

A photograph of Barack Obama and Xi Jinping shaking hands. They are standing in front of several flags, including the United States flag and the Chinese flag. The image is partially obscured by a dark blue bar at the top and a grey bar at the bottom.

# Assessing the Obama Administration's Pivot to Asia

A review of the economic, strategic and diplomatic  
policy adjustments that have defined contemporary  
U.S.-Asia relations

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## List of Abbreviations

A2/AD: Anti-Access/Area Denial  
ADB: Asian Development Bank  
ADMM: ASEAN Defence Ministers' Meeting  
AFTA: ASEAN Free Trade Area  
AIIB: Asian Infrastructure Investment Bank  
APEC: Asia-Pacific Economic Cooperation  
ASEAN: Association of Southeast Asian Nations  
BMD: Ballistic Missile Defense  
BRAC: Base Realignment and Closure  
CNCI: Comprehensive National Cybersecurity Initiative  
DPRK: Democratic People's Republic Korea  
DoD: The Department of Defense  
DSU: Dispute Settlement Understanding  
EFTA: European Free Trade Area  
ESPO: Eastern Siberia-Pacific Ocean pipeline  
FDI: Foreign Direct Investment  
FONOP: Freedom of Navigation Operation  
FRF: Futenma Replacement Facility  
FTA: Free Trade Agreement  
GAO: Government Accountability Office  
GATT: General Agreement on Tariffs and Trade  
GDP: gross domestic product  
ICBM: Intercontinental Ballistic Missile  
IMF: International Monetary Fund  
ISDS: Investor-State Dispute Settlement  
ISR: Intelligence, Surveillance, and Reconnaissance  
LMC: Labor Market Churn  
LNG: Liquefied Natural Gas  
MCAS: Marine Corps Air Station  
MNC: multinational corporation  
NAFTA: North American Free Trade Agreement  
NATO: The North Atlantic Treaty Organization  
NEACF: Northeast Asian Countries Forum  
OBOR: "One belt one road" Initiative  
OECD: Organization for Economic Cooperation and Development  
OGP: Open Government Partnership

PRC: People's Republic of China

RMB: Renminbi

ROK: Republic of Korea

SCS: South China Sea

SDF: Japan Self-Defense Force

SPT: Six Party Talks

TAC: Treaty of Amity and Cooperation in Southeast Asia

THAAD: Terminal High Altitude Area Defense

TPP: Trans-Pacific Partnership

UN: United Nations

UNCLOS: United Nations Convention on the Law of the Sea

UNCTAD: United Nations Conference on Trade and Development

WB: World Bank

WTO: World Trade Organization

YSEALI: Young Southeast Asian Leaders Initiatives

# **Executive Summary**

Sarah Stewart and Brent Reininger

## **Introduction**

On October 11, 2011 then Secretary of State Hillary Clinton wrote an article for *Foreign Affairs*, titled “America’s Pacific Century”. In it she states that over the past decade U.S. attention has been preoccupied with conflicts in the Middle East, specifically ongoing wars in Iraq and Afghanistan. She argues that the magnitude of U.S. resources and attention spent on these wars has been a mistake, and that it is important for the U.S. to refocus its energy on areas of the world that can deliver the greatest return on our investments, such as the Asia-Pacific region.

She makes it is clear that in this century Asia will experience more growth than any other region in the world and many Asia-Pacific nations are set to take center stage in the global geopolitical arena of the future. The region is home to nearly half the world’s population and already some the most explosive centers of economic growth anywhere around the globe; therefore it is in the interest of the U.S. to devote a heightened level of engagement with this

region. Asia also presents some of the most considerable challenges the world will face in the coming decades. For example, Asia faces numerous problems, including extreme pollution, North Korea's unpredictable and unstable nuclear weapons proliferation, cyber security breaches, and territorial disputes in the South China Sea. The rise of China and the rapid growth of other emerging economies in the area will also mark a turning point as power and influence begins to shift away from the U.S. The pivot outlined in her article focuses on strengthening partnerships with emerging powers particularly in Southeast Asia, further steps in engendering a stable relationship with China, solidifying and expanding regional economic structures, supporting multilateral institutions, and empowering traditional allies.

### **Clinton's Recommendations**

As Clinton remarked in her article, these developments will require the U.S. to engage in deliberate rebalancing of resources and attention to the Asia-Pacific region. This pivot will consist of increased people to people interactions across the pacific. So the U.S. must remain in a continuous diplomatic dialogue with our historic allies Japan, South Korea, the Philippines, Australia, and Thailand to strengthen our current bilateral relationships. Further attention to our relationships with emerging countries in the regions such as China, India, Indonesia, Singapore, New Zealand, Malaysia, Mongolia, Vietnam, and Brunei is still necessary in the decades to come. The U.S. needs to also play an active role and maintain a constant presence in the multinational institutions of the region including APEC and ASEAN.

Due to the rapid growth of emerging economies in Asia-Pacific, the U.S. has an interest in increasing trade and investment in the region by effectuating the Trans-Pacific Partnership

agreement. The pivotal agreement will lower trade tariffs and implement regulations to improve the welfare of workers and protect the environment in the twelve participating Pacific Rim countries. The U.S. must also assist and encourage other nations including China to join the TPP, and complete additional free trade agreements such as the KORUS-FTA with South Korea.

In order to ensure the free flow of commerce, the U.S. must maintain its historic role of security guarantor of its allies and protector international shipping lanes. This means ensuring that freedom of navigation is enforced in compliance with international law, especially in disputed territories such as the East China Sea and South China Sea. We must also strengthen and modernize our current bilateral security alliances with Japan, South Korea, and Australia. While developing new alliances and partnerships with emerging powers in Asia-Pacific, and increase military-to-military dialogue with China to dispel fears their government may have of the U.S. implementing a containment strategy against them.

### **What has been done?**

Since 2011, the U.S. has taken measures to enhance engagement in the Asia-Pacific by increasing the number of presidential visits to Asian nations, establishing the Global Counterterrorism Forum, and developing the U.S.-China Climate Change Working Group. As of 2016, the heads of state from twelve nations, which make up approximately 40% of the global economy, signed the TPP, initiating a pact that will facilitate investment and linkage between the major economies in Asia and establish an economic architecture in the region. Militarily, the U.S. has increased its presence in Southeast Asia by deploying littoral combat ships to Singapore and Marines to Darwin, Australia.

The Obama Administration has made several efforts to increase the U.S. presence in Asia and show dedication to the region's growth and stability; however, there has been criticism toward U.S. effort or lack thereof in truly pivoting to Asia. Critics scrutinize the U.S. for continuing over-investment in foreign affairs in the Middle East and prioritizing issues like the Iran Nuclear Deal, the Syrian Civil War, and combatting ISIS.

However, many of the U.S. actions to pivot toward Asia have gone underappreciated, as they tend to take place behind the scenes and are less concrete than establishing a treaty, such as the efforts to rebalance the U.S. government's time commitment dedicated to Asia. Already, within the first month of 2016, Secretary of State John Kerry has visited Laos, Cambodia, and China to build strong relationships and foster open communication. In the first seven years of his term, President Obama visited Asia seven different times setting a precedent for future administrations to maintain a continuous dialogue with the Asia-Pacific leaders. These visits to strengthen economic, diplomatic, and strategic ties in Asia-Pacific are advancing U.S. presence and influence in the region, just as the Pivot to Asia intended. Additionally, although the TPP has taken five years to be implemented, those five years were spent conducting important meetings with government officials and drafting, modifying, and signing the treaty in order to make the agreement accommodating and optimizing to all parties involved. Once in place, the TPP will have enormous positive ramifications on economic growth and prosperity across the Pacific Rim and will be the cornerstone of the economic Pivot to Asia.

## **The Future of the Pivot**

The Obama Administration has strived to make increasing engagement and strengthening relationships in the Asia-Pacific a priority. The 2016 presidential election creates a sense of urgency for prioritizing the Pivot to Asia and solidifying a strategic plan to consolidate our gains and expand our leadership role in Asia. The results of this election will impact U.S. influence, alliances, and involvement in Asia's growth and stability. Electing a president who is not focused on reallocating attention and resources to Asia could have serious ramifications on the progress the U.S. has made in proving its commitment to growth in Asia.

After five years of increased engagement in the Asia Pacific, the U.S. must continue to modify and update its Asian foreign policy in order to secure its role in the region as a leader; but what exactly should the modifications entail? Rebalancing United States' resources and attention toward Asia is a long term endeavour. As the U.S. implements the Pivot to Asia, its officials need to continually evaluate and update our foreign strategy.

This paper will evaluate current bilateral and multilateral relationships between the U.S., its allies, and other partners in the Asia-Pacific, specifically analyzing the dominant economic, diplomatic, and security issues that have developed since Clinton's article in 2011. Some of the biggest issues the U.S. faces in Asia-Pacific can be organized into three main sub-categories: Diplomacy, Economics and Security. In this paper we will recommend that the U.S. pursue specific policies that will build on the achievements of the Obama administration's pivot, address the shortcomings of the rebalancing strategy, and promote new ideas that support America's interests in the Asia-Pacific region.

## **Policy Recommendations**

Diplomatic affairs with dominant countries in Asia including , Japan, China and South Korea and countries on the peripheries such as, India and Australia, are crucial to establishing a strong U.S. leadership role in Asia-Pacific. The U.S. must prove to China that an increase in U.S. presence in Asia is not an attempt to undermine or contain China's rise to power. Strong and transparent diplomatic engagement is the key to the advancement of core U.S. interests such as human rights, trade, nonproliferation, and democracy. For this reason, we recommend the U.S. establishes a Northeast Asian Regional (NEAR) Dialogue Forum to promote collaborative discussion among allies and non-allies alike. The NEAR will expand from existing forums like APEC Summit, East Asia Summit, and the Six Party Talks. In addition to creating NEAR and opening other multilateral dialogues, the U.S. needs to further develop intergovernmental relationships with growing Asian nations by continuing to increase state visits in the region to maintain positive relations with nations in the region, particularly ones home to American forces.

Expanding economic involvement in Asia-Pacific requires increased transparency and encouragement for reform for multilateral trade agreements. The TPP is at the heart of securing U.S. involvement in Asia's rapidly growing economy. Strengthening the trade agreement could smooth cross-border movement of goods, link growing economies, enhance domestic working conditions as well as further expand international trade. The U.S. must address the TPP and other multilateral organizations, like the WTO and ASEAN, from the perspective of Asian nations, to assure that U.S. foreign policy accommodates the needs of its Asian counterparts.

How the U.S. combats strategic security issues in the Asia-Pacific in the next few years could determine the level commercial freedom, nuclear stability and cyber security structure in

the region as well as shape our diplomatic and military alliances. To resolve the South China Sea disputes over freedom of navigation, the U.S. must ratify UNCLOS while increasing military presence to stabilize the region and open access to various trade routes, furthering economic growth possibilities. In order to prevent security threats and breaches, the U.S. needs to promote and establish a set of norms and enforceable regulations that can be recognized and ratified by the international community, as well as establish multilateral agreements to counter terrorism and extremist groups. Additionally, to assert U.S. military influence in Asia, we need to increase naval basing. Lastly, North Korea is an unstable state and the threat of its unpredictable nuclear program is detrimental to not only regional security, but the global community. Working to solve these security conflicts will simultaneously advance diplomatic ties with allied nations and open up additional trade routes to increase economic prosperity in the region. We can summarize our policy recommendations in four actions that address the U.S.' interests in the Asia-Pacific.

- ENCOURAGE REFORM in multilateral trade agreements to protect and advance U.S. investment and trade in the Asia-Pacific region and foster an inclusive economic environment.
- INCREASE TRANSPARENCY and accountability via binding agreements in order to mitigate interregional mistrust and ensure long-standing, stable partnerships.
- STRENGTHEN REGIONAL ALLIANCES bilaterally and multilaterally through strategic military fortification and intensified diplomatic dialogues.
- PROVIDE LEADERSHIP on economic and political issues facing the Asia-Pacific region to bolster U.S. inclusion and relevance.

# **PART I: ECONOMICS**

*Promoting mutual cooperation and opportunity*

# **Mutual Interest and Potential Conflict: Finance and Investment Regarding US Interest in Asia**

Jinghe Huang

## **Introduction**

The Asian financial capacity is often regarded as the most notable economic phenomenon in the last century, and with potential projections expected to last well into the coming century. Hillary Clinton states in her article *Foreign Affairs* article that “Open markets in Asia provide the United States with unprecedented opportunities for investment, trade, and access to cutting-edge technology.” Within Asia some of the most compelling developing economies in the world exist, including China, Indonesia, Malaysia, and Vietnam, along with prominent allies of the United States like Japan and South Korea. The concentration of financial power in this region simply cannot be ignored. If the U.S intends to refocus its involvement with these nations, great attention of their geopolitical financial circumstances must be fully understood and integrated

into the macroeconomic policy. There are many different aspects of Asian economies that the U.S. has yet to properly consider on a wide scale.

The purpose of this paper is to analyze the subjects of Asian finance, centering on China as the main region and covering the radius to Japan and ASEAN countries. The topics covered will include investments over regional infrastructure and as well as foreign direct investments (FDI) along with its influence in currency exchange rates in conjunction with a discussion regarding the founding of the Asia Infrastructure Investment Bank (AIIB), in an effort to emphasize the significance of competitive mechanisms and regional cooperation in future U.S. foreign policies.

It will henceforth be argued that American implementation of dynamic economic engagement with China as the centerpiece in the foreign policy, along with the reinforcement of the existing institutions that favor the U.S. is absolutely necessary in Asian rebalancing strategies. Following the background information detailing the current economic conditions in the region, the first section analyzes the investments potential and the role of currency exchange. The second part of the paper focuses on discussing AIIB as a challenge for the previous national investment mechanisms. Lastly, the third part will present possible policy options and recommendations for the United States government as it moves forward with its plans for greater engagement with Asia.

### **Background: Economic Climates in Asia**

Following the 2008 financial crisis, both global financial institutions and public confidence in them were left severely damaged. The slow recovery of Western economies has provided a stark contrast for the steady and rapid economic returns seen in Asia. Despite the fact that many Asian

economies were deeply integrated with the rest of the world, such unexpected growth had revealed the great potential of Asian market.

The crisis of 2008 had alerted many of the investors in the global market that the lack of enforced regulation seen on Wall Street could easily topple their portfolios with a slight push. Meanwhile, most of Asia was protected from such a threat by heavy governmental involvement in financial institutions. Thereafter, the Asian financial sector became much more appealing and promising due to its preference for risk aversion, which appealed to investors seeking opportunities with more stability. Just over two years after the fall of Lehman Brothers, Asian stocks were up 40%, outperforming U.S. stocks by roughly 42 percent.<sup>1</sup> The investors pushed the stock market index and flexible currencies to a relatively high level under the speculation over economic power balance shift.

Since 2013, China as the largest developing economy in Asia region had first indicated a more slowly growing status. In addition, other Asian economies like Malaysia and Indonesia also suggested slower but steadier development during the same time frame. It appears the Asian economy has reached a phase of transition, and as the country with the greatest amount of savings, China is seeking ways to utilize its excessive capital outside of its large but limited domestic economy.

In June 2015, a report released by the World Bank Group named *Global Economic Prospects: Global Economy in Transition* evaluated the current and prospective economic trends of Asia. It gave special attention to the Chinese economy with the following statement:

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<sup>1</sup> Frangos, "Asia's Outlook Turns Murky After the 2008 Crisis."

*“Investment remains constrained by overcapacity in heavy industries, an on-going decline in the housing sector, and regulatory tightening of nontraditional lending. Data on industrial prices, imports (particularly of commodities), and lead indicators of manufacturing activity point to further weakness. The size of stimulus programs to support activity has gradually declined.”*<sup>2</sup>

The risk of Chinese economy having a landing hard after its initial success poses challenges in policy adjustments that pursue sustainable growth. With China’s current account surplus hovering around 1.8 percent of GDP, the government is eager to find a policy that shifts growth towards more sustainable sources in the long-term like foreign infrastructure, while avoiding a domestic sharp slowdown, or financial distress.<sup>3</sup>

While China appears to have slowed down considerably, economic activity elsewhere in the region has accelerated sharply, with growth forecasts in ASEAN countries reaching 4.9 percent in 2015 and 5.4 percent in 2017.<sup>4</sup> And yet, countries with ties to ASEAN remain among the most restrictive regions in the world with respect to trade in services; increasing competitiveness in services, especially financial and investment service through further regional integration will be necessary for ASEAN economies to sustain growth in the long run. Recognizing this, the ASEAN members have committed to liberalizing and integrating their services markets.

### **Investments**

As former Secretary of the State Hilary Clinton addressed in her aforementioned article, “[Asian countries] still want America to be an engaged and creative partner in the region's

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<sup>2</sup> “Global Economic Prospects: Global Economy in Transition,” p110–116.

<sup>3</sup> Ibid.,p114

<sup>4</sup> Ibid., p112.

flourishing trade and financial interactions. And as I talk with business leaders across our own nation, I hear how important it is for the United States to expand our exports and our investment opportunities in Asia's dynamic markets.”<sup>5</sup> In other words, the Pivot to Asia concept from an economic perspective includes a great number of potential investments coming from Asia.

Japan and China are the region’s largest holders of foreign reserve, giving them great potential to become major outward investors in the United States. Investments of this scale and nature could present the most direct financial linkage of U.S. and Asia over the FDIs made to US. Securing these interests could provide the kind of interregional economic connections Clinton aspired to for generations to come.

According to a report released by United Nations Conference on Trade and Development (UNCTAD) at the end of 2015, the U.S. remains the largest recipient of foreign direct investments (FDI) with the sums reaching 38.4 billion dollars. At the same time, FDI in Asia increased by 15 percent, totalling 54.8 billion dollars, or roughly one third of worldwide FDI<sup>6</sup>. Even in light of such staggering figures, the percentages of investment between the U.S. and Asia remained relatively low. At this point, the likelihood of deregulatory financial cooperation between both parties appears quite likely.

### Outward Investments from Asia

As the Asia-Pacific region develops, so does its ability of to act as a powerful figure in global investment. Mostly the outward investments come from countries with large surpluses of foreign reserves. By the end of 2015, China and Japan remain as the biggest holder of the US

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<sup>5</sup> Clinton, “America’s Pacific Century.”, p56-63

<sup>6</sup> United Nations Conference on Trade and Development, “World Investment Report 2015.”

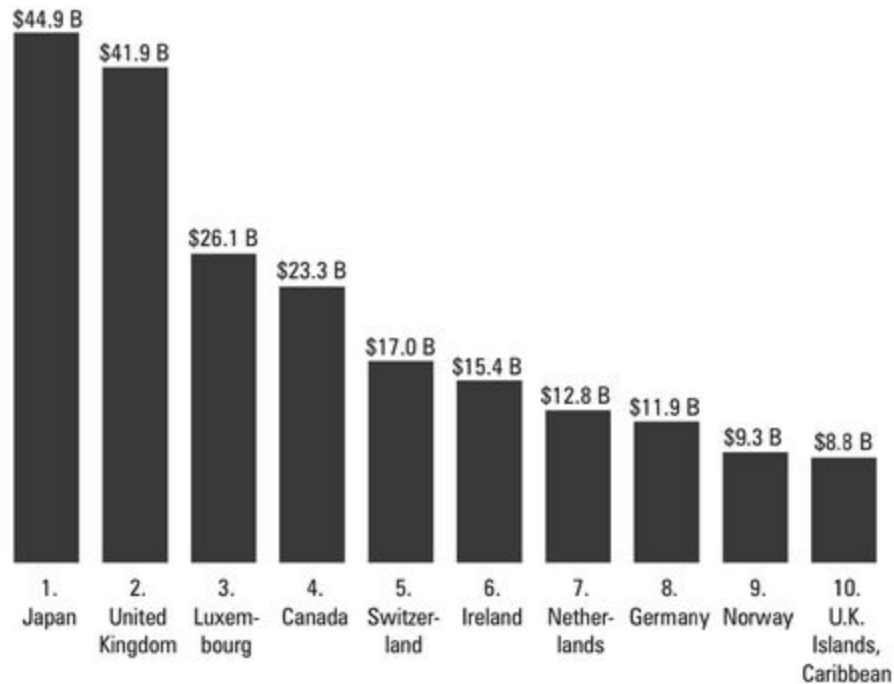
treasury securities<sup>7</sup>. In the private sector, a myriad of individuals and firms have come to the U.S. seeking opportunities in real estate and securities investment.

Outside the U.S., Asia also boasts the highest concentration of investors and the largest sums of investment. The top two holders, once again China and Japan, possess almost one third of the total treasury bonds, and have significant U.S. dollar reserves. For long time, even with great trade deficit, the U.S was able to maintain the stability of the dollar thanks to Chinese investments which acted as fortifications.

But as China initiates its regional economic expansion and seeks greater influence (which will be elaborated on in the next section), China in the near future would likely abdicate its top spot on the list. Finding a replacement for this loss will likely be dubious. Japan owns fairly large sums, so it is not likely to expand its investment much further. The third and the fourth treasury holder following China and Japan are Caribbean countries and oil exporters; these are distant and unlikely prospects, as their ultimate numbers are significantly lower despite their relative rankings. Though now the U.S treasury bond still considering as the most stable and credible investments, but from the national perspective, there is indeed risks if China were to greatly divert its investments to alternative directions.

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<sup>7</sup> Data coming from U.S Department of the Treasury, "Major Foreign Holders of U.S. Treasury Securities."



*[Image Source: Foreign Direct Investment in the United States 2014 Report]*

The U.S. remains wary of partnering with China, citing concerns over intellectual property rights. But in the long-term, China along with countries that display optimistic growth (like Malaysia) will likely have many large scale companies seeking investment opportunities in America, which have potential to provide great amount of employment given the large domestic or regional market supporting those companies.

For the U.S., restricting the FDIs coming from Asia has the potential opportunity cost of employments and job positions. Thereby policy diversification in FDIs can aiming to diminish the cost by welcoming more FDIs from developing economies to facilitate positive economic development.

## Inward Investment Asia - Attraction in Asia-Pacific

In previous years, Hillary Clinton in her article emphasized the market power of China over drawing FDIs by saying “assurances that the \$50 billion of American capital invested in China will create a strong foundation for new market and investment opportunities that will support global competitiveness”.<sup>8</sup> In 2011, the major source of Asian economies to attract FDIs is the low cost of labor, the cost-oriented mode appealed great number of multinational corporations (MNCs) to make FDI in either horizontal or vertical as structure to reduce production cost. Yet in recent years, economies have entered a period of transition. The ability to support such export-oriented FDI practice is shrinking significantly as China reaches its capacity. The current circumstances urges FDIs to divert into other industries, like infrastructural construction.

As China transitions from export-oriented growth to a new model based on consumption and outward investment, it's foreign policy has begun to evolve as well. In 2013, the Chinese government launched the initiation of “One Belt, One Road” (OBOR) which aims to connect major Eurasian economies through infrastructure, trade and investment. The initiative specified in two international connections: The land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road." The land “Belt” is a network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects; the maritime “Road” is equivalent of planned ports and other coastal infrastructure projects. Below is a map indicating the flow of OBOR initiatives.

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<sup>8</sup> Clinton, “America’s Pacific Century.”p.56-63



*The image above shows the exact route of “One Belt, One Road” initiative.  
[Image Source: CCTV News]*

Based on a presentation at the DRC-CIRSD Silk Road Forum 2015, held in Madrid in October 2015, the expectation so far indicates “OBOR would include 65 countries, 4.4 billion people and about 40 percent of global GDP. China is backing the plan with considerable resources, setting up a New Silk Road Fund of \$40 billion to promote private investment along OBOR. The New Silk Road Fund is sponsored by China’s foreign exchange reserves, as well as government investment and lending arms”<sup>9</sup>. It is foreseeable that OBOR would be the solution to absorb China’s excess capacity which was already at least 1.8% of its GDP.

Notably, the U.S. is excluded from both sections of the map. Moreover, the OBOR covering regions from East Asia, through central Asia and even included Middle East region and eventually ends in Europe. It would seem based on these depictions that China and ASEAN

<sup>9</sup> Bert Hofman, “China’s One Belt One Road Initiative”

countries are attempting to establish themselves as socio-economic providers in regions far outside their own.

The parts of this policy that reach westward to Europe could grant Asia unprecedented access to cutting-edge technology. Should these connections be fostered independent of American involvement, the U.S could face direct competition from its allies in the technology and service industries. .

Given all the planning and coverage so far, OBOR likely indicates Chinese intent to internationalize its currency. The absence of the U.S. in this proposal could mean exclusion in future infrastructure investment waves and losing opportunities to shape the Asian economy, and therefore should not be ignored.

### **Currency Exchange Rates**

Currency exchange rates have been one of the most significant points of discussion in U.S.-China trade dialogues. China tends to fix the Renminbi (RMB) in a relatively low level to accumulate its foreign reserves; this has helped them maintain a favorable trade surplus. In the past few years, the U.S. had demanded China reevaluate its currency on multiple occasions. Clinton mentions this in her article, stating, “we look to China to take steps to allow its currency to appreciate more rapidly, both against the dollar and against the currencies of its other major trading partners”.<sup>10</sup>

Before 2005, China determined its currency values relative to U.S dollars, in order to attract more American investment and strengthen its manufacturing exports. However, by the end of 2015, RMB formally announced its function as an international currency. This announcement is seen as the first step of internationalizing RMB.

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<sup>10</sup> Clinton, “America’s Pacific Century.”

With the implementation of OBOR, there is a new opportunity to push the RMB to expand globally. Clinton warns of this trend in her article, stating “the One Belt One Road initiative aims to expand the scope and scale of the bilateral currency swap and settlement”.<sup>11</sup> This move would likely be bolstered with support from the AIIB, which is a major funding source for OBOR policies. Since China plays a major coordinating role in the AIIB, it is clear that currency agendas have a possible outlet should OBOR spread.

The U.S. dollar still remains a global currency benchmark in the exchange rate market, with a great number of investments and financial actions are still utilizing American currency in international operations. The RMB will not likely be in the competitive position against US for the nearest decade. But regionally, if OBOR conducting effectively with strong support from AIIB, and generate considerable regional influences, the U.S. dollar could be significantly challenged, threatening the very strength of the currency itself.

### **Asian Infrastructure Investment Bank**

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank (MDB) announced in the year of 2013 by Chinese President Xi Jinping and Prime Minister Li Keqiang. Its intended purpose is to serve as an institution that oversees the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development.

In the official report released by AIIB, the multilateral bank provide the statement of its function include: (i) promoting public and private investment in the Asia region, especially to

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<sup>11</sup> Sara Hsu, “China: New System a Step Forward on RMB Internationalization.”

offset infrastructural costs; (ii) utilizing the resources at its disposal for financing such development in the region; and (iii) encouraging private investment that contributes to economic development in the Asia region, in particular in infrastructure and other productive sectors, and supplementing private investment when private capital is not available on reasonable terms and conditions.<sup>12</sup>

Instead of the traditional model of informal investments in Asia, parties now have an option of working with more systematic management under AIIB. The infrastructure investments in Asian region facing great many problems like government corruption and political alterations, which these problems can easily influence the diplomatic relationship with specific nation investors. By including developed countries in Europe in its organization, economic engagement with the U.S. becomes far less necessary.

As newly founded multinational financial institution with high expectations, the bank would largely serve to advance Chinese policy objectives. It would also potentially undermine, if not supplant, existing international economic institutions.

In this way, AIIB has two major conflicts with American interests. The first and most direct one is the nature of such organization is parallel with organizations like the World Bank and IMF which are dominated by United States interest, and ADB where Japan -a U.S. ally- has the most influence. Further down the line, it may even affect connections within the Trans-Pacific Partnership free trade agreement. The other reason interferes with U.S. interests less directly, by connecting American allies. Integrating nations like the United Kingdom and Germany might in the future harm U.S. economic ties with Europe, leading to possible exclusion in the trend of national investments.

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<sup>12</sup> “The Asian Infrastructure Investment Bank.”

## Conflict of Interest

### *Competing with Existing Institutions*

As AIIB gains steam in the world of Asian investment, its existence opposes the the authority of other organizations like Asian Development Bank (ADB), World Bank (WB) and International Monetary Fund (IMF). Moreover, the goals of AIIB align with those of the Chinese government, and often clash with the agendas set by the institutions of Western influence.

He Fan, assistant director of the Institute of World Economics and Politics in Beijing, said in his review of the intent of AIIB, “[the] major motivation for the initiative is the failure of the United States to live up to promises to allow greater Chinese participation in the World Bank and the International Monetary Fund”.<sup>13</sup> In essence, China is more suspicious of the existing international institutions because China was not one of the founders.

Currently in the Asia region, the major financing institution is the Asian Development Bank. Ever since 1997-98 Asian Financial Crisis, the influence of IMF and World Bank has reduced, as criticism of ineffective structural adjustment programs and conditional loans raised doubt casting to the actual effectiveness of their solutions<sup>14</sup>.

The aftermath created a desire among Asian nations to seek other more cautious solutions. In recent years, the IMF has launched various projects in Africa and the Caribbean, with relatively few programs Asia-Pacific. This has left ADB as a primary funding institution for nations with infrastructure construction and construction needs.

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<sup>13</sup> Perlez, “U.S. Opposing China’s Answer to World Bank.”

<sup>14</sup> Sachs, “IMF Is a Power unto Itself.”

ADB still attaches conditions to the money it gives out so as to safeguard against unnecessary risk. For example, its Gas Sector Development Project in Bangladesh has included stipulations such as “strengthening Energy Regulatory Commission, paving the way for private participation in gas transmission and distribution by amending National Energy Policy and enacting Gas Act, establishing market-based pricing and reducing authority of Petrobangla and making its companies independent”.<sup>15</sup> Similarly, the project for expansion of the existing Bangladesh-India Grid interconnectivity also has bidding conditions over loans. The conditions include “gazette notification of tariff regulations, issuing bids for power purchase from India, and written confirmation from the power grid corporation of India for transmission of an additional 500MW of electricity to Bangladesh”.<sup>16</sup>

On the other hand, AIIB has a different way to approaching situations that might cause investors financial apprehension. "Privatization will not become a conditionality for loans ... Deregulation is also not likely to be a condition, The AIIB will follow the local conditions of each country. It will not force others to do this and do that from the outside."<sup>17</sup> The preceding quote comes from a source familiar with internal AIIB discussions, but who declined to be named because he is not authorized to speak publicly on the matter. Such leniency is not unexpected, given China's behavior when funding construction in the past. Mercy A. Kuo and Angelica O. Tang describe AIIB as “providing [OBOR countries] with more opportunities to shop for the best value for money”.<sup>18</sup> AIIB cannot entirely fill massive infrastructure funding gap

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<sup>15</sup> “ADB Offers Loan without Condition of Gas Export.”

<sup>16</sup> Jahangir “ADB Asked BD to Fulfill Three Conditions for Getting Loan”.

<sup>17</sup> Qing “China's AIIB to Offer Loans with Fewer Strings Attached”.

<sup>18</sup> Kuo, “China's ‘One Belt, One Road’ Initiative”.

in Asia, but demand is high enough among low-income countries for it to succeed in the absence of total effect.

Among major allies of the U.S., Japan was the only that displayed little interest in joining AIIB. As the largest shareholder of ADB, Japan used to participating in hosting major infrastructure projects in the Asian region. But as AIIB advertises its much more accessible lending policies, ADB is no longer secure as the sole lender in Asia. President Obama commented AIIB “has concerns more over politics instead of economics... So, the AIIB will have lower lending standards than existing multilateral institutions like the World Bank and Asian Development Bank, and undercut their effectiveness”<sup>19</sup>. In the future AIIB has the potential to match the rival to the World Bank, but now in the most recent period, it is ADB feeling the pressure. In short, President Obama sees the AIIB as a lending rival that will reduce the leverage commanded by the U.S.-dominated World Bank.

#### *Deviation of Other Allies*

Contrasting with attitudes of Japan, most other U.S. allies have either actively joined the AIIB or seize the chance after an impending deadline. The United Kingdom, France and Germany are also particularly eager to participate in future Asian economic endeavors. For the United States, the movement of their allies is both novel and precarious.

For Germany, the economic stronghold of European Union (EU), exporting its cutting edge technology to developing markets can be a dynamic move to increase profit; similarly, the UK and France are seeking overseas opportunities in the service sector and railroad construction,

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<sup>19</sup> Swaminathan, “Why US Allies Are Happy to Join China’s AIIB.”

respectively,. The OBOR initiative signifies China’s excessive capital available for transfer; It makes sense that our European allies would look to fulfill the such a massive demand as Asia looks to expand.

AIB shows significant signs of integration in both the East -with development finance- and west - with export-based partnerships. Despite its recent entry onto the global institution scene, its presence is one that can no longer be ignored, should the U.S. choose to further engage in the Asia-Pacific region.

In the post crisis era, along with the extensive appealing to restoring economic order, EU countries are forced to deal with issues and crisis within their own borders, rather than prioritize the economic association with the U.S. The differences between the United States and some of the closest international partners thus rests on a fundamental divergence in judgment: are the interests of established powers better served by being inside the AIIB tent rather than outside it?

By encouraging allies to stay away from the OBOR initiative, the Obama administration turned a regional infrastructure back into a test case for its global influence – a case that the U.S. is now losing. Gideon Rachman, writing for Financial Times, called Washington’s handling of the AIIB issue a “diplomatic debacle” that “will make America look isolated and petulant.”<sup>20</sup> Since major European allies have invested considerable sums in AIIB, The U.S. might be best advised to consolidate its economic relationships with its allies to generate a an indirect influence over a growing powerhouse in which it is not currently participating.

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<sup>20</sup> Tiezzi, “America’s AIIB Disaster: Are There Lessons to Be Learned?”

## **Conclusion: Policy Options**

Given the uncertain nature of the current financial climate in Asia, there are several avenues the U.S. can explore as it pursues its pivot. That being said, all realistic options should include dynamic economic engagement and reinforcement of existing institutions.

In diverting Asian investments to its advantage, the U.S. has the following options: i) diversify the regulations over FDIs; ii) in the post-transition stage for Chinese economy, in short run reduce the amount of the U.S treasury bonds for foreign countries; iii) participating in the upcoming wave for Asian infrastructure.

The first option is the most cautious, and gives special consideration to trading secrets and patent rights. By diversifying the current regulations and commercial law, it is great chance for the U.S. to first observe the performance of experimental FDI's in developing economies. The second option is a relatively conservative move considering China's actions. Despite the fact that U.S. treasury bonds are in high global demand, the portion owned by China alone can no longer be ignored. The U.S. must prepare itself for both the success and possible failure China may see in the years to come. The third option for now is intended for the U.Ss to follow the example of its European counterparts and involve itself in the possible trend for the next decade of Asian economy. American is well-experienced in maintaining its own national infrastructure, and involvement in AIIB would avoid US being pushed to periphery in the development of the Asian economy.

Regarding to the new initiatives that existing U.S.-backed mechanisms, reinforcing the existing institutions is essential. To be specific, responding to the initiation American can consider following options: i) Join in AIIB; ii) Not join in AIIB temporarily but indirect

influence with our allies; iii) increasing the share China holds in ADB; iv) return to emphasize the significance of WB and ADB, and push for institutional reformation. Whether the U.S. joins AIIB or not, AIIB will inevitably challenge the accepted agenda set by American-led organizations. Increasing discourse with partner nations is imperative. To increase the share of China grants more power China, so close cooperation with our existing regional allies is key. Lastly, it is possible to reform the existing order. years of deep involvement with the Middle East kept the U.S. from properly conducting reforms in multilateral development bank system, but redefining neglected institutions has the potential to greatly amplify American competitiveness in international lending.

However, it is noteworthy that China's economy is changing as its economic boom comes to a halt. Future successes are by no means guaranteed. Careful consideration of all possible actions and outcomes is absolutely critical in order to protect long-term national economic effectiveness in Asia region and ensure the future of international cooperation.

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# U.S. Multilateral Relationship With Asia-Pacific

Emilee Wu

In November 2015, President Obama led the U.S. delegation to the U.S.–ASEAN (Association of Southeast Asian Nations) Summit in Kuala Lumpur, Malaysia. Later that month, the U.S. is signed a partnership with ASEAN to codify a new strategic partnership to deepen and institutionalize U.S.-ASEAN relations following the conclusion of the Obama Administration.<sup>21</sup> On February 4, 2016, seven countries in the Asia-Pacific signed on to the Trans-Pacific Partnership (TPP) trade agreement.

In 2013, the U.S. launched the U.S.-APEC Technical Assistance to Advance Regional Integration (US-ATAARI), which “aims to strengthen the capacity of the APEC Secretariat and APEC’s foreign-assistance eligible developing member economies to advance regional economic integration.” The project provides an online portal to manage worldwide events, documents, and APEC projects, to strengthen the APEC Secretariat's institutional capacity and strategic focus.<sup>22</sup>

What is missing from the U.S.’s plan to engage Asian multilateral institutions then? From a diplomatic standpoint, the U.S. appears to be undertaking efforts to engage the region.

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<sup>21</sup> Parameswaran, Prashanth. *The Diplomat*. November 2015.

<sup>22</sup> "US-APEC Technical Assistance to Advance Regional Integration (US-ATAARI)." Devis.

However, the aforementioned initiatives scarcely address the need for economic integration among multilateral institutions in Asia. This incomplete engagement will prove costly for the U.S. as countries are increasingly obliged to turn to China, having been active in building substantial bilateral and multilateral partnerships, addressing the need for streamlined, integrated economic policies.

This paper will first present a brief summary of U.S. interests discussed throughout the paper, in relation to the economic integration of the Asia-Pacific. Part I of this paper will address how the U.S. should engage with existing institutions (e.g. ASEAN and APEC), while Part II will address how US should handle emerging institutions (e.g. TPP and China-led institutions). Both sections will identify rationales that explain why the U.S. has maintained many of its existing positions, then provide an analysis on why such reasonings should be reconsidered.

The latter portion of this paper will present specific steps that U.S. should undertake to further multilateral relationships, such as forming an ASEAN-U.S. Free Trade Agreement (FTA), utilizing the APEC platform to establish consistent topical meetings with financial ministers, and creating opportunities further engagement with China.

### **Part I: How Should the U.S. Utilize Existing Institutions?**

Association of Southeast Asian Nations (ASEAN)

In January 2016, ASEAN introduced the ASEAN Economic Community (AEC) stating that it will establish a unified market between its 10 members, modeled after the European Union.<sup>23</sup> With the emergence of the AEC, ASEAN is moving towards increased integration.

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<sup>23</sup> Benner, Tom. Al Jazeera English. February 2015.

However, the U.S. has yet to establish a comprehensive relationship with ASEAN, and holds limited Free Trade Agreements with a select few countries that recur in the TPP. Although the U.S. is pushing for new partnerships with ASEAN, it is unclear whether new initiatives will enhance U.S.-ASEAN relationships substantially, or merely codify existing trade relations.

The U.S. has previously launched the U.S.-ASEAN Expanded Economic Engagement (E3) Initiative, which provided a framework for expanding trade and investment ties with ASEAN. An attempt to expand U.S.-ASEAN trade beyond the TPP, it falls short of a full free trade agreement, something most regional powers—China, Japan, India, and South Korea—already have.<sup>24</sup>

The AEC is the most ambitious project that ASEAN has undertaken, and the U.S. can be an invaluable presence for the AEC. Rivalries between China and Japan and the ambivalence of the U.S. have led ASEAN+6 forums to focus largely on membership issues than deal with substantive topics.<sup>25</sup> If the U.S. can meaningfully participate in the AEC, both ASEAN members and the U.S. can mutually benefit from an institution fostering cooperation over competition. However, the U.S. continues to lack substantial bilateral partnerships with many ASEAN members, and lacks a sufficient foundation to be adequately involved with the AEC. To support the formation of the AEC, and to seize the benefit of a comprehensive trade agreement with it, the U.S. should immediately negotiate FTAs with remaining ASEAN countries, and advocate for permanent observer status at all ASEAN meetings.

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<sup>24</sup> Parameswaran, Prashanth. East West Center. 2012.

<sup>25</sup> Koo, Min Gyo. June 2012.

### *ASEAN: What Has Been Holding the U.S. Back?*

Why doesn't the U.S. have FTAs with most of ASEAN? American policymakers are generally fearful that the signing of a trade pact with Asian countries capable of producing goods at a lower cost may cause unfair competition for certain American industries. Unlike China, whose trade with ASEAN countries involve goods that do not overlap heavily, the U.S. has a more diverse array of industries dealing with ASEAN, and thus may face domestic backlash when signing FTAs with ASEAN countries.

While concerns of increased competition are valid, long term benefits from creating FTAs with the seventh largest economic bloc in the world provides ample opportunities to trade with developing markets at different stages of production and consumption. If the U.S. continues to be restrained by fear of foreign competition, American economic policies will fail to pivot to this burgeoning region and fall behind China, whose successful implementation of FTAs with ASEAN, Australia, and South Korea, have now shifted to a possible China-Japan-ROK FTA. China is the greatest trade partner for much of Southeast Asia, and maintaining a weak link to the U.S. will assure reduced political and diplomatic engagement from these countries in the future.<sup>26</sup>

### Regional Comprehensive Economic Partnership (RCEP)

Since 2011, ASEAN has led an initiative to combine five individual agreements (with Australia / New Zealand, China, India, Japan, and South Korea) into the proposed Regional Comprehensive Economic Partnership (RCEP).<sup>27</sup> RCEP negotiations were launched in November 2012, and are slated to conclude September 2016. Supporters of RCEP argue that "it

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<sup>26</sup> Benner, Tom. "Southeast Asia Set to Become a New EU." Al Jazeera English. February 19, 2015.

