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UNDERSTANDING THE U.S. PIVOT TO ASIA

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PANEL 1: U.S. STRATEGY IN ASIA:

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PANEL 2: UNDERSTANDING TWO POLICY PILLARS -- TPP AND U.S. MILITARY STRATEGY:

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## P R O C E E D I N G S

MR. BADER: Good afternoon, everyone. I'm Jeffrey Bader. I'm a senior fellow with the John L. Thornton China Center here at Brookings.

For those of you who were expecting Tom Christensen, who was on the program as the moderator, Tom, unfortunately, had a personal emergency and is unable to make it today, much to his and our regret. This event on "Understanding the U.S. Pivot to Asia" is sponsored by the John L. Thornton China Center and the Center for Northeast Asia Policy Studies at Brookings. The program will be available in audio and video on our website in about a day or two for those of you who don't pay as close attention as you should. (Laughter)

President Obama's November trip to Asia was described by members of his administration as illustrating the pivot in U.S. policy from preoccupation with the 10-year-old war in Iraq that was ending and U.S. involvement in Afghanistan, where withdrawal of U.S. troops was beginning. Some administration members described a pivot to the Asia-Pacific as central to the new strategy. Others talk more generally of a pivot to areas of higher priorities to the United States, of which they identify the Asia-Pacific as one.

The President's trip focused attention on the Asia-Pacific region, as such trips invariably do, but in this case, the focus was facilitated by a series of steps taken during the trip. The U.S. joining the East Asia Summit and the President participating for the first time highlighting of disputes over the South China Sea at the East Asia Summit and through Secretary Clinton's visit to the Philippines, announcement of an umbrella agreement on the transpacific partnership, grouping non-Asia-Pacific countries, the U.S.-Australia agreement to deploy U.S. Marines to Darwin, Australia, on the rotational basis for joining exercises and training and the dramatic opening to Burma, highlighted by

Secretary Clinton's visit to that country, ending years of U.S.-imposed isolation. The media and some Asian observers chose to see all these steps as part of a blueprint for American containment, constraining, or a pushback against arising China. By contrast, administration explanations of the overall strategy and individual decisions emphasize U.S. objectives in Asia, the desire for a positive relationship with China and specific rationales for each decision having little or nothing to do with China. The publication of a U.S. defense strategy report in January on making clear the priority of the U.S. places on the Asia-Pacific and on being able to overcome anti-access strategies of China and Iran heightened attention to the U.S. strategy.

Today, our panelists will talk about these events, what they meant, what their purpose was, whether they represented a new policy, and what reactions have been in the United States, in Asia, and more specifically in China. Our speakers are well-known to you and you will have seen their bios on your way in, so, I won't take time to spell out their considerable achievements.

Our first speaker will be Ken Lieberthal. Ken is the director of the John L. Thornton China Center at Brookings and was my colleague at NSC in the late 1990s as senior director for Asia. Ken will talk about the overall purposes and objectives of the administration's Asia policy and challenges it faces in implementation.

The second speaker will be Richard Bush, director of the Center for Northeast Asia Policy Studies at Brookings and also a colleague of mine in the late 1990s as national intelligence officer for Asia and subsequently director of the American Institute on Taiwan and Washington. Richard will speak about Asian reactions to U.S. policy.

And our third panelist will be Jonathan Pollack, a Brookings senior fellow and the Thornton Center expert on China, Korea, and the rest of northeast Asia and director of a wonderful book on North Korea, which I recommend to you all, who will

speak about the Chinese reaction to U.S. policy. We will have Qs and As after the presentations.

Ken, over to you.

MR. LIEBERTHAL: Thank you very much, Jeff, and let me add thank you for stepping in at the last second to moderate this panel as well as the panel that will immediately follow.

I want to address four topics: One, the substance of the pivot, which Jeff kind of enumerated. I want to give a little gloss on that. Secondly, to what extent is this something new that we're seeing? Thirdly, what are the positive aspects of it? And fourthly, what are some of the concerns or at least some of my concerns about it. So, let me run through each of those in turn.

First of all, substance, there are four dimensions, I think, to set up policies that the President laid out so clearly when he made his 10-day trip to Asia in November. First, on economics and trade, the focus here was on the transpacific partnership. We'll be having a much more detailed discussion of that on the second panel this afternoon.

Let me just note broadly this is a multilateral platform that is being negotiated involving countries of the Asia-Pacific region. It is what I would call WTO-plus. In other words, it encompasses a lot of the kinds of things in WTO, but adds things like labor standards and environmental standards that go beyond what's in WTO. What was to my mind distinctive here is the President really focused on getting this negotiated and announced by December of 2012, I guess one month after the election this year, but it's a timetable that I haven't seen before, and I note, finally, and pending this afternoon's later discussion, many of the details of this, including even the ultimate membership of it, remain in a process of development. So, this is a target and a focus, but not a set piece

that he was putting into place.

Secondly, on the military side, the major message was that despite serious potential cuts in anticipated Department of Defense spending over the coming 10 years, our presence in Asia will not be affected by those cuts. A lot of the media focused on the announcement of rotational deployments of U.S. Marines in Darwin, Australia, that will build up eventually to 2,500 people per rotation by 2016. My own feeling is that's a footnote and that the real message here was overall defense cuts are not going to affect our position in Asia.

Thirdly, on the diplomatic side, as Jeff mentioned, there was a focus on the East Asia Summit, the first time a U.S. President has attended that, and on the security side, it was really moving back to the center, I think, of U.S. multilateral security diplomacy in Asia. And then on economics and trade, the TPP, I think in both circumstances this is moving our focus to forums where the U.S. plays a major leadership role as versus other forums in which we participate but where we have less of a leadership role or the forum is less active and concrete, such as the ARF versus the EAS. And fourth and finally, human rights and democracy, frankly, my own sense is that this is not been a centerpiece of Obama administration foreign policy, but I think the Arab Spring inevitably moved that forward as a global democracy agenda and then developments in Burma have kind of pulled the U.S. into that and we responded and that took the form of an announcement of Secretary Clinton's trip that would occur in early December, the announcement was made during the November trip to Asia.

So, that's a broad kind of substantive pillars of the pivot to Asia. In terms of what is new, I think the key message is this is, in fact, not something that is brand-new at all. The key elements of it in most cases go back anywhere from one year to more than a decade.

For example, U.S. participation in the East Asia Summit was nailed down more than a year ahead of the actual participation in the East Asia Summit and the Chinese welcomed that, I might add. The TPP, Trans-Pacific Partnership, was initiated by the Bush administration. This marks an acceleration and specification, but not anything new under the sun that was put forward in November of this year. What is, I think, significant is that the President and the administration have imposed some complementarity and synergy to an array of efforts that have been percolating along in one fashion or another in Asia, and let me say pulling things together and giving them a synergy is itself a significant accomplishment, one that is typically too difficult for administrations to pull off. I say that as having served in one and I certainly did not think when I was in office that we had an integrated, synergistic policy toward all of Asia. It was just too difficult a thing to pull together.

Turning to one of the positive aspects of this kind of packaging, if you will, and integration, I think the main thing is frankly that it is region-wide, fundamentally, that we are thinking in terms of a region-wide, fairly integrated strategy toward all of Asia. Conceptually and bureaucratically, that is very tough to do. I would give the administration, frankly, high marks for moving it as far along as they have been able to do and I would stress in this that it focuses on the region, not on China.

China is clearly a major part of the region, therefore, China is by no means outside of this, it's a significant part of it, but this whole thing is not how do we stop China and I think it's a serious mistake to view it in its various components solely through that framework. It also gets the U.S. more positively into the game in terms of the regional economy and to my mind one of the great weaknesses of the Obama administration until 2011 was its failure to have a successful economic and trade policy towards Asia.

In 2011, we got the KORUS, the free trade agreement with South Korea moved through on our side and in Seoul. That was a major step forward, now setting a target date for TPP, I think, simply builds on that and leverages it in a very effective way. Thirdly, this provides serious assurances on American military priorities, which I think is quite important at a time when it is both well-known throughout Asia that we are facing defense budget constraints going forward. Absolute number hard to specify at this point, but significant constraints at the same time the PLA budget continues to go up by double digits every year. And, so, to make a firm statement that Asia will be protected from defense cuts I think is a very significant statement to make out in the region.

And, finally, and, by the way, not least at all, I think the President very successfully conveyed a sense of American dynamism. I mean, a lot of people have begun to think America can no longer walk and chew gum at the same time, right? That we're edging over into decline, we're becoming dysfunctional, et cetera, and the capacity, diplomatic and otherwise, to put together this trip with a series of significant elements to it or to orchestrate it the way we did and present it as effectively as the President presented it frankly I think was pretty impressive and I think it made a serious impression in the region that we were able to do so. So, there was no sense here of the U.S. as a declining power, rather, there was a reaffirmation the U.S. is here for a very long time and will play a leadership role. I differentiate that from being the leader who gives orders to others. A leadership role is one that promotes significant outcomes and works with others to achieve them in the region.

In terms of the China dimension on this, frankly, I think if this is handled well, this may have a beneficent effect on U.S.-China relations and on China's own activities in the region, and the two, obviously, are closely linked. My strong feeling is the leadership in Beijing is very pragmatic. I mean, these folks don't live in an ideological

bubble. They're astute analysts of the world around them and they will adapt their policies based on their serious assessment of what they face in Asia. So, a demonstration, U.S. clarity of principles and goals of U.S. diplomatic capabilities and of U.S. strengths can prove very useful in structuring a healthy U.S.-China relationship and a healthy set of relationships throughout Asia.

Let me put that slightly differently. If China sees the U.S. as in decline, I think, first of all, part of the narrative in China is very much that a U.S. in decline will work especially hard to prevent China from rising or to constrain China's strives in order to maintain our superiority for as long as we possibly can and the Chinese will find ways to push back against that quite strongly. So, I think actually China seeing the U.S. as vibrant, affirmative, reaching out to China effective throughout the region is an image that actually creates more constructive Chinese behavior towards us and provides on our side more confidence to deal with China in a very constructive fashion. So, I think that all of this is potentially good news about what occurred.

So, where are the concerns? My concerns are several fold. One is simply with the term "pivot," which Jeff kind of highlighted in his introductory comments. First of all, pivot, if you think about the meaning of pivot, is not accurate to describe what we are doing here. Pivot suggests that, well, we were looking there and now we're looking here. Well, I'm sorry, we've been looking here all along; we were also looking there, right? So, it suggests that we left Asia and have returned to Asia and I'm not aware of anyone who studies it seriously who would conclude that we ever left Asia.

I would argue that I think the previous administration, the Bush administration, took his eye off the ball on Asia regional issues, issues of region concern to Asia, but they sure didn't take their eye off the ball on U.S.-China relations and U.S.-Japan relations, and, so, it was engaged, but, arguably, with as great a nuance on the



regional level as they may have been. So, I don't think we ever really left.

The other unfortunate part of the term "pivot" is if you can pivot it once, you can pivot it again. So, it suggests that we may not be here for the long run, and, again, I think that's absolutely wrong. So, the other term in the administration that we hear is "rebalancing towards Asia," and I think that, in fact, captures it much more effectively. Drawing down expenditure resources in the Middle East, we have a little more bandwidth and capability to give Asia its full due, especially given Asia's continuing growth and its importance in the global arena, and, therefore, in our own future.

So, I prefer rebalance, but, as you can see, we termed this whole session the "Pivot to Asia" because, unfortunately, to my mind, that was in the initial press briefing to the White House Press Corps when they were going to go out and accompany the President. Therefore, it became the term of the trip and therefore, to fill this room, we figured we better call it the "Pivot to Asia."

A second problem is that it's terribly important to maintain a nuanced balance in what we do and I think there is the potential for a moderately slippery slope toward growing confrontation with China here. You can spin a narrative about the President's trip and follow on actions, including our defense strategy that was announced after the trip, that would take things that are relevant to China and portray them as aimed against China, and, frankly, I would find an easy time writing those talking points. I happen to think those talking points would be wrong, but they can be powerful. And, so, I think it requires a lot of self-discipline to make sure that our rhetoric doesn't feed a narrative that will end up being destructive.

And in that regard, I have to say that my personal view is that there are somewhat distinct agendas in some parts of the administration related to this policy. Let me say there are always distinct agendas in any administration related to any broad

strategy. I see Doug Paul nodding his head yes. So, Democrats and Republicans both agree on that broad statement.

