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CRISIS IN CRIMEA: IMPLICATIONS FOR U.S. RESPONSE IN EAST ASIA

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P R O C E E D I N G S

MR. SHAPIRO: (in progress) -- and we like to tell our supporters that our unique strength is our ability to use our breadth of analysts to integrate insights from various regions and emerge with a global picture that can inform the uniquely global concerns of U.S. foreign policy. And in our view, the crisis in Ukraine is an episode which merits that type of analysis and, in part, through its effects on U.S. foreign policy. We think it has the potential to have some impacts throughout the world. People are already asking what the crisis in Ukraine means for U.S. efforts to make peace in Syria, for U.S. efforts to denuclearize Iran, and, most relevantly, given that the President is going to Asia next week, what the crisis will mean for the pivot to Asia or whatever you want to call it.

So we decided that we're going to try to set the stage for the President's trip to Asia by trying to connect the issues of Eastern Europe and East Asia explicitly here and ask how the crisis in Ukraine might affect what the President hears and does on his trip next week.

We have in my humble and very biased opinion the perfect panel with which to do that. On my far right is Steve Pifer, who's a senior fellow in our Center on the U.S. and Europe and director of our Arms Control Program. He's a career foreign service officer, retired career foreign service officer, and among his many posts the most relevant, I think, for this panel is that he's the former ambassador to Ukraine.

Next to me is Mike O'Hanlon, who's a senior fellow and director of research here in Foreign Policy Studies and how has published many, many books, I think more than I've actually read. And most recently, even this week, I think, his most recent book with Jim Steinberg is out, which is *Strategic Reassurance and Resolve: U.S.-China Relations in the Twenty-First Century*. I heartily recommend it to you. You could wait for the movie, but I think you probably shouldn't. (Laughter)

On my left side is Ken Lieberthal, who's a senior fellow in Foreign Policy and Global Economy and Development at Brookings. He was previously the director of our Thornton China Center and a professor at the University of Michigan. And he also, during the Clinton administration, was the senior director for Asia in the White House.

And on my far left is Jonathan Pollack, who is a senior fellow in the Thornton Center and in the Center for East Asia Policy Studies, and previously a professor at the U.S. Naval War College and an expert on Chinese national security strategy and U.S.-China relations.

So to start off, I'm just going to ask the panel a few questions and see whether we can find out whether there's any connection between these issues, and then we'll go to the audience.

So, Steve, I'd like to start with you, if you don't mind. The crisis in Crimea and Ukraine is obviously occupying a lot of the time and attention of U.S. officials. And I think it's calling into question some of the declared strategic priorities of the Obama administration, including the pivot to Asia. Do you think that the United States will have to reorient its strategic priorities to deal with the crisis? And are Europeans, and especially the Ukrainians, expecting the United States to do so?

MR. PIFER: Okay. Well, let me start out by saying what's sort of the backdrop going back a few years before this crisis. And what you've seen since the end of the Cold War is really the United States having the ability to have to devote less time, less attention, and less resources to Europe. And that's largely reflected the success of American and European policy over the last 20 years. So with the enlargement of NATO, with the enlargement of the European Union, you have really anchored the states of Central and Eastern Europe, the Baltic states, into transatlantic institutions.

And when this policy was launched, one of the goals on the American

side was to get to the point where we didn't have to worry about that region so much individually because they would have institutional support. And among other things, you've seen over the last 25 years a significant drawdown in the American military commitment to Europe, in part reflecting an assessment that Russia was a more benign power. So from a military presence that include four heavy divisions in Germany at the height of the Cold War, down now to two army brigades in all of Europe, so a fairly significant drawdown.

With regards specifically to Ukraine from 2010 on, I think there was a decision by the administration to let the Europeans take the lead. And that reflected the fact that the government in Ukraine as of 2010 was looking at the European Union as its main path to draw closer to Europe. And so it made logical sense basically to let the EU take the lead and support that as the way for Ukraine to thicken its links with the West.

Now, what you've seen over the last several months is an intensification of U.S. interest and attention on Crimea as there's been the escalation of the crisis there within Ukraine, and specifically after you had the military occupation of Crimea and the annexation by Russia, which was seen as fundamentally breaking the rules of the post-Cold War order, i.e., that you did not use military force to take the territory of another country. And my guess is that within the administration after February 24, when you had the new acting government in Kiev after former President Yanukovich fled the country, and they reaffirmed that their interest was in drawing closer to the European Union, specifically in signing the EU Association Agreement, there was an expectation that the Russians would do something to destabilize that government because the Russians don't want to see that happen. But the expectation was much more that the tools that the Russians would use would be the economic levers. And, in fact, they skipped right over that page and went to the military occupation of Crimea. And that's provoked probably

the biggest East-West crisis of the post-Cold War era.

Now, yesterday you saw a meeting in Geneva which produced a statement which has the potential to defuse that crisis, but a big question's going to be implementation. And, unfortunately, at least the initial results today are not good. There is not evidence that the armed groups in Eastern Ukraine have either moved to disarm or to evacuate the buildings that they've occupied. So implementation has a big question mark.

Now, given the scale of the crisis I think there's an expectation in Europe and also in Ukraine that there will be more American attention, and I think you're seeing that happening in terms of American diplomacy, in terms of the time that Secretary Kerry is spending, and in terms of the time that the President's spending. You know, virtually every other day now he's making phone calls. Yesterday it was to the German chancellor and the British prime minister about the situation in Ukraine, so it's consuming time, attention, and resources.

And it comes at a time when you see, I think, an American policy course which really can be broken down into three areas: one, support Ukraine; two, punish Russia; and then three, reassure/bolster NATO. So in terms of support for Ukraine what you've seen is the Vice President's going next Tuesday, the Secretary of State's already been there, the acting prime minister was here -- a lot of work politically to help that government in Kiev, which is very vulnerable, basically acquire some more staying power, some more political legitimacy.

A lot of work with the IMF on an assistance package, which is going to require that Ukraine makes some very tough economic reforms, but which could put Ukraine in a situation where a couple years down the road its economic house is in order.

You've seen steps to punish Russia: ratcheting down political bilateral

relations across the board, the G-8 has been ratcheted back to the G-7, some modest sanctions applied against individual Russians which seem to be having an effect. Two days ago, the Russian finance minister said that he was lowering his estimate for the Russian GDP growth in 2014 down to 0 to .5 percent, and he attributed that to the geopolitical situation. He also said that capital flight out of Russia for the first quarter had reached \$50 billion and there are projections that capital flight this year out of Russia could amount to as much as 200 billion. That would be 50 percent more than left Russia during the financial crisis of 2008. And I think there are more sanctions waiting in the wings, a lot depending on what happens in terms of implementation in Geneva.

But the third area I think is the one that potentially has the most potential impact for the pivot to Asia is what is needed in terms of reassuring allies in NATO and bolstering NATO. And very early on, within days after the Russian occupation of Crimea, you saw the U.S. military taking steps to basically reassure the countries in Central Europe and the Baltics. So at this particular time, the U.S. Air Force has the Baltic air policing mission. For 10 years, NATO air forces have taken turns providing four planes for the Baltic states for their air cover because they have no air force. Well, when America responds, America had that mission, was to go from 4 to 10 aircraft and deploy a supporting tankard. A squadron of F-16s went in for exercises in Poland and the U.S. Navy has had now a string of ships going into the Black Sea. And you now have within NATO a conversation going on about how coming in behind Americans, that when it's time for the European air forces to take over the air policing mission in the Baltics, it's going to be more than four airplanes.

Moreover, there's a conversation going on because there is now a desire on the part of the Baltic states and the Central Europeans for some ground presence. And I would not be surprised that in the coming months you see not large detachments,

but you do see, you know, small groups of NATO ground forces on the territory in Central Europe and the Baltic states in a way that will not be seen as an offensive provocation, but will be reassuring in terms of trip wiring.

And there is a discussion, if you go back to 1997, when NATO was considering an enlargement, NATO talked about in the circumstances prevailing that the time there was no requirement for the permanent stationing of substantial combat forces on the territory of new members. There's a conversation underway in NATO now as have those circumstances changed in a way that might lead to a change in that policy?

So I think things are beginning to happen. There will be a question, what are the resource requirements? If there are forces that are moved up, where do they come from? And that may have some implications for the U.S. I think really the challenge here for the pivot is that if you look now at a greater European pull, looking for certainly more time from American diplomacy, from the President, and perhaps even from American military resources, how does that complicate the ability to rebalance towards Asia?

