

# Assessing the Rebalance: The Evolution of U.S. Interests in Asia

Work in Progress Presentation April 10, 2014  
Woodrow Wilson International Center for Scholars

## ***Hamish McDonald***

Nearly two and a half years after it was announced in November 2011 in Canberra and Darwin, the Pivot or Rebalance remains a work-in-progress, or less charitably a policy in search of substance.

The most visible element was and is the annual rotation of a Marine Corps battle group through Darwin, in northern Australia, through the deployment is yet to get up to full strength.

The wider military dimension – former Defence Secretary Leon Panetta’s forecast to a Singapore defence gathering that 60 per cent US defence assets would be located in the Pacific by 2020 – is also subject to some skepticism, both in the Asian region and here in the United States. That’s both because of the 10 years of budget cuts starting to take effect, and the distractions of new crises outside Asia.

Moreover, many elements of the Rebalance weren’t very new. America already had nearly 60 per cent of its defence assets in Asia; the steady upgrading of quality – including the F-22s in Japan, basing of advanced attack submarines in Guam, and regional missile defence – had already started back after the first Korean nuclear crisis in 1994 and the Taiwan Straits missile crisis in 1996.

The hardening of Japan’s defence posture and more active role in the US alliance, new space and cyber cooperation with Australia, port calls by US aircraft carriers in Singapore also went back many years.

And whether this is enough to actually sustain the post-1945 Pax Americana in the Western Pacific is also getting an early test, from a more assertive China and the bad-boy leadership of North Korea. Allies, particularly Japan, are seeking reassurance that America has their back, and will come to their aid if needed.

A second leg of the Rebalance, the economic one, has come to be defined as the Trans Pacific Partnership, an ambitious services-oriented free trade agreement. America jumped into this arrangement in September 2008 under the George W. Bush administration. It was gingerly picked up by Obama in November 2009, later thrown into the Rebalance mix.

It has also missed a couple of negotiating deadlines, and looks like being waylaid by Washington politics this year, with the denial of fast-track negotiating authority by the Senate majority leader in January.

The third leg, greater diplomatic engagement in Asia, also began earlier. The Obama administration had signed up to the ASEAN Treaty of Amity and Cooperation in 2009, thereby qualifying Barack Obama to be the first US president to attend what's become the peak body of regional architecture, the East Asia Summit.

This attention to Southeast Asia really did put a new or enhanced strand into American diplomacy. Bush had done reasonably well in Asia. Relations with China had been cooperative after the early disruption of the EP-3C incident in 2001, alliances had been maintained, the North Korean nuclear issue handled through diplomacy, and a breakthrough made with India in 2006.

Under Obama, America became a more engaged partner with ASEAN, and worked harder through its forums and institutions, with the State Department setting up a new Office of Multilateral Affairs in its East Asia and Pacific Bureau.

Gatherings once seen as mostly funny shirts, karaoke and comedy skits became more serious events, though ASEAN remains still more a forum for building and maintaining relationships than hammering out new policies and decisions.

Just turning up is the main thing; Obama and his secretaries of state have managed reasonably well, given events at home like the fiscal cliff, sequestration etc.

However if all of these things had been presented together at the beginning, with the Marine deployment in Darwin added later or just presented as incremental to existing training programs, the Rebalance would have been seen as a more coherent policy, if a bit less dramatic.

It replied to a distinct shift in tone by China that was unsettling many countries around it. Up until 2008, Beijing had kept to the Deng Xiaoping line of keeping a low profile. The decade 1998-2008 was a marvelous run of very high growth and growing international engagement and prestige.

The Lehman collapse and GFC produced a new narrative, with more talk of China ruling the world and America in decline.

To go back to the Marine Corps swing, it was an opportunistic bit of politics on more than one front.

Australia had a very fragile Labor Party government at the time, led by a prime minister originally from its Left faction, Julia Gillard, and it welcomed a chance to show its conservative opposition that cutbacks in the Australian defence budget did not signal weakness on national security or lack of support for the ANZUS alliance.

The Marine Corps itself could see its role as the second land army coming to an end in Afghanistan, and was repositioning itself back into relevance for the new era as a naval force once again, one more dispersed around Pacific bases and ready for quick deployment.