To my mind, the White House approach at its core is we need to fully engage China and also have the United States fully participate overall in Asia's regional dynamism. The latter is not against the former. The two are both extremely important and we benefit from both. When I look at the State Department, I find a little more fully engaged China, but for the region outside of China, the engagement has more of an edge of warning the region to cohesively make it difficult for China to do bad things in the region. So, there's a different edge to some of the rhetoric that I see from some in the State Department, out in the region, and also back here. More of resist China initiatives in the region rather than what I deem to be a somewhat different slant on that from the White House.

And then, thirdly, in the Defense Department, frankly, all of this is part of the battle over future resources for the Defense Department. Whose ox is going to get gored? What weapon systems are going to be procured? Will we build a new major bomber? We don't need a new major bomber to take care of the Kuwait problem, right? So, there are a lot of resources that are now up for grabs in the Pentagon and there is a tendency among some there to explain why we need particular resources in terms of China, which is that the most potent explanation you could come up with potentially out there.

And then finally, overall, I think the credibility of our strategy is not assured. You have to keep in mind as we say TPP in China is welcome to join the TPP if it accepts the principles laid out by the President and all that kind of thing that the reality is for every country in Asia, its biggest trade partner is China and not the United States. All right, so, there is no one who's willing to engage in activities that will cut them off from

participating in China's growth, right, and that's a huge constraint, and, so, as we try to develop something with kind of American principles underlying it, we have to be sensitive to that fundamental reality in the region.

The President talks, I think, eloquently about U.S. democracy, but U.S. democracy right now, frankly, does not look very good in Asia. It doesn't look very good in Washington, right? I mean, we demonstrate the dysfunctionality of our national level of government day after day after day, and, so, you're working with a somewhat tarnished image there that you're trying to promote and that's a problem.

And then, finally, security in the region is costly. Security costs a lot of money, so, to say we will protect Asia from any defense cuts is to say we're prepared to spend one heck of a lot of money out in that region for a long period of time. If we can't pull off the economic and trade side of that agenda, China's going to see Asia's profit center and for us, it's going to be a cost center, and that's not sustainable.

All right, so, to conclude, let me make three points, and I apologize for going about three minutes over my time. One, the pivot to Asia is a serious effort at a region-wide, integrated strategy. In that regard, frankly, to my mind, it is both admirable and important.

Second, we need to take care to manage the rhetoric and actions behind this strategy effectively because no countries in the region want either sole American dominance of the region or a requirement effectively that they choose between America and China. Everyone welcomes U.S.-China at competition, but not the kind of friction that would force tough choices on other countries, and we have to be very careful how we manage all of this.

And then, thirdly, and a kind of new point in the conclusion, but I anticipated in my earlier remarks, frankly, at the end of the day, the most important single

element to our success in Asia will be whether domestically we get our house in order, whether domestically we're able to adopt and integrate a set of policies that will effectively address our fiscal problems over time and show that we can actually function effectively politically so that America will bounce back, and if that happens, frankly, this becomes very credible and a lot of good things follow from that. Thank you very much.

(Applause)

MR. BUSH: My assignment this afternoon is to look at the responses of China's neighbors to the pivot or rebalancing of U.S. policy and I agree with a lot of points that Ken has made, but I'll still use most of my time. I would say to Ken that the term "pivot" has less to do with semantic precision and more to do with the President's favorite sport. (Laughter)

I'm going to fulfill my assignment in three different ways. First, I'll inventory how different countries other than China have responded and moreover look at differences within individual countries. Second, I'll step back and review the context for recent American steps. And, finally, I will assess a bit what's new in all this.

On the reaction of countries other than China, my first point is a simpleminded one that different Asian states responded to American rebalancing in different ways. Take, for example, the announcement that the United States was going to rotate Marines through Darwin. Close U.S. allies like Japan welcomed the announcement, so did friendly countries like India. They said it would contribute to regional stability. Other countries voiced concern or anxiety because of how China might respond, thus the Indonesian foreign minister's initial comment noted the danger of a "vicious cycle of tensions and mistrust." The Malaysian prime minister worried about increased tensions. Even Singapore's foreign minister observed that ASEAN states want to avoid getting as he put it "caught between the competing interests" of major powers.

I don't think any of this should be surprising. Different Asian countries have different interests. They will respond in different ways to the moves of the major powers. Northeast Asia has a different dynamic than Southeast Asia, and within Southeast Asia, various ASEAN countries view the regional reality differently and depend on the United States to different degrees.

If you look at Japan, it has a rather dire view of China's long-term intentions, but it hasn't taken particularly robust steps on its own in response. So, its dependence on the United States to deter both China and North Korea is rather high. Cambodia is probably on the other end of the spectrum and aligns with Chinese interests.

We should also note that just because the United States has reaffirmed its commitment as an Asian Pacific power doesn't mean automatically that we have better security relations with our friends in the region. U.S.-Japan ties remain stuck on the relocation of the Futenma Marine Air Station, and there is the possibility that some of our Asian partners will seek to extend our commitment to them in ways that are good for them, but not necessarily good for us. The Philippines' desire to get us to make a commitment to the defense of the Spratly Islands that they control is a case in point.

I think the fundamental reality is that Asian states want to have good relations with both United States and China. Regarding China, they want the benefit of economic engagement and a reduction of tensions, as do we. From the United States, Asian countries want a security hedge should their ties with China go wrong. So, it's interesting that not too long after the President's November swing through the region South Korean President Lee Myung-bak and Japanese Prime Minister Noda went to Beijing, and last month, both Thailand and Vietnam welcomed China's Vice President Xi Jinping for visits. So, they're playing both sides of the street.

I would say that although Asian countries don't want to get crushed in a

nutcracker of U.S.-China competition, they do want a balanced competition to continue. One reason it seems that Burma has been willing to engage Washington is that it needs to create greater balance to its relations with China. For the rest, however they define their interest, the last thing they want is for the United States to take itself out of the game. At the same time, they want us to be smart in the way that we serve our counterweight function.

My sub point in the first point is that for most Asian countries, the government's response is not the only response. These were all pluralistic nations where the definition of national interest is contested, including the role of the United States. So, if government supported American rebalancing, the media in those countries which reflects that domestic pluralism was more skeptical.

In South Korea, for example, even conservative dailies that are generally pro-U.S. criticized President Lee's so-called "diplomatic dependence" on the United States and urged that he strengthen China ties. The views of progressive South Korean media made those same points, but more strongly. Similarly, on President Obama's new defense plan, Seoul officials publicly supported the announcement and stated that its impact on South Korea would be negligible. ROK media outlets on the other hand expressed concern about reduced American troop levels sometime in the future and that South Korea would have to shoulder an increased defense spending burden. These understandable divisions within countries limit the freedom of action of leaders outside their country and by the way suggest an agenda for U.S. public diplomacy. The administration will have to make a continuing effort to shape Asian opinion in favor of its policies.

Let me turn to issue number two and what caused the U.S. pivot and how our friends and allies are a part of that cause. Generally, I think that our

policymakers have come to the strategic recognition that the Asian position is where the action is and will be in international affairs, how the dynamics of the Asia-Pacific play out over the next couple of decades will determine the future of the international system as a whole and you won't be surprised to know that I, as an Asian specialist, believe that our leaders are absolutely correct in this assessment. Now, let's set aside my parochial views, the dynamics of China's revival as a great power will be much more complicated than previous periods of power transition, opportunities and risks will coexist, and there's little certainty about the long-term.

One of those dynamics, of course, will concern the choices that second tier regional powers make. They stress accommodation with China or balancing against it, and their answers in turn will be a function of the U.S. stance. Looking at the region more specifically, I think that there are some factors in East Asia that determine the pace and scope of the pivot. Most important I think was China's behavior in the course of 2010, which alarmed our friends and allies and led them to seek more American backing.

Now, this is a complicated subject. Some in Asia and America believe that the pattern of PRC behavior in 2010 reflected a high level and integrated decision on China's part to toughen policy at all points on its periphery to borrow another basketball metaphor, this has been seen as a PRC full court press or at least a half court press. I actually disagree with this assessment and think that different factors will play in different parts of the region. The shift in Korea policy at the end of 2009 I think appears to have reflected a high level change in policy in favor of active measures to ensure that the North Korean regime survived. Actions in the South China Sea suggest rather not a change in fundamental policy, but a more aggressive implementation of China's long-term strategy to delay resolution of the fundamental dispute while augmenting China's relative power. Also, there may have been failure in Beijing's command and control over

the various Chinese maritime agencies that operate in the South China Sea. Poor command and control were obvious in the fisheries episodes concerning Japan in September 2010 and more recently vis-à-vis South Korea. And other factors that play here are probably stronger nationalism, an overreaction to American economic difficulties, and a more complicated decision-making pattern in Beijing.

But in a way it really doesn't matter whether Hu Jintao ordered each and all of these actions; what's important is that various Asian countries regarded them both as somehow connected to the Chinese state and its threatening their interests. That being the case, it's not surprising that they look to the United States for help, nor is it surprising that we responded. What we call a "pivot" was really the accumulative expression of the American response. We did act in different ways in different arenas, we more careful in our respond than the *New York Times* or Chinese observers give us credit for. We are conscious both of the risk that some of our friends in East Asia might try to look us into their agendas and we're conscious of the need to reassure China that ours is not a policy of containment, but one of the threads that runs through the pattern of our behavior is that the United States reacted to the response of our Asian friends to China's actions.

There is, finally, the question of how new all of this is. I think that this could be the subject of a whole afternoon symposium. I would simply argue that today's rebalancing looks like an adjustment to a longstanding U.S. approach to the complexities of East Asia, and to summarize that approach, I would quote a formulation by Tom Christensen, who was deputy assistant secretary of state in the George W. Bush administration. He wrote, "Rather than trying to roll back or contain the growth of Chinese power, the United States has used the combination of a strong U.S. regional presence and a series of creative diplomatic initiatives to encourage Beijing to seek



increased influence through diplomatic and economic interactions rather than coercion and to used that increased influence in a matter that improves the prospects or security and economic prosperity in Asia and around the world.”

Now, I think Tom’s conclusion is spot on. I would have said so if he had been able to be here today. I think the United States will best shape China’s future course in a positive way through a regional presence that sets boundaries and by exploiting the opportunities provided by the interests that we share with China. Such an approach does not reject the revival of China as a great power, far from it, but it does seek to increase the odds that China’s revival will be constructive.

What is new in all of this, and here I agree with Ken, is whether the United States will have both the capacity and the will to continue to provide hegemonic stability and secure public goods in regions like East Asia. The impasse of over the federal budget is the most obvious manifestation of this new reality, but there’s a lot more going on. My anxiety is that we will be unable to act on the commitments the Obama administration has made and that we will disappoint our Asian friends and allies.

In conclusion, I’d report that Lee Hsien Loong, the prime minister of Singapore, last week did a long interview with Fareed Zakaria at the World Economic Forum at Davos. Among the interesting observations that Prime Minister Lee made were three: one, the United States has had a long-term and benign impact on East Asia; two, he’s glad to see the renewed engagement, even as he recognized that China was wary and watchful about underlying American intentions; and third, he hoped that the United States would be able to sustain its initiative over time. I think the PM got it just about right. Thank you. (Applause)

MR. POLLACK: Well, I guess in all these sports metaphors, I get to bat cleanup here at least for this panel. I’m going to try to address three topics this

afternoon. The first is to examine some of the near to midterm effects on announced decisions coming out of the Department of Defense as one core component of this overall policy shift, although Chip Gregson will talk, I think, much more authoritatively a few minutes later about how we do understand some of these shifts.

Second, to examine how these changes are being perceived or read in China, if you will, what some of the initial responses are from China, what we might anticipate in terms of either continuity or discontinuity in Chinese behavior, and then, finally, look at some of the perspective longer-term effects of this presumptive strategic shift on U.S.-China relations and on East Asia-Pacific as a whole. We tend still in a shorthand to use East Asia, but, obviously, the conception here goes much, much broader than that.

So, let me begin very, very quickly with a few immediate facts and outcomes. As Ken Lieberthal noted before, when President Obama visited Australia, he announced the redeployment or rotational deployment of marine units in limited numbers to northern Australia. There was also reference made to heightened Air Force training that would be undertaken in Australia. Both of these, frankly, are not really new in some fundamental sense. There's been discussions about a more distributed capability on the part of DoD for any number of years going back at least to the 1980s, but certainly in the 1990s, as well, recognizing that there are not boundless opportunities for the United States to exercise its forces in areas that happen to have the virtue of a lot of land where they can operate.

Now, what's happened though since the President's trip and even more since the announcement of the new DoD document is perhaps a bit more quietly, Secretary of Defense Panetta last week began to let some of the other shoes drop. That is to say if you are positing the retention of capabilities in Asia under a budgetarily constrained environment, that presumes that you've got to draw down other kinds of forces, other

kinds of activities if you will make up for the difference. So, this is, if you will, the meat on the bones or maybe finding out where the meat will no longer be on the bones.