<sup>27</sup> Salidjanova, Nargiza; Koch-Weser, Iacob. *China's Economic Ties with ASEAN: A Country-by-Country Analysis*. U.S.-China Economic and Security Review Commission. March 17, 2015.

could deepen economic integration in Asia”, while opponents argue that “RCEP, like ACFTA (ASEAN-China FTA), is likely to be a shallow agreement amenable to ASEAN’s heterogeneous member states, and as such will not make a major impact on regional economic ties”.<sup>28</sup>

Even with both arguments, the omission of the U.S. from RCEP excludes many of the advanced trade policies promoted by the United States, leaving policy advocacy to be dominated by China. Similar to how progress is stalled at APEC due to bipolar tensions, it is likely that RCEP will may be used to combat the U.S.’s deployment of the TPP. The U.S. must take a more proactive stance at negotiating Free Trade Agreements with all of ASEAN, through a U.S-ASEAN FTA, or enlargement of the TPP, while advocating for permanent membership at ASEAN. Though the U.S. has bilateral agreements with South Korea, Australia, New Zealand, and some of ASEAN’s members— China has already established agreements with all of these countries.<sup>29</sup>

#### Asia-Pacific Economic Cooperation (APEC)

Current U.S. utilization of APEC is insufficient, and the multilateral forum has lost immense capability to serve as a platform for economic integration. APEC has a substantially wider reach than ASEAN, and because of increased division, has seen its activities largely remain devoted to rhetorical dialogue and information exchange.<sup>30</sup> For example, according to its work program, commenced in 1997, substantive outcomes still have yet to be determined. APEC has been limited mainly due to three factors; an absence of effective enforcement mechanisms; a

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<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> Drysdale, Peter, Yunling Zhang, and Ligang Song. *APEC and Liberalisation of the Chinese Economy*. ANU E Press, 2012. p. 35.

lack of strong, stable leadership; and reluctance on the part of more influential members to commit to comprehensive regional economic integration.<sup>31</sup> Instead of deferring to the status quo of abandoning progress with APEC, the U.S. should invite China to deliberate on cooperative action for mutual goals, rather than sidestep the opportunity for collaboration. Economic integration requires displays of accountability, stability from committed members, and a platform to enable consistent dialogue to rectify different trade agreements and points of conflict. APEC has the potential of becoming a more effective platform, but requires the U.S. to take proactive initiative by; convincing China it is not there to dominate the conversation; enabling the forum to be receptive to various multilateral agreements and proposals, including an inclusive approach to TPP and RCEP; and taking advantage of the broad reach APEC provides to coordinate various trade agreements, starting with small, achievable topical-based goals.

*APEC: What Has Been Holding the U.S. Back?*

The U.S. has traditionally promoted multilateralism in Asia-Pacific, but often works with a recurring set of countries. Perhaps out of suspicion of opposition bloc formation, Washington has previously opposed regionalism that might threaten interest in the Asia Pacific.<sup>32</sup> While the U.S. has shifted objectives since the end of the Cold War, a historical lack of trust and assurance, along with concerns of bipolar arenas, often comprise Washington's ongoing policies.<sup>33</sup> However, pursuing a policy of bloc formation perpetuates distrust of neutral countries, and further reinforces the notion of containment by China and its close partners, sacrificing opportunities to foster trust and cooperation. While Washington can attempt to sidestep regional

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<sup>31</sup> *Ibid.*

<sup>32</sup> Rüländ, Jürgen; Manske, Eva; Draughn, Werner. RoutledgeCurzo. 2002.

<sup>33</sup> *Ibid.*

divides through unilaterally preferable agreements like TPP, it can no longer suit the needs of either the US or the Asia-Pacific without employing a successful pivot to the entirety of the Asia-Pacific. At APEC summits, the U.S. must demonstrate a commitment for “modest, incremental, and achievable” progress, rather than pursuing an ultimatum policy for alliance and compliance by its foreign partners.

## **Part II: How Should the U.S. Approach Emerging Institutions?**

### Trans-Pacific Partnership: Limitations and Enforceability of the Partnership

In addition to the aforementioned proposals with APEC and ASEAN, the U.S.’s strategy is largely to utilize the TPP to bring forth integration with preferential countries. However, there are limitations in what the TPP can actually accomplish when it is inherently exclusive.

Expanding membership, especially within Southeast Asia will grow increasingly more difficult with non-aligned and wary countries. Though President Obama used the Sunnylands summit to encourage other ASEAN members to join, public opinion in several Southeast Asian countries is largely against TPP accession.<sup>34</sup> For instance, in Thailand, where a potential U.S.-Thailand free trade agreement was botched by public protests and a lack of popular support a decade ago, there is little will in the government or among Thai opinion leaders to join the TPP, particularly given the opportunities offered by China to Thailand’s military rulers. In Indonesia, public support for joining TPP is also tepid with the historically non-aligned nation.<sup>35</sup>

Although the contents of the agreement are largely finalized, tremendous difficulty looms if either the U.S. or Japan fail to ratify the agreement in their domestic legislatures, rendering the

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<sup>34</sup> Kurlantzick, Joshua. Council on Foreign Relations. February 2016.

<sup>35</sup> *Ibid.*

85 percent of GDP requirement for enactment as an impassable barrier.<sup>36</sup> While Japan holds reluctance to open its agricultural sector, the U.S. also faces challenges from a divided Congress, exacerbated by the upcoming November election.<sup>37</sup> These challenges within the members of TPP themselves demonstrate how strict partnerships that focus less on inclusivity may not be a sustainable approach.

Even if the TPP is successfully ratified and implemented, without proper integration, it is likely to add to the tangle of regional institutions that compete for attention and membership, contributing to the “lack of consensus and cooperation between U.S, China, Japan, and ASEAN countries”.<sup>38</sup> Therefore as the U.S. pushes forward with TPP, economic integration and involvement with ASEAN become increasingly important, along with an emphasis for inclusive and comprehensive policies that pivot to the whole of Asia. The U.S. must continue to elevate its relationships with ASEAN and build upon the work accomplished in Kuala Lumpur.

#### China-led Institutions: Reasons Behind the Shift of Interest to China

China has been actively forming multilateral relationships throughout the Asia-Pacific, providing alternate proposals to the U.S, and offering a second option to the TPP and APEC.<sup>39</sup> The U.S. has responded by discouraging China from following the example set by the U.S.—forming parallel multilateral and bilateral relationships. For instance, during the 2015 APEC summit, members agreed to start a joint strategic study on the Free Trade Area of the Asia-Pacific (FTAAP).<sup>40</sup> China, Japan and South Korea confirmed during the summit to

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<sup>36</sup> Putz, Catherine. *The Diplomat*. February 2016.

<sup>37</sup> Parameswaran, Prashanth. *East West Center*. 2012.

<sup>38</sup> Association of Southeast Asian Nations.

<sup>39</sup> Parameswaran, Prashanth. *East West Center*. 2012.

<sup>40</sup> Tiezzi, Shannon. *The Diplomat*. November 2014.

accelerate trilateral free trade talks, and potentially accelerating the process of forming the FTAAP. The U.S. has responded by stalling FTAAP from further progress, regarding it as irrelevant and ineffective, successfully pressuring Beijing into dropping two provisions dealing with FTAAP from the draft APEC communique.<sup>41</sup>

#### Free Trade Area of the Asia-Pacific (FTAAP)

Although the U.S. is currently able to limit progress of FTAAP to some capacity, it cannot control the situation when countries begin to remove the U.S. akin to RCEP. By attempting to retain control, exertion of American influence may compel Chinese investment in an alternate option, and perpetuate bipolar dynamics. Support of FTAAP is a response to "the advent of increased bilateral and plurilateral trade agreements between APEC member economies".<sup>42</sup> Regional diplomatic quarrels have done little to bolster efforts, ambitions and overall objectives of the APEC mechanism, and unlike the U.S., China has been taking the initiative to appeal to issues that inhibit multilateral institutions in the Asia-Pacific.<sup>43</sup>

In 2014, Chinese officials pushed for movement on FTAAP by arguing that it would reduce fragmentation caused by multiple separate, non-inclusive FTAs in the region— including the Trans-Pacific Partnership.<sup>44</sup> An appeal for economic unity among Asia-Pacific economies, with an emphasis on “an all-inclusive free trade agreement” that addresses worries about fragmentation was one of the rationales for China’s leadership with both ASEAN and APEC.<sup>45</sup>

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<sup>41</sup> *Ibid.*

<sup>42</sup> Xiong, Maoling; Tian Liu; Pan Gao. "Spotlight: Positive Interaction Among Top Three World Economies Needed to Ensure Smooth APEC Cooperation." Xinhua. 19 Nov 2015.

<sup>43</sup> *Ibid.*

<sup>44</sup> Tiezzi, Shannon. "As TPP Leaders Celebrate, China Urges Creation of Asia-Pacific Free Trade Area." The Diplomat. November 19, 2015.

<sup>45</sup> *Ibid.*

Due to the aforementioned historical skepticism and a deference for unilateral policy leadership, Washington has shown little interest to take part in China's initiatives. However, the U.S. cannot prevent China from forming economic institutions in Asia, especially focusing on countries who are not a part of TPP, including itself. Not only does the maintenance of this status quo perpetuate views of containment, these sentiments are passed on to other TPP non-members. What should the U.S. do about the rise of multilateral institutions between China and other parts of Asia-Pacific? The U.S. must express receptiveness to Chinese-led institutions, and likewise open the institutions it relies on to new partners, and not enemies.

## Conclusion

Existing strategies are insufficient to resolve structural goals within the Asia-Pacific. Rather than co-opting comprehensive regional goals within RCEP and FTAAP in lieu for limited bilateral agreements and TPP members, the U.S. must accept an inclusive approach. China's intent behind the RCEP, FTAAP, ACTFA signal responses to counter American containment, providing compelling reasons for China to proactively respond with its own proposals. Likewise, the U.S. has the ability to promote a similar image of actively promoting regional integration. While ASEAN has adopted a unified market among its members, the U.S. has had difficulty replicating this regionally without understanding the stakes influential neighbors expect.

First, the U.S. must continue to elevate and substantialize its relationships with ASEAN by intentionally pushing for free trade agreements with all ASEAN countries, rather than abandon those it views as less viable. By recognizing the intent of the AEC, the U.S. can accrue more partners, and offer its support of regional integration— and perhaps successfully attain a

rightful designation as permanent observer at ASEAN meetings. The U.S. must also restart the relationship-building potential of APEC, especially with China. The U.S. must demonstrate that it seeks not to exert control over the economic field of the Asia-Pacific, but seeks to benefit from the collaborative opportunities all countries can offer. This can be done by creating modest, incremental tools that aim for attainable goals, rather than overreaching blanket agendas. The U.S. must also identify both conflicts and mutual goals between various trade agreements and institutions. Rather than providing the TPP as mutually exclusive of other proposals, the U.S. must take a greater role in coalescing the goals of other forums, and accruing their memberships as well. Instead of staunch opposition to Chinese-led initiatives, the U.S. must demonstrate a willingness to prove a policy not of containment, mitigate a bipolar field, and promote broad partnerships, identifying opportunities for mutual benefit than mutual exclusion.

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# **The U.S. Economic and Geopolitical Implications of Rebalancing to Asia: The Trans-Pacific Partnership**

Luke Coppenrath

## **Introduction: A Future in Asia-Pacific**

The Asia-Pacific region has seen immense growth in virtually all of its existing nations over the last few decades, leading to a heightened U.S. interest in securing a position of Asian economic inclusion both today and in the future. Specifically, the Obama Administration has explained U.S. intentions of this nature through various devices with the intent of forging a new and strengthened focus in this region. In late 2011, President Obama announced his “deliberate and strategic decision” that “as a Pacific nation, the United States will play a larger and long-term role in shaping the Asia-Pacific region, by upholding core principles and in close partnership with our allies and friends”.<sup>46</sup> The Defense Department’s January 2012 Strategic Guidance elaborated that the United States will “of necessity rebalance toward the Asia-Pacific region” by strengthening existing alliances, engaging new partners, and investing in necessary military capabilities.<sup>47</sup> Additionally, in her aforementioned 2011 *Foreign Policy* article, former

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<sup>46</sup> Obama, “Remarks by President Obama”.

<sup>47</sup> “Sustaining Global Leadership”, Department of Defense.

Secretary of State Hillary Clinton initiated a conversation on the U.S. “Pivot to Asia” by stating, “one of the most important tasks of American statecraft over the next decade will be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in the Asia-Pacific region”.<sup>48</sup> However this new foreign policy position might be phrased, it is clear that a future in the Asia-Pacific is what the American government seeks. In this pursuit, Obama has fast-tracked the negotiating process of signing the “highest standard trade agreement in history”, the Trans-Pacific Partnership.<sup>49</sup>

### The Layout of the Trans-Pacific Partnership

The Trans-Pacific Partnership spans between 12 partner countries across the Asia-Pacific region. It’s a historic agreement that refocuses the U.S. attention to enhanced prosperity and security in this region. President Obama announced that the TPP will level the playing field for American businesses and workers, eliminate the 18,000 taxes that various countries put on American goods, and boost “Made-in-America” exports abroad, all while supporting higher-paying jobs at home.<sup>50</sup> In short, the TPP hopes to bring together economies from across the Pacific – developed and developing alike – into a connected trading community.

And yet, the intended “fast-tracked” negotiating process for the signing of the TPP has seen numerous obstacles. These include outcries for more transparency from outside of just the government, challenges in gaining increased levels of support for the actual effects, and the seeming inability of the TPP to be officially enacted in the U.S. Congress.

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<sup>48</sup> Clinton, "America's Pacific Century".

<sup>49</sup> Obama, "Here's the Deal".

<sup>50</sup> Ibid.

All negotiations of the specifics between the partners finally concluded on October 5, 2015, having met its two key objectives. The first objective was to establish new and market-oriented rules in a body of rapidly changing areas that conduct international commerce. Secondly, the agreement aimed to reduce trade investment barriers among TPP countries to yield considerable gains for the U.S. and its 11 partners.<sup>51</sup> While, the TPP awaits its final approval from Congress, criticism for this type of action continues to rise. Disapproval stems from neighboring countries, American workers, and members of the President's own party. The TPP serves as a Free Trade Agreement (FTA) and the benefits of free trade have been hotly debated in the last ten years. For example, current controversies surrounding the North American Free Trade Agreement (NAFTA), are leaving Americans less optimistic that the TPP will be in the best interest of the American workers, and many doubt that it will positively benefit the U.S. economy. While the Obama Administration looks to find domestic support for the benefits of the TPP, criticism and doubt continue to loom. Therefore, at such a pivotal point in time, a critical analysis of the economic effects that the TPP may bring to America, the other partnering nations, and the rest of the Asia-Pacific region is critical in fully understanding what the rebalance towards the Asia-Pacific entails.

This study examines the potential economic effects and its strategic implications for the integration in the Asia-Pacific region with the implementation of the TPP. By disproving the most popular arguments against multilateral agreements by the use of economic analyses, the magnitude of economic opportunity awaiting the United States cannot be denied. Therefore, using the data and information published publicly online by the Office of the United States Trade

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<sup>51</sup> Peterson Institute for International Economics, "Assessing The Trans-Pacific Partnership".

Representative, the use of past multilateral agreements as successful and unsuccessful examples, and the clear implications of the benefits that free trade causes, it becomes clear that the TPP has the potential to set the tone and pave the way for the 21<sup>st</sup> century.

## **The Continuation of Free Trade**

### A Brief History of Free Trade

Free trade is most commonly defined as the absence of tariffs, quotas or other governmental impediments to international trade. This allows for each participating country to have a comparative advantage in the good or service they are producing, allowing for each country to achieve a higher real income. According to Douglas Irwin, “ever since Adam Smith published, *The Wealth of Nations* in 1776, the vast majority of economists have accepted the proposition that free trade among nations improves overall economic welfare”.<sup>52</sup>

Historically, the implementation of free trade has not been entirely universal, necessitating the creation of multilateral trade agreements have helped groups that were otherwise opposed or indifferent to trade reform, join the campaign for free trade if they saw opportunities for exporting to the other countries in the trade agreement.<sup>53</sup> Starting with the General Agreement on Tariffs and Trade (GATT) in 1947 with 23 member nations, this move toward international communication eventually evolved into the World Trade Organization (WTO), which now consists of more than 140 members. Today, hundreds of free trade areas have formed, such as the European Free Trade Area (EFTA) that combines four European

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<sup>52</sup> Irwin, "International Trade Agreements".

<sup>53</sup> Ibid.

countries in free trade, or, the ASEAN Free Trade Area (AFTA) that comprises of ten countries in the Southeast of Asia.

Mixed results from early models lead to an increase in bilateral or regional trade agreements, like NAFTA, that promoted greater trade among the parties in the agreement. NAFTA ultimately has been looked back upon as a negative result by today's American public and governments because of the lack of fulfillment of the American expectations of the FTA. Additionally, in recent years, a wave of bilateral and regional free trade agreements has swept across the Asia-Pacific. There is a shift from global to regional negotiations that are a result of a deep political-economic cause. These causes have resulted in a multipolar world economy; international linkages are increasingly complex; and past agreements have eliminated many of the most tractable trade barriers.<sup>54</sup> These factors explain the trend toward bilateral and regional negotiations, outlining an evolving world that is in need of a sound example for others to follow in the future. Therefore, the TPP, a multilateral agreement, is emerging amidst great uncertainty among the global trading system. Perhaps, it is a step closer to what Adam Smith envisioned in his historical book, universal free trade.

In that regard, the advocates of the TPP argue that in the long run, with successful implementation and approval from the U.S. Congress, the TPP has the potential to lend new impetus to other nations and perhaps more significant agreements currently being negotiated.<sup>55</sup> The agreement is formed to allow new members to join even after it is passed, allowing for large and small countries to try a "wait-and-see" approach to the trade deal. The TPP hopes to encourage other economies in the region to consider joining, in order to maintain their levels of

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<sup>54</sup> Petri, Plummer and Zhai, "The Trans-Pacific Partnership and Asia-Pacific Integration", p.5.

<sup>55</sup> Zeneli, "TPP: A Step Forward".

competitiveness and economic expansion.<sup>56</sup> Since the United States began its negotiations in 2008, six more countries have agreed to join, representing an enormous step forward on of the key objective of stitching together the economies of the Pacific and to expand growth opportunities for all.

Therefore, this agreement is not only important for the 12 countries included thus far, but potentially the TPP can be used as a well-respected platform for the rest of world to follow. Eventually, in hopes that more agreements are formed and universal trade might potentially be on the horizon.

#### Intended Economic and Geopolitical Outcomes of the TPP

For close to a decade, the Trans-Pacific Partnership has been negotiated for each member country to feel as though they are adequately benefitting from the TPP, while both U.S. commercial and foreign policy interests are being met. As of October 5, 2015 the negotiations have been finalized and member countries' goals accounted for. From the perspective of U.S. economic interests, the TPP serves four goals:

- First, it creates a comprehensive, modern template for economic partnerships involving the U.S. Covering issues such as services, investment, competition, and regulatory coherence. This is often seen as crucial for the next wave of economic integration and where the U.S. has comparative advantage.
- Second, it promotes deeper integration in the Asia-Pacific. This allows the U.S. economy to achieve huge economic benefits, in what William Krist argues, is due to the 12 countries negotiating the TPP agreement having a combined GDP of

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<sup>56</sup> Ibid.

\$27.9 trillion dollars and a total population of some 800 million. In terms of wealth, the 12 countries range from \$67,525 per capita income for Australia down to just \$1,755 per capita for Vietnam.<sup>57</sup> An opportunity that surely no nation would like to miss out on. A study based on an econometric model by the Petersen Institute estimates that “world income would rise by \$295 billion per year on the TPP track, including by \$78 billion per year for the U.S.”.<sup>58</sup>

Estimations with numbers like these are hard to pass up.

- Third, it provides a model for consolidating existing trade agreements and rids the overlapping FTAs currently in existence in the Asia-Pacific region. The TPP solves the problems of inconsistencies and imposes costs of compliance, that generate incentives to diminish rather than increase productivity.
- Lastly, it helps to level the playing field for U.S. exports to Asian markets. Many current FTAs exclude the U.S. and divert trade and investment from reaching countries of interest. In combination with other U.S. initiatives to strengthen the competitiveness of the U.S. economy, the TPP could help to increase U.S. exports overall.

In addition to these economic interests, geopolitical objectives are also at play. The TPP, from a U.S. perspective, allows for a deepening of U.S. engagement with Asia. Former Secretary of State Hillary Clinton outlined six key elements of U.S. importance with Asia in her 2011 *Foreign Policy* article. These included “strengthening bilateral security alliances; deepening our working relationships with emerging powers, including with China; engaging with regional

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<sup>57</sup> Krist, "Why We Need the Trans-Pacific Partnership".

<sup>58</sup> Peterson Institute for International Economics, “Assessing The Trans-Pacific Partnership”.

multilateral institutions; expanding trade and investment; forging a broad-based military presence; and advancing democracy and human rights”.<sup>59</sup> These points seem to mirror the economic goals set by the TPP, with benefits reaped both by the U.S. and partner nations as well. The economic and the geopolitical goals support each other and form a clear directive for member countries and specifically the U.S. The TPP provides the solution to an otherwise shaky U.S. rebalance towards Asia. Giving reassurance that there are plans before action and an opportunity for regional gains as a whole.

### **Economic Misconceptions of the TPP**

#### **Opposition Towards the TPP**

The TPP is a landmark accord. In 2014 its member countries had a combined GDP of \$28 trillion, or 36 percent of world GDP, and accounted for \$5.3 trillion in exports, or 23 percent of the world total (see Table 1). The deep and comprehensive agreement targets economic integration with requirements in nearly every sector of the economy, ranging from basic goods, services, and investment regulations to stipulations on current hot topics like the digital economy, intellectual property rights, regulatory coherence, labor, and the environment.<sup>60</sup>

Given the scope of its proposal, there has been significant space for international and domestic doubt to grow. Notably, it has become an increasingly prevalent topic in the current U.S. presidential campaign, with a growing number of people and political figures focused on its projections and possible results. Since the 2008 financial crisis, the U.S. has sought methods to

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<sup>59</sup> Clinton, "America's Pacific Century".

<sup>60</sup> McMinimy, Fergusson, and Williams. "Negotiations And Issues For Congress".

lower its unemployment, increase the number imports and exports, and overall revive the growth of its economy. With the use of economic modeling, the effects of the TPP economically can prove positive results domestically and internationally when the TPP is liberalized on a predictable set schedule. Allowing researchers to understand the economic benefits that the TPP will provide the United States with some much needed economic growth solutions.

## Employment

The most common and powerful argument against FTAs is the possible impact U.S. jobs as a result of low-skill labor outsourcing to Asian nations. While it is true that offshore production rates are increasing, it is also necessary to note the fact that people transition and shift from one job to another. This shift to alternative sectors is also referred to by economists as “labor market churn” (LMC).<sup>61</sup> While manufacturing and other low-skill jobs are admittedly less expensive to supply in other Asian nations, the TPP is not likely to affect the overall employment in the U.S. because as the number of jobs from less productive import-competing firms tend to decrease, exporting and other expanding firms will increase their hiring.<sup>62</sup> This is further explained in Peter Petri, Michael Plummer, and Fan Zhai’s more statistical analysis and figures below.

Estimates of LMC are derived from changes in production and the relative prices of different factors of the production. The value-added changes shown in Figure 1c drive the overall demand by industry sectors for primary factors of production – skilled labor, unskilled labor, and capital. While total value-added in the economy rises as the economy becomes more productive,

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<sup>61</sup> “The Pulse Of U.S. Hiring Activity”, CareerBuilders.

<sup>62</sup> Scissors, Espinoza, and Miller, "How Imports Support U.S. Jobs".

total employment does not; the supply of labor is expected to be at normal, long-run levels with or without the TPP. Thus, higher productivity translates into greater demand for labor and drives wages higher.

Structural changes imply labor market adjustments and research warns that such adjustments weigh heavily on some workers.<sup>63</sup> The model's results can be used to estimate the number of jobs affected by the TPP. One approach for constructing this estimate is to count *jobs that are eliminated in one sector and added in another*. This yields an estimate of 189,000 required job shifts by 2030, or 18,900 jobs per year in the ten-year period between 2018 and 2028, when most policy changes associated with the TPP are implemented. This should be thought of as adding to the ongoing flow of employment changes in the U.S. labor market, again, described as LMC

A second approach is to count *all jobs directly displaced by imports*. This assumes that the jobs are no longer required for imports and will result in layoffs, even in sectors that have offsetting growth due to increased exports or domestic demand. This calculation yields 71,900 job shifts per year.

In addition, a third approach can be to count *all jobs directly and indirectly displaced* by imports, including in supplier firms. This calculates to 160,700 job shifts per year. Now, using the middle estimate and subtracting 25.3 percent for voluntary and other separations (from 2014 U.S. data) leaves 53,700 annual additional job changes that will be involuntary and attributable to the TPP. According to data from the Bureau of Labor Statistics, 55.5 million workers were separated from their jobs, and 58.6 million workers were hired into jobs in 2014<sup>64</sup>. Using this

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<sup>63</sup> Acemoglu, Autor, Dorn, Hanson, and Price, "Import Competition".

<sup>64</sup> Data are from the Bureau of Labor Statistics, [www.bls.gov/jlt/data.htm](http://www.bls.gov/jlt/data.htm)

calculation, 53,700 annual additional job changes that will be involuntary and attributable to the TPP, the transition effect would represent less than 0.1 percent increase in labor market churn in a typical year.

These calculations provide the information to depict that most workers displaced by the TPP will likely find new alternative jobs. Yet, some “workers in specific locations, industries, or with skill shortages may experience serious transition costs including lasting wage cuts and unemployment”.<sup>65</sup> In a similar study, Robert Lawrence (2014) found that these total costs to displaced workers were a fraction of overall U.S. gains from an ambitious trade agreement.<sup>66</sup> Even though the costs of compensation are projected to be relatively high, the fact that such a small fraction of U.S. gains is necessary to cover possible losses makes this a compelling alternative. Moreover, political objectives and policies to achieve equitable adjustment are likely to be affordable. Lawrence estimates these costs and finds that they are overshadowed by the agreement’s benefits. Utilizing the ideas put forth by Lawrence and others who have advocated for targeted strategies to support cost-bearing workers, affordable policies to eliminate unfair adjustment burdens can be a viable solution.

### Sectoral Trade and Output

Although some may exhibit concern upon seeing a “Made in China” label, the changing structure is really just change occurring within sectors, rather than the nation’s economy on the whole. Generally speaking, U.S. manufacturing has declined in recent decades as demand shifted

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<sup>65</sup> Petri and Plummer, “The Economic Effects Of The Trans-Pacific Partnership”, p.3.

<sup>66</sup> Lawrence, Adjustment Challenges for US Workers”, Chapter 3.

more toward services.<sup>67</sup> Technology has further reduced the demand for labor, and manufacturers abroad have become even more competitive. Therefore, U.S. manufacturing in 2014 was an average sized, capital-intensive sector accounting for 12 percent of GDP and 9 percent of employment, down from 13 and 11 percent, respectively, a decade earlier.<sup>68</sup> That steady decline is expected to continue regardless of a trade policy implementation.<sup>69</sup>

Yet, in Petri's 2011 economic analysis of the TPP, his estimations show baseline U.S. manufacturing value-added growing by almost 2 percent annually between 2015 and 2030. This is only slightly slower than the current U.S. GDP. This shows a reversal of the negative trend, with manufacturing employment also growing from 12.1 million in 2015 to 12.6 million workers in 2030.<sup>70</sup> Although manufacturing's share of the labor force continues to decline from 9 to 8 percent, this is due to "advances in the service sector being more broadly based – from financial, computer, and internet services to logistics and entertainment – reflecting high productivity and wide-ranging comparative advantages in this sector of America".<sup>71</sup>

The U.S. has strong export comparative advantage in primary goods, advanced manufacturing goods and services while the U.S. imports foreign producer's labor-intensive manufacturing goods and services where others have comparative advantage. In Figure 1, it describes the effects of the TPP on trade and output in different sectors of the US economy. These shifts describe structural reallocations that ultimately result in higher productivity. They depend, on one hand, the comparative advantage of different U.S. industries and, on the other hand, reduction in trade barriers by the U.S. and its partners. Therefore, while the U.S. makes the

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<sup>67</sup> Kehoe, Ruhl, Steinberg, "Global Imbalances and Structural Change".

<sup>68</sup> These estimates are based on Bureau of Economic Analysis data. The model's sectoral definitions indicate somewhat higher percentages for both value-added and employment than BEA data.

<sup>69</sup> Acemoglu, Autor, Dorn, Hanson, and Price, "Import Competition".

<sup>70</sup> Projections by the Bureau of Labor statistics assume somewhat higher labor productivity growth and therefore predict a slight decline.

<sup>71</sup> Petri and Plummer, "The Economic Effects Of The Trans-Pacific Partnership", p.12.

service industry reduce the trade barriers for their service exports, in return, U.S. trade barriers are gradually going to be removed in sectors like textiles and apparel imports.

According to both Figures 1a and 1b exports and imports will increase will expand in similar sectors. “Imports rise more than exports in manufacturing, while exports rise more than imports in primary goods and services, but net trade effects are small compared to gross trade changes, implying substantial opportunities for productive firms in every sector of the economy”.

<sup>72</sup> The TPP will impact labor and capital beneficially, completely reinvigorating the U.S. trade market.

Large or small, export and import effects reverberate through the economy and cause changes in sectorial value-added and employment. These effects include indirect channels activated by the demand for intermediate goods for trade as well as demand for products and services stimulated by higher incomes under the TPP. Figure 1c shows the net effects on value-added changes in different sectors. Value-added changes reflect trade effects, as well as the rise in non-traded services due to increased U.S. incomes with the TPP. Since the baseline projects increases in value-added in all sectors over time, the changes shown in figure 1c are relative to the baseline, not over time. Value-added will grow also in manufacturing between 2015 and 2030, but at an annual rate that is slightly slower (1.79 percent vs. 1.85 percent) under the TPP than the baseline.

The results show that reductions in trade barriers under the TPP generate reallocations of labor and capital toward efficient firms and industries, enabling them to produce more of what they produce best.

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<sup>72</sup> Ibid, 12.

## The U.S. Economy as a Whole

Along with the clear indication of increased growth in job sectors and increased labor market churn with the implementation of the TPP mentioned in the previous two sections, the effects of the TPP may also be measured in its impact has on the U.S. economy as a whole.

While critics argue that free trade will negatively impact our income wages and real GDP gains, this can be countered by principal measures of benefits or the most important indicators.

Typically, real wage incomes and real GDP are indicators that measure the health or the growth of an economy. In addition, one can use “real income gains” (seen on Table 2) that measure how much extra income a country would require, without the TPP, to undertake real expenditures as desirable as those feasible with the TPP. Furthermore, expenditures normally depend on income earned from production, so real income gains are similar to gains in real GDP. Because both real GDP and real incomes are expressed in constant prices, the relationship between them depends on relative prices.

According to Table 2, the estimated annual income gains generated by the TPP by 2030 would be \$131 billion for the U.S. and \$492 billion for the world. U.S. gains represent about 0.5 percent of baseline GDP. To put these benefits in context, all investments in a given year in the U.S. have been estimated to add one percentage point to U.S. economic growth.<sup>73</sup> U.S. investment in 2014 was \$2.9 trillion.<sup>74</sup> Thus, the gains to income from the TPP can be thought of as the equivalent of \$1.45 trillion in investment in 2014. Clearly providing insight on a

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<sup>73</sup> Fernald, “Productivity and Potential Output”.

<sup>74</sup> Ibid.

significant increase of investment to the U.S. economy and significant income gains that are both generated and expanded by the implementation of the TPP.

The estimates reported here suggest that the TPP will increase annual real incomes in the United States by \$131 billion, or 0.5 percent of GDP, and annual exports by \$357 billion, or 9.1 percent of exports, over baseline projections by 2030, once the agreement is nearly fully implemented. Incomes after 2030 will remain above baseline results by a similar margin. These estimations put to rest the arguments against implementing the TPP and instead reinforces the idea that free trade and cooperation will in turn, be beneficial for the U.S. economy as a whole.

### **The Necessity for Inclusiveness for the TPP**

After the final agreement was reached in October 2015, the structure of the TPP was formed and 30 chapters of the agreement have been written and released to the public. Nearly five years of negotiation has taken place in the hopes of creating a 21<sup>st</sup> century agreement that addresses many controversial issues, some of which have received little attention in other settings. Potentially central items in the agreement include industrial goods, services, intellectual property rights, competition policy, safety standards, labor and environment, among others. These issues are of utmost importance in deciding the final decisions of the agreement, but as mentioned above, the TPP needs to concern itself in the long-term interests of all parties if it hopes to one day expand its presence.

In this way, the challenge of the TPP is to develop rigorous rules on new issues in international economic relations while advancing broad Asia-Pacific integration. There is inherent tension between these objectives. On one hand, high-quality trade agreements involve

sophisticated disciplines that constrict policy space; on the other, an inclusive Asia-Pacific framework requires provisions accessible to diverse economies. Therefore, the success of the agreement is highly dependent on its specific details, understanding the controversial issues, and finding a happy medium.

The TPP is more comprehensive and deeper than most regional efforts, compared to the ambitions of past U.S. bilateral agreements. Its significance lies in its ability to effect widespread change through stricter disciplines on goods and services trade, wider provisions to address political concerns, and laws on International Protection Rights and labor.<sup>75</sup> Therefore, its two objectives – a high quality agreement and Pacific-wide integration – tend to work at cross ends. The stricter the provisions and the more closely they are tailored to the interests of the negotiators, the more difficult it will be to bring in new members.

The long-term interests of the United States suggest an active, subtle TPP policy. The United States needs to craft an agreement that is politically acceptable at home, ensuring market access for their best interests and goals, but ultimately, value of the agreement to the U.S. lies in the enlargement of the TPP and its consolidation with the Asian track. In the end, the TPP is aiming to form a multilateral trade agreement that builds off one another. The importance lies in the inclusion of other Pacific countries and this starts with the rules set forth now. Therefore, the TPP template has set targets for liberalization, but ones that the other economies will eventually find acceptable – if not now, then five or ten years from now. With the hopes that the rules are lenient enough to be inviting for others, while providing enough of a role to have the member nations respect, follow, and abide by them.

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<sup>75</sup> Zeller and Cole. "Australian Trade Agreements", p.2.

## **Conclusion: The Future of the Trans-Pacific Partnership**

Although it was more than four years ago, former Secretary of State Hillary Clinton's outline of a "Pivot to Asia" remains extremely relevant today. Now more than ever, Asian countries are being recognized for their emergence into the global economy and have proved themselves worthy of recognition. Finally, that recognition has been met by the U.S. itself in their rebalancing efforts to the Asia-Pacific region and the introduction of the TPP. Yet, political times are changing in the U.S. and therefore different views and opinions are coming into play. Other political arguments are getting more media attention and fewer people are recognizing the importance of this pivot. The TPP, and U.S. foreign policy rebalancing efforts are at stake with the upcoming 2016 presidential election. Popular presidential hopefuls like (D) Sen. Bernie Sanders (Vermont) or billionaire (R) Donald Trump are against free trade agreements, are uncomfortable negotiating trade deals with other countries, and are voting against the TPP.<sup>76</sup> Seemingly putting an end to a key part of the U.S. integration of the Asia-Pacific region.

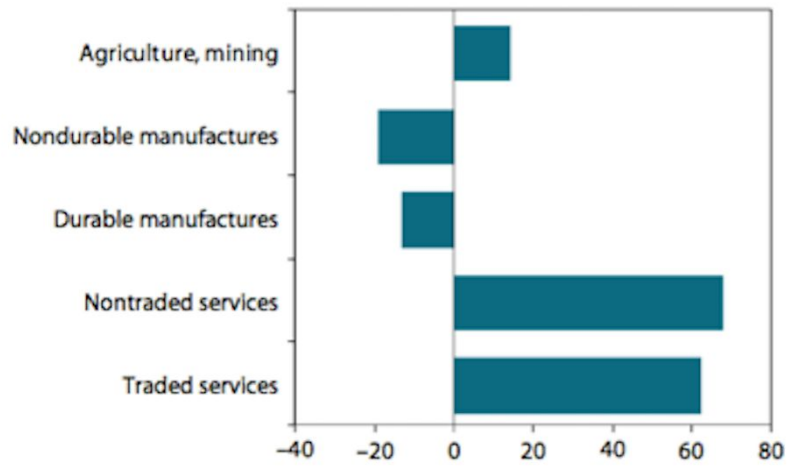
Therefore, it is crucial to continue to spread awareness of the "fast-track" negotiation process of the TPP. Clearly, the opportunities are rich for the U.S. and the partnering nations in the Asia-Pacific region. Employment will not be stifled or lost, big and small U.S. companies are proven to benefit from the increase of the U.S. exports, and overall GDP is shown to increase. By continuing the education and awareness of the economic benefits the American people will become conscious of the U.S. rebalancing plans in Asia, which could lead to increased support for FTA implementation, making integration in the Asia-Pacific region and beyond far more plausible.

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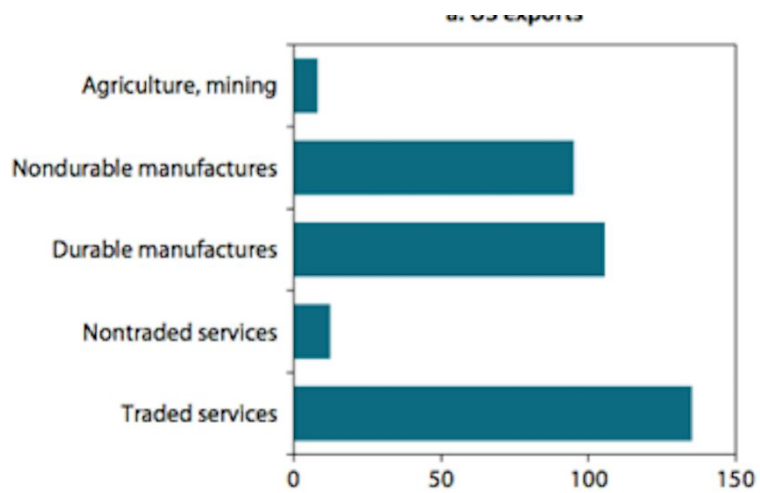
<sup>76</sup> Todd, "Bernie Sanders On Free Trade"..

