 election you were talking about Mr. McCain and Barack Obama, but so far this year Barack Obama now is being consumed by economic issues, all the GOP candidates hardly talk at all about foreign policy. And the budget cuts that you're talking about, Mr. O'Hanlon, it seems like they're going to happen simply because, like the 1920s and '30s in the United States, no one gives a damn about foreign policy. Pardon my language, but it's true, and the budgets -- so, basically, the real question is, where are you going to cut from? So, Mr. Pollack's opening statement talking about that he thinks there seems to be a window of opportunity for China, what do you guys think about that? Because I think he's right and if we let that go by, then these other circumstances you guys have been talking about with the South China Sea and

everything, North Korea, what have you, I think these things will start to be more and more exaggerated and become more and more dangerous for both countries.

MR. O'HANLON: Mike Mochizuki, want to start?

MR. MOCHIZUKI: Well, yes. Well, first of all, I think during the Obama Administration that conversation has already begun, and the strategic and economic dialogue, in many ways, is a far-reaching, expansive conversation, not just about bilateral issues, but about the future of the regional order. And it's so expansive, to some extent, that some of our friends and allies are a bit concerned that they're not part of that conversation.

But as I understand it, that conversation has just begun and we still have not addressed the issue of, is there a regime where the mutual security interests of the United States and China could be met and not think of it in terms of just a simple zero-sum game, and here I think what happens in terms of maritime security and military activities in the Western Pacific is key to that. In terms of nuclear deterrents, we talk about China increasing its nuclear forces. Well, you know, for some that may seem an alarming thing and many Japanese raise concerns about that, but perhaps, you know, there are legitimate security interests that such nuclear modernization is serving.

So, one of the things that we really need to focus on are what are the mutual security interests between the United States and China. And secondly, other major players have to be a part of this process eventually, you know, and especially Japan. A certain degree of strategic understanding, mutual security between the United States and Japan -- between the United States and China may be good, but it may cause a lot of nervousness in Japan. And, therefore, at a minimum, a trilateral conversation, I think, becomes important, but South Korea's also in on this and the Southeast Asian countries.

So, in a sense, these dialogues that have emerged, these multilateral dialogues that have emerged, I think, is a great opportunity and I'm just kind of amazed how much the ASEAN defense ministers meeting plus eight has now taken off as a

salient forum for such a conversation.

MR. GREEN: You know, I don't think you can accuse this administration or the one I was in of not trying to use diplomacy with China. The strategic and economic dialogue involves half of the United States cabinet.

We've never, in history, had anything like that, even with Britain during World War II when we were, you know, cheek and jowl fighting a world war, so in terms of the quantity and quality and level of diplomatic effort with China, there's no historical parallel for us. It's enormous. And even if you look at how resources are being realigned within the State Department in terms of language training, consulates, you know, China is getting a lot of attention, so -- and rightfully so.

I think that where we get in a little bit of slippery ground is when we in the United States become obsessed with the fourth communiqué, with institutionalizing a stable relationship between the U.S. and China. It's a temptation we had with a rising Japan with the Washington treaty system, it's a temptation we had with the Soviets with détente. There's a place for that obviously, but I think my sense is the Administration got a little bit burned when they tried that in the 2009 Joint Statement in November when they reached an agreement on core interests and respecting each other's core interests, which looked, you know, fairly modest compared to other things we've done in history. But I think the Administration concluded it was a big mistake because when Hu Jintao came in January, they negotiated that core interests concept, that we would respect each other's core interests, out of the joint statement, because I think the Administration concluded that rather than sort of stabilizing U.S.-China relations, it opened up an expansion of the definition of core interests by the Chinese side.

So, there is some danger in trying to over-institutionalize or over-codify diplomatic relations, but in terms of resources and effort, I don't think you can fault the Administration at all. They've really -- I mean, I think, frankly, as Mike was saying, the other countries in the region are beginning to get a little jealous. Of course if they want USDR they can have them, you know?