Now, in this respect, the presumptive budget reductions that Secretary Panetta has announced only covered the first 5 years of the presumed 10-year defense drawdown that's been discussed. Again, this is a numbers game, any number can play. There's a certain softness in these numbers, but what we see are initial announcements that presume the withdrawal of two U.S. battalions from western Europe to be compensated for by rotational deployments to western Europe, curtailment of pay and benefits for military personnel, elongating the production line for the joint strike fighter, and again although hinted at only now, initially, a future round of base realignment and closure in the United States, which, again, is always an incredibly politically and budgetarily-intense issue because then you're really talking about jobs, monies, institutional equities, and so forth, which are always a subtext of this process.

So, who wins these initial rounds in the budget battles, if I can be a bit cynical, perhaps? What's striking is that we will retain 11 carrier battle groups, so, no reductions in the carrier battle group presence, the presumption that the United States will have an undiminished role in maritime security as a whole. In addition, reference to heightened production of attack submarines and cruise missiles, including the possibility of a land attack cruise missile for submarines. There is, as Ken noted earlier, an initial green light for a new U.S. Air Force bomber, and although I'm unaware of detailed discussions coming from any Air Force personnel about this, this would presumably be a bomber that would compensate for the fact that the emergence of so-called anti-access capabilities will be inhibiting on the operations of U.S. carriers, potentially also affecting other U.S. capabilities, therefore, you need something with longer legs from farther away that could handle a variety of roles and missions.

Collectively, I would argue these capabilities suggest a more offensive capability on the part of the United States in years to come, even as the United States retains its traditional maritime dominance. The theory, of course, is that such steps will inhibit and constrain various states, but China in particular, from its presumed capacity to hold U.S. targets at risk and that the United States, therefore, must retain the capability and the means to prevent China from any curtailment of U.S. freedom of action anywhere in the Asia-Pacific region. This doesn't necessarily translate into an arms race, but in its maximal version, I would argue all U.S. taxpayers had better be prepared to open their wallets much more fully if this is the path we take.

Now, will these effects have a measureable influence on Chinese priorities and strategies? This is question number two. It may well be that some in Beijing, the more sober folks in Beijing may be reflecting a bit on the extent to which some of their own behavior contributed directly to the heightened concern on the part of the United States for China's military augmentation, but I would say that in the near term sense, most of what I have seen has been to affirm existing Chinese policy. In other words, at least although there are certainly some commentaries that are sharper, but, strikingly, more of the sharp comments coming from China these days has more to do with U.S. economic policy towards China rather than towards the strategic orientation in terms of military capabilities.

In a near term sense, this suggests to me that rather than sharp alterations in Chinese strategy, it will reinforce many of the developments that we have seen over the past few years that have caused heightened concern in particular in the Pentagon that the PLAs claim on resources would therefore likely to be sustained if it does indeed appear the United States is embarking on a more offensive strategy or particularly in the west pacific. So, the whole question of rather than altering China's

policy directions, the very effort to deny China these options through coercive steps on the part of the United States may make it easier for those within the Chinese system who do, in fact, presume aligned American intent. Now, done judiciously, I think we could see inhibitions on things the China might undertake, but I think we need to proceed very, very carefully. Again, these are actions we are taking on our own as the Chinese take it on their own and there is, sadly, a very, very underdeveloped set of discussions between the United States and China on these issues.

There is at the same time, I think, real liabilities in the risks of an overly-militarized U.S. strategy. Now, many would say if you look at the changes since the cold war, the predominant effort on the emergence of the Asia-Pacific region as a whole in China in particular in terms of its economic capabilities that it seems odd to be thinking in terms of military measures, but let's recognize that for the last 10 years or so, the United States has been distracted if at a minimum by its military obligations in Iraq and Afghanistan that have drained the United States of enormous sums of money, as well as enormous blood and sacrifice. So, as others have noted, this idea of shifting away from a focus on other parts of the world, hopefully being able to exist gracefully from these conflicts may enable now a focus again on what is happening across the Asia-Pacific region, but I would say that there is an inherent risk that China's growing military power will be seen by some as in essence the means to save a very, very large U.S. defense budget and provide the United States, some would argue, with a much more singular organizing focus in its military strategy that it has obviously lacked since the demise of the Soviet Union.

So, we ought to be asking on the part of the United States power projection for what? What are we seeking to prevent? What do we fear? What is the message we are seeking to send to China? No state wants its freedom of action curtailed,

but the question is whether or not we can achieve understandings with China that have a sufficient basis for mutual understanding and even a degree of restraint as opposed to proceeding to a retreat to an undue focus on military operations as the defining point of our respective strategies. So, there's a default option context that I think we need to examine very, very carefully.

In a larger sense, it seems to me these shifts reflect the Asia-Pacific region's uneasy transition where words and budgets aside, neither the United States nor China have the means or methods to exercise unconstrained domination. As Richard has pointed out, so much of what has happened here has been this effort to relink to American friends and allies in the region and I think that that makes a great deal of sense, but no one power has an ability to dominate so comprehensively that they can't look at the responses and the capabilities of others as a factor.

There is, of course, in Beijing, a lurking suspicion that the United States has not reconciled to China's comprehensive emergence as a major power, but as I noted before, many sober voices in China recognize the extent to which Chinese behavior and China's own pattern of weapons acquisitions has contributed to this process. Much of this, of course, is seen by the United States as more uncertainty-driven than anything else and recognizing the difficulties and challenges if the United States is going to be able to use its power in ways that are comparable to the past. This suggests to me an imperative need for a much more serious set of discussions between the United States and China. We both need to avoid speaking in code. We don't want this relationship reduced to simply a military to military competition that fails to recognize the enormous stakes that both countries have in a, if you will, competition, but a competition that is realistically bounded to establish rules of the game such that neither the United States or China finds themselves in a situation not of their

choosing. We are not there yet and a caution flag it seems to me is warranted on where current decisions and policy changes might lead us less by preference or design and more by default. Are we really talking about the unavoidable stresses and growing pains in the transition path to a very, very different kind of region, where neither country finds itself joined at the hip, but where the interconnections between the United States and China are profound and makes the stakes of any kind of heightened tensions much higher.

Finally, I would observe that in all the references to pivot and so forth, it's not a term that I like either. Super tankers don't pivot, neither do aircraft carriers. They are not nearly that nimble, if you will. They lumber along, they may shift their course slightly, but we need to bear this in mind as we look ahead. The dual U.S. policy challenge is that we obviously need to build with others a new conception of a politically economic and security order in the Asia-Pacific region both with allies and with ascendant powers and that's not just China. But all of this occurs in a much more budgetarily-constrained environment and inclusive regional order without China fully at the table is simply not imaginable, even as we recognize that economic benefits cannot alone carry such a relationship.

So, if I look ahead, if we were sitting here in another 15 or 20 years and trying to imagine what the outcome has been from decisions that are being taken today, would we see this as that we are on the cusp of truly pivotal, strategic changes, a true turning point in desire directions geared towards stability, prosperity, and shared incentives in the future order? Alternatively, do we run the risk of locking ourselves into a more military-dominated regional strategy that buys neither security nor regional order, but entails enormous political and economic costs in the consequence or is this to some extent perhaps a somewhat oversold formulation that proves unsustainable politically and

budgetarily and with uncertain consequences for the credibility of American power? All good questions and I hope ones that maybe we'll reconvene in the future and ponder how well we did. Thank you. (Applause)

MR. BADER: I'd like to thank my three colleagues for three excellent and provocative presentations. I'd like to ask the first question to whomever wants to take it, perhaps Ken, but others can join in. It's kind of a series of related questions.

Ken, you mostly had praise for the specific steps that the administration took in the last few months. You implicitly had some -- or inexplicitly had some problems with some of the messaging. Were there any steps that the administration has taken in the last three or four months that either you or other members of the panel would not support? And if you care to expand a little bit on your thoughts on the public messaging, which I think that was an undercurrent of Jonathan's remarks that that was problematic. And the last related question is: Do you think that the U.S. presidential election had anything to do with either the steps or the messaging? All of you guys. Ken?

MR. LIEBERTHAL: I want to take the hardest one first, which is your last one. (Laughter) I think this is a political season, and, so, it's not surprising that the realities of going into an election year would encourage the administration to package this November trip as integrated, comprehensive, and dynamic a fashion as they can. This was in the days leading up to the announcement that the select committee on the Hill failed to reach any agreement whatsoever, and the President was out of town for the last 10 days before that failure was announced. So, I think he must have felt it was the better part of wisdom to make those 10 days really count in terms of messaging.

On the specific steps, no, in fact, there's nothing that we did that I think was the wrong thing to do. And I think, actually, where I have a problem with the messaging side is, as I kind of implied in my remarks, it's more with what the secretary of



state was doing while the President was traveling. She joined him for part of the trip, but did her own stop in Manila. And I think if you go back and look at what she said on her trip and what the President said in their respective public remarks, you find that there is some daylight between them and the secretary of state was generally tougher than the President, more closely, for example, talking about the West Philippines Sea and just stuff that kind of suggests there is a real taking sides here. And the President, I thought, was very careful not to make those suggestions, although some of rhetoric, especially in Australia, came close. I thought, nevertheless, the secretary went farther and I thought, frankly, personally, that that was unfortunate.

MR. BADER: Richard, Jonathan?

MR. POLLACK: I'm glad you raised this question, Jeff. It warrants notice that much of these shifts in strategy, particularly from the point of view of the Defense Department, represented kind of an out of cycle review. The shelf life on some of these documents coming out of the Pentagon seems to be getting much more attenuated and it seems a very different time that back in 2009, Secretary of Defense Gates castigated so many in the Pentagon for what he referred to contemptuously as future "war-itis." We seem to be back in that domain now, looking maybe not unreasonably at what are the kinds of capabilities you think you need to acquire looking ahead, but I think that the fact that this is all occurring in an election year is no accident, quite the contrary. I think it really highlights the extent to which even if this did serve a major purpose in relation to perceptions of the United States in the region, it also has a utility in U.S. domestic politics, as well.

MR. BADER: We'll take questions from you all. We'll let you wait for microphones and we'll push through. If you could identify yourself and your organization, please.

MR. MITCHELL: Thanks. I'm Garrett Mitchell, and I write the *Mitchell Report*, and I want to ask about two elements of this scenario that we didn't spend much time on.

The first is, and it's in the context of sort of imagining looking out a decade or two from now what might the configuration look like. The first piece of this is something that was articulated in a book a couple of years ago by Bill Emmott from *The Economist* in a book called *Rivals*, in which he noted that this would be the first time in history that Japan, China, and India were essentially world powers or competing world powers, all sort of coming into that admittedly in various speeds and size and that the potential for regional competition between among those three is at least as significant as the extensible potential between the U.S. and China. So, that's one factor that I would be interested to get your reaction to.

The second is noted in *The Economist's* cover story this week on China about the paradox of prosperity and a spade of articles that have been written in the last month or two about China and Asia in which, as *The Economist* puts it, "the paradox of prosperity" in China is that in order for China to continue its economic success, it will have to face political changes that are inimical both to the Chinese philosophically and also, arguably, to the engines of growth themselves.

So, I'm interested to get your reaction to either of or both of those, the regional competitive piece and the domestic political piece. What's the salience of either of those and what's the likelihood that those could be game-changers?

MR. BADER: Anyone?

MR. BUSH: Well, why don't I take a stab at the regional piece? I think one of the ironic, but I think potentially helpful aspects of these shifts in strategy is to give regional actors not only the major regional powers, but also the middle regional powers a different set of incentives for relationships and understandings vis-à-vis one another.

That, I think, would be widely endorsed or ought to be widely endorsed by the United States. I think we need to remember that however central the United States may like to see itself in Asia and elsewhere, indeed, it was fascinating to see in President Obama's State of the Union Address, he trotted out the line used by Madeline Albright years ago about America being the "indispensable power." Perhaps we are, but I think that in a relative sense, and this isn't to bemoan these changes or to say that this puts the U.S. in a situation of decline, in a relative sense; the capacities of others are going up. We have ample incentives to cooperate with all of them, but even more important, if a true regional order is to be built, that's going to be something that falls much more on their respective hands than for the United States designing it from afar, if you will. That would be my thought. I don't know if anyone wants to tackle the domestic issue then.