MR. SHAPIRO: That's the question I was going to ask you, Mike. Given all of the demands on both time and resources and that Steve just talked about and, to some degree, predicted, I think we're wondering what you think the effect of this will be on the pivot to Asia. And even before you get into that, you know, this trip is notionally part of the pivot to Asia. And I think it would be helpful to use to know from your standpoint, the pivot is obviously a very long-term policy, but where does it stand right now? To what degree has this actually started? To what degree has the United States actually rebalanced or pivoted or otherwise pirouetted toward Asia?

MR. O'HANLON: Thanks, Jeremy. And thanks, everyone, for being here.

I think it's important to underscore at first that the rebalance, as I like to call it, was never a dramatic shift in American resources in the first place. And that's both sort of good and bad news for what we're talking about now. I'll be curious to hear if Ken and Jonathan agree with me.

But it's bad news in the sense that whatever modest momentum we had achieved in what I think was a good idea, the rebalance, in other words, not pivoting, not pretending we could ignore previous allies or commitments or regions, but trying to reinvigorate our commitment to the Asia-Pacific, it was never involving that many resources in the first place, it never really amounted to a huge shift. And so to the extent we had achieved a little bit of momentum at the end of the first Obama term, we've sort of lost it, largely because diplomatic attention has moved away from the Asia-Pacific with a change in personnel in the Obama cabinet and top leadership and also because sequestration has put downward pressure on the defense budget. So whatever modest reallocations we were aiming towards the Asia-Pacific are now competing with the fact that there's downward pressure, the pie is getting smaller for the whole world. And so the bad news is there wasn't much to the rebalance to begin with in tangible terms, meaning that when you get distracted for a year or two, you sort of lose the momentum that you had attained and there's not much left.

The good news, however, is the rebalance was never really a huge thing in the first place, so getting that energy back shouldn't be impossibly difficult. And, in fact, I say this with respect and with support for administration policy because I don't think we wanted to overdo the rebalance. I don't think we wanted to get too much in China's face or to pretend too much that we could leave the Middle East behind. It was a modest approach that was appropriately modest the whole time.

So just one specific way, I've tried to look at this from a military analysis

point of view, and, of course, Ken and Jonathan are the real Asia experts and we'll hear from them in just a second, but one way I've tried to do this -- and Jim Steinberg and I wrote about this in our book, *Strategic Reassurance and Resolve* -- is to say out of today's military budget in the United States, it's about \$600 billion headed downward as the wars continue to end and as sequestration potentially looms again, but it's about 600 billion, out of that annual amount how much have we reallocated as a result of the rebalance? In other words, amounts that might have been partially or primarily focused on the Middle East or Europe before, how much of that have we taken and then shifted towards the Pacific? And there's some room for debate and interpretation here, but it definitely was no more than \$10 billion in my mind out of that 600. At most we have planned to reallocate about 10 billion. And that's largely by the Navy putting up to 60 percent of its fleet in the Asia-Pacific whereas the figure used to be 50 percent.

Even that figure you shouldn't take too far to the bank, though, because if naval ships are based in the Asia-Pacific, they can still go the Persian Gulf or somewhere else. They don't have to go just along the South China Seas, China Sea, East Asian littoral. And, therefore, they're not necessarily going to be serving the rebalance all the time anyway. And so that's why I say 10 billion a year is an upper bound.

And, again, let's just say for the sake of illustration we were spending 250 billion a year on the Asia-Pacific previously. There's no good way to come up with a precise number, but let's just say it was 250 out of 600 billion. Now maybe it's going to be 260 billion. And that's in the context, however, of that overall pie getting smaller. So if we can even sustain that modest increase, I don't know. That's going to be a question for the future.

Bottom line and just to simplify, my overall sense here is that we can get

it back. It's good the President's going to Asia next week. It's good he has plans to go again to Asia later in the year. Unfortunately, his big trade initiative is in trouble for the Asia-Pacific. I know we'll hear more about that later from my colleagues here. But I think in terms of the diplomatic attention and the military component we can get it back. And even if put modest numbers of light ground troops in Eastern NATO countries in future months, as might be appropriate under the circumstances with Ukraine, it's not going to deprive us of the ability to shift more of the Navy and the Air Force to the Asia-Pacific as we're already doing.

So I guess I am suggesting we need to continue the momentum the President's trying to build next week. He's lost a lot of the momentum he created in the end of the first term with the rebalance. But the good news here is that Crimea and Ukraine and Putin don't impede him from reestablishing that Asia-Pacific momentum if he stays focused on the job.

MR. SHAPIRO: Okay. Thanks, Mike. So, Ken, to paraphrase Churchill, the Asia pivot is a modest policy with much to be modest about. (Laughter) Given that, how is the pivot seen in Asia today? Is it seen as a real thing? Is it seen as sufficient to the needs of the region?

MR. LIEBERTHAL: Well, let me say, first of all, words and attention matter, and so it's not just a matter of \$10 billion. One of the things about the military dimension of the rebalance strategy is there was an assurance that the military commitment for Asia would not decline, despite obvious future downward pressure on the defense budget. So there's an issue of priority and conceptualization.

And here I think the Obama administration saw the rebalance toward Asia as perhaps its biggest strategic framework statement in its first term in office. The idea was to reinvigorate attention paid to the Asia-Pacific region after enormous focus on,

for obvious reasons after 9-11, on Iraq, Afghanistan, and the global war on terror. And recognizing that the Asia-Pacific is by far and away the most dynamic region of the world and U.S. interests just require that we enhance our engagement there and certainly not be seen as neglecting the region for other priorities.

This required conceptualizing and implementing an Asian-wide integrated strategy. In other words, integrating economic, military, and diplomatic components of strategy, not separately toward Northeast Asia, China, and Southeast Asia, but having our approach to the entire region. Anyone who has worked on the National Security Council or at the top of the State Department or Defense Department and tried to integrate policy toward all of Asia knows that we've never been able to do that effectively. It's a very high bar. And at least putting it actively on the agenda, I thought, was an impressive goal to seek and to pursue.

And then all of this was to assure that America would play an ongoing role in Asia and would devote sufficient resources to that by way of protecting those resources in the U.S. budget.

Now, to my mind, you've heard three different terms used even among the first three speakers here.

MR. SHAPIRO: I personally used three.

MR. LIEBERTHAL: You personally used three and Mike used three, I think, and Steve used two. You know, rebalance was the original name of this strategy. That, frankly, was contentious within the administration. There are some in the administration, not in the White House, who wanted to call it a pivot. Jazzier, sharper. I mean, who cares about rebalancing when you can pivot? (Laughter) But the difference is substantial in terms of the implications of what you're doing, especially since we're drawing down in the Middle East, we can pivot to Asia. It sounds like that's now the

center of everything and the rest is by the by.

A third term that's been used and one that I think actually should have been used from the start and really describes what we were seeking to do was to reinvigorate. You know, we never left Asia. We've had huge interests out there. We haven't neglected them, but we've put so much attention elsewhere that reinvigorating the effort to Asia would have put us in the right position, to my mind.

Unfortunately, with the kind of contention among these terms, very quickly pivot won out. And here we've been more balanced, but if you look at the popular discourse, it's all about the pivot to Asia. When you say "pivot to Asia," it raises three questions that have been very much in the minds of various audiences in Asia about what they should expect and how they evaluate the future of this policy, what this policy will be able to really produce.

First of all, to what extent does success of the "pivot" -- and being, you know, "pivot" in quotes, for me at least -- to what extent does the success of the "pivot" in the future depend upon an assumption that the Mideast will go smoothly and that Europe will not again become a major problem? If you think of it as a pivot, you know, in the literal sense of the word, that's an obvious concern.

Secondly, to what extent does the credibility of the pivot depend upon overcoming dysfunctionality in Washington that may make even a very high-quality Executive Branch policy not very credible in implementation?

And then thirdly, can the U.S. deliver on both economic and security elements in a way that is both credible to allies and partners in the region, but also avoids the trap of falling into making China the bull's-eye of the policy rather than making China a central component of the policy. That perhaps is something that sounds like a rhetorical distinction is, in fact, a fundamental distinction because China is at the center of

Asia. It is the largest trading partner of virtually every country in Asia, including all of our allies. And so if you can build China in, in a constructive fashion -- and let me say that's not easy, but if you can stay on that side of the line -- then you really are achieving greater stability in Asia and a huge U.S. role there.