Aside from initially upsetting some nearby neighbours like the Indonesians, who were taken by surprise about a new military presence close to their restive eastern provinces, the Marine gambit has met some more sustained criticisms:

- It reinforced the Chinese impression that the US was set on containment.
- In Australia many senior retired diplomats, such as Richard Woolcott (former secretary of the Foreign Affairs department) and John McCarthy (former ambassador to the United States, Japan, Indonesia and India) thought it a retrograde step, one that suggested Australia was still trying to seek security *from* its region, not *within* it.
- It is seen as encouraging US allies and friends to spend less on their own defence and to shrink from fronting up themselves to security challenges. Instead of the US putting more on the front lines, some critics argue, the US should be the full-back.

Still, the best friend of the Rebalance has been Beijing.

As mentioned, China had kept a fairly modest profile until 2008 or so.

Then it became if not aggressive, certainly more “assertive”. Two tigers can’t live on the same mountain, it was said.

China had begun testing Obama early: twice in 2009, flotillas of Chinese fishing vessels harassed US naval survey ships carrying out hydrographic operations within China’s 200-nautical mile exclusive economic zone

Beijing refused to blame North Korea for the sinking of a South Korean warship and shelling of a South Korean island in 2010, and objected to a show of force by a US carrier group in the Yellow Sea..

Relations with Japan became ever colder over perceived backsliding by Tokyo from official contrition for wartime atrocities, while Chinese pressure mounted on Japan’s control of the disputed Senkaku/Diaoyu islands

At the same time, alternative notions of world order gained more traction in Chinese discussions, such as the *Tianxia* (All under Heaven) idea, seen as a utopian prescription for universal harmony in some eyes and in others as a formula for Chinese hegemony on traditional imperial lines.

A moderately tough speech by Hillary Clinton at an ASEAN-plus meeting in Hanoi in July 2010 on the South China Sea disputes, drew an outburst from Chinese foreign minister Yang Jiechi that: “China is a big country and other countries are small countries and that’s just a fact.”

Then we had the leadership transition in Beijing to Xi Jinping over 2010-2012.

Three months after President Obama announced the “Pivot” in Australia, Xi raised

an implicit counter-proposal during his February 2012 visit to Washington. He suggested “a new model of major power relationship” for the 21<sup>st</sup> century”.

The idea was discussed in their informal California meeting in June 2013, following Xi’s installation as party chief and military commission chairman in November 2012 and as state president in March 2013. Implicit in the New Model is the idea of China and the United States talking as equals.

Along with this notion, Xi has pushed the concept of the “China Dream”. Speaking as the newly installed president of China in March 2013 he painted the China Dream as comprising a “great rejuvenation of the nation” in line with popular aspirations and consistent with our “glorious tradition”. It would be attained by a “China Way which is Socialism with Chinese characteristics”.

A third new policy strand came In November 2013, when Xi delivered an “important talk” on relations with neighbouring countries, declaring them to be “part of a community of shared destiny” with China.

This policy – taking its keynote from Xi’s phrase *fenfa you wei*, or “be proactive”– has gained some elaboration by Yan Xuetong, of Beijing’s Tsinghua University.

Yan sees China departing from the foreign policy of more than 20 years, in which China treated almost all foreign countries as neither friends nor enemies. “Under Xi, China will begin to treat friends and enemies differently. For those who are willing to play a constructive role in China’s rise, China will seek ways for them to gain greater actual benefits from China’s development...By tying up certain nations’ incentives along with China’s development, China will seek to build communities of common destiny with some of its key neighbours. We should

expect these initiatives to cover a much wider range of strategic elements beyond mere economic interests. A strong political dimension will be a must. Eventually this may even extend to providing security guarantees to select countries.”

As for the United States, Yan keeps it in the neither friend nor enemy limbo. He notes that trust has been largely absent since 1989, but even without trust there can be “preventive cooperation” where interests conflict.

Both the New Model and the China Dream concepts have quickly been incorporated into the official doctrine of the Party

Another background narrative needs to be mentioned too. This is the notion of Chinese victimhood, seemingly ingrained deeper in the national consciousness despite the re-emergence of China as a power with global interests that was supposed to be symbolized in the 2008 Beijing Olympics

This new Chinese “assertiveness” has created a favourable climate for Obama’s Rebalance in many countries of the region.

On the military leg first. In his first 15 months since leading the LDP back into power, Abe has gained passage of a new secrets law, helping protect intelligence exchanges with the United States, restored momentum to the Okinawa marine re-basing, set up a new national security council, intensified work on revised US-Japan “guidelines” for military cooperation in emergencies such as conflict in Korea, authorized exports of military equipment and begun to build political consensus on a reinterpretation of the post-1945 Japanese constitution’s Article Nine, to allow Japanese forces to take part in “collective self-defence” in other regions under United Nations auspices.