MR. POLLACK: Let me just follow on on the same thing. I mean, as I look at the interrelationships among the three powers you cited, I don't see a situation emerging where you have, if you will, an irresistible force and an immovable object, that if there's going to be conflict, it's more likely to be because of friction through accident or miscalculation. Also, don't sort of neglect the role of third parties or fourth parties to sort of entrap in conflict countries that don't have an interest to be fighting each other, and here, North Korea and Pakistan come to mind.

MR. LIEBERTHAL: On your question about the regional thing, 10 years from now, I think what we ought to keep in mind is no one what 10 years will now will look like. There's no way to know. The role of accident, the role of the development of different technologies that had their own dynamics; recently, for example, social media, right, and a huge role around the world. It's five years old. Ten years ago, no one knew this was coming, right? I think we know very little about 10 years from now, even though we all have to make some plans based on assumptions about it. Those assumptions

almost certainly will prove significantly wrong. But let me really address your second question about the domestic side in China. I commented in my remarks how important the U.S. rebalancing its own economy would be to our success going forward. I could have said the same thing with equal force about China. In our typically different ways, the Chinese have already laid out their plans to rebalance their economy. The question there is whether they can implement them. With us, we're fighting over what the plans ought to be, but China has tremendous economic growth momentum.

I mean, you look at things like urbanization and the demand drivers that urbanization creates, the Chinese economy in some form or other is going to become the largest economy in the world by 15 years from now and probably long before that, but what kind of economy it is and how effective that makes China in dealing regionally and globally is really up for grabs and I would argue the issue is not whether they undertake reforms that will undermine the system; the question is will they undertake reforms that will preserve the systems, right? But significant reforms are necessary that have been systemically postponed by the current administration in China, and, therefore, the new administration is going to have one hell of an inbox. I think they know that very clearly. I think it's going to be two or three years before they can even begin to take those issues up seriously, changing incentives for provincial leaders, figuring out which major interest groups are going to be undercut as they rebalance the economy and so forth. So, it's probably going to be 2014, 2015 before they even engage the issue seriously and the cost of them not engaging it go up every year.

MR. POLLACK: If I could just add there are some theorists of international relations who like to talk about regional hegemony and sort of take the U.S. historic experience in Latin America as a model for what China may wish to do in East Asia, sort of a Monroe Doctrine for Asia. I'm not sure who the Chinese historic figure is

who correlates to James Monroe.

SPEAKER: Hmong Za (?) doctrine.

MR. POLLACK: Hmong Za doctrine. But I think the question you've asked implicitly demonstrates how inapt that historic analogy is, the notion that Japan, India, I think you can add to that list Indonesia and Vietnam would accept some sort of coordination of their national interests or some kind of bandwagoning with China with a rising China and become part of some block dominated by China I think is contrary to everything we know about these countries' history.

MR. BADER: Question?

MR. NELSON: Thanks very much, great discussion. I want to engrave Jonathan's last two or three paragraphs in bronze and pass them around if we can about the need to discuss these. As you know, I've been writing about this for the last few weeks and --

MR. BADER: Identify yourself.

MR. NELSON: Oh, I'm sorry. Chris Nelson, *Nelson Report*. I started talking without thinking.

MR. BADER: Everyone knows. That's fine.

MR. NELSON: Yes. Is it too soon to be looking at the utility of something like arms control talks for the future of Asia because what we're all talking about is an inevitable feedback process of they're doing this, so, we're going to do that, and if we don't do this, we're accused of not being strong. We all know the rhetoric, and so, much of this is starting to remind me of not so much 1930s, but the 1950s. And we're looking back on a lot of sort of opportunities we kind of missed with the Soviets and they sort of missed with us because we didn't really quite talk about it and we believed the worst about each other. Is it too soon to be looking at a way to discuss with the Chinese,

guys, we don't really need to do this stuff, need to do all of it? Thank you.

MR. BADER: Ken, Jonathan?

MR. LIEBERTHAL: I'm actually about to publish a paper coauthored where that's one of the recommendations, that it's time that we start at least exploring areas of potential mutual restraint as a way to begin to reduce strategic distrust between the U.S. and China. So, yes, I think that's one of things among others. I forgot whether it's Jonathan or Richard who called for more serious, in-depth discussions than we have been having to date, and to my mind, that's one of four or five issues that we ought to be exploring in a serious way.

MR. POLLACK: It is definitely not too early. Hopefully, it's not too late because what I'm struck by even in this context where there is the growing involvement of the United States and all the different multilateral fora and so forth that you have essentially unconstrained weapons development programs country by country. I mean, to some extent, there's limited transparency, but there has been so far as I'm aware very little effort either at a conventional or even more interestingly at a nuclear level to really think through and understand the implications of where countries may be headed and the extent to which that will make much more problematic, to put it mildly, any kind of regulated competition. I'm not trying to say that states won't pursue military modernization, but how they do it, toward what ends and with what consequences for their mutual relationships and their relations with the United States are all open questions. So, beyond all of the arm waving that is often there about peace and collaboration and what have you, these processes continue on their own on any country that can afford these capabilities and even some that can't.

MR. BADER: Chris, you're aware, of course, of the proposal the Obama administration did put forward to the Chinese and the strategic and economic dialogue for

a discussion on five particular sensitive security areas, nuclear force modernization, use of outer space for military purposes, cyber issues, ballistic missile defense, and maritime security. And last May, at the Strategic and Economic Dialogue, they picked two of those topics for the first discussions, cyber and maritime security, and the innovation here was - - two comments on it. The idea was to have the topics that were most susceptible of leading to the classic security dilemma where two sides see each other taking actions and take counteractions to counteract either real or imagined intentions, and that's how these five topics were chosen. And the other innovation was to try to compel inclusion of both military uniformed officers and civilians in the dialogue because, for decades, we've had discussions on some of these topics with the Chinese through foreign ministry channels, but the foreign ministry people know nothing about the topics and know nothing about the decision-making or nothing about the strategy.

So, they are classic barbarian handlers in these discussions. So, the idea was to get the PLA involved. Now, the first discussions, it was, I don't know, an hour or so on each. How much can you do in an hour? And what you're talking about, I think, is sort of agreements and constraints. We are very, very far from that with a China that is uncomfortable even having these discussions, no less reaching agreements on them, but I'd say it's a baby step.

Richard, did you --

MR. BUSH: Chris, I'm in principle not opposed to what you're talking about and the other things my colleagues have mentioned. I would note though that 90 years ago more or less in this city, there was an arms control agreement for Asia and the Pacific, Washington Naval Conference, and it failed. The effort to limit capabilities did not work to restrain the impulses that had just existed on Japan's part.

MR. NELSON: That's why I mentioned the 1950s. (Laughter)

MR. BUSH: And, so, it's real tough, verification is really hard when you move from strategic to conventional. I think there are also sort of institutional dynamics in different countries, procurements driven by threat perception and unless you control threat perception, how can you control the other and so on and so on? Thanks.

MR. BADER: Let's take Matt. Matt, the purple tie. The gentleman in the purple tie behind you. The gentleman behind you, please. Thank you. Thank you.

MR. GOODMAN: Okay, all right, thank you. Matthew Goodman, CSAS.

MR. BADER: And Mr. Matt Goodman, as well, thank you.

MR. GOODMAN: Matthew Goodman, CSAS, until recently in the Obama White House.

I want to ask a question of Richard, but I want to comment on something that Ken said which was about the not forcing people to choose between the U.S. and China in the context of TPP and I think that and other cautionary notes you made are very well taken and I think the administration is mindful of that, and I guess I would say that with respect to TPP, it's a voluntary undertaking, it's a negotiation. I think it's true probably the administration wants to establish a set of high-standard rules that are more in the American image than others, and that has an element of trying to shape Chinese behavior, although I don't think that's the primary driver, but I think that may be an element of it. But it is a negotiation, and, so, we'll push and prod, they'll push and prod and resist, and we'll come out somewhere in between. So, I don't think the people who are participating in TPP are reluctant or worried about the China thing. There was a long queue of countries outside the door trying to get into that room. So, it's a good point to be mindful of, but I think it's not so operational in the TPP context.

The question for Richard is: You expressed anxiety about follow through and I share that anxiety. What would some of the elements of important follow through



be in your view to show that this rebalancing, which is probably the right word, although it does have two extra syllables, which is inelegant, but that would follow through on what sort of metrics that you use to measure whether follow through had occurred?

MR. BUSH: I guess the main one is the one that Ken mentioned is that, over time, we get our domestic house in order and restore the pillars of our national power, which we've allowed to atrophy and sustaining a reasonable defense budget and with smart procurements is only one part of that. I do have the sense that a lot of our diplomacy so far or the administration's diplomacy so far has been trip-driven and sort of focused on getting a lot of high American officials to the region at one time and speeches and whatnot and maybe we've accomplished what we needed to do with that and what we need is more a steadier diplomacy in the various elements of our national power, not so much relying on the President's time or the secretary of state's time, but sort of deputy secretaries, undersecretaries going out and sort of getting concrete achievements that we can build on. Actually finishing Futenma in some way I think would be a real achievement and be a good platform for moving forward with Japan in whatever direction.

MR. BADER: Nadia.

MS. CHOW: Hi, Nadia Chow with the Liberty Time Tower.

I think President Obama in his State of the Union Address mentioned China six times, but majorly on economics, and yesterday, the deputy national advisor also mentioned the major differences between U.S. and China is economics issue. And, right now, the AIT chairman, Raymond Burghardt, is talking about beef in Taiwan.

I'm just wondering during the election year, is U.S., Obama administration ready to play hardball with Asian country economic issues? If that's so, what's the (inaudible) extra (inaudible) U.S. have? And this U.S. worry about the counterbalance or pushback since most of the Asian countries also have their own

domestic pressure on economic growth. Thanks.

MR. BADER: Richard, do you want to start? Why don't you take that?

MR. BUSH: Looking just at Taiwan and what my friend, Ray Burghardt, is doing, I would say that actually his focus on beef is really part of a larger discussion of the need for Taiwan to continue to liberalize its economy, not only vis-à-vis China, but vis-à-vis its other trading partners, including the United States, and that effort is being held back by problems on specific issues. We need to move those specific issues out of the way so we can get to what is really important in our economic relationship, and that's not because it's in U.S. interest; it's because it's in Taiwan's interest, that that's one of the ways that Taiwan is going to remain competitive in a very competitive globalized economy.

MR. BADER: Ken?

MR. LIEBERTHAL: I think in a time of global economic stress and in a time of elections and successions, and especially in Asia, when you think Asia-Pacific, it's the U.S., China, South Korea, Taiwan, Russia, conceivably Japan, all this year have national level election or a succession, that inevitably, protectionist forces rise, and I think President Obama's actions, what he mentioned specifically in the State of the Union message was that he is establishing an interagency group to really focus on rigorous implementation of trade policy, not new protectionist measures, the rigorous implementation of trade policy. I think, frankly, that's a smart idea.

First of all, where other countries aren't playing by the rules, we should hold them to account. We've got an economy in stress and we ought to implement our policies rigorously in accordance with our national obligations. But, secondly, it also is a way to make less likely more severe and less helpful measures from being taken in a politically tough year. So, I think that's really what he's talking about.

Frankly, with specific respect to China, Jeff would know better, but I'm not going to put him on the spot. My own read is that the President is genuinely very angry at China's not playing by the rules at domestic subsidies and all kinds of other things that put U.S. firms and other global firms at a disadvantage and work to China's unilateral advantage. So, I think he's very serious, but I don't think he's proposing a whole set of new protectionist measures. He's saying I'm not going to shy away from vigorous implementation of what's on the books, and, frankly, I think that's a correct policy.

MR. BADER: If I could just add, first of all, Ken is obviously channeling me here. What he said is an absolutely correct description of how the President views Chinese economic practices. If you look at what Secretary Geithner had to say the other day in Davos, he was asked a question by Fareed Zakaria about China and he dove directly into precisely the points that Ken made about Chinese subsidies, Chinese industrial policy, and the imbalances and dysfunctions these are producing for the world economy. Then look at what Governor Romney has been saying about China. Look more recently at what the chairman of the House Ways and Means Committee said about possible legislation on countervailing duties against non-market economies, specifically China. I think that there is something of a shift going on in the way Americans, American business, the American political class views the Chinese economy.

I guess what I would say is the stagnation of reform in recent years and there are real risks of the world moving in a very protectionist direction towards China not because of elections, but because of Chinese practices. I don't put a November timetable on it, but this is a reality that is not going to go away unless China takes more seriously the concerns of other countries.

Let's take the gentleman in the middle there.

MR. QUE: Thank you. Dong Que with the China News -- Review News Agency.