## Image Reference Sheet

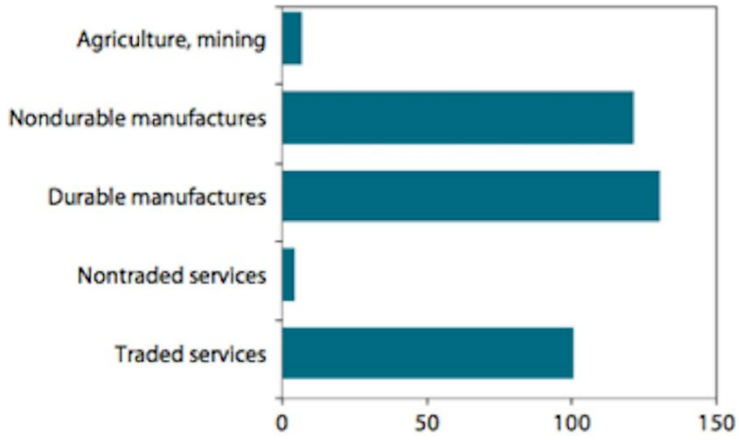
**Figure 1a: Value-Added**



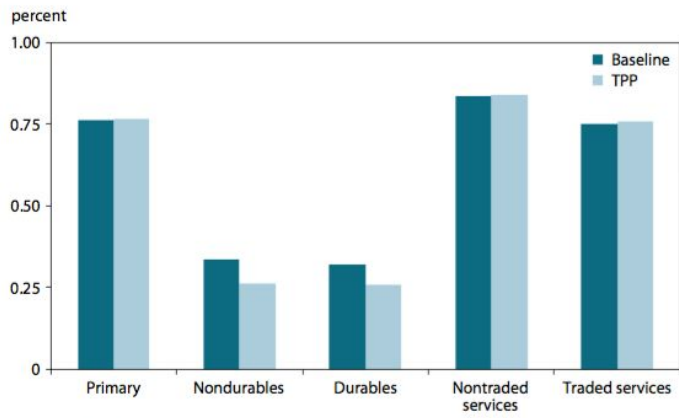
**Figure 1b: U.S. Exports**



**Figure 1c: U.S. Imports**

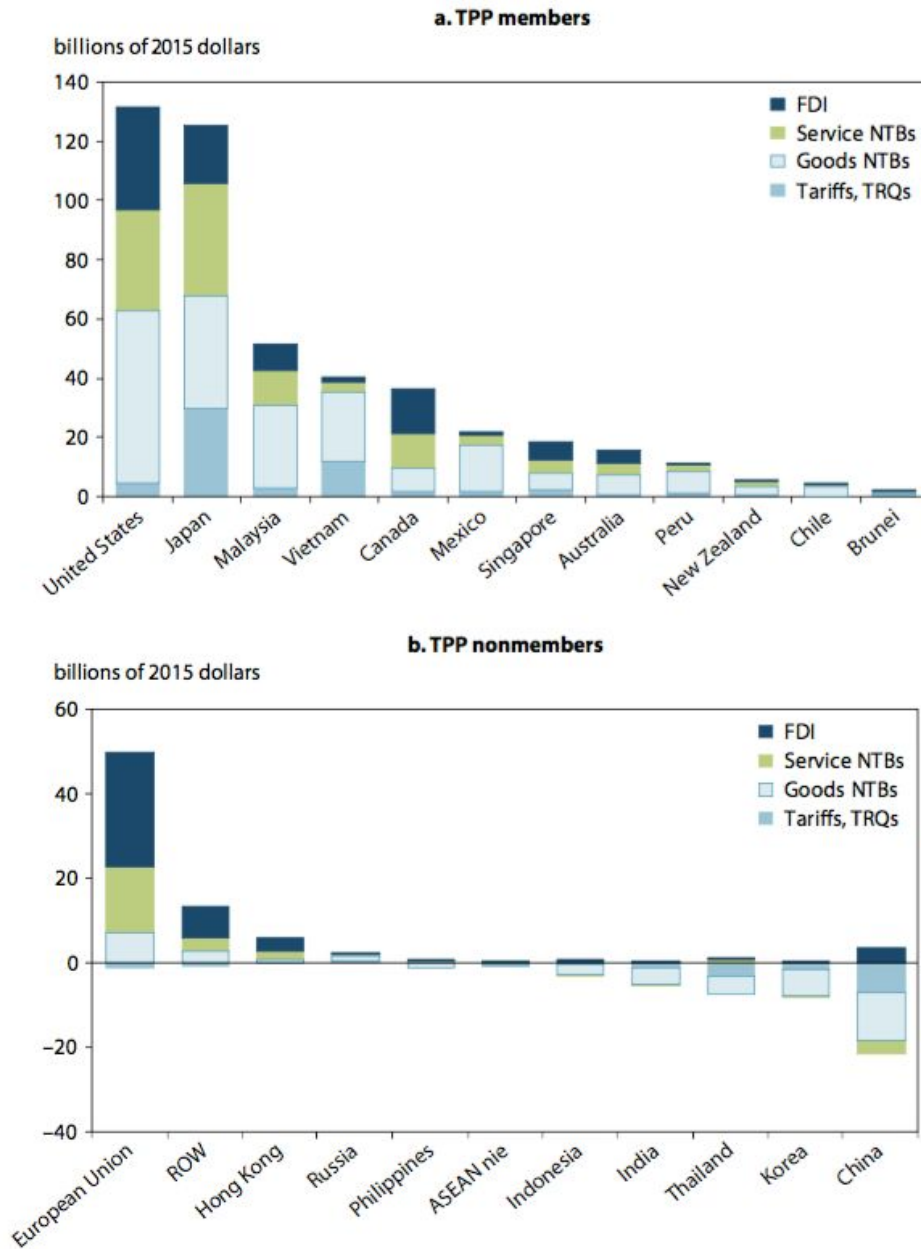


**Figure 2 Employment growth rates with and without the TPP, by sector, 2015–30**



Source: Authors' simulations.

**Figure 3 TPP income effects and their composition, 2030**



ASEAN = Association of Southeast Asian Nations; FDI = foreign direct investment; nie = not included elsewhere; NTBs = nontariff barriers; ROW = rest of world; TRQs = tariff rate quotas  
 Source: Authors' simulations.

Table 1 Twelve Countries Negotiating TTP

<u>Country</u>	<u>GDP (Billions \$)</u>	<u>Population (Millions)</u>	<u>GDP Per Capita</u>
Australia	1,534.4	22.7	\$67,525
Brunei	16.9	0.4	\$41,127
Canada	1,821.4	34.8	\$52,409
Chile	266.3	17.5	\$15,246
Japan	5,954.5	127.6	\$46,679
Malaysia	305.3	29.2	\$10,440
Mexico	1,186.5	120.8	\$ 9,818
New Zealand	171.5	4.4	\$38,678
Peru	192.6	30	\$ 6,424
Singapore	286.9	5.3	\$54,007
United States	16,163.2	313.9	\$51,496
Vietnam	155.8	88.8	\$ 1,755

World Bank, World Development Indicators, 2012, <http://databank.worldbank.org/data/home.aspx>.

**Table 2 Real income effects of the TPP**

Country	Baseline (billions of 2015 dollars)				Change with TPP (billions of 2015 dollars)			Percent change from baseline		
	2015	2020	2025	2030	2020	2025	2030	2020	2025	2030
<b>Americas</b>	<b>21,962</b>	<b>25,177</b>	<b>28,473</b>	<b>31,544</b>	<b>41</b>	<b>129</b>	<b>205</b>	<b>0.2</b>	<b>0.5</b>	<b>0.7</b>
Canada*	1,981	2,227	2,472	2,717	8	22	37	0.4	0.9	1.3
Chile*	269	329	397	463	0	2	4	0.1	0.5	0.9
Mexico*	1,339	1,598	1,868	2,169	3	11	22	0.2	0.6	1.0
Peru*	219	287	363	442	1	6	11	0.4	1.6	2.6
United States*	18,154	20,736	23,372	25,754	29	88	131	0.1	0.4	0.5
<b>Asia</b>	<b>22,806</b>	<b>29,752</b>	<b>38,179</b>	<b>47,386</b>	<b>52</b>	<b>135</b>	<b>203</b>	<b>0.2</b>	<b>0.4</b>	<b>0.4</b>
Brunei*	20	24	27	31	0	1	2	1.1	3.3	5.9
China	11,499	16,058	21,689	27,839	-1	-8	-18	0.0	0.0	-0.1
Hong Kong	300	358	412	461	2	4	6	0.5	1.0	1.2
India	2,210	3,086	4,197	5,487	0	-2	-5	0.0	-0.1	-0.1
Indonesia	927	1,240	1,687	2,192	0	-1	-2	0.0	-0.1	-0.1
Japan*	4,214	4,462	4,693	4,924	39	91	125	0.9	1.9	2.5
Korea	1,384	1,672	1,967	2,243	-1	-5	-8	-0.1	-0.2	-0.3
Malaysia*	349	444	553	675	7	28	52	1.6	5.0	7.6
Philippines	329	436	547	680	0	-1	-1	0.0	-0.1	-0.1
Singapore*	320	380	437	485	2	8	19	0.5	1.9	3.9
Taiwan	511	619	707	776	0	1	1	0.1	0.1	0.2
Thailand	411	516	656	812	-1	-4	-7	-0.2	-0.6	-0.8
Vietnam*	209	281	378	497	7	22	41	2.3	5.8	8.1
ASEAN nie	124	175	228	283	0	-1	-1	-0.1	-0.2	-0.4
<b>Oceania</b>	<b>1,896</b>	<b>2,203</b>	<b>2,533</b>	<b>2,854</b>	<b>2</b>	<b>12</b>	<b>21</b>	<b>0.1</b>	<b>0.5</b>	<b>0.7</b>
Australia*	1,704	1,986	2,292	2,590	1	8	15	0.0	0.4	0.6
New Zealand*	192	217	241	264	1	4	6	0.5	1.5	2.2
<b>Rest of world</b>	<b>34,371</b>	<b>39,492</b>	<b>45,506</b>	<b>52,017</b>	<b>16</b>	<b>44</b>	<b>62</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>
European Union	17,893	19,746	21,451	23,189	12	34	48	0.1	0.2	0.2
Russia	2,244	2,462	2,903	3,371	0	1	2	0.0	0.0	0.1
ROW	14,235	17,283	21,152	25,456	3	8	12	0.0	0.0	0.0
<b>World</b>	<b>81,035</b>	<b>96,623</b>	<b>114,690</b>	<b>133,801</b>	<b>111</b>	<b>319</b>	<b>492</b>	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>
<i>Memorandum</i>										
TPP members	28,969	32,971	37,094	41,011	98	291	465	0.3	0.8	1.1
Non-members	52,066	63,652	77,596	92,790	13	28	27	0.0	0.0	0.0

ASEAN = Association of Southeast Asian Nations; nie = not included elsewhere; ROW = rest of world

Note: Asterisk denotes TPP member.

Source: Authors' simulations

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# **The Role of Multinational Corporations in the U.S. Pivot to Asia**

Dorothy Kim

## **Introducing a Move to Greater Integration**

In her article in *Foreign Affairs* in 2011 announcing the Obama Administration's vision towards a pivot to Asia following the Iraq War, Secretary of State Hillary Clinton described her desire to further integrate the flourishing economies of Asia and the United States. In deepening these working relationships with emerging economic powers, Clinton expressed the U.S.' need to expand trade and investment within Asia's dynamic markets.<sup>77</sup> Clinton wrote of the desire of Chinese firms to "buy more high-tech products from the United States, make more investments here, and be accorded the same terms of access that market economies enjoy" as well as the U.S. government's desire to work with "China to end unfair discrimination against U.S. and other foreign companies or against their innovative technologies, remove preferences for domestic firms, and end measures that disadvantage or appropriate foreign intellectual property".<sup>78</sup> She

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<sup>77</sup> Clinton, "America's Pacific Century."

<sup>78</sup> Ibid.

also established four qualities she believed healthy economic competition between these regions should entail, which are: “open, free, transparent, and fair”.

Clinton also expressed the U.S.’ mission to advance democracy and human rights within the Asian region.<sup>79</sup> However, one might say that these two missions conflict with each other, as large multinational corporations (MNCs) involved with trade and integration between these economies have, in the past, been accused of violating human rights with exploited foreign labor, threatening the environment, and evading domestic legal standards. Also, domestically, MNCs hold a negative reputation due to the popular belief that they lower the standard of living within the U.S. with the risk of unemployment due to the exportation of cheap labor.

With mounting criticisms of large multinational firms, further economic integration with an increase in U.S. direct investments as well as expansion of U.S. corporations within Asia could be perceived as negative. The recent formation of the Trans-Pacific Partnership, or TPP, was made in hopes of establishing this American presence within Asia while also regulating corporate behavior.

This paper will explore the role of multinational corporations within the U.S.’ pivot to Asia in regards to the Trans-Pacific Partnership, which has been a major factor of the pivot. Specifically, this paper will explore both the advantages and disadvantages of the deepening role of MNCs in relation to this pivot, and whether the enactment of the TPP can counter many of the criticisms present of increased trade between the U.S. and the dynamic Asian economies. This paper will thus come to the conclusion that the U.S. pivot to Asia in the form of the enactment of the TPP will support American interests by benefiting the U.S. economy. However, in order for

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<sup>79</sup> Ibid.

this pivot to be effective as well as receive the approval of the American people, major Asian countries such as China and South Korea must sign the agreement, and improvements must be made to the TPP in order to ensure the enforcement of the regulations set forth.

### **Characteristics of a Multinational Corporation**

A multinational corporation can be defined as a corporation that has its facilities and other resources in at least one country other than its home country.<sup>80</sup> Many such MNCs have offices and/or factories in different countries, often with a centralized head office where they organize global management. Multinational corporations offer several benefits for consumers. The massive operational scale and size of corporations often provides benefits from the economies of scale, which leads the way for lower average prices and costs for consumers.<sup>81</sup> MNCs can also aid developing economies by providing them with much needed foreign currency as well as job opportunities when creating facilities within these developing regions.

#### Concerns Regarding MNCs

Despite these advantages, many negative aspects are often associated with multinational corporations. One of these disadvantages is the market dominance of MNCs which often runs smaller, local firms—both within their home country as well as in foreign countries—out of

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<sup>80</sup> "Multinational Corporations Pros and Cons." Asia-Pacific Economics Blog. April 8, 2014.

<sup>81</sup> Ibid.

business.<sup>82</sup> Many MNCs have also been criticized for exploiting labor within countries with developing economies with harsh working conditions as well as very low wages. This outsourcing of labor has led to complaints of increased unemployment within the home countries of these corporations. Additionally, many multinational corporations have been condemned for contributing to pollution and utilizing non-renewable resources that threaten the natural environment surrounding production sites.<sup>83</sup>

The presence of MNCs has been known in the past to have a positive correlation with increased corruption. Within developing countries, the entry of MNCs into a region can lead to rent creation through high entry barriers into new markets and the pursuit of monopolistic or oligopolistic statuses. This runs local firms out of the market and decreases competition. Higher rents allow firms to internalize the cost of corruption and increase the value of bureaucrats' control rights and thus their incentive to extract bribes<sup>84</sup>. Scholars Robertson and Watson found that a rapid rate of increase or decreases in FDI leads to a high level of observed corruption. In Vietnam, a study provided significant evidence that foreign firms are more prone than local firms to pay bribes in restricted sectors that yield higher rents.<sup>85</sup> Furthermore, in China, MNCs have been known to bribe officials through a variety of ways including offering government officials direct cash payments, occupational trainings, foreign trips, as well as overseas education opportunities for officials' children. This evidence of increased corruption in relation to increased FDIs and the presence of MNCs within an area has been concerning for many.

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<sup>82</sup> Ibid.

<sup>83</sup> Ibid.

<sup>84</sup> Zhu, "MNCs, Rents and Corruption"

<sup>85</sup> Gueorguiev "Rent(s) Asunder"

## The Trans-Pacific Partnership

As seen in Luke Coppenrath's paper, "The Trans-Pacific Partnership: The U.S. Economic and Geopolitical Implications" earlier in this report, there is significant evidence of the economic benefits that the TPP will bring to the United States. Coppenrath's paper also suggests that the enactment of the TPP, and thus a deepening presence of U.S. firms within Asia, will be less likely to increase domestic unemployment. Economists predict instead that the increase in overall trade between the U.S. and the Asia Pacific will allow for the creation of new jobs or an increase in hiring when firms expand. This evidence as well as all of the other benefits detailed within Coppenrath's paper provides a solid foundation to claim that the TPP will most likely address the domestic issues critics have with the expansion of MNCs. However, some are still wary as to whether the TPP will regulate corporate behavior in regards to other aspects such as in labor exploitation, pollution and corruption. Opponents are also concerned that the TPP will in fact allow MNCs to increase these damaging aspects as they accuse the agreement of allowing large corporations to bypass countries' governments.

### The Benefits of the TPP

The drafting of the TPP in late 2015 as well as its recent signing on February 4<sup>th</sup>, 2016 was a major step toward a multilateral agreement between Asian countries and the U.S.<sup>86</sup> and thus further economic integration in regards to the pivot towards Asia. Within the TPP, a promise to uphold standardized economic policy that would promote free trade while also

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<sup>86</sup> The Washington Post, "Ratify the Trans-Pacific Partnership."

improving labor and environmental protections, is a positive step towards regulating behavior within MNCs. The TPP claims to:

*“...promote economic growth; support the creation and retention of jobs; enhance innovation, productivity and competitiveness; raise living standards; reduce poverty in our countries; and promote transparency, good governance, and enhanced labor and environmental protections”*.<sup>87</sup>

Overall, the TPP’s central purpose is to eliminate over 18,000 tariffs on goods flowing to and from the United States, Japan, Malaysia, Vietnam, as well as the eight other countries who have currently signed the multilateral agreement.<sup>88</sup> In regards to multinational corporations, this is a major benefit for them, as the lifting of tariffs and trade barriers will increase their reach across many dynamic Asian countries as well as gain access to emerging markets within the Pacific region. The TPP similarly includes clauses that emphasize inclusiveness and decreased discrimination against foreign companies, which is a significant goal Clinton outlined within her Pivot to Asia article.<sup>89</sup> The agreement also addresses many of the issues critics have with MNCs, including human rights abuses related to the exploitation of labor in less developed countries, as well as environmental concerns.

On the TPP website, the Office of the United State Trade Representative (USTR), claims that the “TPP’s strong and enforceable labor provisions will promote higher labor standards. In fact, TPP more than quadruples the number of people outside the United States that are covered by enforceable labor provisions”.<sup>90</sup> These regulations include protecting the freedom to form

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<sup>87</sup> "Summary of the Trans-Pacific Partnership Agreement".

<sup>88</sup> Ibid.

<sup>89</sup> Ibid.

<sup>90</sup> Office of the United States Trade Representative. "The Trans-Pacific Partnership"

unions and bargain collectively; prohibit and eliminate exploitative child and forced labor; protection against employment discrimination; and creating acceptable conditions of work concerning minimum wages and hours of work as well as workplace health and safety.<sup>91</sup> Within the website, the USTR also claims that the TPP will establish specific labor reforms that less developed emerging market countries such as Vietnam, Malaysia, and Brunei must abide by, with the threat of action in the form of trade sanctions or exclusion from the TPP if these reforms are not made.<sup>92</sup>

The TPP also makes strong commitments to protecting the environment, claiming that all countries involved will work together to address environmental challenges such as pollution, illegal wildlife trafficking, illegal logging, illegal fishing, and protection of the marine environment. In detail, the TPP outlines commitments of the twelve Parties to promote sustainable forest management, and conservation of wild flora and fauna that are at risk within their regions. The Parties also agree to protect the marine environment from ship pollution and to protect the ozone layer from ozone depleting substances, as well as a transition to low-emissions economy.

## Criticisms of the TPP

### *Lack of Transparency*

The response to the TPP has been largely mixed, with many critics opposing Obama's fast-track of the bill. Many criticisms stem from the proposal's lack of transparency in the negotiations of the TPP, as the 12-nation deal was drawn up largely in secrecy, with only

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<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

portions of the text being initially revealed to the majority of Congress.<sup>93</sup> Critics also accuse the TPP of only benefiting the largest MNCs in the world, destroying American jobs, as well as threatening the environment, human rights, and health.<sup>94</sup> Representatives of large U.S. corporations, such as Halliburton, Chevron, PHRMA, and Comcast were consulted and provided access to details of the agreement, which many politicians such as U.S. Senator Ron Wyden heavily disparaged.<sup>95</sup> Senator and presidential candidate Bernie Sanders has also denounced the TPP, claiming in a statement made in December of 2014 that the TPP is:

*“...part of a global race to the bottom to boost the profits of large corporations and Wall Street by outsourcing jobs; undercutting worker rights; dismantling labor, environmental, health, food safety and financial laws; and allowing corporations to challenge our laws in international tribunals rather than our own court system”.*<sup>96</sup>

The criticisms of the TPP therefore align with the criticisms many individuals have with MNCs, as its enactment would encourage a larger presence of MNCs within member countries.

### *Environmental Concerns*

There have been numerous criticisms as to whether the regulations made within the TPP agreement will be carried out. The various aforementioned commitments to labor, corruption, and environmental regulations are listed above are quite vague, and lack specifics as to how they can be enforced, and how TPP members will be punished if these commitments are violated. The Center for International Environmental Law (CIEL) published a document analyzing the environmental commitments made within the trade agreement, coming to the conclusion that,

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<sup>93</sup> The Washington Post, "Ratify the Trans-Pacific Partnership."

<sup>94</sup> Ibid.

<sup>95</sup> *Congressional Record*, Vol. 158, p. S3517

<sup>96</sup> Sanders, "THE TRANS – PACIFIC TRADE (TPP) AGREEMENT MUST BE DEFEATED". p. 3.

“any minimal gains from new commitments on the environment under the TPP pale in comparison to the negative human and environmental effects of the commercial and investment provisions”.<sup>97</sup> The CIEL agreed that the environmental commitments made within the TPP are vague and likely unenforceable.<sup>98</sup> Furthermore, the CIEL criticizes the TPP for failing to mention climate change, although they briefly mention lowering emissions within the economy, again in a vague manner.<sup>99</sup> Large MNCs are heavily criticized due to their contribution to pollution in the environment, and critics are concerned that the TPP will not address these issues.

### *Investor-State Dispute Settlement*

Arguably, the most contentious aspect of the TPP has been the inclusion of “Investor-State Dispute Settlements”, or ISDS within the agreement. These settlements are meant to mediate disputes between a government and foreign investors. However, many individuals, such as American academic and politician Elizabeth Warren, are wary of the fact that the TPP is expected to allow foreign investors to make ISDS complaints against the United States. Warren believes they favor big MNCs as it allows foreign companies to challenge U.S. laws and possibly seize huge payouts from taxpayers.<sup>100</sup> This notion is supported by the fact that ISDS processes are not open to the public and are overseen by arbitrators who are often highly paid corporate lawyers who hold stakes within these agreements as opposed to independent judges. Senator Warren thus claims that inclusion of ISDS within the TPP “would undermine U.S. sovereignty”, with the only winners being multinational corporations. The CIEL has also

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<sup>97</sup> “The Trans - Pacific Partnership and the Environment” 2015.

<sup>98</sup> Ibid. p.2.

<sup>99</sup> Ibid. p.3.

<sup>100</sup> Warren, Elizabeth. “The Trans-Pacific Partnership Clause Everyone Should Oppose.” *Washington Post*.

criticized the ISDS provision with the TPP, claiming that the TPP “should not include a provision that diminishes state sovereignty, rolls-back environmental legislation, and chills future policy-making”.<sup>101</sup> These criticisms, specifically coming from American politicians, contributes to the controversy overshadowing the TPP.

The clauses that define the scope of ISDS within FTAs are often quite vague, which has allowed large firms in the past to take advantage of them. This has allowed Phillip Morris to demand compensation for Australia’s decision to require cigarette-makers to place photos of lung-cancer victims on their packets. It has also permitted Vattenfall, a Swedish company which owns several nuclear plants in Germany, to demand reparations for the German government’s ruling in 2011 to phase out nuclear power.<sup>102</sup> In 2012, a record 59 arbitrations were launched. This pattern of legal action against governments demonstrates how firms utilize ISDS as a way of getting compensation for unwelcome policy changes. Because of this, many countries in the past have refused to sign or are threatening to withdraw from any FTA with an ISDS mechanism, including Brazil, South Africa, and India.<sup>103</sup> This disapproval of ISDS agreements within FTAs as well as the other various concerns of the TPP should be a major concern to President Obama as well as the future administration as it threatens domestic opinion as well as could discourage other countries from joining the agreement. If the TPP does not expand to other countries, its effectiveness will be weakened as the TPP’s strength relies on its reach across the Asian Pacific.

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<sup>101</sup> "The Trans - Pacific Partnership and the Environment", Center for International Environmental Law

<sup>102</sup> "A Better Way to Arbitrate." The Economist.

<sup>103</sup> "The Arbitration Game." The Economist.

## Addressing Concerns to the TPP

The U.S. government has addressed the concerns related to ISDS on their website. They have stated that ISDS is put in place by governments in order to “resolve investment conflicts without creating state-to-state conflict”, “protect citizens abroad”, and to “signal to potential investors that the rule of law will be respected”.<sup>104</sup> In regards to the threat that foreign companies could be granted huge payouts from U.S. taxpayers mentioned by Senator Elizabeth Warren, the U.S. government emphasizes that, “foreign investors rarely pursue arbitration against the United States and have never been successful when they have done so” as over the past 25 years, the U.S. has faced 17 ISDS cases with 13 of them being brought to conclusion. With the U.S. being involved in 50 different agreements that include ISDS, they have never lost a case, claiming that the “United States has put in place several layers of defenses to minimize risk that U.S. agreements could be exploited in the manner to which other agreements among other countries are susceptible”.<sup>105</sup> Although these facts may be reassuring for American citizens who are concerned with the use of taxpayer money to compensate foreign investors who may take advantage of the system, this does not address the fact that ISDS could still discourage new countries from joining the TPP.

### *Improvements to ISDS*

Various scholars do not feel the ISDS within the TPP is as threatening as critics believe, instead believing that improvements can be made by following in the footsteps of past successful ISDS systems in order to ensure arbitrations are carried out fairly. The Economist has noted past

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<sup>104</sup> "Investor-State Dispute Settlement (ISDS)." United States Trade Representative.

<sup>105</sup> Ibid

FTAs that have made improvements to ISDS in an effort to prevent many of the concerns related to them. The FTA negotiations between the EU and Canada takes care to define and narrow the scope of ISDS, explicitly stating that measures “to protect legitimate public welfare objectives, such as health, safety and the environment, do not constitute indirect expropriations”.<sup>106</sup> The FTA also states that ISDS proceedings and findings must be made public, addressing past criticisms of the lack of transparency within arbitrations.

Some scholars have also commended the provisions made to ISDS within the WTO. It has been applauded for ensuring “the prompt settlements of disputes between WTO Members concerning their rights and obligations under the covered agreements and achieving predictability of the dispute settlement system and satisfactory settlement of disputes”.<sup>107</sup> The Economist has also applauded the WTO, commending the ability possessed by member governments to ultimately control the system to settle trade disputes, including appointing the arbitrators. Only states can bring complaints to the WTO, so firms must initially convince their governments that trade rules have been broken. The proceedings are also like trials so they are open to the public and subject to appeal.<sup>108</sup> Scholar Cosmas hails the WTO’s establishment of an Appellate Structure which hears appeals stemming from the panel decisions. The Appellate Body members are also permanently based, which helps to ensure independence and impartiality of adjudicators.<sup>109</sup> The WTO also ensures that poorer member countries have equal access to dispute settlements. Legal assistance is available for developing countries, and the WTO also

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<sup>106</sup> "A Better Way to Arbitrate." The Economist. October 11, 2014.

<sup>107</sup> Bossche, *The Law and Policy of the WTO* p.172.

<sup>108</sup> "A Better Way to Arbitrate." The Economist.

<sup>109</sup> Cosmas, "Improving the Legitimacy of Investor".

makes arrangements for presiding members' costs in appeal hearings, making appellate hearings more accessible if a party is dissatisfied with a panel decision.<sup>110</sup>

Due to these measures, the WTO dispute settlements system has been hailed the “crown jewel” and a “core linchpin” of the multilateral trading system.<sup>111</sup> The U.S. should thus use the WTO’s ISDS system as a guideline to ensure fair proceedings that address many of the criticisms present of the TPP and guarantee that all proceedings that occur are neutral and fair. Furthermore, providing aid for poorer countries in dispute settlements with foreign investors could entice more countries to join the TPP, with the assurance that large MNCs will not take advantage of developing countries.

### **Conclusion**

The TPP agreement addresses many of the worries opponents have to the deepening presence of MNCs within the Asia Pacific, including environmental concerns, labor exploitation, and corruption. However, critics are wary as to whether the TPP will actually make good on these commitments as they appear vague and unenforceable to many. It will be seen in the future when the agreements of the TPP are put into action whether this is true or not; improvements to these commitments must be made as time passes and member countries perceive how the TPP will play out.

The arguably largest concern of the TPP in regards to the increasing influence of MNCs within the U.S. and Asia Pacific is the ISDS, which many opponents claim will allow large firms to circumvent the law. The Obama Administration has addressed concerns to ISDS, ensuring that

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<sup>110</sup> Ibid. p.8.

<sup>111</sup> Bhala, “The Myth About Stare Decisis”.

the U.S. will not allow foreign companies to take advantage of the system and seize reparations. Scholars have also addressed ISDS, claiming that critics should not be alarmed by its presence within the TPP. Furthermore, many believe that ISDS can be improved upon by using the WTO DSU and other past FTAs who have maintained that ISDS are done fairly and legally as examples. Reservations regarding ISDS have detracted countries from signing FTAs in the past, and if the U.S. can address these apprehensions, the TPP can expand its scope and be more successful.

The U.S. has a large stake as to whether the TPP and thus the economic pivot to Asia will succeed. The U.S. will largely benefit economically from increased trade with the dynamic Asian economies, and their presence within the region will aid in further establishing the U.S. as a regional and global economic leader. President Obama has taken a large lead in drafting and organizing the TPP, attempting to fast-track the bill through Congress before his term is over. Addressing the concerns many critics have, both in the U.S. and abroad in regards to the growing role of MNCs within the Pacific Rim, is vital for the U.S. government. With upcoming elections and the presence of a new administration, domestic popular opinion of the TPP is vital in garnering support. How the TPP plays out in the future is also important for future foreign policy within Asia, which is fast becoming, and arguably already is, a major world player in politics and the economy. If the TPP is successful, the U.S. will reconfirm their influence over the global economy, and specifically establish a lead presence within Asia. In order for this to happen however, more countries must join the TPP, as its effectiveness lies in its ability to span across the entire Asia Pacific.

## **Policy Recommendations**

In order to address the concerns of whether the TPP will actually regulate corporate behavior, in respects to the environment, labor, ISDS, and the like, this paper demonstrates how improvements to the TPP must be made. This includes providing specific enforcements to regulate corporate behavior, as well as explicit sanctions if these agreements are breached. This can include trade sanctions and tariff barriers imposed upon a member country if they fail to uphold this standard.

ISDS must also be improved upon in order to calm apprehensions and ensure fair, legal arbitrations to limit the power of corporations. The U.S. must thus enable an official process for amendments to be made to the TPP. Improvements must be continually made as member countries observe how the TPP plays out in the future. If these are done, the concerns non-member countries have of ISDS and the increased power of MNCs will be addressed and will hopefully encourage them to join the TPP. Major Asian economies such as China and South Korea must be convinced to sign the TPP in order to increase its influence and further benefit the U.S. economy. If established successfully, the TPP will play a large role in setting forth global standards of corporate behavior and thus limit the power, corruption, and exploitation linked to MNCs as well as increasing global economic integration.

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# **Challenges For The U.S. Pivot to Asia: Energy Security and Projected Demand Growth in East Asia**

Alex Atwater

## **Introduction**

The ‘Pivot to Asia’ centers around the premise that the United States has lacked engagement in the fastest growing region in the world in terms of population and economic growth. Such growth is accompanied by an inevitably drastic increase in energy demand, and for a region that lacks domestic fuel reserves, this increase in energy demand will have drastic consequences that must be addressed in order to sustain continued growth. As such, ensuring energy security for the region is vital to economic growth and development, and will play an important role in the ensuing policies of the pivot. China and the Association of Southeast Asian Nations (ASEAN) represent two regions projected in coming years to have some of the world’s largest growth in energy demand. Growing populations largely dependent on fossil fuels also present environmental challenges for the region. The 2014 U.S.-China Joint Announcement on Climate Change highlights mutual concerns towards energy efficiency, energy security, and the

environmental impact of stemming fossil fuel use globally. As such, the primary goals of the U.S. in this regard should be to increase bilateral cooperation on mutual energy security, while promoting sustainable development and a shift to cleaner, efficient energy technologies.

This paper will focus primarily on the dynamics of energy security in Northeast Asia, and how it may be applied to the developing economies of Southeast Asia. In East Asia, South Korea and Japan will be addressed as concerns over dependence upon fossil fuel importation raises questions of geopolitical energy security amidst the tradeoffs from alternative forms of energy. China's current and projected economic growth presents the largest energy security challenge to the region, with continued rates of consumption and resulting pollution. Southeast Asia as a whole presents an energy security challenge similar to that of China. While a few steps behind, the projected economic growth of Southeast Asian nations will result in an exponentially increasing demand for energy, and will likely opt for the most cost effective option of coal, as dependence on oil imports remains a key issue of energy security in this region as well.

This paper will identify and examine the most pertinent issues of energy security, efficiency, and pollution, throughout the regions of Asia. Recommendations will be made on the most effective policies for the U.S. to adopt in order to address these issues. As energy security is a necessary component of national security agendas, the U.S. should incorporate this critical component into its pivot to ensure economic growth and prosperity, national security, and diplomatic deeping with counterparts in Asia.

## Import Dependence

China raises the greatest question in terms of energy needs in East Asia, as its economic growth drives a corresponding increase in energy demand. However, while at differing stages of development, China, Japan, and South Korea all share a similar problem of attaining energy security to sustain their economies. What truly defines East Asian energy security is the prevalence of insecurity. Dependence on foreign oil raises concerns of potential disruptions in global supply, and a lack of domestic energy sources and limited energy diversity for these countries fuel a search for alternate sources.<sup>112</sup>

Almost five years later, post-Fukushima Japan still has questions to answer regarding future energy needs. Still reeling from the suspension of nuclear power that once provided 30% of the country's energy consumption, only very recently have two reactors returned online.<sup>113</sup> The fate of nuclear power in Japan remains unclear, and as such, alternative fuel options remain essential to ensuring energy security. Japan's Ministry of Economy, Trade and Industry outlines clear intent within their 4th Strategic Energy Plan plans to reassess safety concerns and procedures involved with nuclear power programs.<sup>114</sup> Energy security is not reserved for fossil fuels, and in light of the nuclear accident, minimizing dependence on nuclear power is still a key policy given domestic politics within Japan.

With the 'shale revolution' in full swing, a new and interesting dynamic emerges as the United States prepares to increase natural gas exports to Asian markets. As key U.S. partners, it follows that Japan and South Korea are the first nations to have made deals to begin receiving

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<sup>112</sup> Zhou, Qinnan. The U.S. Energy Pivot: A New Era for Energy Security in Asia?. New Security Beat, Environmental Change and Security Program. The Wilson Center.

<sup>113</sup> Nuclear Power in Japan. World Nuclear Association.

<sup>114</sup> Japanese Ministry of Economy Trade and Industry. Fourth Strategic Energy Plan.

the first shipments of liquefied natural gas (LNG) from American ports.<sup>115</sup> This importation of natural gas from the U.S. can help curb some dependence on oil for the two countries, providing progress towards diversification of energy sources. As the world's top LNG importer, Japan imports primarily from Australia, with American imports not expected until 2017.<sup>116</sup> With an uncertain future for nuclear energy, natural gas is the cleanest short term fuel option, emitting less carbon per unit of heat than any other fossil fuel, while providing an immediate energy alternative from a reliable supplier.<sup>117</sup>

Prospects of American LNG exports are threatened however, by current oil prices. With the shale revolution contributing to the halving of U.S. oil imports in recent years, it has undoubtedly contributed to the current excess supply and low price of oil.<sup>118</sup> Investment in American LNG infrastructure has slowed, alongside oil reaching all-time lows of \$30 per barrel in February 2016. However, recent forecasts of reduced U.S. shale oil production to compensate have contributed to a gradual raise in prices, reflecting a potential end to the downward trend.<sup>119</sup> In the long term, U.S. LNG exports should prove worthwhile, as shown by a recent report from the U.S. Department of Energy; Asia stands to benefit from a five percent decrease in heating fuel cost, with a very marginal cost increase to U.S. customers, offset by the benefit of increased profits from exports.<sup>120</sup> Long term stability of U.S. shale gas therefore remains a favorable investment for both producer and consumers, and should compel the U.S to continue to promote

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<sup>115</sup> Zhou, Qinnan. "The U.S. Energy Pivot: A New Era for Energy Security in Asia?"

<sup>116</sup> U.S. Energy Information Administration. *Japan*.

<sup>117</sup> U.S. Energy Information Administration. How Much Carbon Dioxide Is Produced When Different Fuels Are Burned?.

<sup>118</sup> National Bureau of Asian Research Energy Security Program.

<sup>119</sup> Krishnan, Barani. Reuters. Feb 23 2016.

<sup>120</sup> Polson, Jim; Crawford, John. Bloomberg. December 28, 2015.

investment and development of LNG export infrastructure that will provide Northeast Asia with a reliable alternative for energy sourcing.

### American Competition in Asian Energy Markets

As of 2013, Japan relies on the Middle East for 83% of its oil, and 30% of its LNG.<sup>121</sup> South Korea was similarly dependent on the Middle East for 82% of oil imports in 2010. This dependence on a tumultuous region for the bulk of their energy resources places economic and military autonomy at the whims of volatile supplies. As such, the prospects of Russian gas and oil stands to be a greatly beneficial step in furthering fuel diversification for the region. The Eastern Siberian Pacific Ocean (ESPO) pipeline has since 2009 begun providing oil to East Asian countries through ports in Eastern Russia. Currently, South Korea receives the largest portion of Russia's Siberian oil at about 39%, with Japan receiving 20%, and China about 11%. The U.S. has also received 14% of the imports so far.<sup>122</sup>

The second phase of ESPO construction is ongoing, to extend the pipeline to a tanker export terminal at the port at Kozmino. Another pipeline is to continue to Danqing, China. The pipeline to Kozmino is strategically beneficial for Russia, allowing export to different countries. However, the pipeline to Danqing reflects Russia's growing interest in China's energy market. Along with Russia's commitment to supplying China with crude oil from the ESPO pipeline, a deal was signed in 2015 between Russia's gas giant Gazprom and the China National Petroleum Corp (CNPC) on a cross-border section of the Power of Siberia natural gas pipeline<sup>123</sup>.

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<sup>121</sup> Fourth Strategic Energy Plan. Japan Ministry of Economy, Trade and Industry.

<sup>122</sup> Platts. "Russian Crude Oil Exports to the Pacific Basin – ESPO Starts Flowing." Special Report. May 2010.

<sup>123</sup> Blagov, Sergei. "Russia Seeks to Strengthen Energy Alliance with China." Asia Times. December 18, 2015.

Russia's increased interest and ability to provide East Asia with the fuel it needs presents a difficult challenge for U.S. exports of natural gas to the region. Russia has faced economic sanctions from European customers, diverting exports to Asian consumers. While both the U.S. and Russia are relatively new suppliers for natural gas, the U.S. must establish itself as an energy supplier, and for its partners, a preferential option over Russia. While currently not as cost effective with current oil prices, long-term investments in gas exporting infrastructure is waylaid, as Russia seeks to fill in the lapses made by an absence of American natural gas.

### China's Growth

While accounting for one third of the global oil demand, China's oil use only accounts for about 20% of its energy consumption.<sup>124</sup> Though China imports oil from countries the U.S. places trade embargoes and sanctions on, oil exports are also affected by regional geopolitics within the Middle East. Furthermore, massive coal use within China has sparked environmental concerns. Due to the rising demand from Asia, coal is expected to surpass oil as the top global fuel by 2020, with China diving two thirds of the demand.<sup>125</sup> As of 2012, coal accounted for 66% of China's energy consumption, half of the world total consumption at 4 billion tons. China plans to cap this usage at 4.6 billion by 2020.<sup>126</sup>

China's significant coal reserves makes it both the world's top producer and consumer, but after 2009, increasing demand turned it into a net importer, receiving additional coal primarily from Indonesia and Australia. East Asia's natural deposits of coal, in comparison to oil and natural gas, make it a preferable fuel of choice for developing economies aside from

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<sup>124</sup> U.S. Energy Information Administration. "China".

<sup>125</sup> Tan, Florence; Cho, Meeyoung; Chung, Jane. Reuters. October 13, 2013.

<sup>126</sup> U.S. Energy Information Administration. "China".

China. But the incredible size of China's coal consumption dwarfs all others and provides the fulcrum for the issue of coal use and the substantial carbon emissions that result from its use.

An issue that over the years has increasingly become a global concern, efforts to reduce carbon pollution set a precedence for American interest in tracking China's energy security. It also provided the basis for collaboration between the two, as demonstrated through the U.S.-China Joint Announcement on Climate Change. The agreement, first announced on November 12, 2014, emphasized commitments between the two countries to combat climate change through cooperation on clean and low carbon technology investments, while promoting trade in alternative energy and efficiency technologies. Similar conditions are outlined within the Environmental chapter of the Trans-Pacific Partnership (TPP).<sup>127</sup> While some may argue that China's absence from the TPP highlights the agreement's position as a part of the U.S. pivot with the intent of containment, the U.S.-China Joint Announcement demonstrates an example on how cooperation can be mutually beneficial.

However, an issue as politically divided as climate change stands a lot to lose in the following American election year. How this Joint Announcement is— or isn't implemented, will greatly depend on the incoming president's interest in committing to address such an issue. Most recently, the Supreme Court delayed the regulation of coal emissions put forth by the Obama Administration.<sup>128</sup> Such domestic responses reflect the uncertainty of U.S.-China cooperation on climate change. China can hardly be expected to adhere to a commitment that the U.S. does not. Undoubtedly, such mutual action to reduce carbon emissions will depend on the willingness of the incoming U.S. administration.

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<sup>127</sup> Office of the United States Trade Representative.

<sup>128</sup> Liptak, Adam; Davenport, Coral. New York Times. February 2016.

The basis of climate change however, can provide an incentive for U.S. export of LNG to China. Being the cleanest of fossil fuels, LNG poses significant benefits in light of China's substantial coal use. While coal remains cheap and domestically accessible for China, increased natural gas usage instead of coal could significantly help China reduce future carbon emissions, and perhaps divert coal destined for domestic consumption elsewhere. The U.S. ensuring a stable supply of LNG to China is a way the two may increase mutual cooperation and economic ties.