Vietnam is equipping itself with six advanced conventional submarines, bought from Russia with Japanese financial assistance and with the crews being trained by India, an example of the “networking” among allies and friends under the rebalance, in contrast to the more familiar hub-and-spokes alliance system.

Contrary to the wide perception that China is rapidly closing its high-end military capability gap with the United States, some sources with access to classified information say the gap may actually be widening.

This is not as reassuring as it looks in the way of deterrence.

First, the advantages tend to be in the space and electronic-IT sphere and are not as visible as the traditional instruments of power like warships and aircraft. This could embolden opposing forces in the belief of a more even field.

Secondly, it also involves intervention further up the “kill chain” of an opponent: to target detection, tracking, and weapons-guidance systems. This would take the US response to the opponent’s launch and control bases. Where not confined to electronic or cyber interference, it could involve strikes into home territory, raising a higher risk of escalation than with a distant clash at sea.

Much of this war-fighting capability seems included in the Air Sea Battle concept. The National Defence University’s T.X.Hemmes sees the concept scaring US allies without deterring China: since most ASB technology is top secret, US officials are unable to discuss it with allies, who then assume it will be an immediate blinding attack on China behind its border.

Hemmes suggests a more credible strategy with less risk of escalation – and more avenues for de-escalation – would be based on sea control within the first island

chain (Japan, Okinawa, Taiwan, the Philippines) relying on submarines, mines, and some air element, but with no penetration of Chinese air space.

However interviews by US security specialists with Chinese counterparts do find a general appreciation that the gap in military capability remains too wide for China to risk conflict with the United States in the foreseeable future (whether or not they see it narrowing).

However that does not add up to complete deterrence. China is mounting an asymmetrical challenge to American power in its near-sea approaches in a manner designed to avoid high-end military clashes. The approach is variously called “incremental” and “whole of government short of war.”

Assertion of Chinese sovereignty over disputed island groups, reefs and surrounding waters in the East China Sea and South China Sea is pursued through a number of civilian actors. These include fishermen, thought to be subsidized to maintain a continuous presence, activists impelled by “patriotic” motives, and unarmed (or lightly armed) ships and aircraft operated by civilian government agencies.

Rather than high-end military combat, it is this niggling, constant pressure from Chinese civilian elements and agencies which challenge regional claimant states and ultimately the United States in the case of its Japanese and Filipino allies.

In addition, aggressive initiatives by field-level commanders -- the naval commander who cut his ship across the bows of the USS Cowpens last December, the PLA unit which made an incursion into Indian-held Ladakh a year ago -- seem to go un-punished, and may even be applauded within the PLA.

Further incidents between China and the Philippines, following confrontations over the Scarborough Reef and Second Thomas Shoal, seem inevitable.

The Sydney-based scholar You Ji still sees an overall policy of “strategic tolerance” but with the new addition of a retaliatory pushback against any “envelop push” by other disputants. “This is embodied in a one-plus strategy,” Ji notes. “China does not initiate any event but if others make the first move by one, it will respond by one plus.”

The aim, he believes, is play it tough up front, to avoid the use of “hard force” by the military later. “In fact, the issue of territorial disputes is high in international profile but actually low in Beijing’s overall policy hierarchy, if other claimants do not rock the boat.”

But the era when the “status quo” can be maintained and competing claims put aside is probably ending. Too much symbolism is now involved, and too many loosely-controlled actors are involved. A code of conduct may help – though China is unwilling to agree to anything that might endorse foreign military activity in its Exclusive Economic Zone – but the day of resolution of claims, either in courts, diplomatic negotiations, or by force is steadily approaching.

Ji says the risk is increasing of an accidental clash with the United States, Japan or India. The US pivot has also increased elite and popular support for PLA war preparation to narrow the capability gap with the US.

On the diplomatic front, the retirement of Hillary Clinton and certain key officials in the State Department and National Security Council at the end of the Obama first term has also created a sense of attention being diverted elsewhere, as the

new Secretary, John Kerry, pursues resolution of important Middle East questions.

Nor is it clear that the replacement officials have the ear of the president and secretary of state to the same extent as their predecessors in the first Obama term, such as national security advisers Tom Donilon and Jeffrey Bader and deputy secretary of state Jim Steinberg.