My question is how significant will the upcoming visit by Chinese Vice President Xi Jinping will be for the U.S. government to assure the new generations of Chinese leaders that the U.S. pivot to Asia is not trying to contain China? What do you expect from Vice President Xi? Do you think he will be more aggressive and stiff or more practical or flexible to deal with the U.S.? Thank you.

MR. LIEBERTHAL: First of all, we have been assuring China privately in every way that we can that the U.S. pivot to Asia is not aimed to China. So, I think the Xi Jinping visit should be seen in that context. This is not the first time we have a chance to talk to Chinese officials about this issue.

Secondly, in terms of Xi's attitude, he laid that out a couple of weeks ago, where he really stressed the need to have a positive win-win kind of relationship with the United States. So, he's teed up this in very positive terms.

Thirdly, I think the real purpose of the visit or at least my own view is the real purpose of the visit is to get Vice President Xi around to meet with our top cabinet officials and with the President because after all, he is going to become the head of China, and, so, I think is an opportunity for him to sit down with President Obama, with Secretary Clinton, I assume Secretary Geithner, Secretary Panetta, and so forth and really begin to get a personal relationship or set of relationships going with a certain comfort level to it.

MR. QUE: Thank you.

MR. BADER: Yes, I think we have time for one more question before the break and then we're coming back for another panel. Over here.

MR. BRODER: Hi, I'm Jonathon Broder from *Congressional Quarterly*.

I'd like to go back to the earlier discussion a little bit about India. In the Defense Department's white paper that came out earlier this month, they spoke specifically about the United States wanting as part of the pivot toward Asia developing a long-term strategic relationship with India. Now, you talk to different people around town, and you get different descriptions of what this long-term strategic partnership would entail. You talk to people on the business council, and they talk about endless U.S. arm sales and business with India, but, also, they talk about more than just a partnership, they talk about an alliance very much with India acting as a counterweight toward China. But then you talk to people at the Indian Embassy, and they have a lot of reluctance to describe themselves as an ally of the United States.

What I'd like to ask Jonathan and if any of the others have anything to add is what can one realistically expect from this long-term strategic partnership with India?

MR. POLLACK: I think the challenges of building and sustaining a strategic partnership of the sort that some believe is possible with India will be nearly as great as those involving China. India has no desire to be an American ally, to be tethered to an American strategy, to take orders from the United States, to be America's deputy in Asia. It just simply runs against the grain of Indian strategic thinking and Indian interest.

So, the first thing I would advise is to be realistic about India. I mean, we can even see already, for example, even if there are dreams of major weapon sales, the Indians have just announced they will purchase the Rafael. So, they don't feel sufficiently indebted to the United States therefore that you have to buy American weapons systems. You do have, of course, a vigorous debate in India about the long-term relationship with China, understandably. There's a lot of unpleasant history that they both deal with, but I just think it would be advisable to set the sites a little more realistically here, in particular

to in effect designate India without India having sought that. I mean, the DoD document specifies this is what we ought to do. It might be useful if we check with the Indians about this.

In a curious kind of way, it reminds me of debates from long ago and far away, when senior U.S. officials dreamed about China being the next member of NATO to oppose the Soviet Union. Ill-advised and at any number of levels. So, I think India will be a much more consequential power, I think we have an enormous set of incentives to work with the Indians towards that goal, but let's not get off in those fanciful scenarios of how India will just do our bidding, if you will.

MR. BADER: On a very realistic note, we are going to take a break. Thank you to our panelists for three very superb presentations and for the Qs and As. (Applause) We will be back at 3:15 for the next panel on Trans-Pacific Partnership and the U.S. military strategy in the region. Thank you.

(Recess)

MR. BADER: Okay, our second panel is going to drill down on two of the -- I guess you can't drill down on a pillar. I'll have to do a different metaphor here. But we're going to drill down on a couple of the major underpinnings of what we were calling "the pivot" until the last panel -- and we will stop calling it the pivot -- the rebalancing of U.S. policy towards the Asia-Pacific region.

We have two panelists from outside of Brookings this time: General Gregson -- Chip Gregson -- is going to talk about U.S. military strategy in the Asia-Pacific region. Again, you have General Gregson's bio. I'd just add that Chip was a treasured colleague of mine in the administration the last couple of years, my counterpart over at the Defense Department in charge of the East Asia region. And Richard Bush at the end of the last discussion suggested that we finally get Futenma taken care of, and perhaps

Chip can describe and just talk today about why we haven't been able to get that done in the last 16 years.

And then Claude Barfield, who's a resident scholar at the American Enterprise Institute, is going to talk about the Trans-Pacific Partnership. Claude is one of the real wise men on economic policy in a city with very few wise people and someone whose approval any administration is looking for on anything they do in the trade and investment area.

Chip, why don't you lead us off?

GEN. GREGSON: Well, thank you.

Well, no horse is so dead that we can't flog it some more, so I'll begin with discussing the oft-discussed pivot that we began with here.

Secretary Clinton or perhaps one of her staff provided that most enduring description of our emerging military and security policy in the Western Pacific. Secretary Clinton said we stand at a pivot point as we prepare to withdraw from Iraq and Afghanistan, that we have to be smart and systematic about where we invest our time and energy, and that one of the most important tasks of American state craft over the next decade will, therefore, be to lock in a substantially increased investment -- diplomatic, economic, strategic, and otherwise -- in the Asia-Pacific region.

Pivot point may not have been the best metaphor. The press no doubt are aware of the President's round ball expertise immediately shortened this to pivot. In basketball, pivoting to something means pivoting away from something else. But it's hard to see how we get Asia right without some acceptable degree of stability and security in the Middle East, the source of much of Asia's energy. In fact, in both our rhetoric and our actions, we are maintaining a significant presence in the Gulf, both afloat and ashore.

Nevertheless, her description of our policy, strategy, and intentions was

welcomed in the Asia-Pacific region. This continued a positive trend that began with her earlier statement at the ASEAN regional forum that reconfirmed our support for peaceful settlement of many territorial disputes in the region. Later, she reaffirmed that the Senkaku Islands do indeed fall under Article V of the U.S.-Japan Treaty. Throughout her tenure, she's provided consistent and welcome attention to our allies, particularly Japan, and friends, most recently Burma.

In all of this, we can see an unstated but powerful theme of our Asia and the Pacific policy, that of friends first. We have an Asia and Pacific policy covering all aspects of national life: business, commerce, economics, energy, education, environment as well as traditional security. They are all connected and mutually reinforcing. We can't have a bipolar, security-only U.S.-China policy and strategy. It has to be embedded into our regional and extra-regional policies and strategies. This notion is a bit harder to drive into public opinion and into the bureaucracy than it might appear.

As the Soviet Union was collapsing, the chairman of the Joint Chiefs summoned his chairman study group. This four-person group was three colonels and a Navy captain chosen carefully by each service chief. The chairman had a simple question: What do we do now that we've lost our best enemy?

For nearly 50 years of cold war, the national security structure, Pentagon planning and acquisition processes, and military planning had all developed in response to a reliable and predictable enemy. Suddenly, all of that was no longer relevant.

In many ways we are still looking for a new best enemy. Life was much simpler for our bureaucratic functions when we had a single, well-defined villain right out of Central Casting. The villain is gone, and China is most definitely not -- not -- the replacement. The U.S. needs China to be a successful contributor to the international system. At the same time, we need to work with our allies and friends and be there to



support their interests, many of these well beyond what are considered as traditional security interests.

Asia and the Pacific stretches from the Indian subcontinent to the Western shores of the Americas. It expands two oceans increasingly linked by shipping, energy, trade, and strategy. It includes five U.S. treaty allies. It includes sovereign U.S. territory, one island nation in covenant with the United States that is treated like a territory, and three island nations in compacts of free association with the United States. It includes the world's most populace country and a future most populace country. The world's largest and second largest Muslim populations within single national boundaries are in this region.

It's home to three maritime straits -- the Malacca, the Sunda, and the Lombok -- that permit the easy passage of well over 1,100 fully laden supertankers per year, most passing into the South China Sea, bringing energy to China, Japan, Republic of Korea, Taiwan, and others. This body of water is surrounded by China, Vietnam, the Philippines, Brunei, Malaysia, Indonesia, Taiwan, and Singapore. Many nations have competing claims to various islands and reefs in the South China Sea and thus competing claims to fishing grounds, seabed resources, and exclusive economic zones.

Fifty percent of the world's seaborne tonnage and one-third of the world's value in trade traverses this sea. If the world has a commercial intersection, this is it. Traditional law is favored by the United States. It calls for freedom of navigation and peaceful settlements of disputes. This is increasingly challenged by China's claim to the historical rights to the entire South and East China Seas. The Chinese National Oil Corporation has placed a \$20 billion bet that the South China Sea has enough oil resources to be the second Persian Gulf.

China finds itself pulled in two divergent directions, by continental and

maritime interests, but on a truly trans-regional scale. Fourteen land powers share terrestrial frontiers with China, while six maritime countries together enclose the entire Chinese coastline. Of these 20 neighboring states, 6 rank among the world's top 10 in population, 8 rank among the top 25 in military forces, and 4 possess nuclear weapons. China has settled 12 of the 14 land border disputes. China no longer has any natural enemies on our borders, but neither does she have any natural friends. The closest friends might be North Korea, Pakistan, and Burma. It's not obvious that provides any advantages.

The region as a whole has many built-in stresses that can cause conflict. Some of the more dominant or powerful include demographics, energy, food and agriculture, and fresh water. All are interrelated as numbers of people and their movement affect food security water availability and purity, as well as energy production and use. Often these goals conflict. For example, the use of hydropower to produce energy often reduces the availability of agricultural land and fresh water.

The world will add nearly 60 million people per year, reaching over 8 billion by the 2030s. Most growth will be in developing countries. The United States alone among developed countries is expected to add 50 million people. Europe, Japan, Russia, and Korea will join those in absolute population decline. China will add some 170 million, but the population will be aging and predominantly male. India, in contrast, will add 320 million people, becoming the world's most populace nation before 2030.

Aging and declining populations will stress support systems. Welfare systems in developed countries are based on assumptions of moderate, economic, and population growth. Remittance flows are essential parts of the economies in many states. In 2007, the top three recipients of immigrant remittances were India, Mexico, and China. Disruption or alteration of these flows due to failing governments, war,

pestilence, natural disaster, or other phenomenon can affect peace and stability. When economic conditions collapse in a region or remittance flows are altered, uncontrolled population movements result. India will continue to grow, risking tension between the rich and the poor as well as among Hindus, Muslims, and Buddhists. The Maoists in much of Eastern India are India's most important security challenge, by their definition.

Rapid development in China, India, and other countries creates a relentless drive to ensure adequate and secure supplies of fuel to sustain growth, maintain satisfaction, and prevent internal strife. Multiple disputes over access to seabed resources in the South China Sea regularly fill the news. Massive additional production and refining capacities are needed to avert resource shortages as world population grows.

Japan is currently coping with an energy shortage caused by a natural disaster, illustrating the fragility of energy infrastructure. Every freshwater system on the East, Southeast, and South Asian (inaudible) is under heavy pressure from pollution. The search for affordable energy invites upstream countries to build hydroelectric dams on rivers coming out of their mountains. Ungoverned, this can cause devastation to downstream nations and cultures dependent on nutrients to sustain their aquaculture-dependent lifestyles. Needless to say, Asia has a poor record of collegial dispute settlement.

Ocean fish stocks are already under severe pressure from overfishing and illegal fishing. Without some agreement, some code of conduct on fishing, and effective enforcement means, many species and nations are in danger. Recently, such disputes caused the death of a Korean Coast Guardsman at the hand of a Chinese fisherman.

It's been mentioned many times today about the impact and the purpose

of the intended rotation of Marines to Northern Australia. It must be important, because China seems to feel that 2,500 Marines 600 miles from Beijing are a dagger pointed right at their heart. Don't tell the Marines. They'll be even more arrogant than they are now. (Laughter)

A few principles should be stated before we talk about this. We deploy forces overseas to operate in support of the policy and strategy of the United States. We do this with the active cooperation and support of our allies and friends. Military and naval bases overseas are very useful things. They make a profound political statement long before they make a military statement. Any presence of foreign forces in another country requires a compromise of various principles of sovereignty on the part of both countries involved. Any such presence is a strong validation, at some cost, of a shared commitment to common security goals. Bases are also a very useful and cost-effective means to develop, train, and maintain forces. Bases can also support alliance training and development. Bases also provide valuable deployment platforms and support for forces operating throughout the region. Whether one fights from these bases in conflict or from other locations is a different question driven by a number of factors.