If China's on the other side of the line and Asia becomes increasingly divided, countries feel they have to choose one or the other, there's not a single country that would regard that as a successful American effort. Every country says what they want to do is have America handle the relationship with China wisely, which is to say don't let China steamroller us, but don't divide Asia over China. Don't force us to choose either.

So with that as background, let me just briefly take a look at where we stand in Asia on views of the pivot as the President goes out there. I think the developments in the Mediterranean to the Persian Gulf added to the recent developments in the Ukraine, you know, many feel that their sense of a key premise of the pivot, it relies on not having things go wrong elsewhere, is now really quite questionable. And so countries on the President's trip will be looking, among other things, for strong and skillful reassurance, both on the President's security commitments and on the administration's related tactical skills and assuring that those commitments produce desired results.

Secondly, in terms of U.S. political dysfunction in terms of delivering needed congressional support, you know, the initial news was bad: sequester; the President had to cancel his last major trip to Asia because the government was shut down; pessimism over the trade promotion authority and, therefore, over ability to deliver on a Trans-Pacific Partnership, if that is successfully negotiated. All these are certainly major concerns, but they shouldn't be seen in isolation because there is widespread

appreciation in Asia of the economic recovery of the U.S. We're now the strongest growing economy of the industrialized world and a lot of the rapidly growing, big emerging markets are now encountering a lot of trouble.

The President has used executive authority through the EPA to actually go establish a pretty good record on meeting commitments on greenhouse gas emission reduction. And there is greater confidence that the U.S. will avoid another government shutdown or debt ceiling crisis.

So I think on balance there's more confidence that the U.S. is still capable of real economic dynamism, and that is huge in expectations of the U.S. role in Asia. There are still concerns about government dysfunction and I think TPP, if it gets negotiated and submitted to the Congress, will be a critical test of that with enormous repercussions, positive or negative, depending upon how we go.

Finally, the issue of whether China is the bull's-eye or China is a central part of our reinvigoration strategy toward Asia that we can handle well is one that we want to make it the latter. There is a lot of pressure that pushes the administration at least tactically to make comments and commitments that the Chinese would interpret as the former. And I think one of the real tests of the administration in the coming months and years will be how they're able to stay on a constructive side of what is a very difficult line. I'm sure we'll get into this later, but how Ukraine plays out will be one of the elements that will shape that assessment.

MR. SHAPIRO: Thanks, Ken. I guess I did want to get into that a little bit with Jonathan. Just with all of that as background, and it's quite a lot of background, how is the President seeing this trip? What is he trying to accomplish on this trip? And how are the Asians seeing the trip? And particularly, are they integrating the concerns that Steve articulated about the Ukrainian crisis into their understanding of what the

President is doing?

MR. POLLACK: I can't say that President Obama has shared with me what his goals are on the trip, so necessarily this is somewhat speculative. My to-do list will be more my own list rather than what his might be.

I think it's important first to step back for a moment. In November 2011, 2-1/2 years ago now, that was the formal rollout of the rebalance strategy, although I think the gestational elements of the policy were there from the very earliest months of the administration, but it was then given the dramatic rollout with President Obama making successive stops, first in Hawaii, then in Australia, and then in Indonesia, with enormous press coverage. And the background of so much of this discussion and debate is precisely the way events and words and actions are interpreted. The world today, 2-1/2 years later, I think looks quite different. Asia looks different and the United States looks different compared, again, to what we saw at the time of the policy rollout.

If I can say that the rebalance was an ambitious statement of policy intent, it was a very incomplete vision and it remains, in critical respects today, still an unrealized vision, highlighting yet again just how difficult it is to get some kind of a true reconfiguration across the entirety of the United States Government.

Now, the fact that the Asia-Pacific region is going to be ever more central to American interests seems an unexceptional comment. It's kind of like what Molière's bourgeois gentleman said about he had discovered he'd been speaking prose all his life. In the same way, the center of strategic and economic gravity is shifting to the Asia-Pacific region and we should expect, therefore, over time, there would be the commensurate moves by the United States to reflect that reconfiguration. But the question persists, toward what ends? With what resources? And how is it going to be meshed against global goals in American foreign policy, ones that now, as we see in the

context of events in Ukraine, have truly come to the fore?

So if I were coming up with a to-do list, here's mine. The first is the preeminent goal for President Obama on his trip must be to demonstrate, A, that the rebalance has staying power and genuine strategic significance and, B, that it is not a code word for the counterbalancing of Chinese policy.

Second, we need a much fuller strategic conversation across the Asia-Pacific region. In this case, country-by-country, recognizing that, of course, the visit to Malaysia and Indonesia is a rescheduled -- and the Philippines, rather, is a rescheduled activity from before. We still, in my view, seem stuck very, very much in bilateral relationships when our aspirations are to a larger regional vision. Now, I understand there's a lot of multilateral activity in Southeast Asia, much less of it in Northeast Asia, which is still, without question, the focal point of our power -- military, economic, and diplomatic -- even compared to the growing importance that we attached elsewhere in the region. So there is that need for a fuller strategic conversation.

Third, there is a parallel need to discuss burden and responsibility sharing when our own capacity to sustain a global strategy is increasingly in question. In this respect I have to say, going back to the exuberance of the rollout of the rebalance strategy, it was an oversold strategy that did not reflect, in my view, in retrospect, realistic possibilities about what you could expect to achieve. So we need to acknowledge openly, and I think that President Obama is very much capable of this, that the rebalance necessarily requires some reallocation of resources, but that there is a pie that is -- I don't want to say the pie is absolutely fixed, but if you're asking questions about what the United States can realistically expect to do, it's going to be a function of three alternatives.

Either, one, we will somehow convince the Congress and others to

commit more resources to what we do in the region. Number two, we will have to make do with less. Or number three, we make very, very clear to our allies and partners in the region that we expect commensurate contributions on their part if we are going to achieve a larger vision, if you will, for the region in the long term. This, I think, is part of that kind of candid discussion that has to be held in the next week.

Fourth, there is a need for very candid bilateral discussions on specific policies of some of our key partners on trade, on history, on other issues, which are at variance, frankly, with American interests and policy goals. We cannot be a disinterested third party. Even if we argue it would still be up to the states of the region to find a way to reconcile these differences, I don't see us being able to sit on the sidelines.

The best case in point may be the stunning anomaly of the incredible frigidity in the relationship between Korea and Japan. Korea and Japan, after all, are America's two most important regional allies. They are both headed by right-of-center governments. They barely speak to one another. A little low-level cooperation and, of course, President Obama in the Hague actually got President Park and Prime Minister Abe in the room at the same time. But as we are all familiar, there are deep grievances here as both of these countries try to define a role for themselves in the world that is to come, and it's finding their interests in very, very great conflict with one another.

Then two more final points. First, the elephant in the room, we've already alluded to it. Its name is China. And the question is can we actually see the kind of intelligent discussion that needs to be held almost, if you will, country by country about longer-term relationships with China, longer-term questions about its international position and role? In this respect, it's often asserted that no one in Asia, and Ken has alluded to this, no one in Asia wants to force a choice between the United States and China. At the same time, I think it would be imprudent for the United States to, in effect,

force a choice between China and Japan. For different reasons, but for very much related reasons, both are hugely important to American interests. Japan is a long-term ally and China, of course, is very much the rising power. A successful strategy has to find some kind of an inclusive concept lest the future of this region go in directions that we don't want to see, to put it mildly.

Finally, a very few quick comments on Ukraine. Ukraine may be on everyone's mind, certainly it's reflected in this panel, but it should not dominate, in my view, the agenda that President Obama discusses on the trip. It is not at present uppermost as an issue for the region as a whole and it will only become so -- and it certainly could -- if recent events prefigure a more lasting strategic alienation between the United States and Russia and, of course, between Russia and Europe. We could find ourselves there. I don't know that we are there yet, but that's what we're here to discuss.

Events in Ukraine, even in the next week to 10 days, could divert and distract the President's larger focus on his goals in the Asia-Pacific region and, in that respect, perhaps send the wrong message. It might even be that Vladimir Putin would find it useful to rain on the American parade and to see attention again diverted from this in the context of ongoing events. But we must work not to let that happen. Thank you.