If this playing down of the pivot was deliberate policy, then events in the South and East China seas over recent months have brought it back to the fore.

In February 2014, Washington entered the fray as a disputant itself rather than as *amicus curiae*. In testimony to the House Committee on Foreign Affairs, the new Assistant Secretary of State for East Asia, Daniel Russel, took issue with the Nine Dash Line asserting traditional Chinese sovereignty over most of the South China Sea.

The United States is thus in dispute with China over rights within the nine-dash area that are not eventually covered by territorial zones and EEZs agreed around its land features, ie the global common.

Washington's standing on the legal front would be helped if the US Senate overcame its 20 year refusal to ratify the UNCLOS

Another serious diversion has been the ongoing bitterness between Japan and South Korea over their pre-1945 history.

But the biggest diplomatic task of all is welding the Rebalance, which is focused on bolstering the resilience of allies and friends, and the pursuit of cooperative

relations with China, a policy which has the aim of integrating China as happily as possible within the established world order.

The launch of the Rebalance concept brought mutual suspicions to the fore. As put recently by Jim Steinberg, former deputy National Security Adviser in the Obama first term: “China thinks the rebalance is to contain China. The United States thinks that China is trying to push it out of the Western Pacific.”

Xi Jinping’s overtures for a New Model of major power relations have struck some chords within the Obama administration. Its second-term National Security Adviser, Susan Rice, in her Georgetown University speech in November 2013, declared that the United States was seeking “to operationalize a new model of major power relations” with China.

The Centre for American Progress, a Democrat-inclined institute in Washington, delivered a study of the concept by American and Chinese scholars that suggested pathways to defuse what it called a “classic security dilemma” in which mutual military hedging escalates.

Rice’s speech, along with receptive remarks by Secretary of State Kerry and Vice-President Joe Biden, to the New Model, thus appear part of an effort to wind back the harsher tone of the Rebalance under Clinton’s secretaryship, and give space for the new Chinese leadership to respond.

However this softer approach raises concern, not least in in Republican and hardline security circles as well as in Japan, that Obama is being drawn into a partnership with China that will involve major concessions of strategic rights, and

by elevating US-China relations to an effective “G2” (Group of Two) duumvirate is effectively demoting other powers such as Japan, India and Indonesia.

American officials are also wary of the notion of “respect” and “core interests” included in the Chinese description of the New Model, and seek more elaboration. Some see it as defining no-go areas, in domestic affairs for outside criticism, and in nearby seas for foreign military activity

US officials are intensely aware of these risks, and emphasise that the New Model is not meant to be a pre-eminent one for China; it should also apply to America’s relations with other powers such as Japan and India, or between other pairs in the region.

The questions then become: What is different about the New Model from conventional good relationships? Is Washington ready to put the same investment into relations with other powers in Asia?

Meanwhile China is trying to create its own parallel order. It has announced a series of trade and investment “silk roads”: a maritime one through Southeast Asia into the India Ocean, an overland one through Myanmar, and a Central Asian one

The Shanghai Cooperation Organisation continues to attract intensive Chinese diplomatic, economic and security attention.

The so-called BRICS Bank, a development bank funded by China, Russia, Brazil, India and South Africa, is a nascent alternative to the IMF-World Bank-Asian Development Bank system.

**The TPP** remains an intriguing possibility, as a sort of Commodore Perry arriving in suits aboard civilian airliners. As well as filling out the Rebalance, the TPP emerged as a serious economic proposal once Japan came in. On the Japanese side too, the TPP has become almost identical with the “third arrow” of Abenomics, the suite of measures by Prime Minister Shinzo Abe to jolt Japan out of deflation and restore growth.

Japan’s entry also made China sit up. The Petersen Institute’s modelling sees China bearing the brunt of trade diversion caused by the TPP, about \$57 billion in lost exports. Now the TPP is getting serious study by Chinese officials for possibly entry to assist its own domestic reforms, even though Beijing is pushing its own alternatives, a less rigorous but still very large trilateral FTA with Japan and South Korea, and another plan to combine the ten ASEAN economies with six of the top other Asian and Antipodean economies.

Short of an early breakthrough with Japan, negotiations seem likely to continue at a subdued tempo under after the November elections when Washington politics might allow movement to an almost simultaneous conferral of trade promotion authority and conclusion of agreement.

To break resistance in the Congress, Obama probably needs to take a more strategic stance. As Fred Bergsten of the Peterson Institute notes: “In the end these trade deals are always sold on national security grounds, not the economic arguments.”