### Long Term Renewable Energy Goals

Natural gas is a short term solution to fuel diversity and reduced carbon emissions, in lieu of renewable energy and the significant investments that would be required. But such investments in renewable energy technologies have been undertaken in East Asia, more than in any other region. For Northeast Asia this is a logical course to take, as a lack of domestically produced fuel causes insecurity through a reliance on foreign imports. Renewable energies such as wind and solar represent long term goals of energy autonomy, however, the technology for large scale development of such clean technology is not yet possible without substantial investment and cost. In effort to meet growing energy demand and combat increasing carbon emissions, China has become by far the world's largest investor in renewable energy with a record \$83 billion invested in 2014, surpassing the \$38 billion and \$35 billion by the U.S. and Japan, the world's second and third largest investors, respectively.<sup>129</sup> China's extensive investments into renewable energy technologies show a real commitment to the goal of 20% of electricity generation from renewable energy by 2020.<sup>130</sup> Investments in renewable technology

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<sup>129</sup> World Bank. "Winds of Change: East Asia's Sustainable Energy Future." May 2010.

<sup>130</sup> Parlapiano, Alicia. New York Times. October 2015.

provide not only energy security and independence, but a form of energy technology that can be exported from resource poor countries.

#### OECD Collaboration

Unlike Japan and South Korea, China is not part of the Organization for Economic Cooperation and Development (OECD) or the International Energy Agency (IEA), and does not have a corresponding strategic petroleum reserve equal to a minimum of 90 days worth of oil imports as do members. However, China is currently working on building one and are continually expanding their oil reserve capacity. This brings to light the question of Chinese membership within the IEA. After the 1973 oil crisis, the net oil importing nations of the OECD formed the IEA to provide statistical information to member states and to respond to disruptions in the global oil supply. Logically, a country that accounts for one third of the global oil demand should be a member of the IEA. However, a number of guidelines have restricted Chinese membership, notably not being a member of the OECD, and lacking the minimum 90 day oil reserves currently required for IEA accession.<sup>131</sup> However, the greatest factor is likely the degree of sovereignty China would sacrifice; regulatory standards and systems of information sharing enforced by the IEA would prove undesirable to a nation wary of external oversight.<sup>132</sup> China also stands to benefit from not joining, by free-riding off the beneficial oil security provided by the IEA, who enacts policy responses to disruptions in the global oil supply. Despite this, China's energy growth and fuel consumption place it in a position where collaboration is necessary and does happen. The IEA does work with non-member states and China is, of course, of particular interest.

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<sup>131</sup> International Energy Agency. August 2015.

<sup>132</sup> Colgan, Jeff. Global Public Policy Institute. 2009.

Interestingly enough, China has proceeded to create its own Strategic Petroleum reserves, mirroring the IEA regulations. Though not reported officially, their goal is the same 90 days worth of oil imports, which they hope to achieve by 2020. China has continued to diversify sources of oil, receiving only about half of their imports from the Middle East. The benefit of free riding off of U.S. security efforts in the Middle East is once again apparent here, but even so, China seeks to diversify its sources and hedge from volatility. The United States should openly engage China on the issue of energy security, providing mutual energy security agendas that provide opportunities to cooperate whenever possible. Though China's accession to the OECD is not likely, engagement with China has been made clear by increased cooperation with the non-member state over the years. By incorporating China into the energy security agendas of the U.S. and OECD, China can be an invaluable partner than opponent.

#### Southeast Asia

With Southeast Asia's projected economic growth will come an even greater increase in demand for energy. A growth in energy demand will have a substantial impact, as ASEAN consists of over 600 million people, over one-fifth of whom currently do not have access to electricity.<sup>133</sup> As such, the United States recognizes the role of energy security within its relationship with ASEAN, and the capability for the two to work together on the improvement of energy efficiency and combatting carbon emissions. Similar collaboration as proposed with China may in the coming years be necessary; Southeast Asia's projected energy demand will follow in China's footsteps, especially with growth in coal use.

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<sup>133</sup> International Energy Agency. World Energy Outlook Special Report. September 2013.

In November 2015, the U.S.-ASEAN relationship was elevated to that of a strategic partnership, outlining and defining the areas for increased cooperation and mutual interest.<sup>134</sup> Under the scope of this newly defined strategic partnership, and the Plan of Action to implement it, is the U.S.-ASEAN Energy Cooperation Work Plan for 2016 and the following four years.<sup>135</sup> The work plan identifies four main pillars of focus for mutual energy cooperation: emphasizing greater energy efficiency and conservation; prioritizing renewable energy growth; broadening cooperation on power sector issues and nuclear power generation in particular; and promoting competitive and efficient natural gas and petroleum markets in Southeast Asia.

U.S. interest in ASEAN energy security and economic growth in general is largely overshadowed by the ever-growing dynamic of China and the ensuing race for influence within developing countries around the world. The members of ASEAN are in no way the homogenous body their motto “one vision, one identity, one community” might suggest.<sup>136</sup> ASEAN members identify with various alignments and political ideologies, and instead of trying to engage with preferential partners, engaging the whole of ASEAN will work to reduce the impression of containment against China. The numerous workshops and seminars laid out within the energy cooperation plan are beneficial and non-threatening ways to engage ASEAN nations.

While China may be the world’s largest producer of coal, Indonesia is the largest exporter. Having the majority of East Asia’s fossil fuels, Southeast Asia’s growing energy demand will shift significantly as energy exporters become net importers. Similar as with China, the U.S. should promote LNG as a cleaner, short-term alternative than immediately opting for the cheaper reliance on coal. Long-term sustainable development agendas must start higher on

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<sup>134</sup> White House, The. Fact Sheet: U.S.-ASEAN Relations.

<sup>135</sup> ASEAN Centre for Energy. ASEAN Centre for Energy.

<sup>136</sup> ASEAN. "ASEAN Motto."

the energy continuum, with a goal of opting for as large of a share from reliable alternative energy sources. As with China, commitments to the Paris Conference brought about the U.S.-ASEAN Joint Announcement on Climate Change in 2014.<sup>137</sup> These agreements are loose confirmations of action that need to be further defined and enforced, and will depend on the stances of the incoming U.S. administration. Setting carbon emission goals is important, as it sets the stage for continued cooperation. However, it also provides a reasonable counter to the significant domestic opposition by environmental groups that U.S. LNG exports face.<sup>138</sup> While these groups may be correct about the substantial damage done to the environment by U.S. fracking and the shale revolution, this ignores the fact that natural gas remains a significantly cleaner source of energy than the coal that China is seeking to export, while remaining relatively affordable for the emerging economies of Southeast Asia.

## Conclusion

Energy security is essential to ensuring economic growth. As such, if U.S. interests in Asia rely on continued economic growth, then ensuring energy security should be a top priority. The U.S. should work with its allies South Korea and Japan to promote renewable and clean energy technologies, while offering natural gas as an alternate for South Korea and Japan. Through the U.S.-China Joint Announcement on Climate Change, committing to cleaner and more efficient energy sources are mutual goals shared by all countries, and require the participation from all administrations and economies. The U.S. is in an interesting position, with the possibility of bringing together three traditional rivals to collaborate on an issue that would

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<sup>137</sup> ASEAN. ASEAN-US Joint Statement on Climate Change 2014.

<sup>138</sup> Center for Biological Diversity. 2015.

be mutually beneficial to all of them. All three countries possess renewable and efficient energy technologies, demand high energy consumption, and have volatile energy suppliers— yet collaboration on mutual energy security agendas are sparse. However, renewable energy is a long term goal that still requires significant financial investments that cannot be borne by all countries. In order to reduce growing short term coal use in China and ASEAN, and to compensate for Japan's loss of nuclear, the U.S. should focus short term efforts on meeting East Asian energy needs with natural gas exports.

While competition may be driving factor, the mutually beneficial nature of global energy security might push cooperation on the issue in the future. As China represents the largest consumer of global fuel supplies, further involvement with the IEA should be pursued if membership remains not an option. At the same time, China's willingness or desire to join may impede the likelihood of collaboration, along with current members' desire to include China.

The diplomatic nature of energy security brings to question what will truly happen, and the upcoming presidential elections in the U.S. will define how this pivot will play out. What can be guaranteed, however, is that Russia and the U.S., as producers and exporters of fossil fuels, will have an increasingly involved role in meeting East Asian energy demand for the future. Policies that address pollution, such as the U.S.-China Joint Announcement on Climate Change, will provide an alternate reasoning to decrease the use of coal in advancing economies, to decrease the resulting carbon pollution. In the meantime, U.S. shale gas may provide clean energy security and an alternative to increased coal consumption. In the desire of greater economic growth, energy security, and cooperation, collaboration between the U.S. and East Asia promotes a mutually beneficial agenda to establish precedents for the future.

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# **PART II: Security**

*Protecting national interests and establishing  
regional leadership*

# **Maintaining Freedom of Action in Maritime Asia-Pacific: Addressing Anti-Access/Area Denial Challenges**

Sean Dolan

## **Introduction**

In 2011, President Obama told the Australian parliament in a speech that “in the Asia-Pacific in the 21st century, the United States of America is all in.”<sup>139</sup> In the year following this statement, many formal reports and government documents were released supporting Obama’s claim that the future of U.S. foreign policy was indeed centered around the Asia-Pacific region. Academics and government analysts began to examine the economic benefits and growth opportunities of increased trade with this region, specifically the rapidly growing economic powerhouse that is China. However, China and the Asia-Pacific region as a whole embodied more than just economic opportunity: they represented new security challenges. Along with the economic and diplomatic rhetoric and policy being produced by the government and academics in the years since that 2011 speech, the Department of Defense and other security organizations have been busy formulating their own strategies and policies regarding how the U.S. military will play a key role in the pivot to Asia.

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<sup>139</sup> "America in the Asia-Pacific: We're Back," *Economist*, November 19, 2011.

In January of 2012, the Department of Defense released as the Defense Strategic Guidance, a document meant to serve as a sort of template for military strategy, budgeting, and geographic focus for the next decade. This document made it quite clear that the U.S. military would be shifting its focus. The policy claimed that Europe should no longer be a consumer of security, but rather a producer of it. Combined with the growing economic and security interests in the Asia-Pacific, the military “will of necessity rebalance toward the Asia-Pacific region”<sup>140</sup>.

In the same month, the Department of Defense (DoD) released another document, this one called the Joint Operational Access Concept (JOAC). This concept identified what the military perceived to be the biggest threat to US security interests in the region: anti-access/area denial challenges, often abbreviated to A2/AD. These two types of security programs often operate in tandem, but can be deployed separately as well. The JOAC defines anti-access as “actions and capabilities, usually long-range, designed to prevent an opposing force from entering an operational area”, and area denial as “actions and capabilities, usually of shorter range, designed not to keep an opposing force out, but to limit its freedom of action within the operational area.”<sup>141</sup> This paper will use those same definitions. These terms have become a central theme of how the military does risk assessment and operational planning in all areas of the world, but especially in the Asia-Pacific region. This document also hints at another important shift in the future of military engagements. A2/AD strategies are more likely to be employed by enemy states, not enemy organizations such as terrorist groups. This has led the DoD to argue “for a sharp departure from the previous decade’s irregular wars, suggesting that

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<sup>140</sup> Department of Defense, *Sustaining U.S. Global Leadership* p.2

<sup>141</sup> Department of Defense, *Joint Operational Access Concept*

the U.S. military prepare to deter and, if necessary, defeat more traditional adversaries”, all while continuing to project its military power despite any A2/AD threats against it.<sup>142</sup>

This diplomatically phrased rhetoric all gestures towards the single nation that has the U.S. security community the most worried: China. History has proven that when there is a dominant power such as the U.S., and a rising power such as China, the rising power will seek to change the international status quo to benefit their own interests. This isn't necessarily a malicious attack on the status quo, but it rarely occurs without a building of tensions and possibly even some conflicts between the dominant power and the rising one. These potential conflicts seem most likely in the marginal sea between China, the Philippines, Taiwan, Vietnam, and Malaysia, an area of disputed territory and of great strategic significance. The Center for Strategic and International Studies (CSIS) has concluded that in the years since the Obama administration's pivot, “China's tolerance for risk has exceeded most expectations—as demonstrated by Beijing's increased operational tempo and construction of military airfields and facilities on seven features in the Spratly Islands.”<sup>143</sup> CSIS also found that the anti-access/area denial problem is expanding, and that in particular, “Chinese military strategy places a premium on investments in A2/AD capabilities.”<sup>144</sup>

So how should the U.S. respond to these challenges? The U.S. has a history of upholding what the DoD calls freedom of the seas, commonly used to refer to the freedom of commercial vehicles to transit through waterways free of harassment. However, the DoD explicitly states that freedom of the seas encompasses more than that, and defines it as “all of the rights, freedoms, and lawful uses of the sea and airspace, including for military ships and aircraft, recognized

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<sup>142</sup> Freier, "The Emerging Anti-Access/Area-Denial Challenge,"

<sup>143</sup> *Asia-Pacific Rebalance 2025 Capabilities, 2016*

<sup>144</sup> *Ibid.* 4.

under international law.”<sup>145</sup> Maintaining freedom of action and access for military forces for the U.S. and its allies is essential to protecting collective interests and responding to crises effectively. The U.S. is also in a prime position to safeguard freedom of the seas, specifically by using traditional surface and subsurface fleets, transparent deterrence tactics, and leadership in conflict-resolution through peaceful means. To accomplish this, the U.S. military must invest in better cooperation between its own branches, as well as between all its allies.

### **A Closer Look: The Issues in the South China Sea**

The maritime Asia-Pacific region is criss-crossed with critical economic waterways, and its importance to international trade is unquestionable. Eight out of ten of the busiest container ports in the world reside in this region, and 30 percent of the entire global maritime trade volume transits through the South China Sea alone. Of that volume, approximately \$1.2 trillion in annual trade value is bound for the United States.<sup>146</sup> This massive amount of trade makes areas such as the South China Sea strategically vital to the stability and prosperity of the region, and in everybody’s interests to remain passable and conflict free. So why has tension been building?

For over two years, China has been constructing artificial islands in the Spratly Islands in the marginal sea between China, the Philippines, Taiwan, Vietnam, and Malaysia, an area of disputed territory and of great strategic significance. This sea is commonly referred to as the South China Sea, but contested areas are also called the West Philippine Sea, and most of the island and rock features in the sea carry multiple names from different surrounding nations. The Spratlys consist mostly of reefs and rocks, some of which are completely submerged at high tide.

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<sup>145</sup> Department of Defense, *Asia-Pacific Maritime Security Strategy* p.2.

<sup>146</sup> *Ibid*, p.1.

Many of the Spratlys are contested territorially by some of these neighbors, most notably Vietnam, the Philippines, and Malaysia. However, the most expansive claim to the Spratlys belongs to Beijing, under the infamous nine dash line (see figure 2). To reinforce its claim, China has successfully created numerous artificial islands by digging up underwater sediment and depositing the material on top of the reefs,<sup>147</sup> as well as the completing airstrips, ports, and hardened buildings. Each airstrip that China completes is constructed more efficiently than the last, with recent airstrips completed on Subi Reef (figures 1.1 - 1.3) taking around seven months, and Mischief Reef taking just four months.<sup>148</sup>

These actions taken by China have constituted territorial aggression in the eyes of most actors in the area, including the United States. However, there is more at stake than just some half-submerged rocks and reefs. Although its formal policy on the matter is intentionally vague, it has become apparent that the Beijing means to claim territorial waters in the South China Sea based on these islands and China's interpretation on the United Nations Convention on the Law of the Sea (UNCLOS). The legal framework provided by UNCLOS is a key aspect of the issue in the South China Sea, and is vital to the strategy that many policy makers insist Washington must take with China: to allow China to rise, but in a 'rules based system.' UNCLOS represents the status quo that China is challenging.

As tensions have increased, many nations surrounding China have opened discussions with each other to create strategic alliances, further isolating China. For example, Vietnam and the Philippines signed a "strategic partnership" in November 2015, and the same month the

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<sup>147</sup>Adam Hudson, "In Pivot to Asia, US Military Reinforces Its Foothold in the Pacific," Truthout, February 6, 2016.

<sup>148</sup>"Airstrips Near Completion: New Towers, Construction on Subi and Mischief Reefs," Asia Maritime Transparency Initiative, January 14

Philippines and Japan signed an agreement strengthening military cooperation.<sup>149</sup> Prime Minister Shinzō Abe of Japan said of the agreement that he and President Benigno Aquino III “shared deep concerns over unilateral actions to change the status quo such as the large-scale land reclamation and building of outposts in the South China Sea.” Abe also stressed the importance of upholding international “rule of law to protect open, free and peaceful seas.”<sup>150</sup> Abe, like many regional leaders, is advocating the strengthening and maintaining of the rules based system, specifically UNCLOS, in order to allow China to rise peacefully within the status quo and to avoid potential conflicts that could arise if China continues to project a military presence in disputed areas. The goal from the position of the U.S. and its allies in the region should be to depoliticize these disputes as much as possible, and instead address the problem through this rules based system as a purely legal issue. This requires a more detailed explanation of UNCLOS.

### **Understanding UNCLOS and its Implications**

The United Nations Convention on the Law of the Sea is an international agreement signed in 1982, which currently has been ratified by 166 states plus the European Union.<sup>151</sup> Additionally, 14 states have signed the treaty but have not ratified it, including the U.S., which means that the U.S. has not consented to be bound by the laws of the treaty. UNCLOS covers a variety of maritime topics, including seabed mining and environmental protection. However, the bulk of the agreement focuses on establishing certain maritime zones for coastal states, and assigning those areas rights of control. UNCLOS essentially creates a fair and equal framework

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<sup>149</sup>Hudson, "In Pivot to Asia, US Military Reinforces Its Foothold in the Pacific,"

<sup>150</sup>Ibid.

<sup>151</sup> “United Nations Convention on the Law of the Sea”, United Nations Treaty Series.

for claiming territorial waters and airspace, as well as ensuring freedom of access for vessels navigating outside of these waters. This territorial sea is defined as 12 nautical miles out from the baseline, or the low water line on a coast. It is important to note, however, that under article 13, low-tide elevations (areas of land that are submerged at high tide) do not generate a territorial sea of their own.<sup>152</sup> States also generate an Exclusive Economic Zone (EEZ), which grants a coastal state “sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources”.<sup>153</sup> This zone extends up to 200 nautical miles out from the baseline coast, but allows other states to operate within the law of the convention and of the coastal state in the EEZ for purposes such as operating ships, aircraft, and laying cable or pipelines. UNCLOS also contains procedures for determining zone borders when overlap occurs between states. Another important note: there are two other kinds of features besides the low-tide elevations. Rocks are features not habitable or capable of sustaining economic life, but do generate a 12 nautical mile territorial sea. Islands, on the other hand, are capable of sustaining economic life, and therefore generate their own 200 nautical mile EEZ. Lastly, artificial or man-made islands and structures have no bearing on the generation of territorial seas or economic zones under UNCLOS.<sup>154</sup>

UNCLOS has been widely accepted in the international community, and has been “very successful in regulating activities including exploitation of resources, navigation, even military activities.”<sup>155</sup> All of the claimants to features in the South China Sea have ratified the convention, even China. UNCLOS is also the legal basis for U.S. freedom of navigation operations (FONOPs), that aim to challenge territorial claims that are not in compliance with the

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<sup>152</sup> Ibid. article 13.

<sup>153</sup> Ibid. article 56.

<sup>154</sup> Ibid. article 60.

<sup>155</sup> Reichler "A Case of Rocks or Islands?"

international law (see figure 4). In fact, most documents the Department of Defense publishes about operations in the Asia-Pacific region rely heavily on the provision of UNCLOS. In its Asia-Pacific Maritime Security Strategy, the department asserted that “The United States will continue to fly, sail, and operate in accordance with international law, as U.S. forces do all around the world.”<sup>156</sup> The international law that the U.S. and other maritime actors are referring to is UNCLOS.

In regards to Chinese maritime claims, Beijing has been intentionally vague to avoid legal missteps. Most of the Chinese claims fall well outside the scope of what UNCLOS would allow. For example, China claims Mischief Reef and has built up almost 6 million sq. meters of reclaimed land to support an airstrip, cement plants, piers, and various military facilities. However, Mischief Reef lies within the EEZ of the Philippines, 129 nautical miles away from Palawan. The closest Chinese land feature, on the other hand, is 599 nautical miles away.<sup>157</sup> China has often cited historical reasons for claims such as this, but UNCLOS disregards all historical claims and establishes geographically based zones only.

#### Anti-Access and Area Denial in the South China Sea: How Should the U.S Respond?

While Beijing may be playing a calculated legal and political waiting game, in the seas the People’s Liberation Army Navy (PLAN) is implementing a much less subtle approach. In addition to the rapid construction and reclamation of land on artificial and contested reefs, naval vessels have harassed other states’ fishing trawlers and warships and even actively blockade supplies from reaching various Filipino and Vietnamese military outposts.<sup>158</sup> Military equipment has also been on the move, with aircraft support equipment accompanying airfields and mobile

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<sup>156</sup> Department of Defense, *Asia-Pacific Maritime Security Strategy* p. 9.

<sup>157</sup> Statistics from Asia Maritime Transparency Initiative.

<sup>158</sup> Wingfield-Hayes "China's Island Factory." BBC

surface-to-air missiles (SAMs) accompanying the construction of airfields. These SAMs strengthen China's anti-access umbrella, with an effective range that could down an aircraft 125 miles away.<sup>159</sup> Along with the airfields, of course, comes an increase in Chinese fighter range, an option that allows for the challenging of foreign flight over the area without engaging in actual combat. This advancement of military posture gives an insight into the long-term Chinese strategy in the South China Sea, specifically in the Spratly Islands. "Chinese actions suggest that its leaders are intent on providing the islands with both an anti-access umbrella and a power projection capability."<sup>160</sup>

This anti-access umbrella presents a challenge to all actors in the area, but specifically it challenges U.S. strategic goals. The U.S. military has dedicated itself to upholding the freedom of the seas and maintaining the security contracts and alliances it has with nations such as South Korea, Japan, and increasingly the Philippines. This puts the U.S. Navy at the heart of this unrest. So how should the U.S. respond to the expanding anti-access umbrella in this area of such strategic and international significance? U.S. security policy must support the DoD's position on international law and freedom of the seas, as well as present a force posture to act both as an effective deterrent to aggression and as a crisis response team in the area. However, the DoD must also adapt to the new style of military cohesion and flexibility required under A2/AD challenges. A greater level of organization must be reached within the U.S. military, and especially between allied forces in the area. With these in mind, it's important to remember that with militarization comes risk, and with increased naval operations in the area there is an increased risk of conflict. That's why an essential part of every security policy must include

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<sup>159</sup>CSIS. "Seeing the Forest through the SAMs." Asia Maritime Transparency Initiative. February 18, 2016.

<sup>160</sup> Ibid.

transparency with all actors, including China, and be based on international laws that allow the peaceful resolution of conflicts. The waterways of the Asia-Pacific region are vital to every nation involved in its maritime affairs, and it is in everyone's interests to keep them accessible and conflict-free.

### **Policy Recommendations: U.S. Strategies to Secure Freedom of Access and Action**

#### 1. Advance Military Posture and Deterrence Capabilities

It is clear that the Asia-Pacific region holds vital U.S. interests, as well as valuable partnerships and allies. In the context of a pivot towards Asia, it only makes sense that the U.S. would need to increase its military presence in the region to protect these interests from the increasing A2/AD threats facing the region. Not only does this demonstrate capability, investment, and resolve, but it reassures American allies in the region that the U.S. plans on upholding defense and deterrence agreements in the area. Increased military presence doesn't require necessarily more troops overall, but a reevaluation of where those troops are deployed and what kind of operations they will be performing. Here are a few of the steps the military should consider in order to better deter aggression and reassure allies in the region:

#### *Increase Freedom of Navigation Operations (FONOPs)*

The U.S. Freedom of Navigation program was formally established and grown by the Carter and Reagan Administrations, but has recently found itself in the global spotlight due to high profile FONOPs such as the journey of the USS Lassen through the Spratly islands.<sup>161</sup> The

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<sup>161</sup> Center for Strategic and International Studies (CSIS), "A Freedom of Navigation Prime"

program is based firmly in international law and UNCLOS, and its guiding principle is to “not acquiesce in unilateral acts of other states designed to restrict the freedom of the seas”.<sup>162</sup> The program accomplishes this simply by performing passages, operations, or other legal activities in areas that have been the subject of some territorial aggression or a state is attempting to enforce laws that contradict international law. Examples of these types of operation can be found in figure 4. The U.S. has and will continue to perform these operations in opposition to any illegal claims, including those of allies. Increased FONOPs will ensure the rule of international law is still the basis for vessels and states to engage with each other in a peaceful manner.

#### *Base a Second Carrier Strike Group (CSG) West of the International Date Line*

A carrier strike group (CSG) is comprised of approximately 7,500 personnel, an aircraft carrier, and various support and defense vessels. These flexible naval forces are the backbone of U.S. naval power projection, and often serve roles establishing sea and air control and protecting commercial and military shipping.<sup>163</sup> As tensions in the South China Sea and other areas in the region increase, the need for U.S. forces to be in rapidly deployable range to assist allies and maintain international law and security also rises. The permanent stationing of a second CSG (there is currently one stationed in Yokosuka, Japan) west of the international date line will provide the US with the flexibility to respond to potential crises quickly, as well as project a military presence that assures allies and deters would-be aggressors.

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<sup>162</sup> Ibid.

<sup>163</sup>“The Carrier Strike Group,” America's Navy.

## 2. Promote Military Cooperation

The alternative to increasing U.S. forces in the Asia-Pacific region is to support American allies in developing the technology and military capabilities that will allow the same security goals to be met. A comprehensive security policy will balance these two sides, focusing both on increasing U.S. military posture as well as creating efficiencies with allies that will allow the U.S. military to not have to station as many troops in the region. The policies below would contribute to a leaner, more efficient allied force in the Asia-Pacific region:

### *Create a Standing Joint Task Force for the Western Pacific*

Before attempting to further integrate with militaries of close allies in the region, it is vital that the DoD find efficiencies within its own ranks. A study by the Center for Strategic and International Studies (CSIS) predicts that “If a conflict were to occur today in the First Island Chain, U.S. Pacific Command would likely establish a joint task force to operationally control U.S. military activities in the affected area.”<sup>164</sup> Experience, on the other hand, show that these joint task forces operate more efficiently when they are established in peacetime, and exercised regularly. A permanent Joint Task Force for the Western Pacific would increase U.S. military cooperation, communication, and efficiency between its branches and allow it to coordinate with allied forces through a single command structure.

### *Further Integrate Command Structures and Interoperability with Allies*

Continuing along the same goals of efficiency and cooperation as the previous point, the U.S. must next work with its close allies in the region, specifically Japan and South Korea, to better communicate and integrate military technology and command. Initiatives such as this

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<sup>164</sup> *Asia-Pacific Rebalance 2025 Capabilities, 2016*

could result in future exercises and deployments being comprised of Japanese and American units working cooperatively under a single command structure, for example. This concept applies to technology as well. Countries that share missile defense technologies such as Aegis or PATRIOT could contribute to a better equipped regional missile defense system as coordination between allies improves.<sup>165</sup>

### 3. Uphold International Law and Promote Transparency

The U.S. must walk a fine line between protecting its interests and upholding international law on the one hand, and the over militarization of the region and provocation of China on the other. However, the upholding of international law and the maintaining of freedom of action and access of the seas is not a negotiable topic.

#### *Work with China and other Claimants to Find Legal Solutions*

As China continues to show an increased appetite for risk taking, the U.S. cannot appease these actions by backing away from risk. In order to prevent military miscalculations and potential conflict, it is important that the U.S. engage in all operations in a transparent and meaningful way and openly communicate with China about tensions, so as to demonstrate to China that the military is committed to upholding international laws, while the government is committed to finding legal and peaceful solutions to these disputes.

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<sup>165</sup> "Evaluating the Rebalance" 2016

## *Ratify UNCLOS*

It doesn't make much sense to spend so much effort and risk to ensure that China abides by a convention the U.S. has yet to even ratify. If the U.S. government is serious about a strategic pivot to Asia, and wants to make legal arguments about what China can and cannot do based on UNCLOS, then the U.S. should ratify it. Ratifying UNCLOS has had the support of the Clinton, Bush, and Obama administrations, as well as every Chairman of the Joint Chiefs since 1994.<sup>166</sup> However, due to concerns of loss of sovereignty and mining rights, it cannot gain a two-thirds majority vote in the Senate. Ratifying UNCLOS would legitimize the U.S.'s position as a global leader on international maritime law and strengthen the international pressure on any nation who contests the law's provisions.

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<sup>166</sup> Mirasola, "Why the US Should Ratify UNCLOS"



Figure 1.1: Subi Reef prior to reclamation, mostly submerged



Figure 1.2: After 4 million sq. meters of reclamation



Figure 1.3: Completed airstrip, helipad, buildings, and piers

## Image Reference Sheet

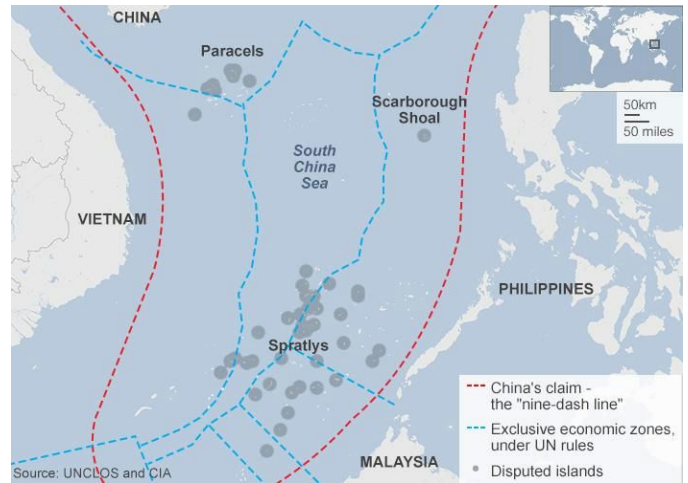


Figure 2: EEZs under UN law compared to China's claim

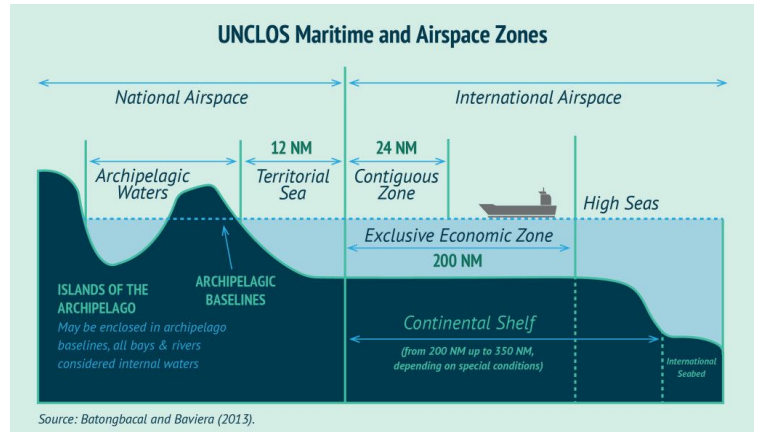


Figure 3: Zones of control according to UNCLOS

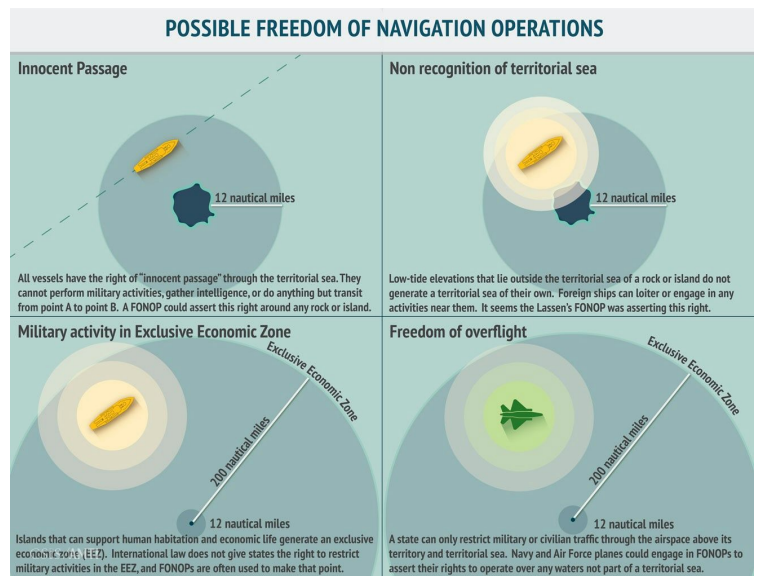


Figure 4: Different FONOPs by type of feature

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# **The U.S. National Military Strategy on Evolving Security Challenges in East Asia: The Role of the U.S.-Japan Alliance**

Elissa Lee

## **Introduction**

The United States' military leadership has fostered prompt responses to various emerging challenges to safeguard our national interest in Asia and in the world. As the Obama Administration downsizes its foreign engagement in Afghanistan and Iraq, its focus is instead shifting toward building partnerships with Asia-Pacific nations to promote regional and global order. The U.S. currently faces various global security challenges, including aggression and terrorism. The U.S. must take collective action against these global threats with our allies and partners in order to defend our national security and promote international peace and stability.

Expanding military presence through bases as well as ensuring a strong bilateral security alliance with regional partners such as Japan, South Korea, and Australia and the Phillipines are important military strategies in maintaining peace, security, and cooperation between the U.S. and the rest of the world. Most importantly, maintaining a strong U.S.-Japan security alliance is critical to ensuring American military positions in East Asia. However, U.S. military intervention

at times generates resentment and protest by the local citizens when it harms the people, environment, and the country's fundamental law. The key to security in the Pivot to Asia is utilizing relationships with Japan in order to more fully commit to the region and assure long-term promotion of our security goals. It is crucial that U.S. rebalance military bases and eliminate barriers to promote full U.S.-Japan cooperation. Improved dialogue with Japan and continuously reformed base agreements ensure that mutual interests are satisfied diminishing domestic resistance is minimized.

### **Background of the U.S.-Japan Alliance**

*How did the U.S.-Japan alliance begin and for what purpose?*

On September 8, 1951, U.S. and Japan signed the U.S.-Japan Mutual Security Treaty, a ten year, renewable military agreement where U.S. promised the defense of Japan against any armed attack and the support for Japan's economic recovery following World War II. In exchange, the American military was granted access to bases in Japan. Although, traditional alliance agreements promised the cooperative defense structure between two nations, the U.S. focus was on forming a base agreements as Japan was too powerless to aid the U.S. militarily following WWII.

These bases allowed the U.S. to extend military presence in East Asia and maintain contingency to emerging security challenges, from communist aggressions in Soviet Union and China to wars in Korea and Vietnam. The alliance was renamed the Treaty of Mutual Cooperation and Security on January 19, 1960 in Washington, granting the U.S. the continuation of military activities in the bases. Article 6 of the alliance agreement writes, "For the purpose of

contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan.”<sup>167</sup> The alliance formally promised U.S. the establishment of military bases and facilities in Japan in exchange for provisions of military defense to Japan to ensure the nation's security. The 1960 alliance officially marked the beginning of a cooperative relations between U.S. and Japan and ensured U.S. security foothold in the Asia-Pacific. .

### **Rebalancing Military Strategy**

*How did the “Pivot to Asia” change alliance objectives?*

In the decade following 9/11, the United States focused their military attention to fighting global terrorism. Hillary Clinton stated in her *Foreign Affairs* article, “As the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the U.S. stands at a pivot point.”<sup>168</sup> Militarily speaking, the end of the wars in Iraq and Afghanistan refocused U.S. military attention from the Middle East region to the Asia-Pacific regions to confront emerging security challenges. As the U.S. confronts escalating security issues, diverse alliance structures and has become important to confront shared security challenges in shaping regional order in the Asia-Pacific.

#### Changing Alliance Objectives

The U.S. alliance structure with Japan, Korea, and eventually to Southeast Asia, started as part of the Cold War policy to confront communism by extending US military presence

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<sup>167</sup> Japan-U.S. Security Treaty, .2014

<sup>168</sup>Clinton, "America's Pacific Century,"

throughout Asia. However, the 21st century brought about a series of new security challenges to the U.S., ranging from Chinese military expansion in the South China Sea to North Korea's nuclear development. America's indispensable military leadership is necessary to confront these new security issues, whether it be to defend freedom of navigation in South China Sea, counter North Korean nuclear proliferation, and ensure military transparency of the region's key players. According to a 2015 White House statement, "American leadership will remain essential to shaping the region's long-term trajectory to enhance stability and security, facilitate trade and commerce through an open and transparent system, and ensure respect for universal rights and freedoms."<sup>169</sup>

In order for this to occur, maintaining a strong alliance structure with allies is imperative. The U.S. is striving to modernize alliance structures with Japan, South Korea, Australia and the Philippines to ensure that alliances are strong and capable of responding to regional and global challenges. Further, the U.S. continues to strengthen security position in Asia by diversifying security relationships through new partnerships and by creating new defense and presence structures. The U.S. is working to form new and updated partnerships with countries such as China, India, Indonesia, Singapore, New Zealand, Malaysia, Mongolia, Vietnam, Brunei, and the Pacific Islands in the hopes of creating a cooperative regional defense network.

### Strengthening of the U.S.-Japan Security Alliance

Throughout the years, the 1960 Treaty of Mutual Cooperation and Security between Japan and the United States of America, which founded the U.S.-Japan bilateral alliance, has

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<sup>169</sup> USA. The White House. *National Security Strategy*. Washington, 2015. February 2015. [https://www.whitehouse.gov/sites/default/files/docs/2015\\_national\\_security\\_strategy.pdf](https://www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy.pdf)

been revised and modified to strengthen military cooperation between the two nations. Recuperating from WWII damages and riding an unexpected economic boom, spent its postwar years increasing its defense mechanisms. In August 1994, the Japanese Prime Minister's Advisory Group of Defense reported that Japan would move out of its passive security policy, which the country had adhered to since war time, and play a more active role in its own territorial defense and contribute in shaping the new world order. In 1996, U.S. President Bill Clinton and Japan's then-Prime Minister Ryutaro Hashimoto of Japan signed the U.S.-Japan Joint Declaration on Security, and promised a balanced bilateral cooperation under normal circumstances in response to an armed attack against Japan and in areas surrounding Japan that will have an impact on Japan's peace and security. Today, the U.S.-Japan alliance no longer restricts security cooperation within the Japanese territory but is stretched to a global scale.

Throughout the years, Japan's Self Defense Force (SDF), has rapidly improved their military capabilities, allowing them to contribute greater towards international security efforts. The 2015 Guidelines of Japan-U.S. Defense Cooperation, promises that the U.S.-Japan alliance will work cooperatively to solve security challenges, from ballistic-missile defense, mutual logistical support to cyber warfare. A statement from the Japanese government notes that "the guideline allows for increased regional and global cooperation in the U.S.-Japanese alliance. This will be most noticeable in peacekeeping operations, humanitarian assistance and disaster relief, international intelligence, surveillance and reconnaissance operations, missile defense and a variety of other areas."<sup>170</sup> The SDF is more than capable of protecting American assets and able to work closely with American forces on mutual security issues. It also actively participates in

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<sup>170</sup> "U.S., Japanese Officials Announce New Defense Guidelines." *U.S. DEPARTMENT OF DEFENSE*.  
<http://www.defense.gov/News-Article-View/Article/604526/us-japanese-officials-announce-new-defense-guidelines>

the anti-piracy efforts established by NATO based in Djibouti by providing aerial reconnaissance and surveillance. Furthermore, Japan supported the U.S. during the Iraq war by deploying Japanese non-combatants to Iraq to provide engineering and humanitarian assistance. Although the Japanese pacifist Constitution poses strict restriction on SDF activities, Japan's strengthened contribution to global security is clearly evident through non-belligerent efforts. For this reason, Japan is a crucial alliance partner to the U.S., and the two sovereign nations must continue the mutually supportive alliance to confront future security challenges in the Asia-Pacific region in unison.

### **Taking Advantage of Shared Goals**

*What are the current security challenges of the U.S.?*

#### *The Rise of China*

China is considered the most challenging bilateral relationship for the United States; this is largely due to the lack of mutual trust and strategic cooperation between the two major powers. China's rapid economic and political growth increased the possibility of a shift in the world's economic and political center from Europe to East Asia. China's expansion is a challenge to the U.S. as it has made it difficult for American demonstrations of power to remain unchallenged. In 2010, China surpassed Japan as the second largest economy and expanded their influence across Asia and the South China Seas.

The U.S. seeks to develop a constructive relationship with China through "peaceful competition," in order to prevent the risk of future military clashes or war between the two major

powers. The U.S. continues to monitor China's military modernization by actively maintaining strong military presence in Asia through bases established around the region, including Japan.

In the Pivot to Asia, the U.S. strives to protect freedom of navigation and promote peace and stability in the air and maritime environments. “We will therefore maintain the capability to ensure the free flow of commerce, to respond quickly to those in need, and to deter those who might contemplate aggression.” China continues to pose challenges to the freedom of navigation and increase assertiveness on its territorial claims in Japan, Vietnam and the Philippines. In response, U.S. encourages a peaceful settlement on territorial disputes, safely and responsibly, in accordance to international law and through open channels of dialogue. The U.S. seeks to create a framework for greater strategic cooperation with China to prevent the risk of future maritime clashes, and U.S. involvement in armed conflict.