MR. SHAPIRO: Thanks, Jonathan. So, Mike, it's interesting listening to these presentations. One is struck by the fact that what the Obama administration was doing or attempting to do in the Asia rebalance was an unusual effort for U.S. policy, that they were trying to turn the gigantic ship of American foreign policy in recognition of long-term trends, in recognition of long-term strategy. And of course the history of U.S. foreign policy doesn't actually look like that. It more often looks like reacting to crisis and major shifts happen when major events happen, and that we are able only to turn the ship of state through a reaction to events rather than through conceptualizing changes in the

world.

And one can't help but, listening to this panel, think, gee, good try by the Obama administration, but maybe they misunderstood the nature of how America changes its foreign policy. And so now we have a crisis, which, as Denis McDonough likes to say, is an opportunity.

And Ken said that the pivot depended on --

MR. LIEBERTHAL: The reinvigoration depended on.

MR. SHAPIRO: Excuse me. (Laughter) Ken said the reinvigoration -- I can't keep the terms straight; it's difficult when they all mean the same thing (Laughter) -- he said that it depends on the Middle East calming down a little bit and Europe not flaring up again. It doesn't seem to have been working out. Jonathan said that the defense budget is fixed. I wonder with all the crises happening, if we can think of, coming back to your favorite perennial subject, the defense budget, where sort of crises come to roost on the domestic side of American foreign policy. Is it necessarily fixed and how will all of these interlocking crises -- the trouble in the pivot, the trouble in East Asia, the trouble in Ukraine -- come to roost in the defense budget? And can we look for new things to happen such that some of the assumptions on this panel might change?

MR. O'HANLON: You know, Jeremy, the first thing I'd say about that is that I think we have to remember our strengths. We've got a lot of things going on in the world, a lot of competition for our attention and our resources, but you were kind enough to mention my book with Jim Steinberg, I'll mention, and thank you for holding it up yet again, but our colleague Bruce Jones just put out an excellent book called *Still Ours to Lead*. And it's one of these books on America's so-called decline and basically says that the so-called decline is bogus or at least we still have it within our means to make sure that it doesn't happen. Other countries may be rising relatively speaking, China in

particular. It doesn't mean that America has to decline.

We still have a \$600 billion a year military budget. On top of that, we have allies the combined budgets of which are another 400- to 500 billion. This is already two-thirds of the global total, and I'm not even factoring into this equation neutral countries that are probably more inclined to work with us than against us on most problems, important countries like India. And so we are in a tremendous position of strength.

Now, China is clearly the number two military power in the world at this point, with an estimated budget of 150 billion to 200 billion. Jonathan may have his own preferred figures. He studies this issue very carefully, I know, as well. But in any event, China's rise is significant, it's important, and it does cause some concern, even though I agree with my colleagues here that we don't want to make China feel like it's the bull's-eye and we don't want to view our policy towards the Asia-Pacific as one of containment. The fact that China's rising at this pace is of concern at some level and it has to be and should be. But that's part of why -- when you put all these pieces together, it's why Steinberg and I called our book *Strategic Reassurance and Resolve*. We need equal parts. What used to be called or is sometimes called hedging plus engagement, you know, that's sort of the old way of thinking about how we've dealt with China. It's still largely appropriate. Reassurance and resolve in a broader sense, however, means we need to stay very resolute in regard to our interests and our allies, but, at the same time, look for ways to reassure, including with China.

And I'll just say, to bring this all to a point on what's at issue next week, I think the way in which Mr. Obama has handled Ukraine and the implications that people will try to draw from that for disputed territories in the East Asia region has generally been fine. It's not over yet and it's not a happy story as far as it's gone, but I think the

American message has basically been to Vladimir Putin what you've done so far is pretty darn bad. And we call it "unacceptable," but it's sort of mildly unacceptable and in the sense that, you know, Crimea was historically largely Russian, it has been largely Russian, and we don't have it within our power to prevent what he did anyway. And moreover, Ukraine's not a formal ally.

But Putin needed to pay a price and so he needed to have some of his cronies sanctioned and he needed to be put on notice that if he gets any more adventurist, any more aggressive, there will be potentially a much higher price to pay. And we're actually talking through the modalities of how that would happen with German and Polish friends who really need that Russian gas. Putin may doubt whether they could really clamp down with sanctions, but we're beginning to have the conversation.

And we also are doing this in the context of a world in which, as you well know, Jeremy, we've collectively put a lot of pressure on Iran in recent years in a bipartisan, American-led effort with a lot of other countries, as well, where sanctions have arguably been more effective against a major national security issue or challenge than ever before. We've learned a lot about how to apply them more selectively, more strategically. And Putin knows it because he's actually helped us with the Iran sanctions, but he knows that he could be the target of a ramped up level of sanctions if he goes further and moves into Eastern Ukraine.

I think this is a balanced message which is about right for what China needs to hear and what our allies need to hear about the disputed territories in the East and South China Seas. I don't think we should go to war against China the minute there's another altercation, if there is one and there probably will be. I think we need this kind of a balanced approach. And, in fact, we might lead with sanctions there, as well, and that may not make every Japanese friend equally happy. That may not make every

Filipino friend equally happy. But we have to also show some restraint and judiciousness in who we use military force to respond to crises that may or may not, as bad as they are, be the end of the world.

And so my bottom line here is I think Obama goes with a good set of talking points, that the way he's handled Ukraine should actually be reassuring to the extent people want to try to draw lessons about how he might handle future crises in Asia, as well. But obviously, there's a lot more to say there, so I'll look forward to what others offer as well.

MR. SHAPIRO: Yeah, Ken, I wanted to try to get you to disagree with that, if you can. Because there is a lot of talk, particularly in this town, that doesn't see the Obama administration's reaction to the Ukraine crisis as that well balanced. They see it as underwhelming, as speaking loudly and carrying a little stick. And I'm wondering from your perspective how are the Chinese judging the United States' reaction to this? And is it likely to draw -- are they likely to draw any conclusions for their disputes in the South or East China Seas from the U.S. reaction to the Ukrainian crisis or do they see it like Mike sees it?

MR. LIEBERTHAL: I think what's happened in Ukraine gives China problems in almost every dimension. First of all, the Chinese hate the notion of having a revolution from below supported by the West and recognized as legitimate by the West. And that's what they see having occurred in the Maidan and in Kiev, where fairly early on some U.S. officials expressed strong support and went to Ukraine. Steve could detail that more effectively than I. But we clearly, early on, said effectively we've got -- the people who are looking to preserve the option of associating with Europe are Democrats and they are people whose values and choices should be respected. And as this move to an actual takeover of power we have supported the new government there as a

legitimate government albeit obviously a transitional one, as it well recognizes, leading to a hopefully May 25th election. The Chinese find everything about that wrong.

Secondly, though, the Chinese always say that territorial integrity is extremely important, so they don't like the idea of Crimea quickly having a referendum, seen by the central government from the start as illegal, supported obviously by Soviet -- not only Soviet moral support, but Soviet forces.

SPEAKER: Russian, Russian. (Laughter)

MR. LIEBERTHAL: I'm sorry, Russian. I'm of an age where --

MR. SHAPIRO: You may be right again.

MR. LIEBERTHAL: Only if Putin wins. But seriously, but supported by Russian special forces, insignias off, but Putin has now said that they were very much a part of the issue. The Chinese look at that with some horror themselves.

And thirdly, they have a strong policy of non-interference in the internal affairs of other countries. And to their mind, Russia has violated that, and with U.S. support and European support in Kiev, we also have violated it.

So there is nothing that they see that looks good to them here. And, therefore, if you look at their comments to date, their bottom line is very clearly that there is no clear bottom line, that you should always --

MR. SHAPIRO: We should get them to work at Brookings.

MR. LIEBERTHAL: That you should respect history, resolve things politically and peacefully, do it multinationally, you know, oppose the use of force, oppose illegal action. At the end of the day there's no there there in the Chinese position. I've heard Chinese privately -- officials -- say effectively if you can't figure out what our bottom line is, we have succeeded in articulating our bottom line. (Laughter)

I think a lot depends -- so, you know, that's where they are now. Will the

way the U.S. has handled this potentially make them more aggressive in pursuing their claims in Southeast Asia and the East China Sea? I really don't think so. I don't think that has any clear impact or likely impact at all.

