

Keynote Address: "Obama in China: Preserving the Rebalance"

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Thank you for the kind introduction, and for bringing us together today here at Brookings.

This conference is an excellent opportunity to review the current state of U.S. engagement in Asia and consider some of the challenges and opportunities that lie ahead. And it couldn't have come at a better time. President Obama will travel to Asia later this week to attend the Asia Pacific Economic Cooperation Summit in Beijing, followed by the East Asia Summit in Naypyidaw and the G20 Summit in Brisbane. He will also have an important and extended bilateral meeting with Chinese President Xi Jinping.

President Obama's trip—his second to Asia this year—will serve to highlight and advance U.S. efforts to rebalance our global posture toward the Asia-Pacific, a region that continues to grow in commercial, political, diplomatic, and military importance. In my judgment, the rebalance—with all of its elements—is the most important geostrategic initiative of the Obama years.

I'd like to use this time to touch on three areas of the rebalance strategy: its origins and objectives, the state of our efforts to achieve it, and finally, how the president's trip will help further that progress.

*Origins and Objectives of the Rebalance*

Let me begin by reviewing the origins and objectives of the U.S. rebalance to the Asia-Pacific.

Even before the start of his first term—during the transition—President Obama directed his national security team to assess the projection and impact of U.S. power around the world.

We asked ourselves where we were overinvested and where we were underinvested. We concluded that the United States had become substantially underinvested in the Asia-Pacific region—and underinvested across the board—diplomatically, militarily, commercially, and, critically, in terms of policymaker attention.

This conclusion was rooted in two key propositions. First, a recognition of the essential stabilizing role that the United States has played in Asia for the past seventy years. U.S. efforts to ensure peace and security in Asia have provided the platform for the region's unprecedented economic and social development.

Second, the recognition that our future is increasingly intertwined with Asia's future. The Asia-Pacific is the world's most economically dynamic region, accounting for half of the global population and nearly 60 percent of global GDP. It is the region that presents the most opportunity for the United States. As President Obama has said, "Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress."

Given our stake in Asia's future, an extension and reinvigoration of the United States' historical role is essential. The overarching objective of the rebalance is to sustain a stable security environment and a

regional order rooted in economic openness, peaceful resolution of disputes, and respect for universal rights and freedoms.

Now, some have questioned the sustainability of these strategic priorities, especially with crises elsewhere in the world—Iraq, Syria, West Africa—putting pressure on U.S. resources.

But this is not a new test for American leaders. Every U.S. administration must ensure that cascading crises do not crowd out the development of long-term strategies to address transcendent challenges and opportunities.

From the outset, the rebalance has been a multidimensional and long-term endeavor. It involves each element of our national power. While this means devoting the necessary resources to implement the rebalance effectively, it does not imply that we would turn away from our allies in other regions or abandon our obligations elsewhere.

The rationale for a U.S. rebalance to Asia is as powerful today as ever. Renewed geopolitical rivalries and the reemergence of debates over historical grievances underscore the need for a stabilizing U.S. presence in the region.

So, how is the United States doing in implementing the rebalance in the face of an unusually large number of unstable and volatile situations around the world? The fact is that the United States has made and continues to make steady and significant progress in implementing the rebalance to Asia along all its key dimensions. It's worth detailing the progress we have made thus far.

### *Alliances*

First, alliances. Central to the rebalance is our effort to strengthen and reinvigorate our alliances in the region. Our global alliance system is a unique American asset. No other nation has anything like it.

Some question the purpose of the United States' alliance system. Specifically, they wonder against whom our alliances are aimed. Some go even further, suggesting that our alliances are actually destabilizing.

While our alliances were forged during the Cold War, they remain equally and vitally important today. The fact is that they are the principal means by which the United States engages in Asia.

Our alliances are the foundation of the security platform that supports Asia's economic growth by reducing rivalry, ensuring security and stability, and enabling Asian nations to prioritize social and economic development. Without the U.S. alliance system in Asia, the region would be less secure, less prosperous, and less free.