At the same time, Japan historically has strained ties with China over the sovereignty of Diaoyu/Senkaku island in the East China Sea, and shares common vision for stability as the U.S.. The U.S.-Japan alliance was further reinforced, when Obama claimed that the U.S. would provide full support for Japan against China’s territorial claim and defend against any attack aimed to Japan. Obama states, “We don’t take a position on final sovereignty determinations with respect to Senkakus, but historically they have been administered by Japan, and we do not believe that they should be subject to change unilaterally...And what is a consistent part of the alliance is that the treaty covers all territories administered by Japan.”<sup>171</sup> The U.S.-Japan alliance is crucial to U.S.’ position in East Asia to pursue maritime order and freedom of navigation.

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<sup>171</sup> Eilperin, Juliet. "Obama: U.S.. Stands by Treaty with Japan,"

However, at the same time, the alliance agreement poses U.S. obligation to defend Japan as an allied nation.

Since U.S. and Japan have mutual interest in countering China's aggression, the two nations are committed in improving military interoperability and deterrence while enhancing operational responsiveness through cooperative situational awareness. To underline the mutual commitment on security measures, the 2015 U.S.-Japan Defense Guideline states, "The two governments will share and protect information and intelligence, while developing and maintaining common situational awareness...the Self-Defense Forces and the United States Armed Forces will conduct intelligence, surveillance, and reconnaissance (ISR) activities based on the capabilities and availability of their respective assets."<sup>172</sup> Further, training and exercises are conducted to strengthen interoperability and readiness between the two military forces. The U.S.-Japan bilateral alliance improve resiliency against China's expanding pressure through collective self defense and improved regional operational measures.

Furthermore, although Japan's military spending and size is far less than that of China or the United States, Japan's smaller military has various competitive advantages over China's military. Comparing the three nations military spending, "China's \$188 billion military budget far surpasses the \$49 billion budget of Japan, its biggest regional rival, even if it doesn't come close to America's budget of \$640 billion."<sup>173</sup> However, in 2015, Japan was supplied with \$5 billion worth of advanced military equipment by the U.S., from anti-missile destroyers, submarines, amphibious vehicles, surveillance drones, fighter planes, and V-22 Ospreys. Japan

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<sup>172</sup> "U.S., Japanese Officials Announce New Defense Guidelines." *U.S. DEPARTMENT OF DEFENSE*.

<http://www.defense.gov/News-Article-View/Article/604526/us-japanese-officials-announce-new-defense-guidelines>

<sup>173</sup> Lubin, Jeremy Bender and Gus. "Why Japan's Smaller Military Could Hold Its Own Against China." *Business Insider*. 2014. <http://www.businessinsider.com/japans-smaller-military-could-match-china-2014-5>

has a strong missile defense system, such as the Standard Missile-3 and Patriot Advanced Capability-3 interceptors, used to protect the Japanese islands, and expects to use the F-35 Joint Strike Fighter aircraft as a deterrent of China's rising military power.

Most of China's equipments are refurbished Soviet planes and ships from the 1970's, with "only 450 of China's 7,580 tanks are anywhere near modern..and only 502 of China's 1,321 strong air force are deemed capable."<sup>174</sup> Japan's military equipments are far more modernized and advanced thanks to support from the United States, which causes unease in China. Despite considerably less military spending, Japan is the strongest navy and air resources in Asia, which makes the nation an attractive partner for the U.S. for strategic cooperation to deter military aggression in China.

#### *North Korea's Nuclear Development*

Alongside the rise of China, the development of nuclear programs in North Korea is causing an increased threat to U.S. and Japan security. The proliferation of Weapons of Mass Destruction (WMD), such as nuclear weapons and ballistic weapons, are strengthening cooperative relationship within the international community. North Korea's nuclear provocation threats have heightened tensions in the Korean Peninsula and proceeded escalate provocative attacks on the Japan and the U.S.. The denuclearization of the Korean Peninsula is an important focus to the U.S. in order to protect South Korea and Japan from future aggressions.

In 1998, Japan partnered with the U.S. to begin the research and development of a ballistic missile defense program (BMD) after receiving multiple nuclear missile attacks by North Korea. North Korea's nuclear weapon are expected to expand in the coming years, driving

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<sup>174</sup> Lubin, "Japan's Smaller Military"

the Self-Defense Force and the United States Armed Force to cooperatively strengthen nuclear deterrence and defense postures to prevent the risk of future ballistic missile attacks. The 2015 U.S.-Japan Defense Guideline states, “the two governments will cooperate to expand early warning capabilities, interoperability, network coverage, and real-time information exchange and to pursue the comprehensive improvement of capabilities to respond to the threat of ballistic missiles.”<sup>175</sup>

The two nations exchange BMD-related data in real time for early detection of ballistic missile launches and improve early warning capabilities by expanding network coverage used to identify potential threats. In October 2014, Japan and the U.S. installed a early warning surveillance radar system in Kyoto Prefecture and additional X-band radars are likely to be installed in the future in Southern Japan and the Ryukyu Islands (Okinawa). Furthermore, the military bases in Japan support the U.S. maintain contingency to North Korea to improve deterrence and responsiveness to North Korea’s attacks. Maintenance of a strong and cooperative bilateral defense structure between the Self Defense Force and the United States Armed Forces will help strengthen nuclear deterrence and response capabilities against future ballistic missile attacks while also protecting the forces participating in ballistic missile defense operations. Although Japan has primary responsibility for conducting BMD for its own defense, the U.S. has agreed to provide support for Japan’s BMD operations.

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<sup>175</sup> "The Guidelines for Japan-U.S.. Defense Cooperation." Ministry of Defense. April 27, 2015. [http://www.mod.go.jp/e/d\\_act/anpo/](http://www.mod.go.jp/e/d_act/anpo/)

## **Issues within the U.S.-Japan Alliance**

*What problems arise through the U.S.-Japan Alliance and the U.S. Bases in Japan?*

### The Okinawa Issue

The U.S.-Japan alliance is important to counter these regional security challenges, from China's military expansion to North Korea's nuclear aggression, but challenges exist that prevents the full utilization of the alliance benefits. Overseas bases strengthens the U.S. military presence in the Asia Pacific and improves "operational responsiveness to contingencies, deterring adversaries and assuring allies, and facilitating security cooperation with partner militaries."<sup>176</sup> At the same time, Japanese government permits U.S. military presence in the bases, since U.S. military defense of Japan is indispensable against rising territorial aggression.

However, U.S. military bases in Okinawa have been met with local oppositions and anti-base movements caused by concerns regarding noise, safety, environmental pollution, and incidents of crime involving U.S. troops. While it is important to minimize opposition, the U.S. and Japan experience challenges to find a feasible solution, without losing U.S. foothold in Asia and lessening the territorial defense of Japan. It is crucial that U.S. rebalance bases and eliminate barriers to ensure full U.S.-Japan cooperation, through improved dialogue and modernization of base agreements to ensure that mutual interests are satisfied and unnecessary arguments are prevented.

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<sup>176</sup> Lostumbo, *Overseas Basing*

## Importance of Okinawa

The U.S. access to bases in Japan was promised through the Treaty of Mutual Cooperation and Security in 1960, allowing the U.S. to defend Japan while maintaining security in the Asia-Pacific regions. Within Japan, Okinawa is the poorest out of the 47 prefectures of Japan, but hosts 65 percent of the total U.S. military force in Japan.<sup>177</sup> However, Okinawa is geographically located in a region suitable to U.S. strategic interest in East Asia, in proximity to the main Japanese islands, the Korean Peninsula, Taiwan, mainland China, the Philippines, and the South China Sea, as demonstrated in the figure below.



*Map showing the proximity of Okinawa to other regions in Asia*<sup>178</sup>

As security challenges intensify in the Asia-Pacific, the bases provide the U.S. marines with enhanced military operational capabilities that allows for the rapid response to shared

<sup>177</sup> Xu, "The U.S.-Japan Security Alliance"

<sup>178</sup> Chanlett-Avery, Emma, and Ian E. Rinehart. *The U.S. Military Presence in Okinawa and the Futenma Base Controversy*. Report. January 20, 2016. <https://www.fas.org/sgp/crs/row/R42645.pdf>

security threats. The U.S. deployed a tiltrotor military aircraft MV-22 “Osprey” in Okinawa which significantly enhanced operational capabilities with greater range and cruising speed than the traditional helicopters. Furthermore, reducing U.S. vulnerability towards future air and missile attacks by China and North Korea through strong military presence within bases in Okinawa has been an important strategy for the U.S.. The Department of Defense (DoD) believes that U.S. presence in Okinawa demonstrates U.S. commitment to security in the Asia-Pacific, as the bases help, “deter aggression, provide a crisis response capability should deterrence fail, and avoid the risk that U.S.. allies may interpret the withdrawal of U.S.. forces as a lessening of U.S.. commitment to peace and stability in the region.”<sup>179</sup> Bases are crucial in enhancing American leadership throughout the Asia-Pacific and defending Japan and allied nations against security aggressions by North Korea and China.

### Politics of Base Realignment

The anti-base movement has voiced oppositions against the U.S. military bases in Okinawa due to two main reasons.

1. Concerns that the American presence degrades the local quality of-life with regard to personal safety, noise, crime, and the natural environment
2. Pacifism and anti-military sentiment.

Attempts have been taken to relocate the U.S. base from Okinawa and promote a U.S. presence that is more sustainable in Okinawa. In May 2006, the U.S. and Japan agreed through the U.S.-Japan Roadmap for Realignment Implementation to relocate the Futenma Air Station

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<sup>179</sup> *Issue Involved in Reducing the Impact of the U.S. Military Presence in Okinawa, 1998*

from the crowded city of Ginowan, Okinawa to the area less populated nearby Camp Schwab in Guam and relocate nearly 8,000 marine officers. Since 2012, the U.S. and Japan agreed to separate the issue of relocating the Futenma base with construction of new military facilities. As part of the plan, 9,000 marine officers were relocated from Okinawa to bases throughout Guam, Australia, and Hawaii on a rotational basis.

However, U.S. Congress blocked some funds dedicated to the realignment when the cost and feasibility of the rotational relocation raised concern. Furthermore, in 2013, the U.S. and Japanese government agreed through the bilateral Okinawa Consolidation Plan to return the Futenma base, and five other American bases, back to Japan once replacement facilities are constructed new facilities in Henoko district of Okinawa by the mid-2020's.

The construction of new bases sparked protest from a local level, by the citizens, the prefectural governor, and the city mayors, due to political, environmental, and quality of life reasons. When Okinawa governor Takeshi Onega took office in 2014, he opposed the construction of new base in Henoko and took political and legal measures to prevent or delay the construction. The bases in Okinawa continue to intensify anti-base movements while U.S. and Japan continue discussions on alternative ways to maintain access to military bases in Okinawa while diminishing local oppositions.

At the same time, as the U.S.-Japan alliance becomes stronger, Japan is drawn into taking a more active role in regional security. Under the post-war Japanese constitution, Article 9 clearly renounces war, stating that “aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the

threat or use of force as a means of settling international disputes.”<sup>180</sup> Japan has spent the last 70 years since the end of World War II under strict pacifism and antimilitarism policy against regional issues. However, On July 1st, 2014 Prime Minister Abe introduced a re-interpretation of the original constitution by allowing the country to exercise collective self defense activities and aid allied countries such as the U.S. in an event of an attack. Further, Abe’s government decision potentially allowed Japan to use its own missile interceptors against North Korean missiles aimed at U.S. territories and play a larger role in the United Nations peacemaking operations. Ultimately, the U.S.-Japan alliance drew Japan to change the interpretation of its own constitution to promote greater involvement in regional security, despite domestic disapprovals. Additionally, the reinterpretation announcement was welcomed by the U.S. but drew criticism internationally, in China, North Korea, and South Korea due to resentment for Japan’s imperialist history.

### **Proposal**

#### *What should the U.S. do now?*

#### Foster Greater Dialogue

The U.S. and Japanese government must not exert force over the area in Okinawa for the access to bases, as this only will broaden support for the anti-base movement in Okinawa and mainland Japan. It is instead advisable to engage in greater dialogue, both between Okinawa and Japan, and Japan and the United States, to modernize security alliances and base agreements while diminishing domestic upset. This is best achieved in the following ways.

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<sup>180</sup> Umeda, S"Japan: Article 9 of the Constitution."

### *Communicate with the People*

It is important for U.S. and Japan to communicate effectively with the Okinawans the benefits and necessity of the alliance and the purpose the U.S. bases play to the nation's overall security objectives. Spreading awareness to the local population of Okinawa about the current Japan and U.S. position can promote a greater understanding and recognition by the Okinawan people. Educational programs should be devised in a school setting to teach students the history, purpose, and necessity of U.S. bases. Furthermore, opportunities for greater cultural exchange should be considered through excursions to U.S. bases or festivals to foster greater human connection between traditionally opposed parties.

### *Communicate with the Governor*

In addition to efforts made with local people, direct communication with the prefectural governor of Okinawa is advisable to increase the depth of the United States' diplomatic relationship with such an important location. In 2013, governor Nakaima spoke with Prime Minister Abe in Tokyo approved the construction of the new Futenma replacement facility (FRF) under certain conditions. Nakaima presented the following conditions:<sup>181</sup>

- a. The U.S.. military terminate operations at MCAS Futenma within five years
- b. The U.S.. military return Camp Kinser (Okinawa base) in full within seven years
- c. The U.S.. military deploy at least half of its MV-22 Osprey aircraft outside of Okinawa immediately, then all Osprey after Futenma closes
- d. The United States and Japan revise the SOFA to allow on- base investigations by prefectural officials for environmental and archaeological reasons.

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<sup>181</sup> Chanlett-Avery, *The U.S. Military Presence in Okinawa* p.3

U.S. and Japan acknowledged these conditions and were willing to negotiate certain conditions, but not all. However, the current governor of Okinawa, Takeshi Onega, is more conservative and strictly opposes the construction of new FRF. The U.S. and Japan must effectively communicate with the current governor the benefits and risk of maintaining bases in Japan, as well as gain understanding on the cost related to construction of FRF and rotational relocation. However, since Japan does not have power to execute base-related actions unilaterally without the U.S. consent, Okinawa should work directly with the U.S. to discuss issues on the bases and devise a viable solution together. If Okinawa presents certain conditions, the U.S. should be willing to negotiate towards a mutually beneficial plan. The central government must continue to provide subsidies to Okinawa in compensation for the conditions that can not be fulfilled in order to decrease the burden caused on Okinawa.

#### Diversify Military Presence

The U.S. must maintain presence in Asia by positioning substantial number of troops in bases throughout the region but is more flexibility over the location. The U.S. military posture in Asia should be “geographically distributed, operationally resilient, and politically sustainable.”<sup>182</sup> Therefore, the U.S. should reduce some forces in Okinawa and diversify military presence in various location from Guam, Australia, and Hawaii. Previously, budgeting and political obstacles have prevented the relocation of troops to occur. “The initial estimate was for an expense of \$10.3 billion to move 8,000 Marines and their dependents to Guam, but the GAO reported that the actual costs would be more than double the DoD estimate at \$23.9 billion. The cost to DoD for the latest plan, to move roughly 5,000 Marines and their dependents to Guam, has been

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<sup>182</sup> Ibid. p.1

estimated at \$8.6 billion.”<sup>183</sup> The differences in estimates shows that, DoD can not accurately estimate the cost associated with the build up, which has restricted the funding that Congress would provide on the realignment to Guam. The DoD should deliver to Congress an adequate plan outlining the cost and schedule for realignment and the projected infrastructure needed on the new bases in Guam and other regions. The DoD should critically overlook budget and defense spending and find ways on possible cost reduction methods. The U.S. should foster collaborative relationship with host nations for enhanced cooperation and transparency in funding on the realignment of bases. Furthermore, the U.S. should reduce spending with the closure of unnecessary military facilities through the Base Realignment and Closure (BRAC) plan. “The Pentagon estimates that 25 percent of its domestic infrastructure is beyond what it needs. The Pentagon claims that getting rid of just 5 percent of its current facilities could save \$2 billion per year.”<sup>184</sup> It is therefore reasonable to suggest that the U.S. close unnecessary bases domestically and allocate resources to more urgent priorities in the Asia-Pacific.

### *Defend Article 9 and Peacemaking*

The U.S. should publically defend article 9 and discourage the remilitarization of Japan. Although Japan’s commitment to remilitarize may be beneficial to greater U.S. security, it does not support the ultimate objective of U.S. rebalance to Asia. Abe’s reinterpretation of Article 9 is clearly a violation of article 9 and should be revoked as it permits the “threat or use of force” to defend allies in an event of an attack and will lead to further alienation and increased potential for conflict with Japan’s neighbors. The U.S. and Japan should focus on sustaining relations with

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<sup>183</sup> Ibid p.14

<sup>184</sup> Hartung, "New round of Base Closings Long Overdue."

China and North Korea instead of aggravating it. The U.S. should support Japan in its devotion to creating a peaceful country, rather than pressuring Japan to take a more robust military posture. For Japan, “rather than choosing between continued U.S. military “protection” and independent remilitarization, Japan can make a third choice: become a model for the world to emulate by fully committing itself to peace.”<sup>185</sup> In this way, Japan will be better able to exert the use of the Self-Defense Forces in the global community for the purpose of peacemaking operations, and not for an act of threat.

### **Conclusion**

The U.S. military leadership is indispensable to counter future security challenges in the Asia-Pacific. As security challenges with China and North Korea is expected to escalate, U.S. must take collective actions with allies and ensure that bilateral security alliance remain strong and cohesive. It is important that U.S. does not lose foothold in Asia at such a sensitive time of global aggression. In the Pivot to Asia, strong bilateral security alliance with Japan is essential to the overall U.S. security position in Asia and to assure long-term trajectory of peace, security, and engagement in the region. At the same time, U.S. must take actions to diminish domestic opposition in Japan protesting against the placement of U.S. bases. To minimize oppositions, U.S. should rebalance bases in the Asia-Pacific and engage in greater dialogue with Japan to ensure that mutual interest of the alliance are fulfilled and the welfare of the local people are considered.

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<sup>185</sup> Morris, "Japan Should Devote Itself to Peace, Not Remilitarization."

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# The “Pivot to Asia” and the DPRK Nuclear Issue: Where to go from here?

**Creighton R. Barry**

When former Secretary of State Hillary Clinton wrote her influential 2011 *Foreign Policy* article “America’s Pacific Century,” she clearly shared President Obama’s worry that the United States had concentrated too much of its time, energy, and resources on conducting war in the Middle East for far too long. Advocating that it be necessary for the U.S. to make a strategic “Pivot to Asia,” Clinton correctly foresaw the development of certain diplomatic and security challenges within the Asia-Pacific region that would require a rebalancing of American diplomatic and military resources in order to continue to “sustain our leadership, secure our interests, and advance our values” in the region.<sup>186</sup> Northeast Asia is home to many of the world’s most vibrant and dynamic economies and also to several of America’s most significant military allies, including the Republic of Korea (ROK) and Japan, where a combined total of more than 50,000 American servicewomen and men are stationed.<sup>187</sup> Thus, it is vital for the U.S.

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<sup>186</sup> Clinton, Hillary. *Foreign Policy*. 2011.

<sup>187</sup> *Ibid.*

to continue to promote the peace and stability of the Asia-Pacific region by any and all means necessary.

The Democratic People's Republic of Korea (DPRK), with its advancing nuclear weapons program, unrelenting pursuit of missile technology that pose direct threats to its neighbors and eventually the U.S. homeland, hostile attitude towards the U.S. and its allies, and overall displays of belligerent and unpredictable responses, marks one of the most dangerous countries in the world—certainly the most volatile in Northeast Asia—and represents a serious threat to regional peace and stability and to U.S. interests.<sup>188</sup> The last decade has demonstrated that bilateral and multilateral diplomacy alone have been ineffective in curbing the DPRK's nuclear ambitions, while its fourth, most recent nuclear test and its seventh, most recent “satellite launch” have proved current sanctions, which consist of both unilateral and multilateral sanctions, as also inadequate to curb the DPRK's nuclear weapons development and proliferation. Thus, it should be blatantly clear by now that it is time the U.S. and relevant regional actors start taking a stronger approach to the DPRK to better deter it from its current path; engineering a nuclear weapon small enough to fit on top of an intercontinental missile bound for the U.S. A renewed approach will require several strategic and diplomatic actions.

Therefore, this paper will advocate for the U.S. to stiffen its commitment to the denuclearization of the Korean Peninsula by continuing to strengthen its regional anti-ballistic missile defense capabilities with Japan and the ROK in order to better deter DPRK from further developing its nuclear arsenal and missile technology. In addition, the U.S. must lead a stronger international effort to put more pressure on the People's Republic of China (PRC) to take more

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<sup>188</sup> Dempsey, Gen. Martin. *National Military Strategy*. 2015

effective action against the DPRK, instead of a typical hands-off, business-as-usual approach taken during the last decade. The PRC also must take a leading role, something it has never done before, in deterring the DPRK and preventing further nuclear proliferation. The U.S. can use the 2016 Nuclear Security Summit scheduled to be held in Washington in March to attempt to commence these steps. The 2016 Nuclear Security Summit, an international gathering of most of the world's nuclear powers committed to nuclear nonproliferation, also represents another opportunity for the U.S. to convince Beijing that a nuclear-armed DPRK represents more of a threat to its national security, in terms of likely potential to destabilize the region, than does a collapsing regime. If the U.S. is successful, reduced opposition from the PRC will enable increased U.S. regional military presence and integrable defense capabilities with its key strategic allies in order to better defend its partners and deter the DPRK.

#### Connecting the “Pivot” and the U.S. Strategies with the DPRK Nuclear Issue

Northeast Asia presents a major challenge for U.S. diplomatic and security forces in terms of how it can secure its interests without triggering a Cold War-like security dilemma between regional powers. Between the DPRK's advancing nuclear weapons program, the PRC's regional military build-up, historic rivalries between the ROK and Japan, and modern-day disputes between almost all regional stakeholders over land and maritime territory, regional geopolitical tensions were already high in Northeast Asia five years ago. Secretary Clinton laid out several strategies in *America's Pacific Century* she thought were essential to deal with the U.S.'s greatest regional threat— North Korea, and China, respectively, without causing an

uncontrollable arms race.<sup>189</sup> First, in order to react more quickly to, and deter, any and all aggressive provocations by the DPRK, America must strengthen its bilateral security alliances with the ROK and Japan. This would require developing more combined capabilities, and by doing so, solidify America's military presence in Northeast Asia. Second, in order to reduce the risk of military miscalculation between two great powers, the U.S. must also work harder to build trust with the PRC, especially while addressing regional security issues, like the DPRK.<sup>190</sup> If the U.S. and the PRC is able to reach agreements in a collective strategy addressing the DPRK nuclear issue, intentions can be clarified, while building trust between the two rivals.

U.S. Interests in Northeast Asia: What are they?

The U.S.'s pivot represents not only a shift in military and diplomatic resources, but also a reprioritization of American interests. Given that America's interests include maintaining global peace and security, evolving threats in the Asia-Pacific, and especially in Northeast Asia are integral to U.S. strategic interests. Despite this, politicians and policy commentators critical of the Iraq war have argued that the U.S. has poured too many resources into foreign lands and has sacrificed too many young American lives abroad to even consider now turning its attention to the Asia-Pacific. Instead, these people believe it is time for America to simply "come home."<sup>191</sup> But this would be a grave mistake. In a time when tens of thousands of American troops are stationed within miles of the DPRK, home to a volatile regime that often makes open threats against the U.S. and its regional partners with a growing nuclear arsenal, such perspectives must be reconsidered.<sup>192</sup> Now that Iran has dismantled its nuclear program that could be used to

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<sup>189</sup> Clinton, Hillary. 2011.

<sup>190</sup> Ibid.

<sup>191</sup> Ibid.

<sup>192</sup> Watkins, Tom. CNN.

construct a nuclear bomb, the DPRK is the only remaining state labeled by the U.S. in its 2015 National Security Strategy as an “irresponsible state” whose development and potential use of nuclear weapons “pose no graver threat to US security and well-being.”<sup>193 194</sup> Although Presidents from Kennedy to Reagan have called for the complete abolition of nuclear weapons, President Obama has consistently made nuclear nonproliferation a top security interest for the U.S. During a 2009 speech in Prague, President Obama reaffirmed the U.S.’s commitment to a global non-proliferation regime and intended to pursue “*concrete steps towards a world without nuclear weapons.*”<sup>195</sup> Although President Obama has yet to achieve American ratification of the 1996 Comprehensive Nuclear Test Ban Treaty, President Obama expressed that the U.S., “*as a nuclear power, as the only nuclear power to have used a nuclear weapon...has a moral responsibility to act*” to strive for global denuclearization.<sup>196 197 198</sup> However, the DPRK, despite condemnation from the U.S. and the international community for violating international law and several rounds of United Nations (UN) sanctions, continues to increase its nuclear arsenal and missile capabilities.

In staying true to the unpredictability of its persistent provocations, the DPRK further demonstrated its unwillingness to forego its nuclear weapons and missile programs when it conducted its fourth nuclear test, in violation of international rules and obligations, on January 6th of this year.<sup>199</sup> The rogue state heralded its most recent nuclear test as a total success,

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<sup>193</sup> The Data Team. *The Economist*, January 2016.

<sup>194</sup> Obama, Barack. *National Security Strategy*. 2015.

<sup>195</sup> Obama, Barack. (speech, Hradcany Square, Prague, Czech Republic) April 2009.

<sup>196</sup> *Ibid.*

<sup>197</sup> *Ibid.*

<sup>198</sup> *Ibid.*

<sup>199</sup> DeYoung, Karen; Fifield, Anna. *Washington Post*. January 2016.

claiming to have successfully tested its first hydrogen bomb, a thermonuclear weapon that could deliver an explosion 1,000 times more powerful than the uranium-fission atomic bomb dropped on Hiroshima in 1945.<sup>200</sup> Even though ROK-US intelligence suspect the DPRK's latest test was not a full-fledged hydrogen bomb, but likely a less-powerful thermonuclear bomb, highlighting the DPRK's desperate efforts to diversify its nuclear arsenal while continuing to try to miniaturize it to fit on top of an intercontinental ballistic missile.<sup>201</sup> The DPRK's latest missile test on February 7, while claiming to only have launched an earth observation satellite launch into orbit,<sup>202</sup> is further proof of pursuits to develop long-range intercontinental ballistic missiles capable of reaching U.S. shores. Why are these latest tests significant for the Kim regime? What does a nuclear program do for the most dangerous country in the world?

The fundamental purpose of the DPRK's nuclear program is to maintain the integrity of the Kim regime indefinitely.<sup>203</sup> After the DPRK's economy collapsed in the early 1990s—when the Soviet Union dissolved, removing the DPRK's primary trading partner—the resulting massive famine required the regime to identify a scapegoat to justify strict governance.<sup>204</sup> By labeling the International Atomic Energy Agency (IAEA), a UN-affiliated oversight and regulatory organization as hostile enemies of the state, the DPRK has successfully been able to convert international pressure to inspect its nuclear facilities and deter it from developing nuclear weapons and delivery capabilities into a domestic narrative of an imminent threat from abroad that warrants a nuclear deterrent.<sup>205</sup> Moreover, with every nuclear test—one in 2006, 2009, 2013,

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<sup>200</sup> Ibid.

<sup>201</sup> Stavridis, James. *Foreign Policy Magazine*. January 2016.

<sup>202</sup> *The New York Times*. February 2016.

<sup>203</sup> Ahn, Mun Suk. *Asian Affairs: An American Review*. October 2011.

<sup>204</sup> Lankov, Andrei N. *The Real North Korea: Life and Politics in the Failed Stalinist Utopia* (2013), pp 79.

<sup>205</sup> International Atomic Energy Agency

and 2016—the DPRK regime could claim it has improved its self-defense capabilities against its enemies. The DPRK has no problem pursuing its *sŏn'gun chŏngch'i*, or military-first, economy-second policy.<sup>206</sup> This helps explain why and how the Kim regime has devoted most of its economic resources to nuclear weapons and missile programs.

#### Past Attempts in Dealing with the DPRK

If the DPRK's nuclear and ballistic missile programs represent such a threat to U.S. regional security interests, why has the U.S. and the international community failed to deter the DPRK from its current path? A look at the past 10 years demonstrates why initiatives spanning from economic incentives, multilateral negotiations, unilateral and multilateral sanctions, and the Obama administration's policy of "strategic patience" have all failed to deter the DPRK from trying to engineer nuclear and missile technologies, much less convince it to denuclearize.<sup>207</sup>

The ROK, over the course of a decade, tried to improve inter-Korean relations by pursuing what former President Kim Dae-jung termed the Sunshine Policy (1998-2008). Through peaceful cooperation after a decade marked by stark tensions, a decade of unconditional support in the form of monetary and humanitarian aid, opportunities for inter-Korean joint venture economic cooperation, and encouragement to expand DPRK ties with the West, did little to prevent acts of aggression by the DPRK, or curb the DPRK's nuclear program.<sup>208</sup> Given that the DPRK conducted its first nuclear test in 2006, and its second in 2009, it is quite possible the DPRK, in line with its *sŏn'gun* policy, redirected the unconditional aid it received from the ROK towards its nuclear program. In addition, the DPRK is responsible for the March 2010 sinking of

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<sup>206</sup> Ibid.

<sup>207</sup> Snyder, Scott. *The Council on Foreign Relations*. January 2013,

<sup>208</sup> Levin, Norman D.; Han, Yong-sup. *Sunshine in Korea: The South Korean Debate over Policies Toward North Korea* (2002). pp 28-29.

the *ROKS Cheonan*, and the November 2010 artillery shelling of Yeonpyeong Island.<sup>209 210</sup> Thus, initiatives that promote peaceful coexistence with, and provide humanitarian assistance to the DPRK have proven to be ineffective in both deterrence and furthering negotiations.

Attempts to denuclearize the DPRK via multilateral negotiations also proved unfruitful. The Six-Party Talks, begun in 2003 and abandoned in 2008, broke down when countries like the U.S. demanded the DPRK completely eliminate its nuclear weapons program, but also the removal of the Kim family from power. The DPRK, who wanted a security guarantee from the U.S. and economic benefits in exchange for concessions on its nuclear weapons program, and the PRC, who, albeit one of the strongest supporters of the talks, wanted to prevent the U.S. from taking unilateral action against the DPRK,, could not rectify these differences.<sup>211</sup> Although these talks facilitated active diplomatic engagement between the parties, and; “...*Beijing began to see itself as a possible leader of security and confidence building initiatives in the region,*” the DPRK never fully committed itself to the negotiations, and instead, learned how to capitalize on the different interests of the involved parties in order to extract concessions.<sup>212</sup> After the last round of negotiations ended in 2008, the DPRK is clearly neither intending to restrain itself nor give up its nuclear weapons program.

Third, sanctions have been the main weapon-of-choice used by the U.S. and the UN Security Council to deter the DPRK, but have also proven ineffective. The UNSC first imposed sanctions on the DPRK following its first nuclear test, and have been expanded upon and strengthened three additional times: following its 2009 nuclear test; its successful satellite launch

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<sup>209</sup> *The Chosunilbo*. 6 April 2010.

<sup>210</sup> Kim, Hyung-jin; Kim, Kwang-tae. *Washington Times*. 23 November 2010

<sup>211</sup> Pritchard, Charles L. *Failed Diplomacy: The Tragic Story of How North Korea Got the Bomb* (2007). pp 97.

<sup>212</sup> Pardo, Ramon Pacheco. *East Asia*. August 2012.

in 2012; and after its 2013 nuclear test.<sup>213 214</sup> However, these sanctions are neither comprehensive enough nor effective enough to fulfill their intended purpose. For example, the list is very short, especially when compared to gravity of the situation and to the list of Iranian individuals once targeted by international sanctions.<sup>215</sup> In addition, the PRC continues to provide the DPRK with basic aid that props the regime, undermining the effects of international sanctions.

Finally, despite the Obama Administration's determination to make preventing further nuclear nonproliferation a defining point of his presidency, the policy of "strategic patience" did little to curb the DPRK's nuclear ambitions.<sup>216</sup> In Obama's 2009 inaugural address, he promised to states that "...cling to power through corruption and deceit and the silencing of dissent... [the U.S.] will extend a hand if they are willing to unclench their fists."<sup>217</sup> However, the regime is unlikely, at least any time soon, to unclench its fist. "*Strategic patience in close consultations with our six party allies*" were the words former Secretary Clinton noted as the Obama administration's approach to the DPRK, but while strategic dialogue and coordination between its allies in Northeast Asia have proven beneficial in increasing the US's regional presence, the US can no longer assume that the DPRK's actions will lead to "damaging self-isolation" from its neighbors.<sup>218 219</sup> Thus, the US must take a tougher stance, not only against deterring the DPRK, but also to convince the missing link to the DPRK nuclear issue, the PRC, that the status-quo should no longer be tolerated.

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<sup>213</sup> Arms Control Association, October 2015.

<sup>214</sup> Ibid.

<sup>215</sup> Berger, Andrea. "What is Left to Sanction?". October 2015.

<sup>216</sup> Snyder, Scott. "U.S. Policy Toward North Korea."

<sup>217</sup> Phillips, Macon. White House, The. January 2009.

<sup>218</sup> Snyder, Scott. "U.S. Policy Toward North Korea."

<sup>219</sup> Ibid.

## What Could be Done to More Effectively Curb the DPRK?

In light of the DPRK's most recent tests, the U.S. must boost its regional defenses against the increasingly hostile regime. While the US could strengthen its bilateral security alliances, the most salient method would be boosting regional anti-ballistic missile defenses.

The most talked about option would be for the U.S. and the ROK to agree to deploy the Terminal High Altitude Area Defense (THAAD), an American-made, onshore missile defense system, south of the DPRK-ROK border that "would improve the U.S. Forces in Korea's missile defense posture."<sup>220</sup> In response to the DPRK's most recent provocations, the U.S. and the ROK are currently negotiating the deployment of THAAD to the Korean Peninsula, something the ROK was reluctant to consider in the past because of PRC opposition.<sup>221</sup>

Japan is another possible location the U.S. could consider placing THAAD. While there have yet to be formal talks between the US and Japan over deployment of THAAD, there have been some reports that since the DPRK's February 7 satellite launch, the Japanese government has begun considering buying the high-altitude interception system.<sup>222</sup> In addition, the American-made, air-defense-at-sea system, Aegis, could boost the US-ROK-Japan alliance's defense against the DPRK.<sup>223</sup> While Aegis is currently deployed on several of Japan's naval destroyers, in time, it could be placed on ROK destroyers as well.

However, the installment of any type of new missile defense system in Northeast Asia does not sit well with the PRC. The PRC staunchly opposes the deployment of THAAD to the ROK, believing it could be used to interfere with the PRC's own defense capabilities.<sup>224</sup> While it

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<sup>220</sup> Kwon, KJ; Hancocks, Paula. CNN. 7 February 2016.

<sup>221</sup> Perlez, Jane; Sanger, David E. *New York Times*. 28 January 2016.

<sup>222</sup> Japan Times, The. 15 February 2016.

<sup>223</sup> Stavridis, James. "How to Plan for the Worst in North Korea."

<sup>224</sup> Perlez, Jane; Choe, Sang-hun. *New York Times*. 8 February 2016.

is in the interests of the US, ROK, and Japan to strengthen their military alliances in order to defend themselves against the DPRK, the PRC interprets such action as directed not only at the DPRK, but also at itself. Thus, the current situation in Northeast Asia could be only the start of a vicious cycle of increased militarization by the US-ROK-Japan alliance and China, in response to each other. Until the DPRK ceases nuclear testing and presents itself as not a threat to South Korea and Japan, the possibility of American missile systems will remain for the PRC.

Besides addressing the DPRK nuclear issue, balancing against the PRC's regional assertiveness and maintaining regional leadership are both key interests of the U.S. and important ideas behind the pivot to Asia. While the PRC has legitimate concerns about the growing threat to regional peace and stability DPRK nuclear and ballistic missile testing represent, it also sees the regime as a geostrategic buffer between itself and the US-ROK-Japan trilateral alliance. Moreover, the resulting humanitarian crisis and geostrategic shift from the collapse of the DPRK is the PRC's worst fear. Although the DPRK nuclear issue represents a clear opportunity for cooperation and trust-building between the U.S. and the PRC, suspicions of American intentions in strengthening its relationships with its allies are met with skepticism. The U.S. will need to lead an international effort to persuade the PRC in the short-run that that policy coincides with a common interest. Despite Secretary Kerry's recent trip to the PRC to discuss ways in which the PRC could a leading role in deterring the DPRK, the PRC remained reluctant to support broad sanction, instead, "*pressing for targeted sanctions against individuals in the North Korean nuclear complex*" which are not as likely to have as serious of repercussions.<sup>225</sup> The PRC has demonstrated in the past its ability to coordinate an international effort through the

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<sup>225</sup> Ibid.

Six-Party Talks to deal with the DPRK. It is now the opportunity for the U.S. to restart this multilateral engagement.

The next opportunity for the U.S. is to lead an international effort to convince the PRC that a nuclear-armed DPRK represents more of a threat to China's national security than a collapsed regime. As the U.S. prepares to increase its strategic presence in Northeast Asia, the U.S. must utilize opportunities such as the 2016 Nuclear Security Summit, where the DPRK nuclear issue will certainly be on the agenda. Given that the PRC failed to deter the DPRK from its most recent missile launch, it is possible that diplomatic missions from the PRC will become less successful in swaying the DPRK in the future. If so, the PRC may be more willing to shift its status quo approach, and take more effective action against the DPRK. If the PRC aids in the cutoff of the DPRK's remaining avenues for wealth accumulation, then the regime will be unable to fund its nuclear weapons and missile programs. If an agreement cannot be reached between the US and the PRC, then the DPRK nuclear issue could potentially spur a Cold War-era arms race that may prove more disastrous than a fully nuclear weaponized DPRK, or a collapsed one.

## Conclusion

While Secretary Clinton was unable to foresee the Russian Federation's aggressiveness in parts of Eastern Europe, nor the rise of Islamic State, she did correctly foresee the need for a rebalancing of American diplomatic and strategic resources towards the Asia-Pacific. Despite past attempts to negotiate the dismantling of its nuclear weapons program, the DPRK continues to diversify its nuclear arsenal, engineer missiles capable of delivering warheads ever greater distances, and proliferate nuclear materials. The DPRK poses the most immediate threat to U.S.

interests, and has the potential to further exacerbate ties with the PRC, forestalling regional stability. The PRC, on the other hand, is a threat to American regional leadership that has slowly evolved over the past few decade. Both of these issues are major ideas behind the pivot.

The DPRK must be dealt with more effectively than ever before. The U.S. must continue to strengthen its bilateral security alliances with its Northeast Asian allies, while leading a stronger international effort to place more pressure on the PRC to take more effective action against the DPRK. The DPRK nuclear issue represents an opportunity for cooperation and trust-building between the U.S. and the PRC, and is in the best interests of both countries if they wish to maintain the peace and stability of the region.

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# **Evolving Order: Addressing North Korea and Institutional Regulation**

Erik Hyeokjin Choi

Relations between the U.S. and China have become the single most important bilateral relationship in contemporary global politics.<sup>226</sup> The two countries are the world's largest economies, but simultaneously, hold irreconcilable political systems based on different ideologies and worldviews. In classical political realist theory, rising powers challenge the status quo of world orders, contrasting the precedents set by established hegemonies.<sup>227</sup> As the incumbent hegemon, the U.S. must expect an increasing number of contentious interactions with the rising power of China. In other words, a U.S.-China rivalry is unavoidable because is it structural. Though it is unlikely that devastating warfare will follow or that China will possibly overtake the U.S.'s hold on global influence in the near future, a unipolar world order cannot be expected to persist.<sup>228</sup> It is therefore in the interests of the U.S. to maintain its share of influence in the existing world order, and preserve its leadership in regional and global affairs, without

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<sup>226</sup> Ikenberry, *The Rise of China, the United States, and the Future of the Liberal International Order*.53

<sup>227</sup> Tellis, *U.S.-China Relations in a Realist World*. 75

<sup>228</sup> Lee, "THAAD and AIIB : Implications for US-China Relations and South Korea." 333

appearing as a dominant power unwilling to recognize other emerging voices. In 2012, former Secretary Clinton's "Pivot to Asia" provided a rebalancing strategy vis-à-vis Asia, to increase Pacific engagement amidst eclipsing assertiveness from China.<sup>229</sup> By reevaluating existing and burgeoning partnerships, expanding economic engagement and agreements, and furthering bilateral and multilateral relations, the U.S. has attempted to enact this pivot without direct confrontation.

Among the many conflicting issues in the region, North Korea's nuclear proliferation stands as one of the most pressing. The U.S. and the global community has failed to prevent North Korea from developing technology to conduct nuclear proliferation, threatening regional stability, and setting abrasive precedents.<sup>230</sup> International sanctions and displays of weaponry have lost efficacy, as China continues to prop the Kim regime in North Korea. How the U.S. and its partners address North Korea in this era of renewed focus on Asia will rely heavily on how agenda proposals accord attention towards China.<sup>231</sup>

### Policy Considerations

Institutionalization of diplomatic mechanisms in the region to establish norms and rules, and more importantly, to produce binding agreements on regional affairs must be pursued by the U.S. The Six Party Talks (SPT) or Northeast Asian Countries Forum (NEACF) can be pointed to as similarly an appropriate initiatives, though highly subject to the domestic discretion of its members. Multilateral approaches in regards to North Korea must be resumed at all costs, incorporating all regional members. While China, Japan, and South Korea are inherently

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<sup>229</sup> CLINTON, "AMERICA'S PACIFIC CENTURY."