MR. POLLACK: Just a further point here, I mean, it's clear that when President Obama took office, what he broached with China was the idea of an elevated relationship with China, in essence saying the opportunity in the 21st century had to be to address a new agenda, and, in effect, inviting China to participate in the shaping of that agenda. Ironically, I think this may have caused, if anything, some unease on the Chinese part, you know, what's the -- you know, there's got to be a catch in here somewhere. And that reflects, I think, the abiding strategic suspicions that China, rightly or wrongly, maintains about American strategy and American intentions. Even if you look, for example, to Secretary Clinton's article in *Foreign Policy*, it talks in these very, very ambitious terms about American engagement, American involvement. China is mentioned in part of this, but you really get the sense that underneath it all, it's kind of code language for how is American power present and accounted for at the table precisely because of the rise of China even if it's never stated exactly in those terms?

So, that's part of what we really have to find a way to overcome if we can. The temptation to have the formulas, if you will, the fourth communiqué, those things may be much more trouble than they're worth. They consume a disproportionate amount of attention to get the fine-tuning on the language when it does seem to me, if anything, it ought to be our behavior and our -- the ability to have candid exchanges with China on a range of issues, not exactly whether there's some kind of precise, ornate, document, if you will, that will define those realities. I think the proof is in the pudding and it doesn't have to be on the basis of another communiqué.

MR. O'HANLON: Let's go back here to the fourth row.

MS. GIENGER: Thank you. Viola Gienger from Bloomberg News. The U.S. seems to be working on trying to expand its security partnerships in the region. How important do you see that effort being, particularly partnerships beyond the traditional alliances with Japan and South Korea? And how much do you think that is likely to be effected by the budget crunch and the budget cuts in defense spending specifically? And one other question related to that is, what is the risk that that sort of strategy can backfire

and be seen by China as a potential threat?

MR. POLLACK: If I could, it's kind of interesting when we do see these phenomena, of trying to find ways that the United States can diversify some of its relationships, some of them being more flexible. It's actually not a totally new idea, it's reared its head from time to time, but there does seem to be more of a direction in this respect, not less, actually, with respect to the West, specific, and more as you think about the extension of American power into the -- into Southeast Asia and the Indian Ocean beyond. Now, frankly, the Chinese are going to react, you know, any way that they choose to to this. The question is whether or not there's a basis on which they would see a legitimate concern to undermine their interests and their power, because recognize that in all these cases of where the United States -- or most of them, at least -- where the United States may be trying to expand its activities with others, these are also countries with which China intersects and interacts hugely. China's economic centrality all across the region is beyond dispute. It may be that a state, let's say, like Singapore doesn't see any kind of a contradiction between, on the one hand, this kind of heightened security engagement with the United States at the same time that you have deeply embedded economic and even political relations with China. You can see this even more, let's say, in the case of a core ally like Australia. The Australian prime minister has just given a major address, very economically oriented to be sure, and in -- but in fact has, if anything, dissented from the Australian defense whitepaper of several years ago that talked much more explicitly about an open hedging strategy vis-à-vis China.

So, I think that the U.S. is entering this whole set of discussions at a time that relations have already changed in very, very significant ways around the region, but the very fact that the growth of Chinese power is causing concern on the part of so many regional actors is something that the United States is trying to respond to without making it -- but doing it in a way, hopefully, that can be understood by China and not be seen axiomatically as directed against China in some sense.

MR. O'HANLON: Mike.

MR. MOCHIZUKI: Well, in terms of the budget implications, I think it may essentially be budget neutral and, in fact, there could be a plus side to this that we will be able to do more for possibly less. In terms of the Chinese reaction, of course, you know, there may be some concerns in China that this is a sophisticated containment strategy against China. But, you know, as Jonathan said, you know, China is also deeply engaged with the region and I think these kinds of relationships that the United States is building up may give an incentive for the Chinese to come up with their own very positive multilateral and bilateral policy. And, you know, a case in point is this past week, you know, we have now a China-Vietnam agreement to deal with maritime security issues in a more cooperative fashion and, you know, probably one of the big incentives for China to move in this direction was that the United States was developing a security relationship with Vietnam. So, the net effect of this is not to create kind of a bipolar structure between two contending camps, but really to develop an interweaving set of relationships that in the end may help to stabilize the region.