Our alliances in the region have never been stronger. They garner great popular support on both sides of the Pacific. A recent survey has shown that 80 percent of Americans think of the United States and Japan as partners, and 64 percent favor a long-term U.S. military presence in South Korea.

The U.S.-Japan alliance remains an anchor of security in northeast Asia. We are currently reviewing the guidelines of our defense cooperation with Japan and expanding the scope of bilateral cooperation. The administration has wisely embraced Japan's new approach to collective security. This will enable both countries to cooperate more closely and effectively across a wide range of undertakings.

Our alliance with South Korea is no less essential. President Obama has enhanced our partnership with Seoul with an eye to addressing the range of regional and global challenges we face together, including the deterrence of North Korean aggression and the denuclearization of the Korean peninsula. He has visited South Korea more than any U.S. president in history.

We have also reinforced our enduring alliance with the Philippines. This year, the United States signed an agreement with the Philippines that will improve bilateral coordination by allowing U.S. forces greater access to Philippine bases.

One note of concern: we must continue to make progress in Japanese-South Korean relations and cement a strong trilateral bond among our three countries.

The United States has a vital interest in encouraging its two closest allies in Asia to work together. That's why President Obama brought together President Park and Prime Minister Abe in the Hague last March for their first face-to-face meeting.

Our countries know better than anyone the importance of cooperation in the face of regional challenges. These are challenges best addressed with a unity of purpose. While we ensure that historical grievances are addressed fairly, we should continue to hold regular trilateral dialogues and signal our shared resolve. And the United States should stand ready to do all it can to facilitate a healthy trilateral relationship.

### *Security Presence*

Next, our security presence. In addition to bolstering our defense alliances, the United States is implementing a global shift of assets toward the Asia-Pacific. Our efforts to enhance our military presence in the region continue on course, despite ongoing budgetary pressures.

Both the Navy and the Air Force will have stationed 60 percent of their forces in the Asia-Pacific region by 2020. The U.S. military is now overseeing the four largest construction projects in the Asia-Pacific since the end of the Cold War. We have expanded our force posture in Australia, deploying up to 2,500 Marines to Darwin on a rotating basis. And we are investing in the capabilities and assets and developing the doctrines and approaches that will allow us to meet our defense obligations and responsibilities in Asia.

The United States is not only rebalancing *to* Asia but rebalancing *within* Asia by enhancing our focus on vital economic and security partners in Southeast Asia. Together, ASEAN nations constitute a region of some 600 million people and the United States' fourth largest trading partner.

We are deeply invested in our institutional relationship with ASEAN. The Obama administration has devoted more attention to building ties with Southeast Asia than any administration since the Vietnam War.

Under President Obama, the United States became the first country outside the organization to appoint an ambassador to ASEAN.

It is also notable that we are deepening our partnership with Vietnam by advancing cooperation on counterterrorism, transnational crime, and disaster response. We have recently bolstered Vietnam's ability to patrol its waters by easing a longstanding ban on the sale of lethal weapons.

### *Economic Architecture*

Another vital element of the rebalance involves strengthening Asia's economic architecture. To this end, the United States has a number of efforts underway.

First, the United States' leadership of the Asia Pacific Economic Cooperation, or APEC, forum has helped to make it the foremost arena for multilateral cooperation on economic growth and trade and investment in the region.

APEC's twenty-one member economies account for approximately 41 percent of the global population, 54 percent of global GDP, and 44 percent of global trade. APEC is an essential vehicle for bringing together government and business leaders from across this wide region to address ongoing economic challenges.

Second, we are working to develop our bilateral economic partnerships. We have already begun to see the fruits of the KORUS free trade agreement with South Korea. Since the agreement went into force, South Korea has become the United States' sixth-largest trading partner.

Our main effort now is completing negotiations on the Trans-Pacific Partnership, or TPP. The TPP is the most important trade negotiation under way in the world today and the economic centerpiece of the rebalance.

TPP partner countries represent nearly 40 percent of global GDP and one-third of global trade. Our TPP partners constitute our largest goods and services export market.