<sup>230</sup> Moore, "AMERICA'S FAILED NORTH KOREA NUCLEAR POLICY."

<sup>231</sup> Chun, "U.S. Strategic Rebalancing to Asia." 14

invested in military tactics in the event of heightened provocations, the U.S. must assert its commitment towards opening diplomatic dialogues to lessen brinkmanship in the future.

### **Assessing the North Korean Issue**

American interests regarding North Korea are clear; nuclearization of the Korean peninsula threatens South Korea and Japan, two key allies of the U.S. Assuring our partners security is important for the U.S. to be hailed as a credible guarantor of security. Both Japan and South Korea are technologically capable of developing their independent nuclear proliferation programs, along with a litany of other destructive warfare weaponry. Inability to defend these nations, or to assert an understanding that impending conflict will not arrive, will encourage these countries to resume armaments on their own. For the United States itself, North Korean missiles poses direct threat to American territory, with Guam and Hawaii potentially within striking distance. Even if targets are not hit, the threat of long-distance weaponry capability by North Korea, coupled with a long-standing expectation of volatility, can endanger American economic, political, and diplomatic interests in a variety of fields and locales.

North Korea is arguably an extreme realist-oriented nation equipped with extreme militarism, acute nationalism, and a security phobia. North Korea prioritizes national security to all other issues, focused on securing the regime's maintenance as a communist state, relying on nuclear deterrence if necessary. Commencing operations at the Yongbyon plutonium reactor in 1993, launching a three-stage Taepodong-1 rocket over Japanese waters in 1998, and withdrawing from the NPT in 1993, North Korea has continued proliferation unabated by

international reactions for decades.<sup>232</sup> When President Bush designated North Korea as “axis of evil” and suggested a possibility of preemptive strikes in the context of the Iraqi invasion, North Korea carried out its departure from the NPT, evicting IAEA inspectors.<sup>233</sup> Expansion of American military facilities in Pyeongtaek, at Camp Humphreys and Osan Air Base in 2006, were announced as provocations by North Korea under the pretenses for an invasion.<sup>234</sup>

North Korea is adroit at exploiting diplomatic nuances to exert influence. North Korea managed to balance relations between China and the Soviet Union during the Sino-Soviet split, and during the Roh administration, became more active in Korean reconciliation and unification in 2004, driving a wedge between Washington and Seoul.<sup>235</sup> When South Korea exerted hardline policies during the Lee administration, followed by the Obama administration, North Korea aligned even closer with China and increasingly ostracized Russia.<sup>236</sup>

North Korea considers regime maintenance as the highest priority, with diplomatic maneuvering aimed at serving niche roles to attain bargaining power and avoiding absolute isolation to sustain its survival. Kim Jong-un’s succession as leader has demonstrated the turbulent and bloody domestic mistrust, as shown through the execution of individuals from high military ranks.<sup>237</sup> While the U.S. can implement policies aimed at the entirety of North Korea, it is the ability for the Kim regime to survive and turn to other partners that perpetuates subsistence.

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<sup>232</sup> “Fact Sheets & Briefs.”

<sup>233</sup> Delury and Moon, *Strong, Prosperous, or Great?* 434

<sup>234</sup> Yu, *Na ūi Han ’guk Hyōndaesa*.

<sup>235</sup> Delury and Moon, *Strong, Prosperous, or Great?*

<sup>236</sup> Ibid.

<sup>237</sup> Sang-hun and Sanger, “North Korea’s Leader Is Said to Oust Uncle in Power Play.”

## Lapses in American Policy

Evidence of North Korea receiving missile technology and nuclear components from countries like Iran, Pakistan, and Syria demonstrate how short-term responses and inconsistent approaches of engagement and isolation fail to stem North Korea's long-term goals of proliferation.<sup>238</sup> The Clinton and Kim Dae-jung administrations adopted conciliatory policies toward North Korea, holding a series of talks and meetings in 1993, culminating in the Geneva Framework. This peaceful appeasement strategy was followed by the enactment of the Sunshine Policy by Kim Dae-jung, aimed at improving peninsular relations through reconciliation and humanitarian assistance. When President Kim Dae-jung and Kim Jong-il met in a historic summit in 2000, the U.S. followed suit, easing economic sanctions on North Korea.<sup>239</sup> North Korea responded by agreeing to peaceful terms of self-imposing a moratorium on missile testing. The Kim Dae-jung administration came "tantalizingly close" to an agreed deal with North Korea to end exchanges of missile technology and halt the production, deployment and testing of long-range missiles, given the general satisfaction of the status quo by both sides.<sup>240</sup>

The entry of the Bush administration discontinued the previous administration's conciliatory foreign policy, ushering in hawkish strategies onset by both the U.S. and South Korea. President Bush designated North Korea as a member of the 'axis of evil', fundamentally rejecting the principles of the Sunshine Policy. The U.S. resisted thaws in inter-Korean relations in 2002, disrupting North-South cooperation in opening trans-border rail service and the Kaesong industrial complex.<sup>241</sup> In 2003, President Roh Moo-hyun entered office, contrasting the

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<sup>238</sup> Moore, "AMERICA'S FAILED NORTH KOREA NUCLEAR POLICY."

<sup>239</sup> "Fact Sheets & Briefs."

<sup>240</sup> Sherman, "Talking to the North Koreans."

<sup>241</sup> Harrison, "Did North Korea Cheat?" 101

U.S.'s strict adherence to military policies, rendering efforts by both the U.S. and South Korea ineffective.

The entry of President Lee Myung-bak in 2008 once again reversed the Sunshine Policy, freezing inter-Korean relations, and driving North Korea into further isolation. Proliferation in missile testing resulted in satellite and missile launches.<sup>242</sup> The entry of the Park and Obama administrations have seen the closure of the Kaesong Industrial Complex, President Obama signed North Korean sanctions H.R.757, and increased joint U.S.-ROK military campaigns in the wake of the sinking of the ROKS Cheonan and the shelling of Yeonpyeong Island.<sup>243 244 245</sup>

Though the U.S. and South Korea have implemented a number of various strategies in both amicable engagement and hostile isolation, the Kim regime remains static, and nuclear proliferation continues to progress.<sup>246</sup> China, however, remains largely removed from this equation, as its military and economic exchanges continue.

### China's Position and American Policy

China has tended to be reluctant to discussing North Korea bilaterally with South Korea or the U.S., concerned that it would deteriorate Sino-North Korean relations, or that the issue may be used as leverage for other pivotal discussions.<sup>247 248</sup> China's interests in the Korean peninsula notably include the preference for a strategic buffer zone, unlikely to capitulate to the

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<sup>242</sup> Department Of State. The Office of Website Management, "DPRK Missile Launch."

<sup>243</sup> "(News Focus) Inter-Korean Ties to Face Strains over Kaesong Complex Closure."

<sup>244</sup> The Associated Press, "Obama OKs New Sanctions Against NKorea Over Nuclear Program."

<sup>245</sup> "(LEAD) N. Korea May Have Conducted Firing Drill near Frontline Island."

<sup>246</sup> DAVENPORT, "Congress Questions Policy on N. Korea."

<sup>247</sup> Byun, "China's Position on the Reunification of Korea: Change and Continuity."

<sup>248</sup> Suh, "Continue and Change in China's Policy toward the Korean Peninsula : History and Reality." 88

influences of South Korea, Japan, and most importantly, the United States.<sup>249</sup> China recognizes that the U.S. will intervene in North Korea if it were to collapse, and would be compelled to likewise intervene in response. Retaining a North Korea aligned with China removes and delays such a prospect.<sup>250</sup>

However, since the entry of Premier Xi, China has begun discussing openly the responsibilities of North Korea. North Korea's provocations have strengthened the trilateral U.S.-South Korea-Japan alliance, exacerbating the containment position China already perceives.<sup>251</sup> Accordingly, President Xi visited South Korea prior to North Korea when he was inaugurated, an unprecedented diplomatic gesture by China, which included promises to both South Korea and the U.S. to further diplomatic talks regarding North Korea.<sup>252</sup> During dialogues between Presidents Xi and Park, Xi reconfirmed China's principles of (1) peace and stability in the Korean peninsula, (2) complete denuclearization of the Korean peninsula, and (3) resolution through peaceful means.<sup>253</sup> China supports autonomous unification by two Koreas, meaning that it does not want the U.S. engaged in the event reunification occurs, even supporting Korean unification under South Korea's leadership.<sup>254</sup> China's scenario of denuclearization in the Korean peninsula is to first stabilize North Korea, transforming the current armistice into a brokered peace mechanism to end hostilities, reversing nuclearization of the peninsula, and proceeding with reconciliation and reunification if possible.<sup>255</sup>

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<sup>249</sup> Ibid. 70-71

<sup>250</sup> Ibid. 96

<sup>251</sup> Lee, "Three Structures of Conflict Surrounding Unification." 100

<sup>252</sup> Yuwen, "China Should Abandon North Korea."

<sup>253</sup> Byun, "China's Position on the Reunification of Korea: Change and Continuity." 26

<sup>254</sup> Ibid.

<sup>255</sup> Nah, "China's Perception and Strategy about the Unification in the Korean Peninsula." 117

<sup>256</sup> Hachigian, *Debating China*. 202

Hard-line policies, however, rely on the principle of reciprocity, responding to inadequate action with stronger sanctions and militaristic responses. Reciprocity also requires sincerity on the part of North Korea to precede negotiations. Since 2008, the U.S. and South Korea have uniformly adopted this concept of reciprocity. Presidents Lee and Park both have promised to boost North Korea's per capita GDP to \$3000, only if the North commits to and demonstrates efforts to denuclearize. Unlike China's stance, this requires denuclearization before any possible incentive for North Korea is conferred. While the U.S. and South Korea rely on varied short-term proposals, these inconsistent policies fail to deeply engage North Korea, and instead criticize a lack of successful response as a trait of belligerent isolation.

#### Policy Recommendations

North Korea is likely to retain an enduring regime, unlikely to forsake nuclear weapons as long as threats to regime security persist. An inconsistent foreign policy of both the U.S. and South Korea governments that reverse previous administrations' policies, and heterogeneous foreign policies adopted by regional powers enable North Korea to exploit the shifting differences in policy, effectively avoiding sanctions by changing its responses in the short-term.

The U.S. must first review conciliatory policies, and in particular, the principle of expecting reciprocity. North Korea is desperate for regime survival, and mandating denuclearization as a precondition for dialogue will result with North Korea's departure from discussions, as evidenced by the fate of the Six-Party Talks. Chinese experts estimate that North Korea will possess over 75 nuclear weapons by 2020, considering its current level of

uranium-enrichment capability.<sup>257</sup> The longer the U.S. and South Korea maintain optimistic expectations that North Korea will alone undergo a change of attitude or suffer from internal collapse, will perpetuate the shifting of policies in response to ongoing provocations

Second, direct contact must be established with North Korea. Devoid of any dialogue, the U.S. cannot predict future actions by North Korea, nor hold the country reliable for any sort of expectation. Kim Jong-un has yet to interact in any bilateral or multilateral opportunities with South Korea, Japan, or the United States, and can only be expected to respond within the limited confines of isolation. One way to increase predictability through dialogue is to normalize relations with North Korea, with arguments for granting diplomatic normalization with North Korea as a confidence-building measure.<sup>258 259</sup> The U.S. gains rather than loses from this action, as diplomatic relations in the slightest provides an accountability mechanism and sets the expectation for at least minimal dialogue, rather than a complete absence.<sup>260</sup> This is not a radical policy, with the United Kingdom having normalized relations with North Korea in 2000.<sup>261</sup>

Third, I recommend the U.S. to consider establishing a peace mechanism on the Korean peninsula, de jure ending the Korean War. Establishing a cessation of hostilities establishes an expectation of reduced militarization and confrontation, and enables international rule of law to be more applicable. Cessation of hostilities does not mean complete acceptance of the status quo, however, and American forces in the Korean peninsula should remain until denuclearization becomes complete and verifiable.

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<sup>257</sup> Lee, "THAAD and AIIB : Implications for US-China Relations and South Korea." 336

<sup>258</sup> Ibid. 20

<sup>259</sup> Moore, "AMERICA'S FAILED NORTH KOREA NUCLEAR POLICY."

<sup>260</sup> Ibid.

<sup>261</sup> Ibid. 21

Lastly, the U.S. must lead the institutionalization of regional regulatory bodies for regional players, particularly with the establishing of binding accords like the Geneva Framework. The Six-Party Talks or North East Asian Countries Forum can be a preliminary design, but will need to be adequately equipped not only by the U.S., but also by China to effectively create substantive responses.<sup>262 263</sup> Multilateral engagement can also help balance and unify differing stances provided by each nation, reducing the conflicting or inconsistent policies that emerge with each passing administration. Institutionalization avoids polarized alignments, and establishes set rules and norms. The neo-Cold War structure of China-North Korea-Russia versus U.S.-South Korea-Japan creates a bipolar field where mutual agreement, concessions, and balanced approaches are less likely. Furthermore, such a regulatory body will enable a multilateral response, serving the U.S.'s desire for a neutral position. For example, inspections of North Korean facilities, and deployments of naval detachments to observe maritime borders can be comprised of multinational contingents to promote invested mutual equity.

Maintaining its leadership in the Asia-Pacific and throughout the world continues to be of importance to the U.S., but fails to adequately address the emergence of China as a contrasting exertion of economic and political influence.<sup>264</sup> Instead of encouraging competition or bloc isolation, the U.S. and China must increase cooperative measures, particularly through progress of a volatile and militarized variable like North Korea's nuclear proliferation. The U.S. must adopt a multilateral approach to North Korea while concurrently conducting bilateral diplomacy, above all, with China.

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<sup>262</sup> Mikheev, "THE NORTH KOREAN NUCLEAR ISSUE AND THE NORTHEAST ASIA SITUATION."

<sup>263</sup> Moore, "AMERICA'S FAILED NORTH KOREA NUCLEAR POLICY." 24

<sup>264</sup> (See *Economics* sections and chapters by Dolan, Sean and Barry, Creighton)

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# **A Multilateral Approach To Crafting Cyber Legislation: Engaging China To Sustain America's Global Leadership**

Kate Clark

## **The Importance Of Cyber Security In President Obama's Pivot To Asia**

In "America's Pacific Century," then Secretary of State Hillary Clinton explains the United States' Pivot to Asia policy is the ticket to maintaining American influence in global affairs.<sup>265</sup> "Our military is by far the strongest, and our economy is by far the largest in the world...There should be no doubt that America has the capacity to secure and sustain our global leadership in this century as we did in the last." But for the U.S. to preserve its global leadership, as well as adopt a stronger position of power in the Asian continent, it needs to take on a leadership role in addressing the issue of cyber security. America can do this by igniting discussion within the international community and ensuring an international regulatory group is working to build the necessary legal framework that will protect the U.S. from Chinese cyberattacks. The U.S. must ensure China is engaged in this process, willing to ceasefire in

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<sup>265</sup> Clinton, "America's Pacific Century"

cyberspace, willing to adopt a clear and comprehensive set of norms for cyberspace that are universally understood, and willing to define methods of attributing cyber-attacks in order to avoid a neo-Cold War.

### Defining Cyberterrorism

To achieve the economic and diplomatic goals the U.S. has set in Asia, the U.S. must first develop a relationship of mutual trust with China. Achieving a trusting relationship will be challenging and can only occur if both countries relinquish their fear of vicious cyber theft of their critical infrastructure. Currently, cyberspace is a boundless conceptual ecosystem without any standard definition, set of norms, or code of conduct. Today, the Cambridge English Dictionary narrowly defines a cyberattack as an “illegal attempt to harm someone's computer system or the information on it, using the internet,” but the consequences of a cyberattack are much wider than this definition depicts.<sup>266</sup> In his book, *China's Cyber Power and America's National Security*, Colonel Jayson Spade of the U.S. Army War College delves deeper into the dangerous resonating effects a cyberattack can have. He explains that cyberattacks of different varieties have the ability to deeply disrupt the American banking system, which could result in a loss of as much as \$35 billion in a single day. Attacks on the power grid could result in complete loss of all telecommunications, eliminating access to emergency services. An attack on water systems could cause severe flooding, making certain cities uninhabitable. According to a 2007 report by the U.S. Cyber Consequences Unit, a “full scale” cyberattack could cost the U.S. upwards of \$700 billion. China, Spade explains, is capable of launching a cyber-attack of this

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<sup>266</sup> Landau, Sidney I., *The Cambridge English Dictionary*.

capacity. They have “conducted the kind of computer network reconnaissance and mapping of government and private networks” necessary in destabilizing the U.S. military, he explains.<sup>267</sup>

Cyberattacks are elusive. The difficulty of attributing cyberattacks make them incomparable to any other forms of attack or warfare. The United States might accuse China of attacking their infrastructure, but finding proof to defend these accusations is extremely challenging. Cybersecurity firms can use IP addresses to trace attacks back to China, but can’t pin the attacks on the government or necessarily determine who the hacker is.<sup>268</sup> Even if the U.S. does accuse the Chinese government of launching an attack in cyberspace, the government will likely respond by blaming the attacks on unaffiliated Chinese hacker groups, and because of the lack definition of what constitutes a cybercrime, the U.S. has no precedent to follow, and no standardized course of action. In 2014, the U.S. indicted five Chinese military hackers “for cyber espionage against U.S. corporations and a labor organization for commercial advantage.” The U.S. Department of Justice said the attacks were on Americans in the nuclear power, metals, and solar products industries; this was the first time criminal charges were filed against “known state actors” for hacking. Despite this rare instance, the lack of predominant legislation that defines whether or not an indictment is justified makes actually charging someone of a cyber-related crime difficult.

The U.S. has made progress toward rectifying the lack of norms in cyberspace through its propositions included in the “International Strategy for Cyberspace” report released by The White House. Within the report the U.S. calls for the internet to be recognized everywhere as an “open, interoperable, secure, and reliable medium of exchange.”<sup>269</sup> The report says the U.S. and

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<sup>267</sup> Spade, “China’s Cyber Power” p.26-27.

<sup>268</sup> Lindsay, “China and Cybersecurity” 64.

<sup>269</sup> The White House, “INTERNATIONAL STRATEGY FOR CYBERSPACE,”.

the international community need to “build and sustain an environment in which norms of responsible behavior guide states’ actions, sustain partnerships, and support the rule of law in cyberspace.” The norms suggested are privacy, respect for property, freedom, protection from crime, and the right to self-defense.<sup>270</sup>

Unfortunately, these norms are uncompromising, and will prove to be especially unachievable when China, a nation that does not value net neutrality, is expected to sign off. This report was written in 2011, many drastic attacks have been launched via cyberspace on the United States since then. There has also been many innovations in technology, which has allowed for attacks to become increasingly destructive. To protect themselves from potential destruction, the United States, China, and the rest of the international community must develop an agreed upon response to cybercrime, a set of norms for cyberspace, and methods of attributing crimes to a government. They must also agree that governments housing cyber criminals will take responsibility for such crimes, and follow a predetermined course of action. The U.S. be a leader in this process and refrain from isolating China in order to achieve a more favorable relationship with Beijing.

### **Educating The American Public And Avoiding A Digital Pearl Harbor**

While the U.S. works to engage China to develop fair and binding legal agreements concerning cyber security, cyberattack definitions, methods of attack accountability, they must also focus their efforts on spreading domestic awareness in regards to one of the greatest national

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<sup>270</sup> Ibid.

security threats of the 21<sup>st</sup> century. During the presidency of George W. Bush a 12-point Comprehensive National Cybersecurity Initiative (CNCI) was written and has since been tweaked and updated. Initiative #8 calls for educating the American people on the threat of cyber war, promote awareness, and support for policy. Colonel Spade touched on this, writing that drawing public support for a public education campaign to change minds and behavior, and garner support for government policy may require World War II-scale campaign efforts.

*“Americans have embraced information technology and the Internet, but do not understand the inherent threats. Like living with the atomic bomb or the Global War on Terrorism, Americans need to adjust to a security-focused way of interacting with the World Wide Web.”*<sup>271</sup>

As important as it is for the U.S. to engage China as comprehensive cybersecurity policy is developed, it is equally important for the U.S. to have a properly engaged and educated population. In President Obama’s updated CNCI, he writes that a cyber-savvy public is imperative to protecting against future attacks. He notes that a technologically-skilled and educated workforce will “ensure our continued technical advantage and future cybersecurity.”<sup>272</sup>

### **Tragedy Of The Commons: Cyber Security Legislation, Or Lack Thereof**

President Barack Obama has done more than just updating the CNCI. This February he took a significant step toward implementing a broad cybersecurity plan in the United States when he submitted his final budget proposal to Congress. The \$4 trillion budget for the 2017 fiscal year suggested \$19 billion (a 35% increase in the usual spending) go toward cyber security

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<sup>271</sup> Spade, “China's Cyber Power” p.37

<sup>272</sup> Obama, "Foreign Policy: The Comprehensive National Cybersecurity Initiative,"

measures. According to The New York Times, \$3.1 billion of the recommended \$19 billion budget will be used to “overhaul” the government’s computer systems.<sup>273</sup> While this budget does not mention augmenting discussions with China, or any countries for that matter, on the issue of cybersecurity, the \$3 billion President Obama is asking for to renovate the government computer systems was reportedly sparked by a massive cyberattack on the U.S. government’s Office of Personnel Management computer systems in 2015.<sup>274</sup> This attack exposed personal information of 22.1 million people and, according to The Washington Post, was traced back to the Chinese government.<sup>275</sup> Still, the United States has a lot of work to do before adequate policy is developed. While domestic policy is indeed a crucial first step, it is not an effective shield in the long-term; an international agreement is the only real method of defense.

Defining cyberattacks, creating norms for cyberspace, and creating better cyber law here in the U.S. are critical steps. Unfortunately when it comes to implementing legislation, even domestically, the U.S. struggles. According to author Jon Lindsay, the U.S. is suffering from the “tragedy of the commons” phenomenon. “Many key players assume someone else is providing for security,” and have a “sense of despair about the size and complexity of the challenge.”<sup>276</sup> This has prolonged the implementation of solid legislation, despite “agreement on the need to create a uniform set of data breach response laws, which are currently an incoherent state-level patchwork,” according to the Harvard Law School National Security Journal.<sup>277</sup>

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<sup>273</sup> Calmes, "Obama's Last Budget"

<sup>274</sup> Davis, "Hacking of Government Computers"

<sup>275</sup> Nakashima, "Hacks of OPM Databases"

<sup>276</sup> Lindsay, "China and Cybersecurity" p.307.

<sup>277</sup> Kominsky, "The Current Landscape of Cybersecurity Policy"

Hopefully Obama's proposed budget will help to curtail this phenomenon. President Xi Jinping's visit to the U.S. in 2015: U.S.-China High-Level Joint Dialogue on Cybercrime and Related Issues, may have also helped to curtail the "tragedy of the commons" phenomenon. In September 2015, President Obama and President Xi Jinping had an unprecedented meeting to discuss cybercrime. The talk resulted in an important declaration from the Chinese president to U.S. business executives. "The Chinese government will not in whatever form engage in commercial theft, and hacking against government networks are crimes that must be punished," he said.<sup>278</sup>

As momentous as the Chinese president's statements seemed, no concrete agreement came out of the meeting, only a "pledge" to refrain from online intrusions.<sup>279</sup> President Xi simply said that China was "ready to set up a high-level joint dialogue mechanism with the United States on fighting cybercrimes."<sup>280</sup> The discussion between the two leaders seemed even more ineffective when CrowdStrike, a California-based cybersecurity company that works closely with the U.S. government, claimed they had followed numerous attacks on American businesses that occurred both prior to and three weeks after the meeting. Many of these attacks were allegedly traced back to Deep Panda, a Chinese hacking group suspected of having ties to the Chinese government that typically seeks to damage strategic national security.<sup>281</sup> Obama's recent budget proposal and this meeting between the leaders of the U.S. and China are the most monumental events in the history of cybersecurity legislation or discussion.

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<sup>278</sup> Perlez, "Xi Jinping Pledges to Work With U.S. to Stop Cybercrimes,"

<sup>279</sup> Davis, "Obama and Xi Jinping of China Agree to Steps on Cybertheft,"

<sup>280</sup> Perlez, "Xi Jinping Pledges to Work With U.S. to Stop Cybercrimes,"

<sup>281</sup> Mozur, "Cybersecurity Firm"

According to Indiana University’s Maurer School of Law “The Emergence of Cybersecurity Law,” there are “more than 50 federal statutes address aspects of cybersecurity in some capacity, whether directly or indirectly.”<sup>282</sup> But an overarching piece of legislation concerning cybersecurity in the United States to reference while developing an international policy agreement with China concerning cyber intrusions is crucial, and it does not yet exist. It is in the best interest of the American government for the U.S. and China to develop a framework of overarching protocol, which would effectively make most of the 50 or so existing federal statutes obsolete, simplifying and clarifying the current batch of incoherent data breach response laws.

### **Economic Espionage And Cyberattacks On National Security Infrastructure**

There have been hundreds of cyberattacks on the U.S. in recent years. According to CrowdStrike, cyberattacks on businesses, or acts of economic espionage, enable theft of intellectual property and trade secrets. As damaging as acts of economic espionage are, they are not the most concerning cyberattacks. The most concerning are ones that pose an imminent threat on Americans – attacks on national security infrastructure. Attacks that fall into this category began over a decade ago. In 2004, attacks of Chinese origin infamously targeted American military labs, the World Bank, NASA, and others, in an event now known as Titan Rain. The State Department’s East Asia Bureau and the Naval War College, where top-secret information on military strategy against China is kept, have also been victims of Chinese cyberattacks.

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<sup>282</sup> Kominsky

The future of America's leadership depends on America's power within computer networks. If China continues to threaten these networks, U.S. control in future situations of crisis inside or outside its borders may be limited. In his article, "The Impact of China on Cybersecurity: Fiction and Friction," Jon Lindsay explains a common worry among national security analysts—that Chinese cyber sovereignty could "legitimize authoritarian control and undermine the cosmopolitan promise of the 'multistakeholder' system." minimizing U.S. control in a region where they are hoping to gain control with Obama's pivot.<sup>283</sup> Attacks like these on national security infrastructure not only endanger Americans, they also interfere with the U.S.'s ability to maintain international leadership, and gain power in the Asian continent.

### **International Organizations and the Road to a Secure Cyberspace**

Protecting the United States is crucial, and the inclusion of China is imperative in this task. An international dialogue that doesn't isolate any countries is the key to long-term defense. Through the formation of an international regulatory group assigned with the task of developing amicable cybersecurity legislation the United States will be in a safer, stronger position. The question is whether existing organizations, like the United Nations, can not only discuss what needs to be done, but actually take action and develop concrete legislation. Might an entirely new institution need to be developed?

In 2013, the United Nations released a report, "Group of Governmental Experts on Developments in the Field of Information and Telecommunications in the Context of

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<sup>283</sup> Lindsay, Jon R. "The Impact of China on Cybersecurity p.7-47

International Security,” wherein they began their quest to develop a “universal legal framework” for cybersecurity. The goal of the discussions of the experts who contributed to the report was to “explicitly acknowledge the application of international humanitarian law to cyberspace.”<sup>284</sup>

China refused to do so, making this progress much less significant. The United Nations can continue these discussions and serve as an effective mechanism so long as they have the resources to create subgroups and host meetings with experts on information security. If not, the U.S. will have to lead the effort in creating an entirely new organization that focuses on an international agreement. None of this will be easy. The U.S. pivot to Asia will not be easy, Clinton makes that clear in her essay “America’s Pacific Century.” However, she also makes it clear that it is possible, America has already set a precedent that clearly illustrates our strength and ability to succeed even in hard times.

*“...whenever the United States has experienced setbacks, we’ve overcome them through reinvention and innovation. Our capacity to come back stronger is unmatched in modern history. It flows from our model of free democracy and free enterprise, a model that remains the most powerful source of prosperity and progress known to humankind.”*<sup>285</sup>

Again, developing that relationship of mutual trust with China begins with an armistice in cyberspace. If the two superpowers can be at peace in that realm, the pivot to Asia will be a much greater success. Without a trusting relationship between the U.S. and China, the American pivot to Asia will be futile and will not help America sustain its’ global leadership. To evade a neo-Cold War, the U.S. must make sure China is engaged in the entire process of crafting any international cyber legislation. China must be willing to adopt a clear and comprehensive set of

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<sup>284</sup> “The UN Takes a Big Step Forward on Cybersecurity.” Arms Control Association.

<sup>285</sup> Clinton, “America’s Pacific Century.”

norms for cyberspace that are universally understood, and be willing to define methods of attributing cyber-attacks, so that all countries, not only the U.S. and China, will take responsibility for attacks stemming out of their nation. Finally, the U.S. must work through an international regulatory group, as it is the most effective mechanism and the only way to successfully engage the entire international community. If America can do this, can keep China engaged and willing throughout this process of forming cyber legislation, it is possible for the United States government not only to sustain, but augment its regional leadership.

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# **PART III: Diplomacy**

*Furthering regional cooperation and  
interconnectedness*

# **A Diplomatic Look at Rebalancing Northeast Asia**

Andy Chung

With the rise of the People's Republic of China on the international stage as a global economic force and military power, the balance of power in East Asia has tilted. Current U.S. relations with Japan, the Republic of China (Taiwan), and the Republic of Korea (South Korea) are amicable, yet interregional relations still consist of conflicting perspectives and interests. The Democratic People's Republic of Korea (DPRK) continues to threaten stability in the region and must be engaged diplomatically. With the shifting balance of power in the region amidst unsolved issues, the U.S. must evaluate how it will pivot its foreign policy on Northeast Asia compared to strategies used in years past.

The tremendous growth of China has compelled nearby nations to conform to a changing economic climate. China's enormous GDP and economic posture as both a producer and consumer has made trade with the PRC a necessity for economic gain. Expanding domestic economic growth, while maintaining vital trade relations with China has contributed to geopolitical challenges for many of Northeast Asia's economic policies. Such economic leverage is further used to coerce shifts in policy that increasingly align towards China's interests. While

Japan, South Korea, and Taiwan are wary of an overreliance on China, policy agendas are also wary of the repercussions that emerge from looking to the U.S. as a counterbalance.

### Three Foundations, Three Partners

Northeast Asia is home to two countries designated as Major Non-North Atlantic Treaty Organization Allies (MNNA) by the U.S. and one de-facto MNNA. Strong existing bilateral relations, coupled with entrenched economic ties enable Taiwan, Japan, and South Korea to work in collaboration amidst differing bilateral perspectives.

U.S. Relations with Taiwan have largely been defined by the Taiwan Relations Act, that although is not a security defense treaty, has been used as the basis for guiding a continued American partnership with Taiwan intent on maintaining peaceful resolution of cross-strait issues. However, the growth of China as an economic power has presented situations where China can exert influence on Taiwan outside of military and security realms. In January 2016, Taiwanese singer Chou Tzu-yu displayed a Taiwanese flag on a television show in South Korea, where her management agency is located.<sup>286 287</sup> Following the display of the Taiwanese flag by Chou, China threatened to bar her employing agent from operating in China.<sup>288</sup> Amidst public backlash in both China and Taiwan, Chou publicly apologized for her political display, an act her Taiwanese fans believe was compelled by her South Korean employer.

Relations between China and Taiwan have been cautioned as possibly becoming more tumultuous after the recent election of Tsai Ing-wen. Tsai, a member of the Democratic Progressive Party (DPP), has opposed the Kuomintang (KMT) party, by pledging to end

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<sup>286</sup> Buckley, Chris; Ramzy, Austin. New York Times. January 2016.

<sup>287</sup> Ibid.

<sup>288</sup> Ibid.

consideration of reunification and establish an independent Taiwan.<sup>289</sup> Analysts believe, however, that given the economic and military capabilities of Taiwan, and the reluctance to increase confrontations with China by neighboring nations, President-Elect Tsai will pursue a pragmatic approach, continuing existing economic agreements established under President Ma Ying-jeou.<sup>290</sup>

Tsai has also pushed for Taiwan to join the Trans-Pacific Partnership (TPP) while campaigning, in order to further economic cooperation with the United States, and compel greater security investment from abroad, such as a recent arms deal of \$108 million between the U.S. and Taiwan.<sup>291</sup> Taiwan's relatively small military, political, and economic posture makes attaining these goals increasingly difficult as its largest partners continue to further economic ties with China.

Strong bilateral ties between the U.S. and South Korea have continued since the cessation of fighting during the Korean War. The 1953 U.S.-ROK Mutual Defense Treaty has provided a continued American military presence in the country, perpetuating continued hostilities from North Korea, and tensions with the North's benefactor, China. The signing of the Korea-U.S. Free Trade Agreement (KORUS FTA) in 2007, contributed to the furthering of economic trade between the two nations.<sup>292</sup>

### South Korea and Japan

South Korea and Japan, however, continue to have inconsistent relations with the U.S., and more so, with each other. Bilateral cooperation between the two countries are strained by

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<sup>289</sup> Zorthian, J. Time. 2016.

<sup>290</sup> Mazza, Michael. The Diplomat. January 2016.

<sup>291</sup> Forsythe, Michael. New York Times. December 2015.

<sup>292</sup> Office of the United States Trade Representative. "U.S. - Korea Free Trade Agreement."

popular discontent on a number of social issues, including visits by Japanese politicians to Yasukuni Shrine, recognition of WWII ‘comfort women’, naming of the Sea of Japan / East Sea, and territorial disputes over Dokdo / Takeshima Island. In both South Korea and Japan, stalemates on social disputes often hamper bilateral agreements on a variety of other issues.

Progress appeared to be made when an agreement between South Korea and Japan was established on December 28<sup>th</sup>, 2015, when Japan agreed to establish a ¥ 1 billion reparations fund, and issue a state apology from Prime Minister Shinzo Abe.<sup>293 294</sup> Representatives of the Park Administration in Seoul announced that the issue was now “finally and irreversibly resolved”, to the outrage of survivors who declared Japan’s actions as insufficient and ingenuine.<sup>295 296</sup> Within Japan, Prime Minister Abe was called a “rotten traitor” for capitulating to South Korea.<sup>297</sup> While leadership in both countries are continuing to generate bilateral progress, public backlash from their respective nations make amicable cooperation difficult to attain.

#### North Korea and China

North Korea’s lack of engagement with neighbors aside from China has enabled this rogue state to perpetuate belligerent activities. Continued proliferation of nuclear programs and weapons testing strains the ties between North Korea’s benefactor, China, and that of its eastern neighbors. On January 6<sup>th</sup>, 2016, North Korea issued a press release of a hydrogen bomb test in

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<sup>293</sup> Sang-hun, Choe. New York Times. December 2015.

<sup>294</sup> Ibid.

<sup>295</sup> Ibid.

<sup>296</sup> Soble, Jonathan; Sang-hun, Choe. New York Times. December 2015.

<sup>297</sup> Ibid.

the aftermath of a 5.1 magnitude earthquake originating from North Korea.<sup>298</sup> North Korea then later launched a rocket on February 7<sup>th</sup>, 2016.<sup>299 300</sup>

China hosted each round of the Six-Party Talks in an attempt to bring North Korea back into the Nuclear Nonproliferation Treaty (NPT), escalating its intent for action oriented towards North Korea by supporting UN Sanctions in 2006, a freeze of the North Korea's foreign trade bank's account in 2013, and a freeze of all North Korean accounts in 2016.<sup>301 302 303</sup> Although the Six-Party Talks deteriorated, China's willingness to confront its historical ally indicates that China is willing to consider ending longtime strategies to pursue amicable partnerships with its neighbors.

Existing multilateral institutions promoting dialogue and cooperation insufficiently engage China and the issues of Northeast Asia. ASEAN and the East Asia Forum focus on issues in Southeast Asia, and often detract from larger contests among northerly countries. The Six-Party Talks broke down due to North Korea's unwillingness to come to terms with other nations, as the only nation intentionally shunning increased ties with its eastern neighbors. Although bilateral relations between the U.S. and countries in Northeast Asia are strong, multilateral negotiations in response to North Korea are often met with disapproval from members. Deployment of THAAD missiles from the U.S. to South Korea or Japan, for example, have met fierce resistance from China.

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<sup>298</sup> AFP/CNA/ec. Channel NewsAsia. January 2016.

<sup>299</sup> Sang-hun, Choe. New York Times. February 2016.

<sup>300</sup> Ibid.

<sup>301</sup> Sipri. "UN Arms Embargo on North Korea."

<sup>302</sup> Reuters. February 2016.

<sup>303</sup> Makin, Yoshihiro; Nozomu, Hayashi. Asahi Shimbun. May 2013.

## Opportunities for Progress

While lacking in substantial outcome, the Six-Party Talks brought regional players of differing agendas together on specific policy item. A new multilateral governmental political forum for Northeast Asia offers opportunity for each member to contribute, with the highest expectation being placed on China. While the U.S., Japan, and South Korea may agree on multilateral approaches to North Korea, it is China who must approach the table with concessions in order to break the status quo. Recognizing such advances, increased sanctions, cuts to government aid, and critical rhetoric from Beijing in recent years, must be recognized to enable China to play a more active role in comfortably engaging its neighbors on an issue facing standstill.

In order for a pivot to Asia to be successful, the U.S. must direct its attention to its existing partners, but more importantly, to pivotal countries where partnerships are insufficient. Northeast Asia is home to some of the most powerful economies, militaries, and governments in the world; encouraging greater collaborative interconnectedness, and recognition of mutual goals will enable historical animosity to be gradually transcended in favor of regional progress and stability.

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# **Maintaining Regional Stability and Mitigating Threats: Avenues of U.S.-China Collaboration**

Ruidi Wang

## **Introduction**

As China continues to develop its economy, it is taking steps toward developing expansive global strategies in order to demonstrate a more authoritative role in global politics. With regards to the historical context and geographic factors, Asia as a whole shares a lot in common, including religious beliefs, social climates and potential markets. As China has been the epicenter of many historic and cultural connections with other Asian countries, there is a strong desire amongst the people and government of China to see itself realized as the leader of oriental world in a contemporary context.

This ambition cannot be overlooked, as it questions American influence and status quo in Asia as well as its leadership in Asian Pacific region. Thus it is urgent for U.S. to rebalance the power in Asia with special attention paid to building and reinforcing its relationship with countries in Asia-Pacific region. China's increased foreign policy interventions in Asia seem to compete with U.S. management in the region, leaving many of Asian nations feeling as though

they might witness a single victor in this battle for regional dominance. And yet, defeat of China is not the goal of the Obama Administration's Pivot to Asia. In Clinton's *Foreign Affairs* article, she explicitly states the U.S. government's intent to construct a positive, comprehensive and cooperative relationship with China.<sup>304</sup> Additionally, President Obama reiterated his attitude towards China, noting that the U.S. "welcomes a strong, prosperous and successful China that plays a greater role in world affairs".<sup>305</sup>

Nevertheless, the greatest obstacle to greater partnership with China remains Chinese suspicions that U.S. rebalancing strategies are a political strategy of containment. Moreover, the more President Obama repeats his commitment to cooperation, the more he plays into China's narrative that his real motive is to contain its rise. Fear and misjudgment lingering on both sides involved in varied fields hinder the accomplishment of the U.S.' goal of the Pivot to Asia, threatening the overall stability of the Asia-Pacific region. Thus U.S. needs to convince China that we are not containing them in order to successfully manage the U.S.-China relationship, to make a simultaneous progress together with China instead of competition and to direct China to assist with serious international affairs. This is goal should be the major pillar of the U.S. government's approach to Asia-Pacific diplomacy.

Looking through the chronology of China-U.S. relationship from year 2011 the commencing of Pivot to Asia to nowadays, from U.S. side piles of diplomatic strategies have been applied. Yet evaluating the temporal stance, confrontation is still roaring between two countries, which implies that underlying the allocation of the pivot, diplomatic strategies should be improved and implemented based on the goal to build credence between China and U.S.

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<sup>304</sup> Clinton, "America's Pacific Century"

<sup>305</sup> Lawrence *US-China Relations* p.2.

Overall this paper evaluates the diplomatic actions, which make efforts to construct a positive and peaceful path throughout mitigating the conflict in South China Sea region, appealing for human rights and democracy without raising tensions, and enhancing cooperative action to mitigate counterterrorism and environment degradation, and emphasize the core increase mutual trust without containing in each parts.

## **Part I: Diplomatic Strategies Underlying Confrontation**

### **South China Sea Conflict**

Defending freedom of navigation in the South China Sea is always the tricky task to U.S. In the case of South China Sea, American diplomacy is important in securing relationships with China and its Asian allies. Furthermore, Secretary of State John Kerry's reply during his trip to China about mutual interests and principles on how to handle maritime disputes in the East China Sea and the South China Sea clearly pointed that the region needs smart diplomacy in order to conclude the ASEAN-China Code of Conduct and not outposts and military airstrips.<sup>306</sup> While the mistrust of China towards US's military action has hampered the progress in resolving this. China accused U.S. of seeking for the hegemony in the name of freedom of navigation after a US Navy destroyer sailed within 12 nautical miles of a disputed island in the South China Sea and regarded the action as dangerous and irresponsible.<sup>307</sup> In order to eliminate China's feeling of being contained by the U.S., careful consideration on diplomatic tactics are required.