MR. GREEN: I think Mike's point just now is really important. You know, in trade there's a theory of competitive liberalization that bilateral and many-lateral FTAs cause other countries to not want to be left out, and the overall effect is lowering trade barriers. And security is different, but I think there is some similar dynamic possible in Asia precisely because we have a combination of conflicting and convergent interests across the region with China. So, for that reason, we should not be apologetic at all about trilateral meetings or, in my view, even quadrilateral meetings, although that was too rich for some when Abai proposed it.

The other thing is, I think, from Beijing's perspective, I think China, and the Foreign Ministry, the Ministry of State Security, PLA too, has clearly conceived of and is now executing a counter containment strategy designed at a zero-sum reduction of our strategic influence in all of these countries and there's nothing that we can say, at least in the near term, that will change that view in China. We should be clear, we should be transparent, we should emphasize cooperation where we can, but we shouldn't freak out

because China is pursuing counter containment -- what they consider counter containment strategies. There's not much we can do, frankly, consistent with our interests, to talk the Chinese leadership out of that, at least for the near term. We should keep working on the positive aspects of the relationship as much as possible, but not apologize for pursuing our interests with countries.

Two other quick points. One is we should absolutely be networking among our alliances and key partnerships, strengthen these, but there's a rock and a hard place on either flank we have to be careful about. On the one hand, if we think that by withdrawing or pulling back we can save money and sort of spur countries into doing more to maintain the balance of power, we'll end up where we were with the Nixon Guam Doctrine, where rather we lost influence and we created entropy. When we pull back and say, you Asian countries do more, we lose control. They hedge against us in those scenarios, not just China, and it creates a dynamic that's not healthy.

On the other hand, if we push too hard for our Asian friends and allies to do more, it can be counterproductive. The example I would give is in 2004, we urged the Koreans to agree to strategic flexibility, an explicit agreement that we could use our forces on the peninsula for any scenario, including obvious ones in Asia. It was a secret discussion, but the Blue House leaked it and said, hell no, we're not going to give the Americans strategic flexibility. It was taken in Beijing, quite clearly, as a sign that the U.S.-Korea alliance was diverging.

So, if you ask for something and the answer is no, if we say we want X base in your country or something, and the answer is no, that can be much worse than where we were before. So we need to be very careful to temper our engagement so that it fits the realities of what each partner, and they're all different, is dealing with in terms of what Jonathan discussed, that they have both competition and cooperation on their own, and we have to be extremely sensitive. We need -- our China strategy requires a very, very smart Japan strategy, Australia strategy, India strategy, to avoid, you know, actually setting ourselves back as we try to nurture these relationships.

MR. O'HANLON: Right here on the aisle.

MR. WOLF: Jim Wolf, Reuters. How do the panelists view the U.S.'s refusals so far to meet Taiwan's request for F-16 C/D models, both in terms of the U.S.-China-Taiwan triangle and in terms of the likely inference that's drawn by other regional players? And what does it mean to posit, as many have done, that it's a kind of redline for China and U.S. -- in dealings with the U.S.? What's the worst-case scenario for U.S.-China relations in the wake of any such sale? Finally, what do you make of China's seemingly mild reaction to the F-16 A/B upgrade decision?

MR. O'HANLON: Mike, you want to start?

MR. GREEN: Well, I thought, in the Bush Administration that we should have agreed to Taiwan's requests for F-16 C/Ds. In fact, it was more basic than that, I thought we should have allowed them to make the request. I mean, towards the end of the Bush Administration -- I was gone by then, but towards the end of the Bush Administration and into the early Obama Administration we were officially urging Taiwan -- not officially -- officials were privately urging Taiwan not to even make the request.