I think one of the issues, though, that may develop, and here it really depends upon understanding what's going to evolve in Ukraine and what's going to evolve as a consequence in U.S.-Russian relations and European-Russian relations, and that, you know -- as Yogi Berra always said, you know, prediction is always very difficult, especially when it's about the future. And I think he was absolutely right on that. But if this heads south, if this really deteriorates, if our sanctions go from being on Putin cronies and Russia bank to structural sanctions that lead to much less dependence over time on gas from Russia in Europe, presumably depending more on us overtime, then the Chinese are in a very different position.

Because the Chinese, and the Xi leadership especially, has seen relations with Russia as, in many ways, a counterbalance to being overly dependent on the U.S. They see potentially Russian gas as more available and cheaper if it doesn't have an outlet in Europe, and so may be quite prepared to pick up the Russian slack and be seen by the U.S. and Europeans as effectively making it more difficult to get Russia to behave in what we consider to be a responsible way in Europe. So that could then affect dynamics in a lot of ways, but that is based on several contingencies, none of which is, you know, by any means certain.

MR. SHAPIRO: Thanks. But let me just push you on your point that China will not take lessons for its territorial disputes from the U.S. reaction. The argument on that generally goes that if the U.S. isn't able to stand up to Russian aggression, the Chinese will draw the lesson that the United States will not stand up to Chinese aggression in the East China Sea, the South China See. Why do you feel not --

why aren't you worried about that?

MR. LIEBERTHAL: It's a very clear distinction, which is to say we have longstanding alliances in Asia with most of the countries where the territorial disputes with China are most severe. And we have stated time and again that we will meet our alliance commitments.

Now, you can argue about, you know, what that requires to meet our commitments, but there is no question that we don't have any such commitments to Ukraine. We don't have an alliance. We have never assured Ukraine's territorial integrity by threatening the use of force. We have not tried to make Ukraine a part of NATO. So I'm sorry, it's a different -- you know, it is a different situation and I think the Chinese are very clear about those differences.

MR. SHAPIRO: So, Steve, let's bring this back to Europe where we began. How are the Europeans, and especially the Ukrainians, what are they looking for in the President's trip to Asia? Are they looking for specific messages? Are they worried about this trip?

MR. PIFER: Well, I would think that the Europeans are going to look at three things during the President's trip.

First of all, as Ken said, words matter. And to the extent that the President uses this trip to successfully and credibly convey the image of strong American support for allies there, you know, I think that has a positive effect in Europe. So that will be seen as a positive, if it can pull it off.

Second, though, I think we do have to bear in mind that it's unlikely to see resources expanding, so resources -- be it time, be it money, be it military -- are not infinite. And so they will look -- you know, are there additional commitments to Asia that could take away from Europe? Because you have to go one way or the other.

I think on the military said, and particularly, I mean, one thing that may work to the advantage is it seems like it in terms of looking at the Pacific region, the focus is going to be on American air and naval assets, whereas I think what you're going to increasingly see the Europeans looking for is a little bit more in terms of the Army. I mean, we have naval assets in the Black Sea. We've deployed air power into the Central Europe. But I think at base what certainly we'd like to see is some more ground presence, so there may not be a huge contention over that.

And then I think the last point that they're going to be looking at will be that today we did not see any positive response in terms of the illegal groups in Eastern Ukraine disarming or leaving buildings. And four or five days from now, when this President is in Asia, that may be the similar situation. So it's likely he's going to get questions is it now time to do something more? And so that will be the question. You know, if in the middle of next week people say that the Russians did not live up to the commitment that they undertook, you know, the President's going to be asked are you now prepared to move forward with more severe sanctions working with the European Union?

So I think those are the three things that we're looking at during that trip to Asia.

MR. SHAPIRO: Okay, thanks. I think we'd like to go to the audience now and ask -- and get any questions --

MR. POLLACK: Jeremy, could I just --

MR. SHAPIRO: Oh, I'm sorry, yeah sure.

MR. POLLACK: In the spirit of fairness.

MR. SHAPIRO: We'll go to the audience very soon.

MR. POLLACK: Yeah, I'm going to make this quick. With respect to the

defense budget, we have seen several times in my memory major reconfiguring events that change the entire framework within which we looked at the defense budget, specifically the Soviet invasion of Afghanistan and then, of course, 9-11, where the sluice gates opened and where American power in all its forms is manifest. I'm not saying we're at that point. I don't know yet, in my own view, whether or not the events in Ukraine will have that kind of a reconfiguration, but they could.

Now, if they do, that would be, I think, a moment where, again, the American balance of interests would be redefined. And it might have some very, very direct implications for whether or not the United States is able to really push ahead with its long-term strategies in Asia.

Ken has already alluded to the problematic circumstances of the TPP, the negotiations here. If the United States appears a bit beleaguered, and perhaps with regional states going their own way, then we'll have to ask exactly how much staying power does the rebalance have over the longer term. And I'm not predicting it, but it's more to flag that as a possible issue.

But this said, we want to make sure that Mr. Putin's policy options remain as limited as possible in the Asia-Pacific region. Ken has already alluded to the sales of natural gas. Putin is visiting China next month. He's already making noises about all kinds of expanded collaboration with China. We will have expectations of China in that regard so that they don't simply exploit the situation for their own advantage.

Mr. Putin has had five meetings with Prime Minister Abe in the last year. And the last thing we would wish to see is that Putin find a way to sort of hone in here on such an important and essential relationship to Americans interests.

And finally, I would not preclude a gambit from Mr. Putin to North Korea. The Russians have been very much kind of a marginal factor in the discussions here, on

the nuclear issue in particular, but it is possible that Putin in his own devious and cunning way will find options to sweeten the deal with Pyongyang in a way that gives North Korea what we repeatedly seek to deny it: more running room; more, if you will a Get Out of Jail Free card. That is something that's going to bear careful consideration in the months to come.

MR. SHAPIRO: Thanks. Okay, now I guess we can go to the audience. We have a microphone, so when you get the microphone, please identify yourself. Please be reasonably brief and please ask a question.

So why don't we start with this gentleman right here?

MR. JONES: Yeah, Bill Jones, *Executive Intelligence Review*. I'd like to go back and build on what Ken had said about the Chinese reaction. It seems to me that the resolution of the crisis in Crimea will be absolutely probably decisive in terms of how the Chinese will react to the U.S. reinvigoration program or if you want to talk about the new major powers --

SPEAKER: New type of major power.

MR. JONES: -- agreement because it seems to me that Putin has been made into a bogey man here. I can't seen any Russian leader with what was going on in Ukraine excluding them from an agreement in which Ukraine would become part of the EU with some carrots that had to do with defense relationships to NATO as well, not NATO membership, but something in that nature. I can't see, given the relationship between Ukraine and Russia, that any Russian leader could have accepted that without some kind of reaction. And the refusal of the U.S. to get some kind of meeting as Putin had asked for between the EU, Ukraine, and Russia before all these things were decided seemed to me very foolish and kind of drew this to a critical stage. And then Putin reacted.

Now, how they get out of it is going to be very key because the Russians, you know, sanctions are very good, but the Russians after Leningrad and Stalingrad, they're very tough people. And if they think that they are being attacked, I think they will consolidate around Putin and Putin is actually doing this. But I think if there's some carrot or some agreement over and above these agreements that have been made in Geneva, which hopefully lead somewhere, would have to include also Putin and Russia as a part of the solution. And if that happens, then perhaps the Chinese fear that they are being targeted, as well, would be reduced. But I think if it goes to kind of a pre-war situation with more and more military troops on either side of the border, I think the Chinese are going to see themselves targeted as well. So I think that's really decisive in terms of what's going to happen there.

I'd like your comments on that. That's my question. Isn't that going to be very important?

MR. SHAPIRO: Not a model of ending in a question. (Laughter)
Interesting comment nonetheless. So why don't we go to Garrett?

MR. MITCHELL: Thanks. I'm Garrett Mitchell from The Mitchell Report. And I've been sitting here this morning and suddenly realizing I'm not quite sure what this panel is about. (Laughter) Is this a discussion about Crimea? Is this about it's no accident that we have two, if not three, China experts on the panel? Is this Crimea? Is this China? Is this the nexus between them? And if the latter, is the case -- it comes back to Ken Lieberthal's observation that a smart Asia policy is one that makes China a key factor, but not the bullet --

SPEAKER: Bull's-eye.