The resulting TPP would be shot full of exclusions or lengthy phase-outs of protection – for Japanese and Korean rice, US sugar and clothing/footwear, Canadian dairy and poultry, pharmaceutical regimes in several countries,

Malaysian procurement preferences for ethnic Malays etc – but still a step forward for trade in services.

The longer the process continues, the harder it will be to convince would-be new entrants like South Korea that they will have to accept the TPP structure as worked out by the existing 12 parties.

Should China signal a wish to enter, a new dilemma would arise. To allow China to join negotiations before conclusion of the TPP would undoubtedly stretch out commencement. However it would address the Chinese grievance that they are always expected to sign up to international systems worked out by other powers.

In the meantime, the United States and China are negotiating a Bilateral Investment Treaty, giving US businesses at least some of the behind-border access currently open to Chinese and other foreign enterprises. China is also experimenting with a free zone zone in Shanghai. These two avenues will take China part of the way towards the TPP model.

## **Conclusions**

With the Rebalance into its third year, it remains subject to many doubts about its sustainability in terms of budgets, political attention, and content (particularly on the economic side). A number of suggestions spring to mind about addressing these doubts:

1. The Rebalance lacks a vision for Asia and the American role in it, looking beyond the post-1945 order to an open, multipolar region and addressing some of the big historical and strategic questions. Is the defence pact with

Japan endless and Japan's subordinate role too? If Korea reunites, would it be a new outward-looking power as its trade suggests, or a neutral hermit kingdom? Would that then become the moment for the "Concert of Asia" in which America's military role could become more distant? How can China be persuaded to make a "magnanimous retreat" from its Nine Dash Line?

2. Some analysts have seen a "self-congratulatory" tone in the projection of the Rebalance, particular under Hillary Clinton as secretary. The United States should stress that it sees itself as a partner helping regional nations "come into their own" in distinctive ways in the region and the world.
3. Southeast Asia is diverse, its politics messy, but the region is central to the Rebalance. US leaders need to attend the East Asia Summit and other regional meetings as a matter of course. The US Government, helped by the media and civil society institutions, needs to keep a close watch and sympathetic interest in the political processes and economic policies of Southeast Asia.
4. The United States should assist and encourage efforts to settle competing maritime territorial claims through international law. Peeling Taiwan away from the Nine Dash Line might be one immediate objective. The US president would have more moral authority if the US Senate ratified the UNCLOS.
5. The US military needs to develop tactics and rules of engagement for handling asymmetrical, civilian-clothed efforts to change the status quo in the South and East China Seas in small-scale ways, while preparing a more graduated strategy for high-level contingencies to reduce risks of

escalation. For the small-scale actions, it may need a new mix of small vessels and units. The usefulness of the controversial Littoral Combat Ship needs to be assessed quickly once on station.

6. US diplomacy should continue efforts to reconcile differences between Japan and its neighbours on historical issues, in particular over the “comfort women”. The United States also has historical issues of its own, in the revisionist narrative supported by Shinzo Abe and other figures, both in statements about the Tokyo war crimes tribunal and the historical displays in the Yasukuni shrine’s museum.
7. The United States and Japan have a particular need to work out mutual market opening if the Trans Pacific Partnership is to make headway. Leaders need to convince their respective general publics that the TPP will be of long term benefit to jobs and prosperity, and in Japan’s case would achieve many of the objectives of the “third arrow” of Abenomics.
8. The United States and other TPP members should stress that the TPP is open to other countries in the APEC grouping, and consider inviting China to attend negotiations as an observer to evaluate whether its mechanisms might help achieve the economic rebalancing outlined by its new leadership. Since the negotiations are delayed anyway, another objective might be achieved if China is invited to join negotiations: including it in the formation of a new international order.
9. The Soviet Union of the 1980s was a “knight dying inside its armour” as John le Carre wrote, its massive military machine supported by a crumbling economic and social base. The United States is far from that situation, and remains the fountain of innovation for the world economy. But America’s

standing will be helped by the strength of its economic recovery, the modernization of its infrastructure, the reform and deepening of its education system, and social/taxation policies to distribute the benefits of service-sector profitability and oil/gas boom. The credibility of the Rebalance depends too on America revitalizing its frayed social compact.

*Hamish McDonald, a former foreign editor of The Sydney Morning Herald and regional editor of the Far Eastern Economic Review, has been studying the Rebalance as a Public Policy Scholar at the Wilson Center.*