The greatest danger, in my view, is not selling F-16 C/Ds. The greatest danger is that we set expectations in Taiwan -- in Beijing, that we won't, that we're going to start steadily downgrading, which of course is Beijing's interpretation of the third communiqué, that we would steadily downgrade. Our interpretation is that as the threat recedes and the military threat is increasing, not decreasing. So, if we set expectations in Beijing that we are going to decrease, that's the most dangerous because either we get on a trajectory where the Taiwan Relations Act fades like the Cheshire Cat from view, or for reasons of domestic politics or strategic interests, we surprise China and go ahead with the sales and get a bigger reaction than we should have, so I would argue for consistency and I think we should be consistently saying, and meaning it, that we will meet Taiwan's legitimate defense needs and, to me, F-16 C/Ds clearly fits the bill.

Now, A/B sales, the Administration is saying, are for now. They haven't said they're not going to sell C/Ds. The A/Bs replaces one aging fleet. There's a whole

other aging fleet of Mirages that's going to have to be replaced, so I think we need to be very careful not to set the expectation that we will not ever again sell fighters, because the A/B is an upgrade, it's not a new fighter.

MR. POLLACK: I think that the Administration used its language very carefully here. Mike is right, there was nothing in the sale that precluded consideration at a future point for the sales of the C/Ds. I think we get a little obsessed, frankly, about the precise characteristics of this or that weapon system because there's a general recognition that the dynamics in the cross-strait relationship, and I'm not talking now about the changing political and economic dynamics, I'm talking very frankly about the military dynamics. Taiwan's air force, if you will, owned the Taiwan Strait as long as China made no commitment to the development of a more modern air force. That has changed significantly over the last 15 years and it's reflected in both operational realities and the kinds of capabilities that are there, so what I see, actually, is a Taiwan trying to think it's way through a different kind of long-term defense strategy.

In an ironic way, they're almost taking a page out of the playbook that China tries to use vis-à-vis the United States. China is emphasizing some kind of, if you will, a denial strategy, you know, raise the cost sufficiently high that the United States will not want to pursue certain kinds of courses of action. Same thing could apply vis-à-vis Taiwan and the mainland. If you make the costs high enough in terms of your capability to resist any kind of a direct attack that gives China pause, that's got to be seen as a big plus.

Now, we know over time Taiwan has made enormous requests of the United States for weapon sales. Ironically enough, the Obama Administration has now, I think in the aggregate, approved more than $10 billion of sales in the last 2 years. That's a lot of money and that's a lot of weapons.

The irony, if I think back to the Bush Administration where early on there were these extraordinarily ambitious plans to assist Taiwan, Taiwan's leadership really dropped the ball on a lot of this and it really went nowhere fast. And the question, at the

end of the day is, what becomes more credible, that you make fanciful commitments that can't be kept or that you do the kinds of disciplined things maintained to the degree that one can Taiwan's capacity to have an effective definite strategy around which all political forces on the island can subscribe, or to some measure subscribe, or that you let this situation get out of hand?

So, I think that for now I'm not surprised by the Administration's decision. I think it was a clear signal to China that as long as China continues to sustain its direct military threat to Taiwan, they should anticipate the continuation of U.S. arm sales to Taiwan. It's not a solution, these things never are, but it suggested to me careful planning, careful consideration, and not being overly concerned about how China might react to it. Indeed, when Chen Bingde, the Chinese Chief of Staff was in the United States in the spring, he even acknowledged in an open speech at the National Defense University that, well, a lot would really depend on what kinds of arm sales would there be for Taiwan. It was almost a tacit acknowledgement that, okay, we know the United States is not abiding by the precise character of the '82 Arm Sales Communiqué, but maybe it was a small indication at one level of a bit more of a grown up response to what is admittedly a very, very complex situation. But, you know, frankly, I think this was an appropriate decision under the circumstances and we proceed from there.

MR. O'HANLON: Take this question here and then we'll work back for the last couple. Yes, please, sir. No, right here.

MR. BROWN: Dave Brown from SAIS. I do think we are in a period of opportunity with China right now and here's why: China thinks about human relations in very hierarchical terms. If, at some point, China does emerge as the world's largest economy with a much more robust military, they are going to expect that people acknowledge that and accommodate their views on international relations. It's not so much that we need to deter that kind of China from using force, we need to counterbalance its ability to use this comprehensive national power to cause countries in the region to bandwagon with them.