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<sup>306</sup> U.S Department of State *Joint Press Availability With Chinese Foreign Minister Wang Yi* (May 16 , 2015)  
<http://www.state.gov/secretary/remarks/2015/05/242497.htm>--

<sup>307</sup> Michael Perry *China says U.S. seeks 'hegemony' after South China Sea sailing* Feb 1. 2016  
<http://www.reuters.com/article/us-southchinasea-china-usa-idUSKCN0VA1ST>

### *Executing Diplomatic Strategies So Far*

The United States has supported efforts by China's rival claimants to place the issue of the tensions in the South China Sea (SCS) on the discussion agenda for regional meetings. The U.S. has also publicly urged the Association of Southeast Asian Nations (ASEAN) and China to move forward with long-stalled negotiations over the text of a binding code of conduct that would govern behavior in the SCS, and would include specific dispute-resolution mechanisms.<sup>308</sup> However, consequently from the summary report of 18th ASEAN-China on 21 November 2015 without explicit solutions to South China Sea issue merely the routine goals, it reaffirmed the commitment to ensure the full and effective implementation of the Declaration on the Conducts (DOC) in its entirety: to build, maintain and enhance mutual trust and confidence; to exercise self-restraint in the conduct of activities; to not resort to threat or use of force; and for the sovereign states directly concerned to resolve their differences and disputes through peaceful means, including through friendly consultations and negotiations, in accordance with international law including United Nations Conventions on the Law of the Sea (UNCLOS) 1982.<sup>309</sup> The outcome of the commitment among ASEAN and China is a good omen showing the wish in peaceful and mild way to solve the problem however the posture in South China Sea is not quite optimistic.

On June 22, 2015, the US and China held the fifth round of the joint civilian-military Strategic Security Dialogue (SSD) co-chaired by Chinese Vice Foreign Minister Zhang Yesui and U.S. Deputy Secretary of State Antony Blinken, and attended by Deputy Chief of Staff of

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<sup>308</sup> ASEAN.ORG *Overview of ASEAN-China Dialogue Relations* [http://www.asean.org/?static\\_post=overview-asean-china-dialogue-relations](http://www.asean.org/?static_post=overview-asean-china-dialogue-relations)

<sup>309</sup> Ibid

the People's Liberation Army Sun Jianguo, US Undersecretary of Defense for Policy Christine Wormuth, and US Ambassador to China Max Baucus. The bilateral dialogue is a helpful way to cool the fury, but in result this dialogue did not come out with what U.S. wants but with little Public revealed, noting only that a "candid" and "constructive" exchange was held on security issues of common concern as well as the sources indicated that the meeting was mostly an exchange of talking points without any narrow differences on any of the issues discussed.<sup>310</sup> Thus a more effective dialogue between China and U.S. should be modulated. To U.S certainly the containing of China only accelerates the worse in situation, which causes the unstable and intense nerves, thus U.S should urge on build of mutual side on both side and deepen the dialogue with China. The bilateral dialogue between U.S. and China is an opportunity to clear U.S 's goal in build peaceful and comprehensive relationship with China.

#### *Unreachable Threshold in South China Sea Issue*

The biggest problem in the practice of the diplomacy remains the fact that the hope to build negotiation with China and other countries with the land quarrel is almost impossible, as the Chinese government will never cede on its sovereignty rights to Spratly Island in given its historic occupation.<sup>311</sup> Towards the dispute of island sovereignty, early in 2012 August, State Department the gave the clear statement that the United States does not take a position on the competing sovereignty claims and insisted the believes "the nations of the region should work collaboratively and diplomatically to resolve disputes without coercion, without intimidation,

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<sup>310</sup> Carl Baker Brad Glosserman, A Triannual E-Journal on East Asian Bilateral Relations August 2015 Vol. 17, No.2 September 2015 <http://csis.org/program/comparative-connections>

<sup>311</sup> US. Department of State *Senior State Department Officials on the U.S.-China Strategic and Economic Dialogue* (July 9, 2014)<http://www.state.gov/r/pa/prs/ps/2014/07/228948.htm>

without threats, and without the use of force.”<sup>312</sup> This statement is a pre-condition if U.S wants to continue the negotiation with China and this is the better choice for U.S. standing in middle on the territorial dispute without the involvement in any unnecessary confrontation. To formulate a proper diplomatic solution is like playing a good drama, which required the good performances of every role rather than the one-acter. It is true that from the viewpoint of Secretary Kerry, the territorial quarrel of South Chinese Sea is not a situation in which countries should or can be permitted simply to act unilaterally to advance their territorial claims or interests. He also asserts that “This is a situation in which countries – claimants – should avail themselves of arbitration, of legal mechanisms, of dialogue, and of direct negotiations in order to achieve peaceful solutions.”<sup>313</sup> On the one hand keeping the consideration of not containing China is the core but on the other hand U.S. also has taken the evaluation of potential cost in relation with other countries.

*Recommendation: Encourage the Fully Engagement in Negotiations and Discussions*

It is essential to create more spaces for diplomatic processes, including discussions between China and ASEAN on code of conduct or, for that matter, bilateral or multilateral discussions of the underlying claims themselves. What U.S. can act effectively is to try to find out the balance point of compromise to all the involved countries in this event especially for China. APEC is a good media used as forum to discuss South China Sea issue although normally APEC has little ability to enact anything, lack of sanctions, treaties and enforcement. Since it is hard to broach up the title of the forum directly around the dispute in South China Sea, otherwise

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<sup>312</sup> Susan V. Lawrence *US-China Relations: An Overview of Policy Issues* (Congressional Research Service 2013), pp 21

<sup>313</sup> Susan V. Lawrence *US-China Relations: An Overview of Policy Issues* (Congressional Research Service 2013), pp 21

throwing a forum in the topic under global ocean cooperation in Pacific Ocean. In this way, U.S. can raise up the sub forum with topic of marine security protection laying under the general abroad topic of ocean cooperation to divert the focus of South China Sea issue. Moreover, in the negotiation, initially U.S. should clear the point that not contain China and follow the rule of the international law as a judgment to consider the event.

### **Human Rights and Democracy**

Advocating for human rights and democracy is the one of the six key lines of action in Hillary's statement of Foreign Policy.<sup>314</sup> Human rights and democracy is more than what they encompass, simply protecting individual rights and freedom. Indeed, they intimately related to the government sovereignty and even territorial dispute issues. Hence, it makes sense that when the United States presses China to ease restrictions on freedom of speech, Internet freedom, religious expression, and ethnic minorities, China's leaders suspect that the US's real goal is to end Communist Party rule. In the arena of fighting for human rights and democracy, China seems to consider U.S as an adversary and therefore it is imperative to manipulate the diplomacy to convince China that we are not containing.

#### *Why U.S. Should Care About Human Rights and Democracy in China?*

As human rights and democracy is the factor causing confrontation, why U.S. insists the promoting for them in China? The response do not only account for this is universal value that U.S. support for as fundamental principles, but more crucial the promotion of human rights and

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<sup>314</sup> Clinton, "America's Pacific Century"

democracy can facilitate the corporation and appease the chaos in difference if the two countries can share the basic value in common. From the Country Reports on Human Rights Practices for 2014, it shows that in China repression and coercion were routine against organization and individuals involved in civil and political rights advocacy, ethnic minorities and law firms that involved sensitive cases and meanwhile, the discrimination of minority groups, the detention and harassment of press and publishers, and the intense scrutiny and restriction on NGO, are rather serious. With the gist of convince China as a partner to progress in corporation, U.S. want the partner to respect the basic principle of humanism as well. China as taking more responsibility for more global issue, it should show a positive influence in spreading universal value.

### *Tibet, Xinjiang and Hong Kong*

Tibet, Xinjiang and Hong Kong have always been the equivocal regions as well as democratic and human rights fairs hover in those regions frequently. Tibet is a racial and unique region and people there have their own religion and lifestyle different from Han People in China. Because of the long term riots in Tibet, Chinese government (CCP) has been strictly control the religion activities of Tibet and this largely affects the freedom of religious and from reports of human rights in Tibet, government of CCP tortured, and physically abused and arrested religious adherents for their religious practices.<sup>315</sup> With regards to the sensitive issue of Tibet, US pays much attention that the Secretary Kerry made clear positions of US to certainly recognize Tibet as a part of the PRC and reinforced US's attitude that China should respect and protect the religious, cultural and the linguistic rights and characteristic of the ethnic minorities particularly in Tibet. In the diplomatic strategies dealing with Tibet issue, the statement of U.S. in confirming

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<sup>315</sup> Thomas Lum *Human Rights in China and U.S. Policy: Issues for the 113th Congress* 2013 pp.12

the sovereignty of China is a must. Taking this as a promise, it will be easy to continue the dialogue between two countries for the further discussion.

There was president's movement in calling on human rights of Tibet. In July 2011, President Obama met with the Dalai Lama for the second time at the White House, despite strong objections from Beijing. The President emphasized the importance of the human rights of those Tibetans in China as well as their unique religious, cultural, and linguistic traditions. He stressed that Tibet is a part of China, praised the Dalai Lama's commitment to nonviolence and his "Middle Way" approach, and encouraged dialogue between the Dalai Lama's representatives and Beijing, while also emphasizing the importance of U.S.-China cooperation.<sup>316</sup> The Dalai Lama is still a complicated figure and he is the flashpoint to cause China to be irritated for CCP (Chinese Communist Party) considers Dalai as the separator of China, a traitor of the nation. Even though, Obama stated the territorial integrity of China, in this sensitive case it is hard for CCP to buy Obama's words. In respect for China's core interests, including safeguarding national unity, if considering on the side of Chinese, they may hope, therefore, that the U.S. government refrains from speaking out about conditions in Tibet and meetings with Tibet's exiled spiritual leader, the Dalai Lama. Dalai Lama as a religious leader and a peace fighter, U.S. will continue the support for him in context under human rights and democracy. And all events related to him should avoid any sensitive talk of politic with Dalai Lama to try not agitating CCP.

Xinjiang another minority region with frequent uprising suffered a lot in discrimination. Compared to Tibet, the entire issue in Xinjiang seems more complicated as the dynamic of

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<sup>316</sup> Ibid pp.14

global posture of ISIS being gradually furious. Uighurs known as the majority of residents in Xinjiang is a Turkic-speaking ethnic group mostly practices Sunni Islam.<sup>317</sup> When addressing with the human rights and democracy issue in Xinjiang area, the U.S. delegation stressed the need for China to take a comprehensive approach to countering violent extremism (CVE) that protects individuals' freedoms of expression and religion; addresses local grievances that violent extremists can exploit to radicalize and recruit individuals; and ensures educational and economic opportunities for marginalized communities.<sup>318</sup> It is really intellect to insist the human rights and democracy under the context of counterterrorism but just on the corporation side this may have some effects. According to the future situation of Uighur, U.S. may give a choice between the human rights and democracy and the task of counterterrorism.

Hong Kong is quite different from Tibet and Xinjiang region with its unique policy "One Country Two Policies". Because of the historical factor, the colonization under British left the democracy spirit to people in Hong Kong, which causes the struggling for gaining freedom in publications, speech, and elections under the CCP's "supervision". In 2014 autumn the large scale Boycott Class activity in Hong Kong caught the attention of US. The Secretary Kerry underscored the support for the application of the "One Country, Two Systems" principle, the basic law and universal suffrage in connection with the 2017 election of the chief executive. Secretary made clear that the U.S. respects and recognizes the sensitivities of the issue and the importance of the issue. U.S. does not taking positions about what particular formula is right for the people of Hong Kong, but the U.S. certainly believe that an approach that is judged credible

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<sup>317</sup> Edward Wong and Adam Wu DEC. 8, 2015 *ISIS Extends Recruitment Efforts to China With New Chat*  
<http://www.nytimes.com/2015/12/09/world/asia/isis-china-recruitment-chant-mandarin.html?ref=topics>

<sup>318</sup> U.S Department of State *U.S-China Counterterrorism Dialogue* (August 6, 2015)  
<http://www.state.gov/r/pa/prs/ps/2015/08/245782.htm>

by the people of Hong Kong will extend credibility to the person who is ultimately selected as the chief executive and contribute to the long-term stability and prosperity of Hong Kong.<sup>319</sup> Secretary's statement of US 's attitude is a fence-sitting, in a way not to offend China's governance and in another way give the spirit support to Hong Kong. Although U.S diplomatic strategies did little in the defending of democracy but it did, and it is good way for U.S. to show no containment tendencies toward China.

### *Engagement of NGO and Institutions*

Chinese non-state entities play a small but growing role in social welfare, political discourse, and policy-making and they are important factor in government's social management. Based on this point, the encouragement of local NGO in China and asking more freedom for NGO activities became a diplomatic tactic when mentioning human rights and democracy. On June 23-24 2015 the sixth annual High-Level Consultations on People-to-People Exchanges (CPE) convene headed by Secretary Kerry and Chinese Vice Premier Liu Yandong, the two sides held working groups on youth, culture, sports, health, education, science and technology, and women's issues. Deputy Secretary of State Blinken delivered remarks and noted U.S. concern with the "scope" of China's proposed Non-Governmental Organizations (NGO) law, which threatens the operations of foreign NGOs in China. Blinken candidly stated that "the draft law could have a chilling effect on the very exchanges and relationships that we're working together to build and to strengthen."<sup>320</sup> In the problem set that the U.S. addressed during Xi

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<sup>319</sup> US. Department of State *Senior State Department Officials on the U.S.-China Strategic and Economic Dialogue* (July 9, 2014)<http://www.state.gov/r/pa/prs/ps/2014/07/228948.htm>

<sup>320</sup> Carl Baker Brad Glosserman A Triannual E-Journal on East Asian Bilateral Relations

Jinping's visit to U.S. in September 2015, under the topic: constriction of political space and human rights in China, it also points the problem that China is increasing pressure on U.S. journalists, academics, NGOs and businesses operating there.<sup>321</sup>

### *Obstacles From the Political Contexts of China*

Even though, the diplomatic strategies continued move on targeting with the issue in human rights and democracy, it seems few positive feedback. To figure out the reason why failing to advocate for democracy and human rights, understanding China's legal system to institutions and personal actors is the premise. What the intrinsic legal system or politic system of one country largely shaped the way the entire nation goes like. In China, more restrictive laws are on the agenda, including planned legislation to regulate the activities of foreign foundations, restrict foreign funding for Chinese NGOs, and authorize measures to enhance state security. Furthermore beyond agency, individual actor impacts the entire situation of the country in social political movements. From Hu-era, the rejections of Western-style constitutionalism and construction principles of limited government, separation of powers, and liberal rights—advocated by jailed Nobel laureate Liu Xiaobo, among others are on his administration as a task to protect citizen from western “containing”. In the same vein, the early Xi-era Central Committee Document No. 9 of 2013 sought to limit discussion of seven pernicious ideas, including Western constitutional democracy, universal values, civil society, neoliberalism, and Western views of journalism. Early 2015 brought official calls to not teach Western ideas—in law as well as in other fields—to Chinese students.<sup>322</sup>

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<sup>321</sup> Daniel R. Russel Nov. 2015 US department of State “U.S.-Asia Policy Update”

<sup>322</sup> Delisle, The rule of Law with Xi-Era Characteristic: pp.7-8

## *Engagement In Public Diplomacy*

The relationship built with China is not adequate with Chinese Communist Party the government bureaucracy, more importantly U.S. requires to recognize that China, withholding the largest population, the administration in expending of public diplomacy. Public diplomacy is more focusing on the public and individuals instead of the government bureaucracy. On November 10, 2014, President Obama announced a reciprocal visa validity arrangement with China, increasing the validity of short-term tourist and business visas issued to each other's citizens from one to ten years, and increasing the validity of student and exchange visas from one to five years. In addition, in an August 2012 report to the White House, the State Department reported that it had succeeded in reducing the average wait time for a visa interview in China to under 10 days, despite the large increase in visa applications.<sup>323</sup> The extension of visa in some degree increases the communication between people to people, more importantly this is a good way to let Chinese citizens know more about U.S. culture and democracy, which is a huge leap to reinforce the communication between two countries with different culture.

In this battle of democracy and human rights, U.S. media is another vital diplomatic weapon. "The U.S. Department of State operates multiple Chinese-language blogs and microblogs on Chinese platforms in an effort to circumvent often heavy-handed Chinese censorship of the traditional news media and reach out directly to the Chinese public with messages about U.S. policy."<sup>324</sup> Net Freedom Task Force, built in Obama's administration, is meant too coordinate policy within the State Department on Internet freedom efforts, monitor Internet freedom around the world, respond to challenges to Internet freedom, and expand global

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<sup>323</sup> Susan V. Lawrence *US-China Relations: An Overview of Policy Issues*, pp 12 -13

<sup>324</sup> Thomas Lum *Human Rights in China and U.S. Policy: Issues for the 113th Congress* 2013 pp.22

access to the Internet.<sup>325</sup> This Net Freedom Task Force can be developed more as a strong weapon to promote the forbidden information via Internet.

In a nutshell, the process of public diplomacy, till today western websites with political issues and news is still blocked by Chinese government, while on the other side, Chinese citizen are trying to use VPN to get access in plenty of social media such as Facebook, and twitter in order to know more of western world. The phenomenon in China that Chinese citizens are more assertive in claiming rights and they try to engage in public demonstrations against mistreatment by local authorities and employers,<sup>326</sup> This new situation of Chinese society toward politic is the chance U.S. can grasp. About the news, usually Chinese citizens just get the resources from media under strict control of CCP, which may cover the truth and propaganda the public with the idea towards the wish of CCP such as issue in Tibet, the public would like to see U.S. an adversary for they support people who betray the country because too majority the figure of Dalai as a traitor and the restrict in historic documents recording on Tibet has already impressed in their mind. Thus, the information

*Recommendation focusing on the engagement with institutions and public diplomacy*

U.S. should continue the promotion of human rights and democracy in China, especially focus on sensitive case Tibet, Xingjiang, and Hong Kong and officially reiterate the statement that U.S acknowledges the sovereignty integrity and shows the respect to the government authority. U.S. should avoid the meeting and invitation of those “political criminals” referred by Chinese government under political talk but still giving support to those people who advocate for

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<sup>325</sup> Ibid pp.2

<sup>326</sup> Ibid pp.27

humanitarian spirits. U.S. should persevere the protection of those people suffered unfair political persecution, and try best to make dialogues on human rights and democracy to discuss those cases based on fair and truth. It is vital to expand the scale of connection with local organization and institution in China such as holding cultural programs in local U.S. consulate and embassy for Chinese students, fully utilize the diplomatic power of institutions such as, United Nations Human Rights Council and UNESCO(United Nations Educational, Scientific and Cultural Organization. Meanwhile, U.S. should explore the public diplomacy, using the tools including the International Visitor Leadership Program (IVLP) and stressing the function of Net Freedom Task Force to fight for the media freedom.

## **Part II: Role of Diplomacy in Cooperation**

### **Counterterrorism:**

Fighting against terrorism is an abiding task since 9/11 event and it is crucial for protecting US land security and as to sustain the entire global security and stability. ISIS is currently the most serious global issue. Currently U.S. has invested large amount of money into this battle and with no much positive feedback. In this arena, the United States and China share the same goal: condemn all forms of terrorism and concur on the global threat posed by terrorist organizations. The cooperation relationship with China to take sanctions to terrorism has been a plan since decade years easily, while the trust issue hanging over hampers the way of cooperation. The problem came from the fear of land security as US put more military strength near Pacific Ocean area. Beijing worried about U.S. military action near China, U.S.-led alliances, Japan's active role in the war on terrorism, greater U.S. influence in Central and South

Asia, and U.S. support for Taiwan—all exacerbating long-standing fears of “encirclement.”<sup>327</sup>

### *Diplomatic Performance*

The effort that the U.S. made for tackling terrorism is the set up of institution with international society .The Global Counterterrorism Forum (GCTF) is a new multilateral counterterrorism body with 30 founding members (29 countries plus the EU) from around the world. Launched on September 22, 2011, the GCTF is a major initiative within the Obama Administration's broader effort to build the international architecture for dealing with 21st century terrorism.<sup>328</sup>

In Country Reports on Terrorism 2014 of U.S., it shows in order to accelerate the efficiency of counterterrorism cooperation with China, officially U.S. requests to Chinese law enforcement officials for more detailed background information on Chinese media-reported arrests and operations. Despite China continued to stress the importance of counterterrorism cooperation with the United States, Chinese law enforcement agencies generally remained reluctant to conduct joint investigations or share specific threat information with U.S. law enforcement partners. This limitation definitely blocks the accuracy of information exchange and this still requires diplomatic strategies to make large progress in the transparency of shared information.<sup>329</sup>

In the seventh round of the U.S.-China Strategic and Economic Dialogue (S&ED) June 22-24, 2015, in Washington, D.C., Secretary of State John Kerry, special representative of President Barack Obama and State Councilor Yang Jiechi, special representative of President Xi

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<sup>327</sup> Shirley A.Kan *US-China Counterterrorism Cooperation: Issue for US Policy*

<sup>328</sup> U.S Department of State *Global Counterterrorism Forum*

<sup>329</sup> Bureau of counterterrorism country report on terrorism 2014

Jinping, chaired the Strategic Track and held in-depth discussion on major bilateral , regional and global issues. According to the counterterrorism, U.S invited China to meet to discuss best practices on stemming the illicit flow of chemical precursor and dual-use bomb components used by terrorists world wide in improvised explosive devices (IEDs) and Chinese government officials and industry experts accepted the U.S. invitation. At the Counterterrorism Dialogue, the two sides are to seek to enhance counterterrorism cooperation on a wide range of issues, including on how to address the transnational flow of foreign terrorist fighters, crackdown on terrorist funding networks, and increase information exchange on terrorist threats.<sup>330</sup>

Continuing the second round discussion, in August 4. Ambassador Tina Kaidanow, Coordinator for Counterterrorism, led a U.S. delegation to Beijing for the U.S.-China Counterterrorism Dialogue Vice Foreign Minister Cheng Guoping from China's Ministry of Foreign Affairs led the Chinese delegation. During this dialogue both sides try to identify practical ways to strengthen cooperation on counterterrorism including on how to address the transnational flow of foreign terrorist fighters, address terrorist funding networks, and increase information exchange on terrorist threats.

### *Recommendations*

This is a new area for U.S. to explore more and this can be a new task in Obama Administration's Pivot to Asia account for the currently world situation, the upraising power of ISIS. As China's racial region Xinjiang with large proportion of Muslim citizens, China Encouraging China in some degree senses the importance of fighting against ISIS. In this motivation, US should encourage China involving more in the activities as a partner of US to the

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<sup>330</sup> U.S Department of State U.S.-China Strategic & Economic Dialogue Outcome of the Strategic Track

fight against terrorism. Assigning China more responsibilities in the leadership group of GCTF is a consideration. As well to the transparency of information exchange, U.S. has to consist the reinforcement on Chinese government and reiterate the purpose to escalate the advance of cooperation. In addition, U.S. welcomes China's increased engagement with Afghanistan and its support of an Afghan-led, Afghan-owned peace process. Together, U.S. and China are committed to supporting political cohesiveness and ensuring Afghanistan never again becomes a safe haven for terrorists.

### **Environmental Protection**

Climate change issue is one of the maintaining topics globally and US with the most advanced technology and the biggest economic has the responsibility to guard the environment of the earth. China nowadays surpassing US becomes the biggest consumers of carbon dioxide. Still China and US are two largest producers of greenhouse gas emission. Environment protection what two countries share the same and with enormous efforts to work on so this is definitely a good opportunity for US to seize establishing mutual trust with China. In the collaboration, U.S. can share more with China in difference areas and this can send the signal of searching a positive progress together China instead of containing.

#### *Diplomatic Acts*

In April 2013, Secretary of State Kerry jointed statement on climate change committing to “forceful, nationally appropriate action by the United States and China—including large-scale cooperative action.” Additionally, U.S. and China also established a high-level U.S.-China

Climate Change Working Group to explore ways to advance cooperation.<sup>331</sup>

Environment and Energy saving is rather new direction as the environment situation of the world gets more concerns. US did enrolled much time and vigor into this hot global topic in cooperation programs with China. U.S. also engaged with China on climate change through meetings of parties to the U.N. Framework Convention on Climate Change for Paris conference. Presidents Obama and Xi met again on the margins of the Paris climate change conference in late November. They also conferred by phone, helping to conclude an historic, ambitious, global, agreement to reduce emissions at COP21<sup>332</sup> Obama reportedly praised Xi's cooperation, stating that the US-China joint "leadership on this issue has been vital." The two presidents discussed ways to make the Paris conference a success for all parties. President Obama's individual conversion with President Xi is a good card to play, in this way can accentuate the trust as showing the sincere and emphasizing in cooperation. The agreement to reduce emissions at COP21 is an essential commitment for both sides and a bend to tight the cooperation between China and U.S., which U.S. should keep the function of this agreement. President Obama involved a lot in the environment and energy event as a good strategies to show the credence and confident of US to cooperate with China to confront the environmental problem. The frequent meeting and convention in environment topic, which the two countries share a lot in common is a key to continue the long-term cooperation together.

At the seventh round of the U.S.-China Strategic and Economic Dialogue (S&ED) June 22-24, 2015 , the report tells The two sides strengthened and enhanced the Climate Change Working Group (CCWG), a key mechanism for enabling regular dialogue and constructive

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<sup>331</sup> Susan V. Lawrence *US-China Relations: An Overview of Policy Issues* pp 42

<sup>332</sup> Bonnie Glasser & Jacqueline Vitello, CSIS, Pacific Forum, pp21

cooperation in support of our respective pre- and post-2020 climate action. The two sides established a new Domestic Policy Dialogue, and decided to explore additional areas, including expanded collaboration on zero emission vehicles, in advance of President Xi's state visit in September. The two sides released the annual CCWG report documenting progress to date and future goals.<sup>333</sup> There are lots of institutions and program that U.S. and China can use as a bridge to tight their corporation. All the diplomacy strategies are in the positive directions.

### *Current Problem In Diplomacy Acting*

Just February 9, 2016, the Supreme Court on Tuesday temporarily blocked the administration's effort to combat global warming throughout regulating emissions from coal-fired power plants.<sup>334</sup> This blowing up of Obama's agenda will seriously affect the corporation in this area between China and U.S..U.S. is always the frontier to fight against the climate change and promote to reduce the emission of greenhouse gases, if U.S. cannot give commitment, it will be hard for Beijing to follow and trust in depth toward the future actions in dealing with the environment.

### *Recommendation For Environment Protection*

U.S should sustain the previous dialogue hold by institutions such as S&ED, and continue the program like CCWG. In the dialogue, U.S. can formulate more details issue about environment protection not just give the goal but how to complete the goal, and what can improve from both sides. As to group work, this can be a way to link with the local organization

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<sup>333</sup> U.S Department of State U.S.-China Strategic & Economic Dialogue Outcome of the Strategic Track

<sup>334</sup> Adam Liptak and Coral Davenport , the New York Times *Supreme Court Deals Blow to Obama's Efforts to Regulate Coal Emissions*

which struggling with the environment issues. Moreover, the collaboration of Congress and President matters a lot thus U.S. cannot bestow only lip service, the real conviction is a must for the purpose of build mutual trust.

### **Conclusion**

Dealing the relationship with China is a giant proportion in the allocation of Pivot to Asia to sustain the stability of the Asia-Pacific Region. Taking a further perspective, successfully handling the relationship with China toward a cooperative avenue is more than a regional promise but a global promise since China is a factor to cause ripples around the world. In the building of this relationship, we have to stress the statement of not containing China the mutual trust is a must and this is what diplomatic tactics strive for. It is undeniable U.S. does involved frequently in any form of diplomatic power, but still the problem is unsolved and some like South China Sea issue even fester badly. Overall, dialogue and negotiation in form of bilateral or multilateral, associated with country visit, APEC, ASEAN, UN and S&ED is a tool to better understand the each other in all kind of conflicts and to improve any process in collaboration. Moreover, the successfully implementing of diplomacy requires the cooperation of U.S. inside. If every agency can move towards the same direction, the final goal will be achieved easily and efficiently.

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# **Exercising Diplomacy in Southeast Asia: In Pursuit of the Pivot to Asia**

Athiyya Husniyah

In 2011, former Secretary of State Hillary Clinton spoke about the United States' intentions to shift focus from the Middle East to the Asia-Pacific. With a decreasing presence in Afghanistan and Iraq, the U.S. began to increasingly shift where it would be placing its political, economic, and diplomatic investments to better engage and prepare for the global future.<sup>335</sup> However, this rebalance and shift does not mean the United States was ever absent— we still have partners in the region, along with continuous and promising relationships with others in the region. Our delicate but interconnected relationship with the People's Republic of China (PRC), and with the Democratic People's Republic Korea (DPRK) have seen increases in security capabilities, with the DPRK recently testing their nuclear capabilities despite condemnation from the United States and the global community.<sup>336</sup> By furthering ties and commitment, the U.S. can help promote regional stability within Southeast Asia, especially through deeper involvement with the Association of Southeast Nation (ASEAN). By pursuing the goals of the Trans-Pacific Partnership (TPP), as well following the principle of “forward deployed diplomacy” the U.S. can

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<sup>335</sup> Clinton, Hillary. "America's Pacific Century." *Foreign Policy*. 55-63.

<sup>336</sup> Rose, Frank A. 2015. Institute for Corean-American Studies (ICAS).

utilize a proactive stance of intensified engagement with its partners and regional institutions to encourage economic and political stability and development for the benefit of all.<sup>337 338</sup> Recent territorial disputes in the South China Sea between China and other ASEAN members such as Vietnam, Brunei, Malaysia, and the Philippines have also pressured the U.S. to intervene and exert its stances. Responses to such disputes must not be met with belligerence, but a commitment to respect international accords, demonstrate transparency, and recognize the non-exclusive interests of each country.<sup>339 340</sup>

The United States' announcement of a pivot to Asia must recognize our ongoing partners without jeopardizing past ties in attempts to extend relations to new parties. While attempting to rebalance the U.S.'s relations with the Asia-Pacific, this does not encourage an unbalancing of the delicate ties that bridge Southeast Asia together, and with its northern neighbors. There are different diplomatic approaches when considering the diverse circumstances of Southeast Asia—nations that seek regional influence, economic progress, domestic stability, and both alignment and nonalignment. In order to provide a balanced and comprehensive approach, the U.S. must utilize the systems in place between these countries, recognize existing ties, and utilize ongoing multilateral agreements.

## Proposals

1. Increase bilateral and multilateral engagement with ASEAN and its members to demonstrate American commitment, transparency, and mutual interest.

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<sup>337</sup> Clinton, Hillary. *Foreign Policy*. 2011.

<sup>338</sup> Clinton, Hillary. *America's Engagement in the Asia-Pacific*. 2010.

<sup>339</sup> *Ibid.*

<sup>340</sup> *Ibid.*

2. Promote mutual economic growth with all ASEAN countries through agreements such as the TPP, bilateral Free Trade Agreements, and other economic proposals
3. Promote cooperation with multiple Southeast Asian countries on security topics, including counter-terrorism, corruption, maritime security, and sovereign defense.

## Background

The United States has been a dialogue partner with ASEAN since 1977, and is one of eight countries that cooperates with the group through the East Asia Summit (EAS).<sup>341</sup> However, the U.S. has had ties since the founding of ASEAN, with strong economic and military partnerships through some of its most influential members.<sup>342</sup> The Treaty of Amity and Cooperation in Southeast Asia (TAC), signed by the U.S. in 2009, ensured that principles of conflict avoidance would be of interest to the U.S.<sup>343</sup> In that same year, the first meeting between the leaders of all ten ASEAN countries and President Obama occurred during his first visit to Singapore.<sup>344</sup> In February 2016, President Obama invited ASEAN leaders to Sunnylands, where he announced the “U.S.-ASEAN Connect” initiative establishing a network of hubs across the region to further improve economic coordination in industry, energy, innovation, and economic policy in partnership with the U.S.<sup>345</sup> This initiative builds upon the prospect of greater ASEAN interest with TPP, establishing beneficial programs that would enable countries to accede to TPP membership more easily later.

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<sup>341</sup> ASEAN - United States Mission

<sup>342</sup> Kurlantzick, Joshua. *Council on Foreign Relations*. January 2015.

<sup>343</sup> ASEAN Secretariat Information Paper. January 2016.

<sup>344</sup> United States. Bureau of East Asian and Pacific Affairs, ASEAN. .

<sup>345</sup> United States Mission to ASEAN. February 2016.

President Obama has also expressed the importance of building relationships with countries lacking strong democratic governance, including Vietnam, Laos, Cambodia, and Myanmar. National Security Advisor Susan Rice met with representatives of ASEAN civil society groups, expressing the U.S.'s unwavering commitment to upholding rule of law, good governance, accountable institutions, and freedoms of speech, assembly, and press.<sup>346</sup> President Obama expressed American support for the incoming National League for Democracy (NLD) party that swept national elections in Myanmar, while encouraging a return to civilian rule in Thailand.

Secretary Clinton stated that Southeast Asian response to the U.S. pivot has largely been positive, with the region eager for American leadership in sustained growth and stability.<sup>347</sup> However, it is important to emphasize inclusivity and transparency to express America's increased focus as a sign of greater engagement, and not the co-opting of regional stability.

## 1. Economic Development

Southeast Asia is home to countries that desire to sustain or accelerate economic growth and domestic prosperity. Foreign trade and investment are necessary to open the labor and opportunities of these countries to the world. However, inconsistent rates of development, trade policies, and government cooperation make regional advancement difficult to achieve. Regional market shares and trade is dominated by the 'six majors', dwarfing that of Myanmar, Cambodia, and Laos.<sup>348</sup> Deepening relationships with multilateral institutions requires recognizing the

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<sup>346</sup> Parameswaran, Prashanth. *The Diplomat*. February 2016.

<sup>347</sup> Clinton, Hillary. *Foreign Policy*. November 2011..

<sup>348</sup> HV, Vinayak; Thompson, Fraser; Tonby, Oliver. McKinsey & Company. May 2014.

disparities between constituent members, particularly when conducting policies in regards to free trade and investment<sup>349</sup>.

Though a major trade partner for much of Southeast Asia, the U.S. is surpassed by Indonesia, Japan, and China in 2014, placing the U.S. just above India.<sup>350</sup> ASEAN countries have demonstrated significant interest in multilateral trade opportunities, with Singapore, Malaysia, Vietnam, and Brunei already members of TPP, and with Thailand, Indonesia, and the Philippines expressing significant interest, while Cambodia, Laos, and Myanmar are looking into methods to fulfill APEC membership requirements, barring TPP eligibility. ASEAN countries have also expressed interest in proposals from China, with all ASEAN countries members of the Asian Infrastructure Investment Bank (AIIB).

## 2. Security Involvement

The South China Sea has been an area prone to dispute since 1955, and due to its geographic position, Vietnam, Brunei, Malaysia, and the Philippines have had territorial disputes with China.<sup>351 352</sup> The Spratly Islands, claimed by China, Vietnam, and the Philippines, saw increased tensions in 2014 and again recently in 2016 when China started exploratory mineral drilling and troop placements on the island.<sup>353 354</sup> In response, the United States requested China to halt all contentious activities and establish a ‘freeze’ in potential provocations by all parties.<sup>355</sup>

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<sup>349</sup> Clinton, Hillary. *Foreign Policy*. November 2011.

<sup>350</sup> WITS World Bank.

<sup>351</sup> Center for a New American Security.

<sup>352</sup> Glaser, Bonnie S. Council on Foreign Relations. April 2012.

<sup>353</sup> Reynolds, Emma. News.com.au. February 2016.

<sup>354</sup> *Ibid.*

<sup>355</sup> Gearan, Anne. Washington Post. August 2014.

The United States, with approval from the Philippine Supreme Court last January,<sup>356</sup> boldly announced the intended return of American military forces to the Philippines. While military buildup in the region may be seen as sovereign threats, the U.S.'s interests in protecting maritime routes also conveys the recognition of protecting the lifelines to many export-based economies. This mutual desire for continued trade operations also fits with the U.S.'s policy of upholding international accords and rule of law on behalf of weaker naval countries in ASEAN.

In addition to maritime security, Southeast Asia is also prone to violent extremism, demonstrated by the January 2016 attacks in Jakarta perpetrated by militants claiming affiliation with Islamic State (IS).<sup>357</sup> Effort in countering radicalization relies heavily on domestic intervention, but has been supported by American security intelligence and counterterrorism advisors.<sup>358</sup> In 2014, Malaysia aggressively cracked down on alleged supporters and members of Abu Sayyaf, a Southeast Asian affiliate of IS, while intercepting suspected Malaysians intending to depart for Syria and Iraq.<sup>359</sup> The Philippines, which has seen prior coordination with American intelligence and military personnel to combat Islamist movements in its southern regions such as Abu Sayyaf, the Moro Islamic Liberation Front (MILF), and the Bangsamoro Islamic Freedom Fighters (BIFF), demonstrates the divide between these three countries' tactics in addressing a common enemy.

## Concerns of the United States

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<sup>356</sup> Hernández, Javier C.; Whaley, Floyd. *New York Times*. January 2016.

<sup>357</sup> Holmes, Oliver; Harding, Luke; Yi, Beh Lih. *The Guardian*. January 2016.

<sup>358</sup> U.S. Department of State. "Chapter 2. Country Reports: East Asia and Pacific Overview."

<sup>359</sup> *Ibid.*

The members of ASEAN vary widely in economic development, as well as in the advancement of governance structures and policies. Authoritative leaders and partially democratic or non-democratic regimes hamper transparency or enable trust with other Southeast Asian countries when civil society and freedoms of speech are stymied. With China's rising influence in the Asia-Pacific, ASEAN countries are trying to reconcile the power dynamics between China and the United States.<sup>360</sup> However, engagement with ASEAN does not necessitate a competition against China for competing influence, particularly when it is in the best interests of ASEAN members to increase interconnectedness to both countries.<sup>361</sup> Thailand, for example, has been a strategic partner since 1977, but has increasingly sided with pro-China policies on a variety of issues citing a reluctance to appear closed to multiple partnerships.<sup>362</sup> <sup>363</sup> With countries that the U.S. has newer and more recent ties with, political stability, particularly in Myanmar, Cambodia, and Laos provide shaky understandings of national interests and inclinations to follow institutional order. The presence of partially or non-democratic regimes in these countries, along with the military rule in Thailand, raise concerns whether these countries will defer to assistance from a more empathetic China.<sup>364</sup> Pursuing rapid economic growth should be ASEAN main focus and for them to be able to achieve that, a stable government that is necessary especially for our best interest of having responsible and accountable partners.

The United States needs to take a more active role in expanding economic relations with ASEAN, and to conversely provide opportunities for the region to expand outside of the Asia-Pacific. Programs and policies of China catered specifically to Southeast Asia, such as the

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<sup>360</sup> Evans, Michael. *ASEAN Economic Bulletin*. August 2013. pp 164-78.

<sup>361</sup> Dalpino, Catharin. NBR (The National Bureau of Asian Research). December 2014.

<sup>362</sup> Lee, John. *Journal of East Asian Affairs*. Spring 2015. pp 1-21.

<sup>363</sup> U.S. Department of State. "U.S. Relations With Thailand." August 2015.

<sup>364</sup> Kurlantzick, Joshua. Council on Foreign Relations. January 2015.

AIIB, or the “One Belt, One Road” (OBOR) agenda to establish a Maritime Silk Road have brought significant foreign direct investment to nations that would become heavily dependent on China’s commerce. In 2009, China exceeded Japan and the United States as being the largest external trade partner of ASEAN.<sup>365</sup> While the U.S. has utilized multilateral organization to further engagement, these have often been limited in membership, such as the TPP, or limited in practice, such as the Open Government Partnership (OGP), Asia-Pacific Economic Cooperation (APEC) Forum, and the East Asia Summit (EAS). ASEAN provides a comprehensive platform where all of Southeast Asia, and all of the major external benefactors can collaborate on mutual outcomes without relying on a bipolar divide between Chinese and American programs. Although TPP and AIIB include some members that recur, such as Singapore, Vietnam, and Malaysia, the AIIB is structured to serve the underserved economies often left out of larger macroeconomic agreements, such as Cambodia, Myanmar, and Laos, countries where future growth will be expected to catch up quickly with their more affluent neighbors.

## Accomplishing a Southeast Asia Pivot

### *1. Building Trust to Increase Transparency*

By emphasizing the goals of the U.S.’s pivot to the region, ASEAN members can reduce skepticism of seemingly foreign intervention and attempts at dominating influence. Public diplomacy programs such as the OGP, Young Southeast Asian Leaders Initiative (YSEALI), and U.S.-ASEAN Connect, as well as soft power, such as educational, cultural, and humanitarian exchanges demonstrate that American intentions are not solely for economic profit. Moreover,

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<sup>365</sup> United States Government Accountability Office. August 2015.

raising the issues of environmental protection, religious tolerance, defending freedoms of speech, and calling for good governance differentiates how policies will be interpreted by the populous within ASEAN from the proposals set forth by China.