MR. MITCHELL: Bull's-eye. So I don't ask that in a critical sense, but more in sort of an analytical sense, which is what is it from the standpoint of the panelists

that we're really driving at today? And what's the sort of underlying thrust of what brought this panel together? Because I know you don't do this just because there was nothing else to do on Good Friday. (Laughter)

MR. PIFER: I could start, if you like.

MR. SHAPIRO: Let's just take one more question. Is there another question? Right over there. Then we'll come to you.

MR. SCARLIS: I'm Basil Scarlis. I've been at the State Department and most of my experience has been in Europe. I have a specific question I'd like to hear the panel's opinion.

Assuming that Putin will forge ahead in Ukraine and will not adhere to this agreement, what if the U.S. reaction were to deploy a few thousand troops to reassure the Baltic states? What would be the reaction in China, Japan, and Korea?

MR. SHAPIRO: Okay. So why don't we start maybe with Steve? And if you can address the question of the carrot to Putin in Russia, is that necessary and what would it be?

MR. PIFER: Well, I think actually, if you go back and you look over the last several years, there was a carrot in the sense that, well, NATO was not in a position, I don't think NATO would ever say Ukraine's not going to become a member. If you looked at what was going on in Ukraine and within NATO, you could be pretty assured that there was not going to be progress on that front. The government of departed President Yanukovich said they weren't interested in joining and the current government has said they don't want to raise NATO at this point. And that's in part because they see it as provocative vis-à-vis Russia, but I think as importantly they see it as a controversial issue within Ukraine. And particularly when you have a government that's trying to establish credibility in Eastern Ukraine, they don't need the issue. So I think the NATO

question was sort of off the board.

The more difficult issue here is that polls now consistently show a majority of the Ukrainians and the current acting government want to draw closer to the European Union. And the problem here is that in Vladimir Putin's concept of the sphere of influence, you know, that appears to be unacceptable. So I think that's where the clash goes.

Again, I would argue that the European Union is not NATO. And I could understand the Russian concern about NATO, but it seems to apply institutional equally to the European Union, and I think that's where there's going to be a difference. And it's not just a difference between the West and Russia, but it's a difference in terms of where Ukraine wishes to go.

MR. SHAPIRO: Mike, can you address the question of why we're having this panel? (Laughter)

MR. O'HANLON: Happy to. And by the way, if I could, very quickly on the other question that Steve just responded to, I think it's always useful to try to understand foreign leaders. I think we have to be careful not to go so far as to apologize for what Putin's done here. I don't think it's acceptable. Steve, you can correct me, but in 1994, Russia, I believe, was also a signatory to an agreement in Bucharest.

MR. PIFER: Budapest.

MR. O'HANLON: Budapest, I'm sorry, that said that we will collectively guarantee the territorial integrity of Ukraine. Let's not let Russia off the hook on that.

MR. PIFER: Sure. I mean, and there's an important reason for the term "Memorandum of Assurances," not guarantees because we're very clearly (inaudible). This is not a military commitment.

MR. O'HANLON: Right.

MR. PIFER: But it certainly implied diplomatic and other types of support and the Russians have violated that. They've violated, you know, four or five other agreements that they've signed in terms of declarations that they would respect Ukraine's territorial integrity.

MR. O'HANLON: So in that sense, one reason, Gary, we're having the panel is because what happened in Ukraine this year was a big deal. It was a big change in international politics. We talked about the new world order under George H.W. Bush a quarter century ago, and if there was anything to that, and I think there was something to it, it's that we had gotten to a world where interstate war, certainly among the established major powers, wasn't really happening. And that was an important and good thing.

And Putin's challenging that basic edifice of the international system today. And now we see our President going on a rescheduled, previously postponed trip to another part of the world with huge powers and arguably the most dynamic. And so what's happened in Ukraine is going to be on people's minds. So in a general sense, the tectonic shift here was big enough that we needed to try to apply the lessons from one place to another.

Secondly, in the context of the rebalance, we had to ask, I think, if there are resources that the United States has that are adequate to the task of the rebalance or if they're now going to be siphoned off again towards parts of the world that we're trying to rebalance or pivot from. And so we've heard some discussion on that. I think it's fair to say the consensus of this panel, although that's always a dangerous term to use at Brookings, is that -- and people can correct me if I'm getting it wrong, but there's not a requirement, there's not a necessity that what's happened in Ukraine or Crimea will necessarily invalidate our ability to focus on the Asia-Pacific. So we've had some discussion about that even as we've reminded folks of the challenge of doing the Asia-

Pacific rebalance successfully, reinvigorating it, getting the individual pieces right.

And then the third piece of this is the one that I tried to comment on a moment ago, our Japanese and Korean and Filipino and other officials in the region going to be wondering if the United States is still dependable. And I think, again, you've heard most of us say we don't necessarily see a reason why the United States should not be dependable. We still think the United States treaty commitments are pretty firm in the Asia-Pacific. But it's a valid question and I'm quite confident it's on people's minds.

To what extent is this lukewarm or moderated or nuanced response to the Ukraine crisis indicative of a potentially retrenching, you know, less engaged United States that is not going to be as dependable in the East Asian littoral region? I don't think our East Asian allies should have that worry in a major way, but it's certainly worth talking it through, certainly worth recognizing that Mr. Obama's going to have that question posed to him next week more than once.

MR. SHAPIRO: Yeah, I think that to build on what Mike is saying, since I was, in part, responsible for designing this confusing panel, is that the United States is a global power. It's uniquely a global power. And one of the ways in which our world is interconnected is through the medium of U.S. global power, is because what happens -- how the United States reacts in one region where resources are drawn, what lessons are drawn about U.S. credibility in one place has important effects in the other. And we felt that we didn't bring that out enough, so that's what we're trying to do here. You can tell me later whether we succeed.

Jonathan, did you want to come in on this?

MR. POLLACK: Yeah. No, no, I think that it's always axiomatic. It's kind of like a balloon, you know. If you squeeze a balloon it goes in one direction and maybe it doesn't give the same attention to things that used to be important to the

balloon.

You know, look, the U.S. is a global power. And I think the fundamental premise of this panel is precisely how does the United States simultaneously remain relevant in all regions of strategic import to the United States? And can we do it in conjunction with our allies and with other partners or are we at a threshold of some kind of, you know, if you will, a kind of a discontinuous change which will leave the world a much messier place in the future?

I don't know that we're at that point. I think we're trying to be realistic about what we do with our resources. At the same time, I agree fully with Mike O'Hanlon that there's a tendency in certain circles, shall we say, to endlessly disparage American capacity, American will, the extraordinary military capabilities that we have. We could talk ourselves into looking much less resolute than I think we actually are, and that's what I'd like to focus on.

MR. LIEBERTHAL: Can I add a word to that? You know, because we have pegged this as kind of Ukraine and the rebalanced Asia, it's naturally put a huge premium on the military side of things. I actually think from a Chinese perspective the most important development in the coming -- very likely in the coming 12 months will be whether the U.S. succeeds in negotiating a high-quality Trans-Pacific Partnership Agreement in Asia, which would necessarily include substantial market access concessions by Japan, which they've never been prepared to do before, and can get that through the U.S. Congress. And if we can do so, remember we're also in the middle of -- or early stages, but moving forward on negotiations for a similar kind of partnership with Europe. That is huge.

And what sparked a lot of this crisis in Ukraine was the notion that Ukraine would opt for the European Union association and not for the -- I've forgotten

what they're called, Customs Union?

MR. POLLACK: Customs Union, about to become the (inaudible) Union.

MR. LIEBERTHAL: Yeah, you know, centered on Moscow. And these need not be exclusive.

There's another multilateral trade negotiation going on in Asia. The abbreviation is RCEP. China's very much involved in that. We are not a partner to that. But it's a much more superficial agreement.

And so, you know, if we get TPP through, A, it's a huge boost over time to our economy and to the integration of Asia. B, I will bet a fair amount of money that China will then seek to join that because many leaders in China now see potentially joining that as providing additional political leverage to carry out economic reforms at home that they want to pursue, but that face a lot of vested interests and opposition.

That's a huge win. That demonstrates American initiative and capacity to shape favorable outcomes in a region that bridge some of the geopolitical divides.