So, we're in a period where China isn't number one yet, and I think the kinds of things that President Mochizuki has talked about and others on the panel are the wise kinds of strategies to pursue at this point in time. We need to maintain our strength in the region, we need to maintain our alliances, we need to work on these multilateral institutions to embed China and ourselves in a multilateral network, which will, frankly, constrain us and constrain them. We need this super committee to be successful, not so much because it's going to reduce the budgetary pressures on the defense budget, but because hopefully it will help our economy grow because only by growing our economy over the long term are we going to be able to counterbalance China.

So, those are my thoughts on it. My question to the panel is, where, other than this area of maintaining free lanes of communication -- of free shipping, where I think our interests with China do coincide, what are the areas -- other areas of common interest with China that we could be pursuing more actively than we are at this point in time?

MR. O'HANLON: You know what I'm going to do, I'm going to actually -- because we're running near the end, I'm going to take two more questions, ask you folks to make notes at which one you most want to respond to, and then we'll finish up. Ma'am, right here, and then I'll do one more in the back.

MS. WONG: Thank you. Katie Wong with NTD TV. My question is, China is the biggest trading partner of many smaller Asian countries right now, but, on the other hand, these countries also rely on United States security aspect. Do you think this could be long-term sustainable strategy for these countries? That's my question. Thank you.

MR. O'HANLON: Okay, and then we have our friend the colonel about four rows -- yeah. And then I'll do one more, so we're going to do one way in the back after that.

MR. GARRETSON: Peter Garretson, Headquarters, U.S. Air Force. So, I was happy to hear the discussion talk a little bit about air power with respect to Korea

and I wanted to ask your perspectives. So, in the last 10 years while the Air Force has been mostly engaged in conflicts in Iraq and Afghanistan, there has been a significant change in the balance of power with respect to air power in East Asia. China has modernized its fighter fleet to fourth generation and will soon be fielding a fifth generation fighter. It's equipped its fleets with missiles that are tailored to go after force multipliers like AWACS and tankers and reconnaissance aircraft. The range of the anti-aircraft missiles have approximately doubled to where they are now encroaching over Taiwanese air space, and of course the number of missiles that can range our air base as far out as Guam is increasing, and other thinkers are thinking that the air defense of the South China Sea states is weaker even than it was at the beginning of World War II when the Japanese felt they needed to control that area. So, while to date most of the policy community has been asking the Air Force about such things as how many drones it can have over the skies of Afghanistan rather than the number of fighters and bombers resident in Asia, what is your sense of sort of a commonsense sizing strategy for hedging and deterrence in that theater?

MR. O'HANLON: And then way in the back for the last question and then we'll --

MR. PILLSBURY: Hi, Michael Pillsbury, author of books on China. I wanted to ask Michael O'Hanlon for an answer to what Michael Green raised and maybe the other panelists, too, about the need for studies of history and maybe a future seminar on lessons from history for Asia strategy. It seems to me Joseph Grew -- well, it seems to me that more documents are being declassified all the time. It's very difficult to understand Joseph Grew unless you know the decrypted materials here were not being shared with him, so Washington had a very different view because they were reading the Japanese mail and Ambassador Grew and the embassy could not. More recently, this honeymoon period of cooperation between the U.S. and China from really '71 on to '89, is very poorly understood by historians. Henry Kissinger adds some new materials in his new book, but if that period, which I personally believe was not merely against the Soviet

Union, but the U.S. and China were cooperating secretly on security matters for other reasons, then there's important lessons there that we have a chance to have much closer U.S.-China cooperation in the future if we understand what was Washington -- that's Jimmy Carter, Ronald Reagan, Nixon, and Ford, four presidents -- what were they doing that caused them to be able to cooperate so closely with the Chinese? And there's a question right now to Nixon, Ford, Carter, and Reagan libraries to declassify some of these materials. So, my question to Michael O'Hanlon was, couldn't you commit today to have a seminar on lessons from the past for future Asia strategies? Thank you.

MR. O'HANLON: Well, why don't we do this? Why don't we each answer maybe one or at most two questions, I guess I've got one myself, but starting with Mike Green and then we'll work down, and, I guess, everybody could be, you know, fairly -- one to two minutes, please, and we'll get people out more or less on time.