Our forces overseas have an important deterrent role, but if that was all they did it would be a very expensive and unprofitable undertaking. The role of our forward-deployed forces is far broader and more constructive than simply waiting for someone to turn the master arming switch on. Broad, active, widely distributed presence throughout the data dampen sources of instability, deters conflict, gives substance to U.S. security commitments, and ensures continuing American access to the region. The presence and the efforts of our forces help shape the regional geopolitical climate, and they remain immediately available if needed.

Our bases in Asia and the Pacific are concentrated in Alaska, Hawaii,

Korea, and Japan. Guam, after a long period of decline following Vietnam, is again growing. These bases generally are the type that support our personnel on long tours with families. As a result, they have schools, commissaries, exchanges, movie theaters, hospitals, dental clinics, recreational facilities, and so on. Our concentration in Japan and Korea reflect the enduring and urgent threat of North Korea, our historic obligation to Taiwan, and our cold war history.

Secretary Gates introduced the concept of a widely distributed, operationally resilient, politically sustainable presence for our forces. This signals recognition of the importance of Southeast Asia and the Indian Ocean area. It points to an expansion of the geographic distribution of our forces and the geographic reach and distribution of our alliances. In all the rhetoric and discussion of our alliance transformation realignment agreement with Japan, very few observers note the requirement for the U.S. to provide for the continuous presence of Japanese forces and their training in Guam. This is an expansion of the alliance to Guam and a major strategic step forward to rapidly create increased efficiency and effectiveness of our alliance forces when we are operating together in high intensity, modern operations.

It also calls for a more lean, agile, and expeditionary posture. Expeditionary in this sense means self-sustaining, stepping lightly on the local infrastructure, and making do with things as you find them. It means not building a little America inside a fence line. It signals an increased emphasis on robust, continuous, bi- and multinational training accomplished through expansion and U.S. and Australian synthetic training environments. These systems, already in place, permit combinations of live, virtual, and constructive forces arrayed in an interactive, hyper-realistic simulation system that replicates faithfully the uncertainty, friction, fraud, and stress of high-intensity air, land, sea, space, and cyberspace combat for commanders and their staffs.

The Marine presence in Australia is, along with Guam, a big step to these goals. It is a training presence, not a base. It will be deployable, combat-capable, combined arms, air-ground logistic force. Forces there will be expeditionary, self-sustaining, and self-contained. Our mission will be to work and train with forces from Australia and, in the future, Japan and other friends and allies. It will be supported by pre-positioned ships, amphibious ships, joint high-speed vessel, and high-speed vessel mobility, as well as organic aircraft including F/A-18, F-35B in the future, MB-22, the KC-130, and others. Combined deployments with Australian and eventually other forces are possible.

In January 2012, the Defense Department published the "Priorities for 21st Century Defense" for U.S. security and policy in the region. In summary, what was published in that document will make things more difficult. We're headed for a fleet of 246 ships, significantly short of the 346 called for by the Bipartisan Quadrennial Defense Review Independent Panel. This is important, because no matter how capable the ship, it can only be one place at one time. And power projection that stays is all about ships.

Already we hear from friends in Asia that they fear this will be like the last force reduction episode in the late 1990s. In their memory, we reduced our presence in Asia then and called it an increase in capabilities base because individual weapon systems were better. Even a January 2012 document calls for preserving readiness over force structure. Smaller but better, in other words.

The document also talks about rebalance toward Asia-Pacific and the Middle East, calling for a renewed emphasis on air and naval forces while sustaining ground presence. Along with calls for rebalancing is a statement that we will no longer size ground forces for long-term stability operations. The number of ships will be reduced while retiring others early, and tactical fighter squadrons will also be reduced. There's a

stated bias toward the maritime environment and emphasis on self- and rapid deployable forces and power projection.

The public reaction to all this, they shortened all of it to reducing personnel to invest in technology. What this means to the region depends on how we play this. Rhetorically, we always extol the virtues of working with allies and friends. Now is the time to really increase our combined training and deployments in response to both policy and budgetary imperatives.

Some suggestions -- and I'll close with this -- distribute forces in a constant pattern of training exercises; train in the Southwest-Pacific zone vice an exclusive focus around a small number of large permanent bases in Japan and Korea and with our other allies; counter growing precision interdiction threats with a constantly changing array of locations throughout East, Southeast, and South Asia; expand the deployment pattern into the Riau Archipelago and into the Indian Ocean; build on existing relationships with the Maldives, Seychelles, and Kumaras; provide renewable energy systems in return for training access in smaller countries; exploit oceanic vice land-based presence and leverage islands and atolls along the key energy routes.

Thank you. (Applause)

MR. BARFIELD: Thank you very much for inviting me. It's my pleasure to come and talk about the TPP. I've spent a lot of time on it over the last couple of years.

I'd actually like to do three things in my time, and that is take a look at the TPP in terms of large -- or trade policy, actually, in the TPP specifically, in terms of larger U.S. diplomatic and security goals; second, talk a little bit about the options in East Asia for regional development; and then, third, come back to some specifics about the TPP. I'd just assume that this audience might know a lot about the TPP now, but Ken

tells me that he doesn't think that people do, so I'll try to spend a little more time on some of the pieces of it.

I'm not going to debate the pivot; I'm going to assume it and go back to the President's trip in November. I think this had been foreshadowed by other things that the administration had said, but -- I don't know whether Richard Bush is still here -- but my reading and trying to read at least the English language press and the reaction to the President's trip in November was that the TPP became a kind of symbol of the United States' leadership. So, as a result -- and maybe this was going to be true inevitably -- as a result, it assumed an importance far beyond just another trade agreement, even a regional trade agreement; a kind of symbol it seems to me, or one important symbol, to Asians of the United States' ability to pivot and be a leader in terms of the economic architecture in Asia.

I would argue -- some of my friends who are trade economists get very nervous about this -- they're not very happy with diplomatic or security intrusions on trade policy. They think it pollutes it. I do not. I would argue that not only in Asia but in other areas U.S. trade policy has always been intertwined, and this has been particularly, I think, true in Asia for the last two decades, with diplomatic and security issues. I think -- and I would go back and I'm not going to spend a lot of time on this, but I've written a paper, by the way, on what I would argue is the continuity of U.S. economic policy in Asia, even though there have been disruptions. You can see it on the AEUI website.

I would go right back to Jim Baker's point that in 1991, the United States was not going to allow a line to be drawn down the middle of the Pacific with us on one side of it and the Asian nations on the other. When you see what he wrote about that later, he had not just economic considerations, even though there was no China at least looming at the time or no obvious security -- but he also was looking at security and



diplomatic issues, and I would say that this is carried forward. The Clinton administration had the kind of unipolar moments, so for them I remember that national security was really wrapped up in economic security. But even then, when you take NAFTA, you take APEC, the thought was that we were pushing or propelling U.S. ideals about democracy, about democratic institutions. So, there was always a mix.

I'm coming forward very quickly here, and I think if you want to look at a very detailed approach to trade policy through the prism of diplomacy and security, you would look at the Bush administration. The Bush administration tied its priorities in terms of bilateral and regional agreements directly to larger U.S. security and diplomatic issues, and specifically Zelleck would say again and again we are going to go for people who would support us. One can agree or disagree with that administration's particular foreign policy, but it was a specific time.

I would also argue that -- and let me finish that, pointing up to the Obama administration -- I would argue we've got people here who within the administration, but in the Obama administration you really didn't have and they were not really very much interested because of a divided party, a trade policy almost through the first year. And the things I think that impelled the Obama White House to move the direction of the TPP in the Korea agreement, among others, was what was happening in East Asia, not in terms of economics, but in terms of the policy and in terms of security. It was very hard to make the case, as the administration was making throughout 2009, that we were back in Asia, that we were all in, if you're going to walk away from the Korea agreement or you weren't going to pick up on the TPP. So, I think there was an intertwining all throughout even with the Obama administration.

The other point to know, looking back over all these administrations, is that I think inevitably when you get away from multilateral trade negotiations where

theoretically everybody is at the table and that's all you're dealing with is trade, you're inevitably going to introduce other issues. You know, whether it's the reason we go with the Colombia FTA or even with Central America, there is economics. But it's not just economics. There are other things that are part of the formula.

Having said that, in terms of the TPP it is an important, I think, symbol of U.S. leadership. But the other thing I have to keep coming back to and that it is that, but as far as the Congress is concerned and interest groups, it is an economic trade agreement. The dynamics of a trade agreement are very different from the dynamics of other diplomatic or security institutes. It is not just in terms of institutions, the State Department, the Defense Department, USTR on the other hand. But looking -- an I'll come back to this in terms of where we are and what is likely to happen -- the U.S. business community, U.S. interest groups are certainly interested in the United States doing well in Asia. We take a leadership role. But they're also interested in more mundane things. As Tip O'Neill said, you know, all politics, and certainly that's true in trade. All trade politics is local. They're interested in what's happening in textiles and what's happening in steel and what's happening in services and what's happening in other things. So, there is a dynamic that is pushing to get as much as possible and possibly even not to compromise.

Moving on from that, let me talk about the alternatives in Asia as the Obama administration picked up the TPP negotiations or moved forward with them. And that is when the Obama administration came to office, even though you had this dart thrown forward with the TPP negotiations, there were a number of options that had developed over the last decade in Asia. And most specifically -- and this goes back, actually, to James Baker's statement, which was a reaction to Malaysia's putting forward the idea of an East Asian economic caucus that would exclude the United States.

In the years after 2000/2001, there was an alternate vision that went with or to compete with -- and, actually, I would say by 2006 and 2007 seemed to be more dominant than the trans-Pacific East Asian vision that goes back first to Secretary Baker but then through the Clinton Administration and APEC, and that was an intra-East Asian vision, which is embodied in the ASEAN+3, which was being pushed very strongly -- it still is -- by the Chinese. It envisioned an East Asia that was really self-contained, as it were, in terms of economic institutions, not in terms of trade or in terms of investment, but just in terms of economic institutions. And while the Bush administration's attention was in other directions, it wasn't paying much attention to what was happening, I think, in terms of Asian trade until 2006 or 2007. You see the other larger East Asian nations squirm and twist. Japan is the key example, in my view. I remember in 2005/2006, the Japanese would say, well, you know, we don't see APEC going anywhere, and we're scared to death of what's going to be happening, actually, quietly they were saying, with an ASEAN+3, which the Chinese would dominate. And, therefore, you got these versions of so-called ASEAN+6 where the Japanese tried to pull in others: New Zealand, Australia, and India. So, there was this kind of klux and mix of potential regional institutions.

And let me make one final point about the ASEAN+3. What quietly happened in the years from 2001 through 2008 or '09 was that ASEAN actually began -- the ASEAN+3 began to duplicate in many respects, in fact in almost all respects, the activities of APEC. It was not just a trade agreement any longer. You had energy ministers meeting. You had environmental ministers meeting, tourism ministers meeting. In other words, there was -- and still is, by the way -- a separate vision that is all staffed out, if you will. The pieces are all there. So, at the time that the Obama administration came in, the Asians did have and still do have -- and I'll come back to this -- an

alternative to the TPP and building.

The TPP, by the way, is meant to build upon the APEC, which is a Trans-Pacific vision. For a long time, though, again going back to Japanese diplomats as a symbol here, they would argue, well, you know, we'll get to -- we'll come back to APEC, to a free trade of the Pacific agreement, which was put forward in 2006, but let's build through the ASEAN+3 and then we'll get Japan, Korea, and China to add on to that. All of these countries, by the way, had agreements with ASEAN, and they will come back to the United States then. I mean, (inaudible) that will not work very well in terms of the U.S. Congress because of discrimination and also because of the symbol. But that certainly was and I think still is a possibility.

Now, let me turn in the next few minutes to the TPP itself. And here I can -- I'm not going to go over a lot of detail except there are some things, a few things that are important I think for our discussion today.

The first thing -- if you want to really look at the -- and I should have amended this by saying I don't know what's in the TPP, nobody in this room does, because we haven't seen any text, and what I'm going by is what people who write about this in Washington and other places. There have been a lot of leaks. You talk to straight staff, you talk to diplomatic staff. There's a fair amount of knowledge you know, but what I'm saying is not certainly verifiable in terms of anything that we've seen. But from what we know, I would say when you look at what's going to emerge, the main template to look at, I would argue, is the U.S.-Korea Free Trade Agreement. And what you're going to find in the TPP -- we talk about WTO+ -- what you will find in the TPP is KORUS, or the U.S.-Korea Agreement+ in some areas. It is their putting together a standard free-trade agreement with 25 -- I forget how many chapters now, 25 to 30 chapters. It has the normal things about market access, about services, about investment, about sanitary and

food safety issues, all those sorts of things.