This agreement is expected to provide the United States with some \$78 billion in annual income. The TPP is designed to embrace all Asian countries that are willing to accept the rules and obligations of the agreement.

Even more important is the TPP's strategic impact. This is about U.S. leadership in Asia. The agreement would be a win-win for all the nations involved.

As a strategic matter, together with the negotiations over a free trade pact in Europe, the TPP puts the United States at the center of a great project: writing the rules that will govern the global economy for the next century. An open platform that countries can sign onto—provided they commit to its high standards—would incentivize the spread of free markets and liberal economic principles.

And, as Mike Froman set out in his recent *Foreign Affairs* piece, there are important development benefits of the TPP. The United States' commitment to sustainable and broad-based development, bolstered by

rigorous labor and environmental requirements, can help developing countries in the Asia-Pacific alleviate poverty, promote stability, and preserve and expand economic growth.

The president, again, is uniquely positioned to further these aims. His trip to Beijing will allow him to meet with our TPP partners on the margins of the APEC Summit. The goal should be to secure political commitments at the highest levels in order to attempt to have a text ready for national approvals in early 2015.

One more point on the TPP—with the changes in control of the Senate yesterday, the President has an opportunity and should seek agreement to move ahead on trade provision authority (TPA) to provide the basis for early consideration of the TPP.

### *Regional Architecture*

Just as important as Asia's economic architecture is its security architecture. By strengthening diplomatic institutions, the United States can support constructive engagement on a range of regional and international challenges, including territorial and maritime disputes.

Following the APEC Summit in Beijing, President Obama will travel to Burma for the ninth East Asia Summit. Our goal is to make the East Asia Summit the principle forum in Asia to address diplomatic and security issues. That's why President Obama made the decision to participate every year at the head of state level.

President Obama should aim to enhance the stature of the East Asia Summit by using it as an opportunity to address the longstanding territorial disputes in the East and South China Seas. Although the United States does not take a position on the merits of these competing claims, it maintains important interests in protecting freedom of navigation and encouraging the peaceful resolution of disputes. The United States should press for a Code of Conduct in the South China Sea to ensure that differences are resolved constructively and through diplomatic means.

2015 will mark the tenth anniversary of the East Asia Summit. At the meeting later this month, Asia-Pacific leaders should begin developing objectives for the next ten years of cooperation among East Asia Summit participants.

### *Emerging Powers*

While the United States is dedicated to strengthening its traditional alliances in Asia, it also seeks closer partnerships with emerging powers. From the outset of the administration, we worked hard to design and develop the partnerships we would need to address future challenges in Asia and around the world. These challenges require deep ties with emerging powers, especially India and Indonesia.

At no other time have U.S. and Indian economic and security interests converged so closely. There is tremendous opportunity for deepened cooperation as the United States rebalances to Asia and India pursues its Look East policy.

Likewise, the United States has worked to deepen ties with Indonesia, a nation that holds a special place in President Obama's personal history. Indonesia is the world's third-largest democracy, after India and the United States. Its already impressive economic performance is only expected to improve: by 2030, its economy is projected to rank seventh in the world.

With new leadership in Jakarta, we will build upon our broad comprehensive partnership with Indonesia that ranges from collaboration on clean energy and climate change issues to expanding bilateral trade and investment.

### *Relations with China*

Forging a constructive and productive relationship with China has, from the outset, been an essential element of the rebalance. Cooperation with China is key to tackling the diplomatic, economic, and security challenges facing the United States and the Asia-Pacific region today.

When former Chinese President Hu Jintao visited Washington in 2011, he affirmed that "China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region." Likewise, President Obama reiterated that the United States "welcomes a strong, prosperous, and successful China that plays a greater role in world affairs."

President Obama's upcoming meeting with President Xi will be the most substantial U.S.-China bilateral engagement since the two leaders met at Sunnylands in the summer of 2013. Indeed, it is the most important bilateral meeting the President will convene this year.

In Beijing, President Obama and President Xi should reiterate their commitments to comprehensive and constructive bilateral relations. At Sunnylands, both leaders endorsed the goal of a new model of relations between very different major powers.