MR. GREEN: Going backwards, the question about the missile threat, in particular the threat to forward bases, forward presence, which has a lot of -- or some strategic thinkers here and elsewhere thinking we need a new offshore balancing strategy so that our bases aren't vulnerable. To that I would say, first of all, this is not the first time we've had to build an Asia strategy around a missile threat. The Soviets, after all, built up in the late '70s and early '80s had, you know, backfire bombers, had a whole range of new threats to our bases. The Reagan Administration doubled down, it increased our engagement, increased our bilateral exercises and joint planning with allies, and it dramatically complicated the Soviet's planning process because they now had to look at the possibility of a much broader front in Asia.

We're just starting this air-sea battle debate. It's, as you know well, it's a very early stage in this. As far as I can tell, the Air Force and the Navy have agreed on only one thing, which is who the enemy is, and that's the Army, so it's going to be a multiyear process, but it's a debate we ought to be thinking through. I don't think we should decide because our forward bases are more vulnerable to missiles and tactical error that we have to pull back because we've been here before and we've found ways to

deal with it.

And the other -- the question about, you know, this Hugh White thesis that it's impossible to maintain an alliance with the U.S. when you're largest trading partner is China, I don't see why that's the case. The variable in that, in some ways, is our own forward commitment, our own leadership, our own military capabilities. We can create a situation where it's untenable, but as long as we're a credible Pacific power, countries are going to want to hedge.

And the other thing is, these economic relationships with China are not binary. These are production networks where the interdependence goes far beyond the bilateral relationship between Korea or Japan and China to a global marketplace and global production networks. These are -- this is not, in this sense, it really is not the 1930s.

And then the other thing I'd say on Dave's point is, we have an opportunity -- in a sense I agree with you, it's not an opportunity because we have a window before China becomes the most powerful country in the world. I don't think our planning assumption should be a linear trajectory of current trends. But we do have a window in the sense that the rest are also rising and our act of diplomacy can really start to shape the relationships we have with these other powers in the region, they have with each other, they have with China, to create a much more stable and productive equilibrium in the region and avoid creating a bipolar situation like we arrived at with Japan in the 1930s.

MR. O'HANLON: Just a couple of quick things. Thank you for the idea, Michael, and of course the Thornton Center is really, in many ways, as well as our Northeast Asia Policy Center, the more appropriate place for an event on the history of East Asia. But I will, as a person who loves a party, make the following promise, that whether the Redskins win the Super Bowl or Mike or Mike finish their book, whichever comes first, we'll have some kind of a celebration of one of those three events here at Brookings and I'll make sure at least one of those happens.

And then secondly, very briefly, on the colonel's very good question, and this gives me a brief moment to plug my own forthcoming book, which is on how to do defense budget reductions and it's going to be out in a month and it's called *The Wounded Giant*. And one, I don't claim to have the whole thing figured out for how we do future long-term force planning in East Asia, but one thing I would submit, and it's a partial response to some of the questions and ideas that have been on the table already, is that this is not a time to pull back from Asia. This is a time, as Mike Mochizuki said, perhaps, to rethink some of the specifics of how we base in Asia. And I think we actually could pull back some Marines as long as we find a way to compensate by putting more pre-positioned equipment and have more contingency access to Japanese airfields, ideas that Mike and I have written about before.

But, more generally, I'd like to see us push as far as we can on doing some things creatively and more efficiently and see how far we can get in that direction before we start cutting large amounts of force structure, so there is some suggestion for modest cuts of force structure and some cuts in weapons procurement programs in my book. But I'll give you one example of the spirit that I think we should be after, and Navy friends may not like this as much as some others, but as many of you know, in the Navy, one crew owns its ship, basically, it's always with it, and that's why there's this four-to-one rule, which is often, really, more of a five- or six-to-one rule that Mike Green alluded to earlier, that it takes four, five, or even six ships in the force structure to maintain one steady forward deployment because you do training at home, you do various rotations, you do ship repairs, and you also lose all the time in transit.