I'm going to pass that by and talk just about one area that has had a lot of attention that the United States keeps coming back to a lot, and that is you will hear that the one major characteristic of the TPP is that it is a 21st century agreement. You hear it endlessly. And what the hell do people mean by that? It's sometimes hard to tell, but there are some things I think we can glean, to be fair to the United States. And I would say that the Australians and New Zealanders, who are the most developed among the nine nations that constitute the TPP today, pretty much back the United States in the substance here. Where they get nervous is the United States' highly legalistic approach to all these things. But what are we talking about? We're talking about a 21st century agreement.

The most important thing to note is that by and large it means policies that are inside the border. It's not tariffs or things along the border itself, and this did not just begin with this. Obviously, we've had the multilateral agreements with the (inaudible), which went inside the border. But what the United States and others are pushing here is regulatory reform, in effect. Regulatory coherence is a big term that is used. It also means a great deal of detail about due process and regulations, of notice, of the ability to protest, the ability to appeal a decision. So, it's a whole klux of regulatory issues.

In addition, in the last six months, and here while the administration argues vehemently that this is not aimed at China, certainly China is what they're looking at their shoulder at, and that is a set of rules for state-owned enterprises. This is actually competition polity for state monopolies or state-influenced corporations, and that has been a key. It is a major pressure point for the U.S. business community, and that has become quite important.

There are other parts of what could be counted as the 21st century agreement in terms of regulatory policy. It relates to customs areas, trade facilitation, the ability to move goods back and forth, the ability to key into the multiple supply change, which is characteristic of the Asian region.

And here let me just add a note of caution. The United States -- and again, I want to emphasize I do not know exactly what is in the agreement, but the United States in pushing the 21st century policies has thus far, at least as far as we can tell, has been quite reticent about some of what I call 18th or 19th century (inaudible) policies on its own. And that is the kinds of reforms that one would look to to make seamless supply chains are the kinds of things not just on the border. Yes, tariffs are important, but we don't have many -- you don't have high tariffs; you don't even have many low tariffs, actually, in East Asia for the goods that are important. But also things that would disrupt the flow, such as any dumping or countervailing duties or buy America or buy China or buy Japan, and rules of origin. Rules of origin are rules, for those of you who are not part of the trade mafia, that are rules to stop somebody, if you have bilateral agreement, from coming in through the backdoor through your trading partner or through your multiple trading partners.

The United States seems to have been quite reticent in holding on to the 18th or 19th century (inaudible) policies while is pushing the others in the direction of something -- some so-called 20th century in terms of regulatory reform. That is one of the tensions I think that we'll see played out in the next months. A lot of this has been discussed over the last year. I mean, there have been 10 negotiating sessions since early -- I think it's 10 -- since early 2010, but there's still no legal text. And we'll just have to see how this works out.

A couple of other final points. One is the question of in many of these

areas, whether you take anti-dumping or you take rules of origin, you take agriculture, the situation -- this is not unique with the United States -- where the United States is having to negotiate with its trading partners who may have different views. The New Zealanders clearly have a different view about intellectual property than the United States. But it also does not have full support back here. There's disagreement among the administration's constituencies and then other constituencies about what we're going to do in agriculture, what we would do with anti-dumping, what we would do with rules of origin. And so it is a dicey negotiation in all aspects.

The other thing that I should note before talking about the clearing up with where we're going to go in the next 6 to 9 months or 12 months is that the other thing that makes it very interesting and unique is this has not been tried before actually in terms of putting together an agreement and negotiating while you have new countries potentially coming in. This agreement started with four countries, but then you add another three or four, five actually, in the first year, so that wasn't the problem. But we now have the situation where you've got Japan, Mexico, Canada, and others potentially wanting to come in. And I would say that what has happened since November is that we have seen a large increase in the activity, particularly in Canada, in Mexico, and also in Japan. I think I'm going to leave to the discussion what may happen with Japan, because it's more complicated, but clearly the Canadians, the Mexicans are moving fairly quickly.

The dilemma for the negotiators is how and when do we pick these nations up? We've made some decisions. Do we have to go back? On the other hand -- and I should make this point finally, to go back to my point about the diplomacy and security issue -- this is a two-way street. The fact is that the TPP is pretty small potatoes in economic terms as it stands. It's only when you get Korea, Japan, Mexico, and

Canada that you really begin to get the weight so that this is an important regional agreement. So, here is where I think the tension will be within the administration -- would be within any administration: how do we bring these -- and it goes also beyond, by the way, USTR. USTR has a mission about trade negotiations. But here's where I would argue that I hope that Secretary Clinton comes very much more involved in this and others beyond just the trade community in the next six to nine months. But it's going to be, I think, a dicey situation.

Finally, I don't think -- I think the President put forward finishing this up by December of this year. I don't think that's possible. I don't think that they will even get full text during the summer or at least through the summer. In order to get something through this year, you'd have to finish pretty much right now, because you'd have to go to the Congress, you'd have to have the legal text done for everyone. It's quite complicated. So, I think that the truth is that this negotiation is going to go well into 2013. We don't know what the political situation, but to go back to my point about the other nations, my guess is that it could very well be that the Canadians and possibly the Mexicans could get themselves -- get their houses in order. The Koreans could come in tomorrow if they chose to do so.

And this gets me to the final point -- the final, final point -- and that is clearly the Chinese, since November, have stepped up their pressure on Korea and Japan to enter into either bilateral agreements or a trilateral agreement. My suspicion is that the Japanese will not go in this direction, though I will defer to Japanese scholars here for a variety of political and economic reasons. But the Koreans may be in a different situation, and they very well could go forward, at least go forward with a bilateral negotiation even though they wouldn't finish it. From the U.S. perspective, I would argue that we should not in any sense express disagreement here or try to stop them. I think



the key for us to be -- to tell the Koreans that, okay, we're happy to have you go forward with this if you think this is in your economic interest, but we also want you to go forward with entering in some -- fairly quickly the TPP negotiations.

Thank you very much. (Applause)

MR. BADER: Okay, I thought that was terrific. Let me just open it up with one question to Claude and one question to Chip.

Claude, I was going to ask you precisely is what you got into toward the end of your discussion there, but let me expand on it a little bit. When I was at the White House I saw studies on the potential economic benefits of TPP versus the Korea-U.S. Free Trade Agreement, and the studies I saw show that in terms of job creation, exports, that the Korea agreement was a magnitude more important than TPP as it stood with those particular players. And as you said, right now we're sort of economically small, small potatoes.

As you think about the negotiating strategy, leaving aside for a moment the political considerations, do you think it's in terms of getting the big actors into the agreement, whether it's Korea, Mexico, Canada, Japan, on the kinds of terms that we want? Do you think it's better to try to negotiate with the current partners we've got to try to get the best agreement we can with this group with whom presumably we have somewhat more leverage, get the best kind of agreement we can and then say to the others, okay, come on in on negotiated terms? Or do you think that the chances of ultimately producing an economically significant agreement called for bringing in some of the other major players during negotiations? That's my question for you, Claude, the opening question.

And for Chip -- Chip, I'm agreeing with the administration that we face issues of U.S. forces in Japan, U.S. forces in Korea. I'd like you to look ahead 5 years,

10 years, which I realize is impossible, but try. Do you see pressures in Japan, in Korea, and budgetary pressures, all the pressures in the U.S. that are likely to change our force deployments in those countries? Or do you think that they are on a fairly stable long-term basis at current levels?

Claude?

MR. BARFIELD: Well, I think you have to take it almost by country, and I don't think there's an either/or here. I understand and I may have seemed in hurrying not sympathetic to the worry in the United States that we'll end up like the WTO in the Doha round. You get these -- you say, okay, you guys can all come in, and then you've got to go back and reinvent the wheel, and in Japan you might have really an extended negotiation.

On the other hand, I think, as I say, it is a two-way street, and I think you then have to approach it, it seems to me individually. It seems to me, as I say, there's nothing that would stop Korea tomorrow if they had (inaudible) political will. I think the Canadians also are closer. I know that, you know, they're very interested in the United States, and there are other things about their wheat, et cetera, et cetera. But the Canadians have a pretty open economy. And so I think -- but I think the key with all of them is this, from my perspective: They must, at whatever time we agree -- we and the others, it has to be done by consensus where the others agree to have them join in negotiations -- they must agree at least that everything is on the table. You cannot let the Japanese exclude this or that part or the Canadians in terms of the wheat war. What I think -- where it's getting I think difficult is that you've got -- by the way, this administration would be no different from the Bush administration or other administrations. And they have not been -- stepped up to the mat on this as much. You've got a number of interest groups and business groups who want pre-negotiation. They want to have something set

down before you even get started in the negotiation, and I think that that you're just not going to be able to sell. So, it's -- I understand the administration's -- this administration or any administration's difficulty, but I think the other thing they have to keep in mind is that this is still small potatoes, and you've got to have these guys in there if it's going to be anything important. Even before you get to the diplomatic and security, there is an alternative. They could go the intra-Asian route. The Chinese would be happy to sign agreements with all three of them.

Chip.

GEN. GREGSON: There's a saying that victory is the solvent of alliances, that once the original purpose of the alliance is achieved, then the alliance either has to radically adapt or the alliance goes away because the purpose of it has gone away. Korea and Japan present two very interesting and different situations.

Our alliance with Korea started essentially in 1950, when we rushed over there after leaving Asia that time, which was the last time right after the end of World War II. And for the long period of time, Korea was under a military dictatorship during a long part of our alliance in the last century. After they achieved a democratic government, the nature of their armed forces changed considerably and the sway that the military held over governance in the country on things both large and small went away very rapidly. Also, the combined forces command developed and there was a continuous interaction between the Korean forces and the American forces. And the Korean forces now from top to bottom are, in my estimation, very, very good. They can manage sophisticated tactics and operations as well as we can, and it's been very much a combined development.

Our bases there were and to some extent still remain a legacy of where we stopped when the shooting stopped in the Korean War. We've done a pretty fair job

in getting rid of a lot of the easy bases that were easy to get rid of and consolidate into one place. We're in a difficult operation now to close the remaining places, Yongsan, right in the middle of Seoul, which has of course grown considerably since it originally arrived there, and consolidate down. And we're still working on the modalities of how forces are going to be commanded there in recognition that the Koreans have achieved such great capability.

The threat still remains. North Korea still has about 80 percent of its armed forces positioned along the DMZ, and this audiences needs no reminder of the rest of the things going on.

Japan is different with a completely different relationship with the self-defense forces than most nations have with their armed forces. Progress and development has been somewhat affected by that, but the Cold War ended when it did, and in rapid form we had the defense guidelines in the late 1990s, the acquisition and cross-servicing agreement. We've had the most recent national defense program guidelines, which are rather breathtaking by Japanese standards on their forward-looking. And interestingly, in recent years, Japanese and Americans have both deployed forces to different operations at different times: the Japanese to Cambodia with the U.N., to the Golan Heights, and other places. Then we both deployed to the same place at different times: East Timor. We went in, we left, then the Japanese came down with an engineering battalion and were there, and then they left. And then most recently the deployment to Iraq -- not most recently but a recent deployment to Iraq. And then now the Japanese have the P-3 detachment flying out of Djibouti engaged in multinational counter-piracy patrols.

Where we go from here depends on how well we adapt to things and how well we adapt to common purposes. It will change, and it should change, as the

Japanese develop. And as conditions change, then the Japanese -- the disposition of the Japanese and the U.S. forces should change.

One of the reasons I leaned a bit on the potential Guam and other surrounding islands' offer and the Australian situation offers is that Japanese already train in the United States, but it's a very expensive proposition from there. If you've ever made the flight from Tokyo to San Francisco you know what I mean. It's difficult to get forces here. They usually go to Yakama, Washington, or to Camp Pendleton in California. They have Japanese students in our service schools. Establishing a training capability in and around Guam along with whatever else happens with the development of Guam in that area would be a great boon to bilateral training of the U.S. and Japanese forces and one more adaptation along the way.

Questions.

MR. RECKFORD: Thanks. I'm Tom Reckford with the World Affairs Council and the Malaysia America Society. Question for Claude about the TPP.

If Canada and Mexico enter the negotiations, how will this affect NAFTA? And do the governments of Canada and Mexico regard this as potentially a way to change certain important aspects of NAFTA?