So focusing on Ukraine too much may be -- you know, we don't want to focus on the military side of this alone as driving the views of China toward the region, the views about America's capabilities in the region, and so forth.

MR. SHAPIRO: Sure, but, as you said, the Ukraine crisis is at the end a crisis about economic integration, about the effort to --

MR. LIEBERTHAL: Well, it was sparked by that. It's arguably increasingly becoming a different kind of crisis.

SPEAKER: Yeah, right.

MR. SHAPIRO: All right. Well, let's get back to the audience. The woman over here with the glasses.

MS. HO: Thank you. My name is Chiang Ho from China's Hashi Media.

I'd like to come back to this point by Dr. Lieberthal about it's central to bring China back -- bring China on board to the pivot to Asia or reinvigorating in Asia policy. But I wonder how is that possible on both economic and political dimensions? Because it's easier to convince China that the whole U.S.-Asia policy will be beneficial for China indicated by China's willingness to join the TPP. But how is that going to be possible to convince China that it's not a code word for counterbalancing China?

Because the U.S. says it's not taking sides on the East China Sea and South China Sea, it's merely abiding by its commitments with allies, China doesn't buy the words because China saying U.S. is taking sides. So how do these two dimensions, economic and political, reconcile with each other? Thank you.

MR. SHAPIRO: Just in front here.

MR. GLUCK: Thank you. My name's Peter Gluck. I'd like to know if any of you are able to comment on the context of this letter that was distributed to Ukrainian Jews yesterday. Is it a tactical provocation? Does it suggest a next level of more overt anti-Semitism? And how does it fit in to what's going on over there other than the anti-Semitism part?

MR. SHAPIRO: Okay. And why don't we just take the third question right here?

MR. DUBCIK: Thank you. My name is Devore Dubcik. I have two questions, please.

One of them is we talked about the U.S. military budget a whole lot, but not China's, which is currently at about 135 billion. Please correct me if I'm wrong. Given China's economic slowdown, in your guys' opinion is this budget or its further expansion sustainable?

MR. SHAPIRO: Thanks. That was in my experience my first Google

Glass question, I think. (Laughter)

So let's start maybe with Ken. And can you answer the question about the Chinese view of the rebalance?

MR. LIEBERTHAL: I think the Chinese have a strong tendency to see the U.S. over time, almost predetermined to take an array of measures to slow down, complicate, worst case even disrupt China's rapid rise based on a fairly -- on two fairly fundamental things.

One is China's modern history is you lose if you bet on the altruism of other countries. And so they come at, you know, kind of modern world with having had a bad 150 years of so, while we've had a relatively good 150 years or so. It does affect your perspective.

But secondly, there is a fairly deeply engrained notion that number one will never give way to number two without a fight. And so even if we aren't going to engage in a war, we will use an array of measures to try to complicate China's rapid rise. And you can construct a narrative on that based in part on comments that you hear out of Washington. Various voices in Washington will support almost any narrative you want to develop. You know, you can pick and choose and we're a very vocal and fractious, you know, political dynamic here.

I think the way you approach that is, in part, by building ties to China. And we had done that, you know, in a hugely dynamic way. Even on the military side, which has always lagged behind quite a bit, we're now expanding our military direct interaction with China a great deal. And both sides are committed to expanding that.

We're negotiating a bilateral investment treaty with China. A lot of the reforms that China is now advocating domestically are ones that we've encouraged them to do for years, and we've provided a fair amount of expertise in thinking through some of

those issues.

You know, there are a lot of ways in which we engage China very broadly on a relatively institutionalized basis. And so those are all kind of mitigating circumstances in a kind of view of the U.S. as seeking to contain China.

But I think in addition to that, we need to do a little more in terms of articulating our overall conception for the region. It's not only the principles, you know, obey international law, respect territorial integrity, you know, et cetera, et cetera, but how we see the region evolving and our role in it in more than simple categorical terms and more conceptualization of that. A stronger story to tell on that, I think, would also be helpful.

MR. SHAPIRO: Steve, can you take on that question of anti-Semitism in Ukraine?

MR. PIFER: Yeah, the question was referring to an important letter that was circulated I guess on Wednesday, allegedly signed by one of the leaders of the self-proclaimed People's Republic of Donetsk, which basically said that as of such and such a date, all Jews in the area would have to register and pay a \$50 fee to do so. The National Council of Soviet Jewry here in Washington actually had a lot of contact with local Jewish leaders in the Donetsk area, and what they reported back (inaudible) that this letter was seen as a provocation and a fake. So it certainly is a very ugly thing, but it's not clear that it actually, you know, was put out.

MR. SHAPIRO: Jon, you want to deal with --

MR. POLLACK: Yeah, if I could make a few comments on the defense budget. This is kind of an open-ended game that goes on. I mean, you do not have a situation where there is perfect equivalence between how China measures defense expenditure and how the United States and other powers do. So I don't want to play that

numbers game pure and simple. It would seem to be, on the one hand, if there is a sustained slowing of the economic growth rate in China, there will be pressures on their increases in the defense budget that we have witnessed, partly as a consequence pure and simple of China's economic growth, partly as a function of inflation rates in China. That said, Xi Jinping has been unusually forceful, even in recent weeks, in reinforcing his commitment for China to be a stronger power to protect its interests.

So the real fundamental question, it seems to me, is not so much the precise numbers that we use, but as we see China emerge as a much more consequential military power in years to come what are the purposes to which that power is put? Again, as Ken noted, our defense ties with China are really one of the quiet success stories of the last year or more. And my own impressions from conversations with Chinese officers, this is not kind of a momentary consideration. It doesn't mean to say that China has -- or the PLA has warm and fuzzy feelings towards everything the United States military may do, but, one way or another, we are going to have to adapt to and interact with the realities of China being a much larger military power.

And the question is whether or not they can exercise sufficient restraint in how that power is demonstrated and utilized lest we find a situation that the future of this region looks much less promising, if you will, in the event of China exploiting these capacities in ways that they insist they will not. But, again, what's in the eye of the beholder here can also be very, very different from the ones who might be on the receiving end of that power.

MR. SHAPIRO: Mike, do you want to answer that?

MR. O'HANLON: I have a couple of things to add. A very good answer by Jonathan.

First of all, we tend to think that China's spending about 2 percent of its

GDP on its military, as you probably know. But as Ken can explain better than I, how you measure China's GDP is open to some conjecture. And Jonathan alluded to this as well, the issue of purchasing power parity versus a more traditional pure exchange rate conversion. So China's economy, the estimates I've seen, range from 7 trillion to 10 trillion a year. Either way, it's the number two economic power in the world. Either way, it's the number two military power. And either way, its rate of increase has been 5 to 10 percent a year in real terms in military spending. It's not always the 10 percent. You know, there is ambiguity as to whether it really is the full 10 percent per year typical growth rate that we often see in the Western media. There are reasons to think it may not always reach that high.

But it's still going up. Ours is coming down. And this does raise the question of at what point do the lines begin to converge and what does that mean? Jonathan's alluded to some of that.

I'll just very quickly say that one of the things Steinberg and I say in our book is as the Chinese approach half the American military spending level, which they probably will towards the end of this decade, they ought to maybe think about slowing the pace of increase a little, if they haven't already. Now, that's an easy thing for two Americans to say, but we try to balance that with the argument that air-sea battle doctrine or the air-sea battle concept that the United States has come up with, even though it has some legitimate military rationale behind it, needs to now be moderated and made more ecumenical, brought in other military services in the U.S., some of our allies, even the Chinese in certain elements of our thinking and planning and operations. Change the name to something a little more benign, less evocative of the Cold War. And otherwise show that we are not looking to get in their face.

So I won't try to go into that in detail, but your basic point, yes, China's

the number two world military spending power, somewhere between 135 billion a year and 200 billion a year by most estimates; headed upward at the rate of 5 to 10 percent per year. Maybe that's going to slow a bit. We'll have to see.

MR. SHAPIRO: Okay, let's go back to the audience. Right here on the right.

SPEAKER: My name is Steven. Your analogies are always inexact, but China's one area of irredentism is Taiwan. So is there any possibility that a response to the Russian seizure of Crimea and possible similar action in Eastern Ukraine might embolden Chinese hardliners who, especially with a declining economic growth rate, might look for a success in (inaudible) near abroad across the Taiwan Straits?

MR. SHAPIRO: Over here. Yes, right there.