## *2. Increasing Trade Relations and Interconnectedness*

While TPP has brought its member nations closer economically, it alienates those who are not participants from enjoying the benefits of U.S. economic consideration. Furthering proposals through APEC or a U.S-ASEAN trade agreement establishes a focus on an entire region, and not select economies. Furthering ASEAN's focus on the Open Government Partnership and addressing corruption will help both national governments, emerging entrepreneurs, and everyday citizens enjoy more direct access to transnational opportunities. For example, Singapore is ranked 8<sup>th</sup> in the 2015 Corruption Perception Index, in comparison to Cambodia, ranked 150.<sup>366 367</sup> While advocating for trade policies, the U.S. must also note that benefits must reach the private sector and enable everyday citizens to also enjoy increased opportunity.

## *3. Military Cooperation*

In the same manner that the U.S. has provided military advisors to the Philippines to address domestic insurgency movements, deploying specialized security personnel for specific targets can bridge U.S. ties with individual countries. While counter-terrorism is a real threat for multiple countries, defense of sovereign waters and maritime waterways provides opportunities

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<sup>366</sup> Transparency International

<sup>367</sup> *Ibid.*

for the U.S. to deepen relations and call for ASEAN to advocate for respect of international maritime laws. However, in order to deliver such intentions, and emphasis must be made to demonstrate increased engagement and investment, and not control in the region.

## Conclusion

The United States' rebalance towards the Asia-Pacific, and specifically Southeast Asia, is a necessary and achievable opportunity to make advances in unrealized fields. Utilization of both multilateral and bilateral ties that emphasize inclusivity, transparency, and long-term investment will establish the U.S.'s renewed interest as a sustainable partner for the region. Successfully carrying out our commitments in this partnership will leave a region conducive to future partnerships with the U.S. and create a long term vision for reciprocal relationships.

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# **U.S. Partnerships in the Indo-Pacific: Australia and India**

Stephanie Hansen

The United States' 'Pivot to Asia' displays a shift towards establishing the U.S. as a permanent and actively engaged nation in the Asia-Pacific region. For the U.S. to become a more present figure, diplomatic investment, trust, and cooperation is required for this rebalance to be comprehensive and sustainable. This paper will focus on the periphery countries of the Asia-Pacific, in particular Australia and India, and will explain how increased cooperation, dialogue, and engagement with these two nations in particular will support the success of a pivot in American foreign policy. Australia and India— both distinct regionally and domestically— are vital partners due to their unique histories and partnerships with neighboring nations. Although geographically peripheral, the two countries are powerful democracies, affecting regional geopolitical dynamics through their respective spheres of influence. With India's rise in South Asia and Australia's extensive reach throughout the Indo-Pacific region, the U.S. must

consider the prowess of countries whose policies extend beyond the Asia-Pacific when navigating the long-term geopolitics of the region.

Bilateral partnerships with Australia and India have recognized the common values of freedom, democratic governance, and free and fair economic markets. Expanding on these partnerships, Secretary Clinton called not only for the strengthening of bilateral relations, but fortifying them to take on new challenges and opportunities throughout the region.<sup>368</sup> Although there bilateral cooperation between the U.S. and Australia and India exists, awareness and dialogue about domestic and regional implications from our Pivot to Asia. With China's growing perception of American foreign policy as containment, it is vital that partnerships with India and Australia are not seen as provoking, but inclusive. The U.S. desires continued trade with a prosperous China, as do Australia and India, whose largest trading partner is China. The U.S. must remain cognizant of this strong economic interdependency, strengthening diplomatic relations in a meaningful and mindful manner to lessen bipolar power dynamics.

This paper will analyze bilateral relationships with Australia and India, examining both regional and domestic implications. It will also analyze these bilateral relations through multilateral organizations and increased regional dialogue, displaying how these partnerships can serve as a framework for future partnerships in the region. Finally, policy recommendations that promote the attainment of goals in the three countries' respective pivot trajectories will be addressed, while continuing to promote regional cooperation. These proposals call upon increased American utilization of existing intergovernmental organizations and frameworks, such as the Association of Southeast Asian Nations +6 (ASEAN+6) Forum, ASEAN Defense

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<sup>368</sup> Clinton, Hillary. *Foreign Policy*.

Ministers Meeting-Plus (ADMM-Plus), and the Asia-Pacific Economic Cooperation (APEC) Forum, to build strong partnerships that demonstrate America's commitment as a regional member, and advocate of mutual cooperation, transparency, security, and stability. With ASEAN, the U.S. should advocate for permanent observer status, similar to the recognition conferred to current ASEAN+6 member states. By being establishing a permanent presence at the deliberation of regional agendas on agreements such as the Regional Comprehensive Economic Partnership (RCEP), further economic and diplomatic integration between the economies of Southeast Asia will solidify a regional band of cooperation spanning the Indo-Pacific. Second, U.S.-Australia engagement in the ADMM-Plus must be increased to lead the Indo-Pacific strategic agenda, while remaining inclusive to needs of regional members. Lastly, utilizing its membership and partnerships within APEC, and its leadership of the Trans-Pacific Partnership (TPP), the U.S. must include India when considering proposals to increase broader regional economic integration.

### **U.S.-Australia Relations Trajectory with the Pivot Policy**

Burgeoning U.S.-Australia relations were noted by Secretary Clinton, stating, "*we are also expanding our alliance with Australia from a Pacific partnership to an Indo-Pacific one, and indeed a global partnership*".<sup>369</sup> Secretary Clinton addressed how Australia will be essential to address new security challenges, and to increase "*operational access in Southeast Asia and the Indian Ocean region and deepen our contacts with allies and partners*".<sup>370</sup> The Australia, New Zealand, United States (ANZUS) Security Treaty has contributed to peace in the Pacific since its

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<sup>369</sup> *Ibid.* pp.59

<sup>370</sup> *Ibid.* pp.63

inception in 1951. However, the alliance should expand its focus from its members to a creditable Indo-Pacific partnership, cooperating with the region to promote greater stability.

### *Effectiveness of U.S.-Australia Bilateral Treaties*

The annual Australia-United States Ministerial (AUSMIN) Consultation brings together the American Secretaries of State and Australian Ministers of Foreign Affairs and Defense, focused on creating stronger bilateral ties in diplomacy and security.<sup>371</sup> In 2011, the annual AUSMIN meeting celebrated the 60<sup>th</sup> anniversary of the ANZUS Treaty, calling for sustained cooperation. The collective strategic and defense alliance has recently promoted cooperation in cybersecurity, counterterrorism, and ballistic missile defense.<sup>372</sup> A joint statement at the 2011 AUSMIN meeting outlined the multi-faceted relationship between Australia and the U.S. unique towards addressing emerging regional challenges, incorporating evolving regional structures, along with the advancing of democracy, human rights, and rule of law in the region.<sup>373</sup>

### *Common Interests of the U.S. and Australia*

Although the U.S.-Australia bilateral relationship is solidified through AUSMIN and ANZUS, there must be awareness of Australia's own pivot when shaping common ground between national interests. Australia's 2013 Defense White Papers outlined the shaping of an Indo-Pacific strategic arc that connects the Pacific and Indian Ocean in terms of cooperation in

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<sup>371</sup> Australian Department of Foreign Affairs and Trade. 2015.

<sup>372</sup> Taylor, Brendan. *Asian Politics & Policy*. 2016. pp. 75

<sup>373</sup> U.S. Department of State. Australia-United States Ministerial Consultations 2011 Joint Communiqué. 2011.

security and economics.<sup>374</sup> Incorporating Australia's goal of an Indo-Pacific arc into the U.S.-Australia alliance will reflect the will demonstrate American commitment to both its partners, and the greater Asia-Pacific. The geographical center of this arc, Southeast Asia, is an important middle ground between other regional powers.<sup>375</sup> The Australian White Papers stated that, "*Australia's strong partnership with Indonesia remains our most important regional strategic relationship and the partnership continues to deepen and broaden in support of our significant shared interests.*"<sup>376</sup> In the common interests of the Indo-Pacific system, the interests of Southeast Asia will be pivotal in shaping and sustaining a comprehensive Indo-Pacific arc.

#### *Australia's Partnerships in the Indo-Pacific*

Australia's regional access spans between the Pacific Rim, Oceania, Southeast Asia, and the Indian Ocean; providing opportunities for increasing relations with rising powers, especially Indonesia, China, and India. Australia is a member of the East Asia Summit (EAS), ASEAN+6, APEC Forum, and ADMM-Plus. Furthermore, Australia maintains economic cooperation through nine bilateral Free Trade Agreements with the U.S., China, Japan, South Korea, Malaysia, Singapore, Thailand, and Chile; the ASEAN-Australia-New Zealand Trade Area (AANZFTA); and holds membership in the Trans-Pacific Partnership.<sup>377</sup> The overlap of countries both the U.S. and Australia have bilateral agreements with emphasize the two countries' ability to cooperate for increased coordination in pursuing mutually preferential agendas. Australia's ownership of bilateral trade agreements with China, Japan, and South

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<sup>374</sup> Australian Department of Defence. 2013. pp. 2

<sup>375</sup> Ibid. pp. 7

<sup>376</sup> Ibid. pp. 11

<sup>377</sup> Australian Trade Commission. 2016.

Korea, also demonstrates its ability to act as an intermediary while maintaining ties with the U.S. and other TPP members.

In 2014, Australian Prime Minister Tony Abbott conducted a successful Northeast Asia tour, finalizing bilateral free trade agreements with China and South Korea, along with signing a framework agreement with Japan on bilateral security defense and cooperation.<sup>378</sup> Australia's diplomatic gains in Northeast Asia demonstrate an example of a successfully inclusive pivot, strengthening existing and acquiring new partnerships, by enforcing an inclusive, interconnected, and transparent policy.<sup>379</sup>

#### *U.S. Military Base in Darwin*

In 2013, Australia's White Papers outlined goals to expand its strategic maritime arc from India to Southeast Asia to Northeast Asia.<sup>380</sup> To assist in this expansive strategic policy, Australia opened RAAF Base Darwin to American forces in 2015, and addressing the Australian Parliament in 2011, President Obama stated that; "*the United States is a Pacific power, and we are here to stay*", announcing the deployment of 2,500 American Marines to Darwin by 2017.<sup>381</sup>

<sup>382</sup> Located in the Northern Territory of Australia, RAAF Base Darwin is a strategic access point to the Pacific and Indian Oceans, and provides staging facilities for various branches of the two countries' armed forces. The initiative will see American forces conduct joint trainings with the

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<sup>378</sup> Channer, Hayley. Asia Pacific Bulletin. 2014

<sup>379</sup> *Ibid.* pp.2

<sup>380</sup> Brewster, David. Asia Pacific Bulletin. 2013. pp. 1

<sup>381</sup> Obama, Barack. "Remarks to the Parliament in Canberra, Australia." 2011. pp. 3

<sup>382</sup> Bumiller, Elisabeth. New York Times. 2012.

Australian Defense Force, using facilities hosted by Australia.<sup>383</sup> Additionally, RAAF Base Darwin has been a site of trilateral cooperation between the U.S., Australia, and Japan, with arriving forces coming from Okinawa, Guam, and Hawaii.<sup>384</sup> With continued domestic strains in Japan over American forces in Okinawa, relocating personnel to Darwin alleviates tensions, while diversifying the American presence within the Indo-Pacific arc.

The stationing of American forces, however, did not come without opposition. Indonesian Foreign Minister Natalegawa in 2012 described the base as creating a “*vicious circle of tension and mistrust*” with the potential for escalating militarization in the Asia-Pacific, pitting smaller nations in a race for armaments supplied by stronger military benefactors.<sup>385</sup> The increased encroachment of American forces into China’s sphere of influence is prone to reinforcing the belief of containment, and may spur an arms race from China deeper into Southeast Asia.<sup>386</sup> For the security and stability of the Indo-Pacific, such escalation must be avoided by increasing discussions with intermediary countries like Indonesia, to balance threats to stability from the U.S. and China. In 2012, Indonesian President Yudhoyono stated the need for cooperation over rivalry in the region.<sup>387</sup> Incorporating countries like Indonesia into regional agendas, through multilateral organizations like ASEAN and through bilateral summits, provides a conducive partner towards affirming a comprehensive Indo-Pacific arc.

Cooperation has occurred previously between Southeast Asia and Australia with the ASEAN Defense Minister’s Meeting Plus (ADMM-Plus) and ASEAN-CER (Closer Economic

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<sup>383</sup> Australian Department of Defence. 2013. pp.10

<sup>384</sup> Tabuchi, Hiroko, Shanker, Thom. New York Times. 2013.

<sup>385</sup> Gardner, Hall. Palgrave Macmillan. 2013. pp. 128

<sup>386</sup> Shekhar, Vibhanshu. Indian Council of World Affairs. 2014. pp.77

<sup>387</sup> *Ibid.*

Relations of Australia and New Zealand) Forum. The objectives of ADMM-Plus focus on enhancing security and stability through cooperation and transparency, such as the collective 2013 Maritime Security Field Training held in Sydney.<sup>388 389</sup> The ADMM-Plus membership includes all ten ASEAN nations, along with eight additional countries including the U.S., Australia, and China.<sup>390</sup> By merging the goals of multilateral organizations such as the ADMM-Plus and ASEAN, the U.S. and Australia can improve the transparency and motives of its security based actions, and contribute to collective goals. Without emphasizing cooperative transparency, the U.S. risks provoking increased skepticism and threatening Australia's ties with its regional neighbors.

#### The Future of the U.S.-Australia Alliance

While bilateral progress and goals established in AUSMIN and ANZUS should continue to be sustained, however, the U.S. must also utilize the diplomatic opportunities these partners possess rather than rely on their military contributions. Utilizing Australia's access to the ASEAN+6 partnership can be used to advocate for permanent observer status. U.S.-Australia engagement in ADMM-Plus, especially in regards to the Indo-Pacific arc, must be discussed with all members in order to reassure regional stability. For immediate neighbors such as Indonesia, the U.S. must recognize that American policies must not jeopardize the beneficial ties Australia is capable of utilizing. Affirming the use of existing fora such as ASEAN demonstrates the U.S.'s respect for regional institutions and to interact as a participant, rather than an external

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<sup>388</sup> ASEAN Defence Minister's Meeting. 2015.

<sup>389</sup> *Ibid.*

<sup>390</sup> *Ibid.*

power sidestepping a regional architecture already in place. This also means the U.S. must consider regional partners of participants, and diversify participation where needed.

### **U.S.-India Relations Trajectory with the Pivot Policy**

The partnership between the U.S. and India requires the utilization of regional intergovernmental organizations to integrate India with the Asia-Pacific. Building partnerships with this often overlooked emerging power is necessary to ensure a comprehensive approach..<sup>391</sup>

The 2012 U.S. Department of Defense Strategic Guidance recommends; “*investing in a long-term strategic partnerships with India to support its ability to be a regional economic anchor and provider of security in the broader Indian Ocean.*”<sup>392</sup> This trajectory reflects that “*the United States views India as the southwestern cornerstone of its strategic rebalancing towards Asia,*” and not separate from the interactions among its Eastern neighbors.<sup>393</sup> With India’s increasing economic growth, the second most populous country in the world is vital not only in strategic and economic terms, but political, being the largest democracy in the world. Drawing upon these common political values, President Obama described India as “natural partners” and called for a relationship that “*will be one of the defining partnerships in the 21<sup>st</sup> century*”.<sup>394</sup>

With China’s continued rise and dominance in the region, India holds the capability to balance its neighbor as an emerging powerhouse economy. Although there are tensions between

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<sup>391</sup> Clinton, Hillary. Foreign Policy. 2011.

<sup>392</sup> Burgess, Stephen. Comparative Strategy. 2015

<sup>393</sup> *Ibid.* pp. 368

<sup>394</sup> Obama, Barack. White House Press Releases.” 2010.

New Delhi and Beijing, India relies on China as its largest trading partner for investments in economic growth and stability.<sup>395</sup> India's foreign policy displays reluctance in choosing affiliations, with skepticism of both Beijing and Washington in forming firm partnerships. Secretary Clinton described India as a 'linchpin', necessary to expand into surrounding regions of South Asia.<sup>396</sup> In the same manner that Australia anchors one end of the Indo-Pacific arc, India completes the opposite end of this spectrum.

### Current U.S.-India Relations

The Obama administration has worked with the Indian government to establish stronger partnerships, announcing 2015 Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region to establish common goals, challenges, and values of the region.<sup>397</sup> The Joint Strategic Vision outlined deepening ties between the U.S. and India:

*"...[to] strengthen our regional dialogues, invest in making trilateral consultations with third countries in the region more robust, deepen regional integration, strengthen regional forums, explore additional multilateral opportunities for engagement, and pursue areas where we can build capacity in the region that bolster long-term peace and prosperity for all."*<sup>398</sup>

This strengthening of regional engagement was displayed in 2015 through two new trilateral dialogues between the U.S.-Japan-India, and Japan-Australia-India focused on promoting regional economic cooperation and maritime security in the Indo-Pacific.<sup>399</sup> The Strategic Joint

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<sup>395</sup> Embassy of India. 2013.

<sup>396</sup> Clinton, Hillary. Foreign Policy. 2011.

<sup>397</sup> White House Press Releases. 2015.

<sup>398</sup> *Ibid.*

<sup>399</sup> U.S. Department of State, Press Releases. 2015.

Vision draws upon the overlapping interests of the U.S.'s *Pivot to Asia* and India's *Look East-Act East* policies that promote renewed engagement with the Asia-Pacific.

India's Look East Policy has focused on establishing interconnected economic and strategic relations with countries in Southeast Asia and East Asia.<sup>400</sup> Memberships in multilateral organizations such as the South Asian Association for Regional Cooperation (SAARC), the 2009 signing of the ASEAN-India Free Trade Area, the Mekong-Ganga Cooperation (MGC), and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) demonstrate India's desire to take a more active and leading role in trans-regional partnerships. With the newly elected Bharatiya Janata Party (BJP) government, Prime Minister Modi called for the strengthening and revising of India's *Look East Policy* to become the *Act East Policy*, expanding engagement from ASEAN countries to encompass the Asia-Pacific region.<sup>401</sup> Furthermore, within the Act East Policy; "*the BJP-led government has placed India's national interest above non-alignment, taken a strong stand toward Pakistan and China, and undertaken economic reform that could regenerate rapid growth*".<sup>402</sup> This update reflects India's desire to develop and become a more influential nation in the changing power of Asia, thus; "*India's national interests are propelling the country toward becoming a more valuable, cooperative partner of the United States*".<sup>403</sup>

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<sup>400</sup> Economic and Political Weekly. 2010.

<sup>401</sup> Mishra, Rahul. The Asian Forum. 2014.

<sup>402</sup> Burgess, Stephen. pp 368.

<sup>403</sup> *Ibid.*

## Challenges within the Current Bilateral Partnership

A formal U.S.-India partnership has long been unlikely given historical legacies of the two countries. The legacy of Cold War policies— especially India’s pursuit of non-alignment, continues to manifest in a number of India’s contemporary relationships. Although skeptical of Russia’s increasing relationship with China, Russia remains India’s largest arms supplier, and India remains the largest arms importer in the world..<sup>404</sup> In 2011, India opted not to purchase American F-16 fighters, demonstrating a disenchantment in security cooperation between the U.S. and India.<sup>405</sup>

However, measures such as the 2008 Civil Nuclear Agreement provided American nuclear technology to a country possessing nuclear warheads, not explicitly aligned with the U.S. The 2015 negotiations of the 10-Year Framework of the India-U.S. Defense Relationship were renewed, with the U.S. now India’s largest partner in military exercises.<sup>406</sup> American ties with Pakistan have previously strained partnerships with India, with recognition of Pakistan as a major non-NATO ally for efforts in Afghanistan and Iraq.<sup>407</sup> As the conflicts in Afghanistan and Iraq face a drawdown and American foreign policy shifts to Asia, India’s attention has turned to the ‘all-weather friendship’ between China and Pakistan. Recent developments, such as a \$6.5 billion Chinese investment in nuclear infrastructure in Pakistan, the \$46 billion China-Pakistan Economic Corridor, the development of the Gwadar Deep Sea Port in the Strait of Hormuz, cooperation against Pakistani *mujahideen* and Xinjiang-based Islamists, and the

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<sup>404</sup> Rai, Saritha. New York Times. 2003.

<sup>405</sup> Bajaj, Vikas. New York Times. 2011.

<sup>406</sup> Burgess, Stephen. pp. 367

<sup>407</sup> *Ibid.* pp. 368.

joint-development of military aircraft with Chinese state-owned manufacturers *Chengdu* and *Hongdu*.<sup>408 409</sup>

The question of China has bolstered the current bilateral U.S.-India relationship onto the path to officiating formal agreements. However, formal agreements could alienate Beijing and damage both the U.S. and India's goal of inclusive dialogue and engagement.<sup>410</sup> India remains concerned about China's military presence, and although hesitant to depend on external countries for defense cooperation, has the precursors for mutual defense policies with the U.S.<sup>411</sup> India's perception of the U.S. as a reliable partner have also been construed by mistrust, noting the handling of Pakistan's security, and an incongruent policy of adequately aiding Japan and the Philippines in territorial disputes with China.<sup>412</sup> However, the U.S. and India must continue to work together and build trust on common interests through methods that do not antagonize China, while focusing on the broader regional order of the Indo-Pacific system and stable development within South Asia.

### India's Engagement in Intergovernmental Organizations

India's regional political and economic presence, along with the potential to balance China and the U.S., have been important rationales for India's membership to regional multilateral organizations. Japan, along with Indonesia, Vietnam, and Singapore successfully

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<sup>408</sup> Sattar, Huma. *The Diplomat*. 2015.

<sup>409</sup> Shah, Fahad. *Foreign Affairs*. 2015.

<sup>410</sup> Burgess, Stephen. pp. 374

<sup>411</sup> Mohan, C. Raja. *Asia Policy*. 2013. pp. 23

<sup>412</sup> Burgess, Stephen. pp. 370

advocated for India's accession to the EAS to the protests of China.<sup>413</sup> Similarly, India's inclusion into the ASEAN regional forum sought to balance the dominance of China in the +3 grouping (China, Japan, South Korea), by being part of the later ASEAN+6 grouping (India, Australia, New Zealand).<sup>414</sup> This ASEAN+6 grouping was the framework for the Comprehensive Economic Partnership for East Asia (CEPEA), a Japanese-led FTA initiative to rival the Chinese-led FTA, the East Asian FTA (EAFTA) comprised of ASEAN+3.<sup>415</sup> Compromises between the two resulted with the proposed Regional Comprehensive Economic Partnership (RCEP) FTA with ASEAN+6, welcomed in the 2011 ASEAN Summit.<sup>416</sup> Discussions at the EAS (whose membership comprises ASEAN+6, the U.S., and Russia, or colloquially, ASEAN+8) have suggested the possibility of the East Asian Community to supersede all these agreements with the notable inclusion of the U.S. As the only member of the +6 grouping that is neither heavily affiliated with China or the U.S., India holds a significant role in intergovernmental organizations and free trade agreements for finding balance with other emerging powers.

### India's Lacking Organizational Memberships

From the significance of India's role in intergovernmental organizations, India's absence from TPP or a bilateral FTA displays missed potential for the U.S. pivot to include non-aligned economies within the Asia-Pacific. India's notable omission from APEC, even with American

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<sup>413</sup> Naidu, G. V. C. *Strategic Analysis*. 2005. pp. 716

<sup>414</sup> *Ibid.*

<sup>415</sup> Das, Sanchita B. East Asia Forum. 2012.

<sup>416</sup> *Ibid.*

and Japanese support, only led to the accordance of observer status in 2011, and was explicitly omitted from the 2015 APEC agenda.<sup>417</sup> It has been discussed that India entering the APEC would prepare the country for entry to the TPP.<sup>418 419</sup>

With Indian (and Australian) influence within the ASEAN+6 framework, the partnerships could create dialogue that addresses U.S. exclusion from RCEP. A proposal to further this would be the partnerships of Australia and India opening the dialogues of ASEAN+6 and RCEP to be inclusive of the U.S. as a permanent observer, while continuing to recognize Chinese leadership.

The U.S., along with Australia, Japan, and other countries interested in India's economic growth, must advocate for India's accession to APEC, and not neglect this continual growth from benefiting the global economic community. Without utilizing influence in the TPP and APEC, the U.S. overlooks a lucrative partner that can transcend the overlapping countries whose trade agreements are often complemented by bilateral agreements, and not comprehensive regional focuses. Within APEC, dialogue between Washington, Beijing, Tokyo, and Canberra must also recognize the voice and contributions of New Delhi. Furthermore, the U.S. must demonstrate an eagerness to extend diplomatic ties and build mutual trust with a hesitant and historically wary India. Without utilizing its membership in regional organizations for an inclusive pivot policy, the U.S. cannot be a reliable and cooperative regional member.

In order to include India and its principles of non-alignment, the U.S. must understand the role it plays "...[where] *in an emerging multipolar Asia, the question is how much China's increasingly assertive behavior might compel the United States and India to forge an even*

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<sup>417</sup> Varghese, George K. *The Hindu*. November 2015.

<sup>418</sup> Ranjan, Rachit. *The Diplomat*. 2015.

<sup>419</sup> Chatterjee, Bipul; Singh, Surendar. *The Diplomat*. 2015.

*stronger relationship*".<sup>420</sup> U.S.-India diplomatic ties can deepen through bilateral cooperation and multilateral fora that avoids alienation of China, and is inclusive on both countries towards accomplishing their respective pivot policy goals. The ability to accomplish this diplomatic investment would further demonstrate beyond India the credibility of the U.S. to cooperate multilaterally and incorporate countries with a regional focus, and display American commitment to be inclusive in creating a comprehensive regional order.

## Conclusion

This paper has analyzed the distinct and essential Indo-Pacific partnerships of not only the pivot policy of the U.S., but that of Australia and India as well. Furthermore, these ‘satellites’ provide opportunity to further cooperation in multilateral organizations and integration with surrounding neighbors, notably the members of ASEAN.

First, the U.S. should utilize its bilateral partnerships with Australia and India to advocate for the formalization of ASEAN+6 as a permanent forum, while also advocating for permanent observer status to be involved with proposals such as RCEP. With the U.S.-Australia security alliance, utilizing the ADMM-Plus forum to establish a regional Indo-Pacific security agenda that recognizes mutual goals solidifies the U.S.’s investment in regional engagement. In regards to India, the U.S. should deepen diplomatic ties by utilizing its membership in APEC and TPP to further integrating India into regional forums and agreements. Proactively creating diplomatic investments throughout the region are vital to successfully pivot as an engaged participant, where concerns of the Asia-Pacific in turn become the concerns of the U.S.

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<sup>420</sup> Burgess, Stephen. *The U.S. Pivot to Asia and Renewal of the U.S.-India Partnership*. pp. 371

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# **PART IV: Recommendations**

*Future policy proposals and adjustments*

## **Diplomatic**

- I. Expand American diplomatic engagement through multilateral forums and state visits
  - A. Increase state visitations in Asia and participation in regional intergovernmental forums such as APEC, EAS, and ASEAN Regional Forum, by increasing budgets appropriated to diplomatic engagement in order to promote American-involved regional dialogue and transparency
  - B. Establish a Northeast Asian Regional (NEAR) Dialogue Forum to promote collaborative dialogue on regional issues through diplomatic dialogue, expanding from existing forums such as the Six-Party Talks, APEC Summit, and East Asia Summit.
- II. Reaffirm our commitment to promote human rights and democracy
  - A. Continuing efforts in Southeast Asia and China through regional education and public diplomacy programs (e.g. YSEALI) and cooperation with non-governmental and intergovernmental organizations, such as UNESCO (United Nations Educational, Scientific and Cultural Organization)
- III. Maintaining relations with security partners and host nations to American forces
  - A. Maintain a security presence in Asia-Pacific, through continued dialogue with bilateral and multilateral partners to enhance security and base agreements to clarify security goals while rectifying domestic upset.

## **Security**

- I. Engaging in bilateral dialogue with China to establish binding agreements
  - A. Establish fair and binding agreements on topics such as cybersecurity issues, and establish a set of norms to be recognized by the international community
- II. Increase the use of diplomatic and security arrangements on nuclear issues, and establish a set of norms to be recognized by the international community
  - A. Expand regional defense capabilities with South Korea and Japan to thwart offensive attacks while utilizing the 2016 Nuclear Security Summit to continue international dialogue, particularly with China, to commit to the denuclearization of the Korean Peninsula.
- III. Ratify UNCLOS and uphold commitments to protect the freedom of the seas and maritime access
  - A. Work with regional partners to increase interoperability of command and FONOPs in disputed maritime areas, while upholding commitments to protect freedom of the seas by positioning security assets to deter, and if necessary, counter anti-access/area denial threats.

## **Economic**

- I. Promote bilateral energy security agendas with China
  - A. Commit to pushing for China's accession to the OECD, and establishing trade agreements for the export of energy resources such as LNG/CNG
- II. Utilize existing multilateral forums to encourage dialogue to promote transnational trade agreements
  - A. Utilize multilateral forums such as the APEC Summit to express American support of other multilateral trade agreements that promote economic integration (e.g. TPP, FTAs, RCEP, FTAAP), while continuing to promote American trade policies in the region.
- III. Enabling amendments to the TPP
  - A. Establishing compliance protocols for violations of treaty articles, allowing for the inclusion of further protocol agreements, forming an administrative structure and oversight capabilities, and structuring an open framework for the inclusion of additional parties.

# **Task Force Contributors**

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## I. Advisor



### **Clark Sorensen**

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Clark W. Sorensen has been Associate Professor of International Studies at the Jackson School of International Studies at the University of Washington since 1992. He is Chair of the Korea Studies Program, and Director of the Center for Korean Studies there. He has adjunct appointments in Anthropology and Women's Studies, and is currently Editor-in-Chief of *Journal of Korean Studies*. He received his BA in Geography in 1970 from the University of California, Berkeley, his MA in Korean Studies in 1974, and his PhD in Anthropology in 1981, both from the University of Washington. He speaks Korean, Chinese, Japanese and German and worked overseas in Moscow, Taiwan, and Korea.

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## II. Coordinators



### **Brent Reininger**

Western Europe Track  
Issaquah, WA

Brent Reininger is a student in the Jackson School of International Studies, with a focus in Western European Studies. He has taken two years of German, and spent last spring studying abroad in Vienna. Brent became fascinated by the Asia-Pacific region after travelling through Southeast Asia, particularly in Cambodia where he built houses with the Tabitha USA organization. His main topic of interest is the rise of China, specifically the concept of Greater China and how areas such as Hong Kong and Taiwan will be addressed in the future. Brent enjoys living in the beautiful Pacific Northwest, and hopes to find a career in international trade, here in Seattle.



**Sarah Stewart**

Western Europe Track  
Mercer Island, WA

Sarah Stewart is student in the Jackson School of International Studies, with a focus in Western European Studies. After learning Spanish for nine years, Sarah put her language skills to use while studying International Economics in Barcelona, Spain. Additionally, she volunteered as an International Student Ambassador for the University of Washington, primarily helping Southeast Asian and Indian students integrate into American society and overcome cultural and language barriers. Sarah is most interested in US-China relations, specifically regarding North Korea's threat to nuclear security and nonproliferation facilitation. Sarah hopes to pursue a career in Global Business Strategy, helping corporations integrate into international markets.

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**III. Editors**

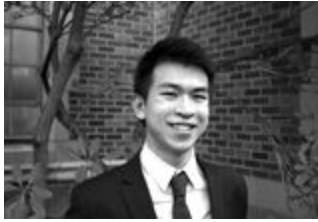


**Emily Fung**

East Asia Track  
Honolulu, HI

Emily Fung belongs to the East Asia track within the Jackson School of International Studies. She recently completed two quarters of foreign study in Japan at Osaka University (大阪大学), during the spring and summer of 2015. While there, she studied international law and human rights, and worked as an English language tutor. Her areas of interest include gender relations in developing nations, and the geopolitics of education. In addition to her degree in International Studies, she has also completed a minor in Japanese Language and Literature.

Though born and raised for many years in Honolulu, Hawaii, Emily has been a resident of Seattle for more than ten years. After graduating from the University of Washington, she intends to pursue a career in teaching abroad, and hopes to one day obtain a graduate degree in Political Science or Education.



**Alvin Loong**  
Environmental Studies Track  
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Alvin Loong is a student in the Jackson School of International Studies with a focus in Environmental Studies, is double-Majoring in Political Science, and is minoring in Law, Societies, and Justice. Born and raised in the Eastside of Seattle, he has also previously lived in Kuching, Malaysia, and is the child of Cambodian-Malaysian-Chinese parents. He has studied abroad at Korea University in Seoul, and has previously studied Japanese for five years.

Alvin has been highly involved with Model United Nations, serving as Secretary-General of the Washington State Model United Nations. He also previously served as an intern with the Department of State and U.S. Office of Personnel Management, and aspires for a career in public service.

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#### **IV. Economics**



**Alex Atwater**  
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Alex Atwater is a student with the Jackson School of International Studies, with a focus in Environmental Studies, and has lived in the Pacific Northwest his whole life. His studies have focused on globalization and the developing world, environmental issues, and East Asian history. Alex hopes to travel abroad after graduation to South Korea to improve his Korean language abilities.



**Luke Coppenrath**

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Luke Coppenrath is a student in the Jackson School of International Studies, with a focus on International Political Economy. Originally born in Germany, he immigrated to the U.S. at the age of six, moving to the Olympic Peninsula. With family overseas, he has always been interested in international business affairs, pursuing that interest by also majoring in Marketing and participating in the University of Washington's Foster Professional Sales Program.

Luke hopes to work overseas for a period of time in order to improve his language abilities, and become more familiar with other countries. He intends to first focus on a sales executive position to gain experience and knowledge on his passions in the work force.



**Jinghe (Lizzie) Huang**

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Seattle, WA

Lizzie Huang is a student in Jackson School of International Studies, under the the International Political Economy track with a double-major in Economics and minor in Applied Mathematics. She is an international student born and raised in China, and completed an undergraduate study abroad program at London School of Economics in the United Kingdom during the summer of 2014. Lizzie has experience interning at a securities company as a summer analyst, giving her a deepened sense of financial markets and investments. She has also worked at a financial magazine as an editorial intern over monographic projects relating to Shanghai's offshore financial market.

After graduating from the University of Washington, Lizzie intends to first seek a career as an analyst specializing in strategic investment in global financial markets and international economics, where she hopes she to utilize her analytical skills and international background.



**Dorothy Kim**

International Political Economy Track  
Seattle, WA

Dorothy Kim is a student within the Jackson School of International Studies, with a focus on International Political Economy as well as a double-major in Economics. She is a second generation Korean-American, and was raised for most of her life in Kansas before moving to Seattle. She recently studied abroad in Greece at Deree College during the summer of 2015. There, she studied the economic and refugee crises of Greece, conducting ethnographic interviews on the effects of these issues on the country and its people.

Dorothy intends to work abroad teaching english after graduating from the University of Washington and eventually obtain a career within international business and economics.



**Emilee (Chen Fan) Wu**

Development Track  
Federal Way, WA

Emilee Wu is a student in the Jackson School of International Studies with a focus in Development. She grew up in Taiwan and moved to Federal Way, Washington at a young age. She is proficient in Mandarin Chinese, Taiwanese (Hokkien) and conversant in Spanish. She is currently interning at OneAmerica, an immigrant and minority rights organization, where she is gaining first-hand experience working on immigration issues, education policies, and organizing. After graduating from the University of Washington, Emilee plans on attending law school, and is inspired to pursue a career in international law concerning business practices or immigration issues.

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## V. Security



### **Creighton Barry**

East Asia Track  
Vancouver, WA

Creighton Barry is a student at the Jackson School of International Studies with a focus on East Asia, and a minor in Political Science. His areas of interest include Northeast Asian diplomatic and security relations and classic liberal economics and public-choice theory. He was born and raised in the Pacific Northwest but has actively sought every opportunity to engage in cross-cultural exchange and learn foreign languages. He is proficient in German and Korean and has a working knowledge of Mandarin Chinese. He most recently studied abroad at Yonsei University (연세대학교) during Spring 2015, where he was inspired to pursue a career in international business contract and transaction law. After graduating from the University of Washington in June, he will be preparing for law school and hopes to gain admission into a program strong in Northeast Asian law.



### **Kate Clark**

Western Europe Track  
Seattle, WA

Kate Clark is a senior at the University of Washington, studying international studies and journalism. Throughout her four years, she has taken classes ranging from human rights, to political economy, to gender and development. She hopes to work at the intersection of her two majors as a foreign correspondent following her graduation.



**Erik (Hyeokjin) Choi**

East Asia Track  
Seoul, South Korea

Erik (Hyeokjin) Choi is a student at the Jackson School of International Studies pursuing the East Asia track, and is minoring in Chinese Language and Literature. He was raised in the Republic of Korea and received secondary education in North America. Erik has studied abroad at Shanghai Normal University and achieved fluency in Mandarin Chinese. After graduating from the University of Washington, he plans to fulfill his obligation for military service as an interpreting officer for three years. Erik is deeply interested in creating peaceful regional order in East Asia and is pursuing a career in Korean politics in order to realize it.

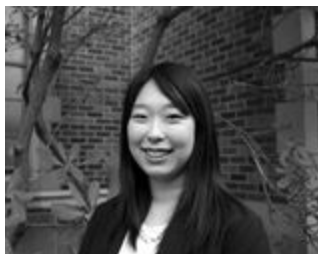


**Sean Dolan**

Development Track  
Seattle, WA

Sean Dolan is a student of the Development track in the Jackson School of International Studies, with minors in African Studies and in Philosophy. Sean is interested in every corner of the globe, though America's dynamic and critical relationships across the Pacific are of particular interest. Sean currently works as a supervisor for the United Parcel Service (UPS) and hopes to one day merge his interests in international relations with the industry of logistics and international shipping. He also hopes to fill up his rather empty passport in the years following graduation.

In what little spare time is left, Sean enjoys participating in and directing various choral and musical theater groups, and bringing the joy of performing on stage to people who might not have thought they could.



**Elissa Lee**  
Japan Track  
Lake Forest Park, WA

Elissa Lee is senior Jackson School of International Studies with a focus on Japan, and is minoring in Technical Japanese. She is the eldest child of a Korean-American father and a Japanese mother, and lived in Japan for 8 years before moving to the Seattle area. Elissa chose the Japan track in order to utilize her Japanese background and language fluency, and to expand her knowledge of Japanese history, politics, and culture. Her main area of interest is on East Asian politics, primarily Japan-Korea-US relations on contemporary security issues. The International Studies major at UW has provided her with a greater perspective on world affairs and support for her future professional goals. She hopes to pursue an international career in business between the US and Japan, and to help bring the two countries closer together.

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## VI. Diplomacy



**Andy Chung**  
Foreign Policy, Diplomacy, Peace and Security Track  
Bellevue, WA

Andy Chung is a student in the Jackson School of International Studies with a focus on Foreign Policy, Diplomacy, Peace and Security. He has been fascinated by all the components that contribute to how the world works. The Jackson School has greatly supplied him with more information on the world through the diverse and unique courses offered. He has also studied abroad at Shanghai's East China Normal University. Andy hopes to one day work within management at multiple large companies, leaving a beneficial impact at each instance.



**Stephanie Hansen**

South Asia Track  
Vancouver, WA

Stephanie Hansen is an undergraduate student at the Jackson School of International Studies with a track in South Asia, and a minor in Geography. Stephanie studied abroad in India during the summer of 2014 and had the opportunity to have an internship with a local development organization. Her studies have focused on issues of globalization, development, and intersectionality at the local and global scale. After graduation in the fall, Stephanie hopes to pursue a graduate degree in Geography.



**Athiyya Husniyah**

Development Track  
Seattle, WA

Athiyya Husniyah is currently a student with the Jackson School of International Studies with a focus in Development. She lived in Indonesia before continuing her studies in the United States. Athiyya is highly involved with the Indonesian community in Seattle that share similar experiences of being an international student in Washington. She is currently the head of finance with an Indonesian organization and was previously its secretary. During her time living in Indonesia, she conducted social work with rural villages in West Java, and continued relationships with local residents who needed basic household improvements.

Apart from learning the diverse cultures of Indonesia, she has traveled to other parts of Asia and Europe in order to absorb the dynamic cultures of the world. Athiyya aspires to share her experiences in developing countries and throughout her future opportunities, by initiating change from the bottom-up, and by being involved in intergovernmental and non-profit organizations.



**Ruidi (Cindy) Wang**

International Political Economy Track  
Seattle, WA

Cindy Wang is a student in the Jackson School of International Studies with a focus in International Political Economy, and a double-major in Economics. Cindy was born and raised in Mainland China. She engaged with FIUTS, an organization for international students which enables her to learn and understand various global cultures. She currently studies French and loves travelling a lot to expand her perspectives, which contributes to her future plans to continue travelling extensively. After graduating, she intends to pursue her graduate studies in international business and finance, and to build a career working for international organizations and institutions.