MR. BARFIELD: I think inevitably it will affect NAFTA. One of the things I didn't go into, skipping across all the material, was that this is not new. Another thing that makes this negotiation unique is that you've got nations that already have bilateral agreements, basically again the existing nine, that have bilateral agreements with each other -- the United States, Singapore, Australia -- and we don't have bilateral agreements with others. And I'm not going to go through all the others who do and do not, but you've got to -- the key, and this would affect Canada and Mexico, the tension is how much do you create de novo a new agreement, particularly for market access? Our trading

partners New Zealand and Australia, my understanding is, are pushing very hard for this to be a new agreement. The United States, because it has offensive interests in some areas, such as intellectual property, and defensive interests in rules of origin has resisted that. I don't know where that stands. This would be writ large if Canada and Mexico came in. But as they now have launched delegations all around to look -- you know, to talk with the various partners in the DVB, they must know that. I don't know how -- it's too soon to know how they themselves want to deal with it or the United States wants to deal with it.

MR. COLELLO: My name is Craig Colello, a student at Princeton, and I have a question for General Gregson.

How can the U.S. manage and mitigate negative Chinese perceptions of force redistribution and deployment changes? If they get paranoid about 2,500 Marines in Australia, what are going to be the repercussions for joint training operations in the South China Sea and things like that?

GEN. GREGSON: Well, transparency is required. We try and be as candid as we can be about these things, and it doesn't have to be a zero-sum situation. We have Chinese participation in the counter-piracy operations in the Western Indian Ocean, and China's contributing in that way to the global good in consonance with her position as a great power. I don't see the things the same as trading a training complex well east of the Philippines in Guam, et cetera, as the same as trying to militarize things in the South China Sea. I don't know that that's in the cards, and I don't know that that's being planned.

MR. BARFIELD: The only thing I would add is I would not assume on the basis of, you know, an editorial in the *Global Times* that the PLA or senior Chinese leadership takes as a paranoid or hysterical view as your questions implied, and I

understand where you're coming from. My sense is that there is a more realistic view within the PLA high commands and in the party about what this Australia deployment means.

MR. COLELLO: Thank you.

MR. Lieberthal: Ken Lieberthal, Brookings.

Claude, the question is a very simple one. Why isn't South Korea seeking to join the TPP?

MR. BARFIELD: They're exhausted. (Laughter) They went through a huge negotiation with the EU, and then they turned and went through a huge negotiation with us. Then it got extended and, you know, they -- they're just still sort of wiping their brows and saying, God, thank God it's over.

Now, I think they -- I say that, but I'm sure they are thinking about this, and they already are having to make -- if you talk to Korean scholars that haven't talked to anyone in the government since this has all -- when we've all finished is that they know there's kind of balancing act that they're going to have to go through. I remember reading somewhere -- and I shouldn't say this, because it just was a rumor -- that the Chinese had already given indications they would not be happy if Korea moved directly to the TPP, but I don't know that that's -- but at any rate, if they haven't, it's one of those things that they're balancing I think.

MR. BADER: All right. We'll give Nelson a second shot here but only because he's Chris Nelson.

MR. NELSON: This is I can't help myself, two fingers. Chris Nelson, *Nelson Report*.

I think a larger reason right now is that they're in election season --

MR. BARFIELD: Oh, that's true, too.

MR. NELSON: -- on steroids with a national assembly election coming up in the middle of April, and the former ruling party, the Liberal Democrats, have made a point of campaigning against KORUS for the last year, and they promised to try to rescind as much of it as they can if they get in. So, just for that alone plus exhaustion, that would seem to be a likely -- for now, despite how much we would like to have them (inaudible).

MR. BADER: I appreciate that comment. I think that Claude's comments about all politics being local, I think all trade politics, especially in Korea, as local.

Over there.

MR. BARFIELD: Well, that's happened to Japan. My understanding is the LDP has come out against, you know -- even though we've had -- we had a -- I forget, a top Japanese cabinet member at AEI a couple of weeks ago, and he is in descent from that. But they are playing politics. Their parties are playing politics with it. It just is it's happening in Korea. The TPP (inaudible), excuse me.

MR. GIBBONS: Thank you. Mr. -- Chip. Yes, I --

MR. BADER: Identify yourself and your --

MR. GIBBONS: My name's Dan Gibbons with Georgetown University. I was very interested in your comments vis-à-vis the lack of really sort of a collaborative dispute process in Asia. I'm encouraged by the administration's military efforts vis-à-vis such things as piracy, I've heard cited the, you know, natural disaster response kinds of things. I wonder if you have a sense of where the administration is going with this kind of movement towards this region in those kinds of areas, given the fact of not a large collaborative kind of approach that history -- historical kind of approach that they have normatively, culturally, or whatever.



GEN. GREGSON: Right. There's not the collaborative thing. Like, for example, there's no NATO equivalent nor is there going to be a NATO equivalent, but there are -- I perhaps overstated it a little bit -- there are other dispute resolution forums emerging. You mentioned disaster relief. I'm pretty sure the United States still strongly supports ASEAN's efforts to cobble together a voluntary effort from many nations to respond to various natural disasters. And that's a common approach to what can be a common problem, and that leads to other dispute resolution things.

I hit on the fisheries thing. I think that that's not just because there's an environmental consideration here with overfishing certain species but because with all the countries that depend on nutrients from the sea and catching fish and the growth of populations that we expect to see and the continuing pollution of the oceans in many ways, which further damages the aquaculture and the support for marine life, this is something we need to figure out how to solve. And there may be efforts afoot to do this. I know that the Pacific Fleet has helped to participate in various things, surveillance and apprehension of the League of Fishermen, but that's small potatoes. We need a serious effort to resolve this. And, as I said, there may be efforts underway, but I haven't seen them.

MR. BARFIELD: I'll add this. The notion of peaceful resolution of disputes very much underlays what Secretary Clinton did in Hanoi at the ASEAN regional forum in July of 2010. She was trying to revive a longstanding PRC-ASEAN dialogue on resolution -- on articulation of a code of conduct for activity on the South China Sea as well as for peaceful resolution of disputes. And since then, the administration has continued to give voice to that notion in ARF meetings at the East Asia Summit. The position has evolved a little bit in terms of what Secretary Clinton has to say about putting forward claims based on the (inaudible). But what has not happened and I think cannot

happen is a specific U.S. role or U.S. (inaudible), not some articulation of some normative process that we would take the lead on. I think there's an assumption that it would be dead on arrival with the states of the region, particularly with the Chinese. So, I think the notion is to try to give a moral force and international support and pressure for a process that the Chinese and the ASEANs have already said that they're committed to and to kind of shine the spotlight on it to move it forward.

MR. GIBBONS: Okay, thank you.

MR. BADER: Over here in the second row.

MR. MANYIN: Hi. Mark Manyin with the Congressional Research Service. Chip, a question for you.

Can you talk in a little bit more detail about the importance of the relocation of Guam and to this whole emphasis of diversification and making more flexible the U.S. presence in Asia? Of course, it's tied to the Futenma issue, which is problematic. It's tied to Congress, which has zeroed our funding for a lot of the construction there. So, I guess to put the question a different way, if Guam doesn't happen, what does that mean for these goals of making more diversified and flexible U.S. presence in Asia?

GEN GREGSON: Well, the initials for the Futenma replacement facility of course are FRF. And the Japanese say that there's another set of initials, FIF, Futenma is forever, and they don't want that either.

This has got a long history. It started in 1991, got renewed life in 1995. In 1996, we had the Special Action Committee in Okinawa, which had some 43 different initiatives. The easy ones were accomplished. The fatal flaw in the SACO agreement to getting things done, including moving Futenma, was that the SACO agreement fell victim to the usual bureaucratic practice that getting the agreement is the hardest thing and we'll

leave implementation to somebody else, toss it over your shoulder. Second thing, it was limited to Okinawa. And third, there were no forcing functions. And two or three times it's been mentioned that all politics is local. I can tell you that living Okinawa for three years, you'd have two jurisdictions in Okinawa that disagreed on something and everything froze. You couldn't go forward, you couldn't go backward. So, the agreements of 2005, 2006, and 2010 were intended to solve a problem of a certain size by making it bigger, add more initiatives to it, 19 initiatives. Eighteen are accomplished or on their way to being accomplished. The one that's not, of course, is the one that's left, and it's pretty much a dual-action thing. Nobody moves to Guam unless we get the Futenma replacement facility. The 895 hectares that are promised to be returned with the closure of 5 bases in the most crowded part of Okinawa don't go back to Japan until we get the Futenma replacement facility.

Long lost in this -- this isn't a recent thing, this is a bipartisan effort, and at least two administrations if not three -- we allowed local politics, both in Guam and in Okinawa, to assume control of the conversation, and nobody was making the strategic case that this is an adaptation of the alliance. It's an expansion. It's an enhancement to training for both the U.S. and the Japanese. It's a diversification, a distribution of forces, and those things. We need to be able to make that case to be successful with this.

There's renewed interest, and it's going to be -- that success is possible. If it all fails, this can't be good for the alliance. Number one, you don't solve a problem on Okinawa. The forces remain in the most southern one-third of Okinawa. They don't get the land back that can lead to the educational and business development of Okinawa. And one of the issues here that's not often mentioned is Okinawa's 47th out of 47 prefectures in Japan in virtually every major economic and educational statistic. And that needs to be fixed.

For one thing, Okinawa is the only prefecture with a growing population. If they want to recover from the economic difficulties, Okinawa needs to be a contributor, not a cross center, which I think somebody mentioned this morning or earlier today. It has the potential to be a blow to the alliance. Whether it's a fatal one or not, I don't know. That would be total conjecture, but it would not be good.

Also not good would be, in summation, we forego a major initiative to contribute to the development of a prefecture that needs development, and we forego a major, I think, strategic redefinition of alliance roles and functions, and I think that would be a very bad outcome.

SPEAKER: So, you're saying if Guam doesn't get built up --

GEN. GREGSON: Well, Guam is going to build -- sorry, Guam's going to build up in some ways. We've added submarines to the naval base there. 13th Air Force and Anderson Air Force used to be, frankly, pretty much empty, except for two or three aircraft. Now there's aircraft there all the time. 13th Air Force has built up their stocks there. The Army is going to be moving there. The thing that gets lost in this is that we won't be moving half of the forces from Okinawa basically -- half of the Marines, anyway -- down to Guam, which would enhance the reach for the United States and for the alliance into areas that are increasingly important to us: Southeast Asia and South Asia.

MR. BADER: This will be the last question. Young woman in the third row.

MS. SHU: Thank you. Shu Ling from *Duo Wei Times*. Two weeks ago our attention was on a series of actions that the United States has taken economically and militarily which was interpreted as containing China. But last week President Obama started to blame China on economic issues in his State of the Union Address. Yesterday the Vice National Security Advisor also said that the main issue between the two

countries is in the economic field. How do you interpret the fact that two weeks before the Chinese vice president, Xi Jinping, visit to the States, the United States has started to shift their attention from other issues to economic issues.

MR. BADER: I'm afraid that question is not suitable for this panel. I appreciate the question. It would have been an interesting question for the last panel, but let me go with a different question. This panel is about TPP and about military strategy, but I appreciate your question. Thank you very much.

MS. SHU: Yeah. Well, might I ask a follow-up question?

MR. BADER: Can you please give the mic back? Thank you.

We'll take one last question, the gentleman in the middle here.

MR. DONG: Thank you. Dong Qwei Yu with China (inaudible) News Agency. My question is for General Gregson.

Last week the Pacific commander, Andrew Willard, said he was delighted to see the U.S.-China strategic dialogue keep going but he was not satisfied with the U.S.-China military-to-military relationship, because the tactical and practical levels exchanged have not been advanced. What do you think about this argument, and what obstacles need to be removed? How about the idea of inviting China to join -- to participate in your joint military exercise in Asia-Pacific region?

Thank you.

GEN. GREGSON: Admiral Willard's comments about the most recent strategic and economic dialogue are consistent with what happened, in my opinion, at the previous strategic and economic dialogues in that virtually every agency or function enjoys a very good relationship with their Chinese counterparts, but the discussions between the representatives to the U.S. Defense Department and the U.S. military and the PLA are always much, much more difficult.

What needs to change? We've had some success with the Military Maritime Consultative Agreement. We've had less success with others. We need to -- the United States is determined to continue to engage with the PLA when and where we can, and it's up to developments, I think, on the PLA side on whether we want to go forward with this.

SPEAKER: It's been a joint exercise. Any opinion on that?

GEN. GREGSON: Joint exercises? I think we've gotten as far as search and rescue exercises. There may be others that we've done since then, but I'm not sure of that. So, the principle is established that we're willing to participate in joint exercises.

MR. BADER: Thank you all very much. Appreciate your patience, your interest. (Applause)

Look on the website in the next day or two for anything you missed.

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