This approach is a conscious effort to address and make less likely what some historians and international theorists see as inevitable conflict between an existing and a rising power. Indeed, there are many dynamics that have resulted in such conflict throughout history.

In my many hours of conversations with Chinese counterparts, we agreed that there is nothing preordained about great power confrontation. It is not a law of physics, but a series of choices by leaders that result in conflict. Others have called for containment. We reject that, too. A better outcome is possible. But it falls to both sides—the United States and China—to bring it about.

The challenge today is to give definition and content to the concept of a new model of relations between major powers in order to show stakeholders everywhere that it is more than just a phrase. It is important that China and the United States have clear agreement on the fundamentals. Without this agreement, inevitable frictions will come to dominate the relationship.

The United States and China should now identify and advance concrete, ambitious, and mutually beneficial projects that will demonstrate that a new model of cooperation is feasible and constructive. Let me suggest half a dozen or so areas that can form the core of an affirmative agenda for the meeting between President Obama and President Xi.

First, the United States and China should work to conclude, in the next year, negotiations on a high-standard Bilateral Investment Treaty. We should aim to have a treaty ready for submission to the Senate in 2015. This goal would appear achievable, given the clear interest of both sides in the treaty's completion. Negotiating a BIT should be a centerpiece of U.S.-China economic engagement.

Second, it is critical that the United States partner with China to confront growing environmental and energy challenges. Both countries should seek to produce a joint agreement outlining an ambitious emissions reduction agenda by next year.

Third, the United States and China should continue to work toward productive military relations. There is a need to develop further confidence-building measures, including procedures for notifying each other of major military exercises and guidelines for air and maritime operations.

Fourth, the United States and China are well positioned to collaborate on a host of transnational issues ranging from counterterrorism to the ongoing Ebola crisis.

Fifth, the United States and China share an interest in preventing Iran from developing a nuclear weapons capability. China is a vital partner in the P5+1 diplomatic effort to reach an agreement with Iran.

And sixth, coordination with China is crucial to U.S. efforts to ensure stability on the Korean Peninsula. We have a joint interest in a secure and peaceful Korean Peninsula and note China's insistence that North Korea abandon its nuclear weapons program.

While the United States and China see eye-to-eye on many bilateral and international issues, areas of competition and disagreement persist. This is to be expected in a relationship of this scale and complexity.

Our relationship is least developed in the strategic area. Strategic and military doctrine, nuclear issues, space, and cyber are the issues that have the greatest potential to seriously disrupt the overall U.S.-China relationship. On these issues, I would point you to Jim Steinberg and Mike O'Hanlon's recent excellent book, *Strategic Reassurance and Resolve*.

In particular, cyber is an area in which our dialogue is deficient and needs great attention. The United States and China, as the world's two largest economies, have a strong interest in a secure and reliable cyber space. As both our economies, businesses, governments, and peoples increasingly conduct business in cyber space, this joint interest should grow even stronger.

That said, over the last two years the United States has repeatedly raised with China the specific threat of state-sponsored cyber-enabled economic theft.

These activities have cost the United States billions of dollars in value. They cannot be allowed in a modern economy where, in many cases, a business's value is reflected in intellectual and other property in which it has invested great sums over long periods of time. The situation should be addressed in a serious senior level dialogue with the goal of arriving at agreement on a set of norms.

### *Conclusion*

I would like to close by reiterating the importance of the United States' stabilizing presence in the Asia-Pacific. It is the U.S. promise of security that has ensured that rising powers rise peacefully, disputes are resolved constructively, and economic growth proceeds unhindered by instability or militarism.

The rebalance to Asia is well on its way. But realizing—and preserving—the vision of a free, secure, and prosperous Asia will require a sustained commitment of energy and resources. The region's continued success demands a robust U.S. presence, enabled by a strengthened alliance system, comprehensive multilateral economic agreements, and a constructive relationship with a strong, prosperous, and stable China.

While there are still many challenges to address, there is on the whole tremendous opportunity for greater cooperation—and for the United States to contribute to a more prosperous and more peaceful future in the Asia-Pacific.

Thank you.