MR. JENSON: Gentlemen, good morning. Andrew Jenson with Harvard. I'd like to actually elaborate on that question. Given the perceived weakness, and that's debatable, of the U.S. response to the seizure of Crimea, we've slapped some sanctions on a dozen Russian businessmen and Ukraine tycoons for what appears to be a fundamental challenge to this new world order that we've talked about. What are the ramifications of that response for our allies' interests that we don't necessarily identify with as treaty obligations, such as the Spratlys, Scarborough Shoal, Senkakus or the Diaoyu Islands?

So just elaborating on the question for Taiwan, what's the ramifications on our response to the seizure of Crimea or perceived weakness thereof on our allies' confidence in our ability to look at their, what we might consider peripheral interests, but to them are very core?

MR. SHAPIRO: Okay, let's take one more question. Over here to right, the gentleman in the blue tie.

MR. CLAYTON: Thank you. Derrick Clayton from Western Carolina University.

My question is we saw the geopolitical importance of the West be, you know, predominantly important since the conclusion of World War II, specifically with the United States and exasperated by the end of the Cold War in the 1990s. And so my question is are we seeing a shift in this geopolitical importance of the West to the East? And has the response from the United States and other Western countries, such as the United Kingdom and France, been appropriate to Russia's actions in the Crimea to address this shift in -- well, it's being debated, but this shift in power, political, economical, security from the West to the East?

MR. SHAPIRO: Thanks. Those are all questions which we thought maybe the panel would generate, so I'm going to take that as value, Derrick. And I would even add a little bit to some of those questions.

Another thing that Putin has done is demonstrate a new model of aggression in which he has created considerable ambiguity about whether an aggression has even taken place and had a sort of deniability about it that has made the response more difficult. Has China learned any lessons from that for its territorial disputes? I'm asking Ken to take on any or all of those questions.

MR. LIEBERTHAL: Let me take on the China-Taiwan question because I think it's distinctive among the disputes that were named. Maybe Jonathan will pick up the maritime issues.

On Taiwan, I don't think that China sees what Russia has done in Crimea as instructive for or encouraging to what it can do in Taiwan. In fact, I think the concern is quite the opposite.

First of all, remember, Russia took over Crimea without overt use of

military force. It also took it over, you know, via a referendum. You can argue, and I would, that the referendum was a loaded referendum, but I'm not aware of anyone that's been to Crimea who thought that less than 50 percent of the people there were pro-Russian. Am I wrong? You know that much better than I do.

MR. PIFER: No, 58 percent of the population was ethnic Russian, although there was a poll taken about 2-1/2 months ago in Crimea that said only about 40 percent of the population wanted some change in status. So the Ukrainians argue, I think with some merit, that that referendum was provoked outside, yeah.

MR. LIEBERTHAL: Okay, fine. But you won't have a similar situation regarding Taiwan. You know, there are very extensive ties, but China could not absorb Taiwan without fierce resistance by the population of Taiwan. They couldn't do it without a major military action across the Taiwan Strait, which would be obvious to everyone and incur a large-scale loss of life and, you know, change the dynamics of the whole region, frankly.

And China, I think, decided some time ago that their best bet by far was to build economic, trade, and other ties with Taiwan, educational, families, and, you know, in a gradual process even political, do that hoping that over time a democratic Taiwan would see, on balance, some form of formal unification. You know, a China with two parts or whatever as being acceptable.

They have a provision in their Taiwan legislation that allows them, in a sense, gives them the right if Taiwan declares independence, if it becomes chaotic, or if over a very long period of time Taiwan remains outside of China, if that should be the case it would justify in their mind the invoking of that domestic legislation to use force against Taiwan. Frankly, I don't think anyone on the mainland is thinking that that is -- that the time has come for that or the time will come in any foreseeable future.

MR. SHAPIRO: Jonathan, you want to take the maritime aspects of that?

MR. POLLACK: Yeah, just very, very quickly on the maritime issues. I mean, in a lot of ways I've been doing some reading on ancient history, that is to say the post World War II settlement. And it is stunning when you look at how so much of what was configured in the Western Pacific after the surrender of Japan was almost an afterthought. It was never really reasoned through. I mean, it's really extraordinary. You could case by case.

The problem now, however, is that you have states, not just China, but all of the actors or most of the actors who feel that they are coming of age. You know, history has sort of reasserted itself in all kinds of ways, but at higher levels of military capacity that could possibly, depending on circumstances, trigger a larger conflict.

Now, I'm not predicting this. I think that there's a world of difference between incidence in the East China Sea and the South China Sea and the overuse of force in a variety of ways. I mean, for example, we see that in the dispute between China and Japan, related to what the Chinese call the Diaoyus and the Japanese call the Senkakus. You've actually seen an attenuation of the amount of patrol activity by Chinese maritime vessels and the like. I don't want to say that that predicts an outcome, but I think there's an awareness of the risks that are imposed if any of these situations get out of hand.

So I can't preclude incidents and accidents. This ought to be definitely a discussion topic of President Obama as he visits several of the leading disputants in these situations. But it's exactly the kind of attention that these things really, really require if we are to avoid -- and "we," of course, I'm using "we" as a collective label, obviously the states themselves involved must be mindful of the great risks and

uncertainties that are entailed in all of this.

So I don't see us at the edge of a crisis, but I do worry about it. I worry in particular about the dynamic about China and Japan, the consequences of which, if things did go from unpleasant to something worse, would have profound reverberations for not only both countries, but for the United States and the region as a whole.

MR. SHAPIRO: Mike, do you have any final thoughts on that?

MR. O'HANLON: I'll just add one thought in regard to the big picture question about the shift in world power and economics. And there's no doubt some degree of shift is happening, but I just want to come back and remind us all of what's enduring about our interests elsewhere.

Europe is still an amazing economic and political bloc of nations, which, together with the United States and Canada, makes up the most successful military alliance in world history still today and the only one that really has a global scope or capacity. And we get into the habit of talking down about how allies aren't doing enough militarily and so forth. And obviously we'd like as Americans typically to see them able to do more, but they still have 30,000 or had 30,000+ troops in Afghanistan, have been the major partners we've had in the Persian Gulf.

And so I think it's important to recognize most of the world's industrial democracies are still within NATO. Most of the world's hydrocarbon reserves are still in the Middle East, despite the revolutions here in North America. And, yes, Asia's extremely important, but we've got to come back to the basic point several of us have made: America's still a global power. The basic point Bruce Jones makes in his book, we still are in a very strong position. And I think there's no fundamental reason, to come back to Gary's question, why these crises and commitments in Ukraine and elsewhere have to prevent Mr. Obama from having a very successful trip next week and American

foreign policy from continuing or reinvigorating the rebalance.

It's going to take some effort. They've lost a little bit of the focus on it in the first year and a quarter of the second term of Mr. Obama, but they can get it back.

MR. SHAPIRO: Steve.

MR. PIFER: I'll just come back briefly to this question about sanctions and what happens after Geneva. And, no, I would argue that more sanctions at this point would be appropriate. You know, maybe after Geneva yesterday, you give a little bit of time. But if by the middle of next week, you know, we aren't seeing any fulfillment of the commitments, I think then the West really needs to face up to what's the next step?

But I think Jeremy's right, is the Russians have come up with a model here, is, you know, they have been invaded. You know, if 45,000 Russian troops go into Eastern Ukraine tomorrow, my guess is it's not a hard decision for Europe and (inaudible) to apply very harsh sanctions. Putin's very calculating. He's trying to stay below that threshold.

Now, yesterday, I think he compromised his position a bit because he came out and said, well, there are no Russian troops or Russian agents in Eastern Ukraine. About 20 minutes after he said, well, yeah, those guys without insignia in Crimea six weeks ago, well, they actually were Russian troops. So the question I think will be for the West is if you get into a situation where five days from now it pretty much looks like today, does the West conclude that, in fact, there isn't an invasion of sorts going on in Eastern Ukraine and that it's appropriate to react? And that may then have implications in terms of the Asia aspect of this because that probably will pull a bit more of the President's attention back towards Europe.

MR. SHAPIRO: Thanks. I think this is the first panel in my experience that has talked about both anti-Semitism in Donetsk and Chinese military spending.

(Laughter) I think that it's -- and actually managed to connect them. So I think that's a wide range and I think we really owe some thanks to our panelists, so please join me in giving them a hand. (Applause)

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