With our minesweeper fleet, especially the part that's based in the Persian Gulf right now, we often will fly the crew back home and then fly a new crew into replace it, so you can leave the ships on forward station. Now, minesweepers are obviously a special category, far smaller, far easier, and I don't submit we can do this with aircraft carriers, but surface combatants, this is an area where the crews are typically about 300. With one or two flights' worth of airplane capacity, you can actually replace

the crew and leave the ship deployed for one to two years, perhaps, at a time. There have been a lot of studies done on this, there have been pilot exercises that the Navy has done to test the concept. Now, I'm not saying it's a cure-all and there are reasons you can't push the idea too far. For one thing, in war fighting, it doesn't give you the surplus capacity you may need to beef up, but I think it's an idea that we need to look at much more seriously than we have before for the major surface combatants of the U.S. Navy so that instead of having to increase the size of the fleet by about 10 percent, which is what Admiral Roughead was arguing before he stepped down.

We can actually still reduce it a little bit more and maintain the kinds of commitments. I'm not talking about big cuts, but I'm talking about sustaining the basic ideal. Let's remain forward engaged in the Western Pacific and modernize our weaponry that is deployed in the Western Pacific, but let's find new and innovative ways that are uncomfortable for the services and challenge traditions, but are still probably doable, and that's where I get to the idea you can probably cut about $400 billion over 10 years, but I don't like the idea of trying to cut a lot more than that.

MR. POLLACK: We were given four excellent questions and I wish there were time to address all of them. Let me just make a few very, very quick observations. Colonel, your -- one of the risks I see in a lot of discussion in the United States right now is what I would call a kind of a fatalism about, you know, we're diminished or even to use that -- this magic word, "decline," I mean, all of us, we ought to be able to come up with a better label, if you will, than buying into the whole concept that we have, you know, lost our edge. I have, frankly, a lot more faith in the United States Navy than apparently a lot of strategic observers do. I mean, we are the global predominant power, I don't -- military power. You can ask whether that's something that we always need to have as part of our toolkit, but I don't see anyone remotely close to that, least of all the Chinese.

China, we might note, for example, has not been engaged in a significant military conflict in over 30 years, they have never used any of the capabilities that they've been acquiring in any kind of actual operational sense; traditionally more a land power,

now becoming more an air and naval power. That may be an inevitability, but let's not give them, if you will, more credit than they deserve. There's an enormous risk, it seems to me, to diminish what our own -- the perception of our own capabilities and imagining their accomplishments being that much greater.

Mike Pillsbury, your comment about history, you'll get no quarrel from me. I just returned yesterday morning from Shanghai, from a very interesting conference led by the, you know, the leading center of Cold War history in China where we are really getting to the point where I think we can tell the story of the Cold War in Asia right because we've been missing out on materials coming out of China. That's beginning to change. I see that as a very positive development.

As for the road ahead, in terms of where we could collaborate, I would think we need to find ways, even in the most stressful situations, to make sure that we are able to both communicate and collaborate. Korea would be at the top of that list. I know how problematic that is, the unease that many in China have about buying into discussions with the United States, partly out of fear that we'll talk too much, that's a legitimate concern. But the reality is, if you look at the risk to Chinese interests from any kind of truly heightened tensions or actual hostilities on the peninsula, this is something on which the Chinese would be deeply affected and engaged at a very early point, as would we, and it's not healthy, frankly, that we don't have a means by which we can really test that. The fact that there's been resistance from China does not mean that you do not work at it because the risks are huge and we'd better be attentive to them.

MR. O'HANLON: And, Mike, the last word.

MR. MOCHIZUKI: I'll just answer David Brown's question, because the other questions have already been answered extensively.

In terms of areas of collaboration, in addition to Korea, you know, there are easier avenues of collaboration. I would highlight four: one is collaboration on humanitarian assistance and disaster relief, second would be joint training for UN Peacekeeping operations, third would be collaboration on search and rescue, and fourth

would be on counter-piracy operations, and we already do that with a lot of countries. And I think to bring China into this more extensively would be a great way of improving confidence.

MR. O'HANLON: Well, thanks to you all for being here. Please join me in a hand for the panel. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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