

The Inaugural Robert F. Ellsworth Memorial Lecture

Obama and China's Rise: An Insider's Account of America's Asia Strategy

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It's a great pleasure to be invited to UC San Diego, in my favorite state in the country, talking to a group assembled by my dear friend Susan Shirk, with whom I worked closely in the Clinton Administration. That's the Bill Clinton Administration. Susan and I were counterparts, at the State Department and National Security Council, from 1997-1999 working on U.S. policy toward China during a difficult period, as we coped with the aftermath of Tiananmen and the Taiwan Strait tensions as well as the opportunities and challenges created by China's burst onto the world economic stage.

From January 2009 until April 2011, I served as Senior Director at the National Security Council in charge of policy toward East Asia – my second time around at the NSC. I'd like to talk about that experience today: what we did, why we did it, and what effect our policies had. I'll also talk a bit about what has happened since I left. Voluntarily, I should add. I always intended to stay a little over 2 years, primarily with the goal of getting U.S.-China relations off on the right footing, after which I felt, correctly, that my age would catch up with me and the White House would need fresh blood and new energy to guide and sustain policy.

When President Obama took office, U.S. relations with Asia were a mixture of relative stability and some problems. The Bush administration's major foreign policy errors – and I believe they were substantial and damaging to U.S. interests – were not in the Asia Pacific region. The relationship with China was in decent shape, although recent arms sales to Taiwan had led the Chinese to cut off bilateral military to military ties. The U.S.-China economic relationship was increasingly a lightning rod for frustrations in the US as we sank into recession. President Bush had had a close and cooperative relationship with Japanese Prime Minister Koizumi, who was no longer in power. Relations with Japan had been frayed subsequently, however, by disagreements over policy toward North Korea. Relations with South Korea had gone through a difficult period because of ROK President Roh Moo-hyun's eagerness to develop ties with Pyongyang and poor coordination between Washington and Seoul. Southeast Asia felt neglected, with US officials skipping multilateral meetings and pursuing a policy aimed at isolating Burma to which Southeast Asians objected. But the general outlines of U.S. policy in the region had been relatively consistent through a succession of administrations – maintenance of our alliances, seeking cooperation on strategic issues with China, and developing trade and investment ties that complemented our military strength in the area.

Obviously, the main challenge facing the region, and facing the U.S. in the region, has been how to react to the rise of China. This arguably will be the single greatest foreign policy challenge for the U.S. in the 21st century, and was our biggest challenge. There is not a slogan, or a bumper sticker, to encapsulate the right approach. China's rise has profoundly important political, security, and economic consequences that we need to understand, react to, and balance.

First, the economic challenge. China is already the largest trading partner of every consequential actor in the region – Japan, South Korea, India, Taiwan, Australia, and ASEAN. It is the hub of an increasingly integrated East Asian manufacturing sector that has been driving the world's growth over the last decade. It will become the world's largest economy sometime, probably in the 2020's. It runs a bilateral trade surplus with the U.S. approaching \$300 billion and holds \$1.3 trillion in U.S. government securities. Its manufacturing sector is moving up the value chain, and its companies are becoming and will become competitors for U.S. companies in each other's markets and in third countries. China is a member of the WTO, but in a number of respects it plays by different rules than we do, e.g., subsidies, industrial policy, poor intellectual property protection and theft, weak rule of law and enforcement of contracts, and a misaligned currency.

Second, the security challenge. China's military expenditures have been growing at a double-digit rate for 20 years. It is building up an impressive, technologically advanced arsenal, including long-range and medium range ballistic missiles in increasing numbers, cruise missiles, submarines, stealth fighters, destroyers, anti-satellite capabilities, and of course as we've all read about recently offensive cyber capabilities. I do not foresee China becoming a global military competitor to the U.S. any time soon. But they are acquiring the capability to complicate U.S. military activity in the western Pacific, whether it be defense of Taiwan or of our allies, or through possible Chinese military action in the South China Sea or East China Sea.

Third, the political challenge. Will China threaten its neighbors, or accommodate them as its strength grows? Tensions with Japan over the Senkaku/Diaoyu islands, and with the Philippines and Vietnam over their competing claims in the South China Sea, have the region on edge. There are many unanswered questions. Will China collaborate with the U.S. in preventing North Korea from undertaking aggression and developing a nuclear weapons arsenal? Will they do the same vis-à-vis Iran? Will we continue to work at cross purposes on issues like Syria? Will the countries of the region bandwagon with a rising China and distance themselves from the U.S.? Will our alliances be seen as burdens by countries seeking to accommodate China? Will China move toward political pluralism, democratic norms, and greater protection of human rights, or degenerate into a corrupt autocracy in which nationalism is manipulated to the benefit of rulers and the detriment of the region? The answers to these questions will go a long way toward determining the success of U.S. foreign policy in the coming years.

Beyond these individual issues there is the larger question of whether the U.S. and China are destined to be regional and global rivals, or are on a road toward conflict. Certainly this is possible. The history of relations between dominant powers and rising powers is not a happy one, and provides few examples that offer comfort. The media on both sides have kept up a steady drumbeat encouraging the belief that such a hostile relationship is developing. Virtually every article in the mainstream U.S. media focuses on a challenge from China, an abuse by China, or a Chinese behavior that Americans find objectionable. Many Chinese strategic thinkers are persuaded that the U.S. seeks to "contain" China's rise and prevent it from assuming its rightful role in the international community. As Professor Shirk has written, the new media in China have thrown fuel on the fire, striking a nationalist pose and limiting the options of their leaders in dealing with intra-state disputes (a phenomenon not unique in the region to

China, by the way). Many American strategic thinkers believe China's rise will inevitably be profoundly disruptive, with direct confrontation over our interests around the region and the world.

These challenges, however, are balanced by interdependence between our two countries. Our trade and investment ties are resented by some Americans, but they are deep and important. Most major U.S. companies have a substantial presence in China and see their global success in the future as tied to penetration of the Chinese market. Chinese low-end manufactured goods help keep prices low for Wal-Mart and lower middle income shoppers. China's investments have helped us finance our regrettably oversized debt, and now Chinese companies are investing increasingly in the U.S. and creating jobs here. Scientists, academics, students, tourists, cultural figures, engineers, people from all walks of life are traveling back and forth, living in, and learning from, each other's country. To deal with nuclear proliferation, whether in North Korea or Iran, we need China's cooperation. To combat climate change, we need the cooperation of the world's largest emitter of greenhouse gases.

This is the fundamental reality that underlies U.S. policy toward Asia, and which animated Obama administration policy these last few years.

What we tried to do during the Obama administration was to have a comprehensive Asia policy, which had as its premise the idea that you couldn't advance our national interest by underweighting either China or our allies, either northeast Asia or southeast Asia. Our relationships with Japan, South Korea, and ASEAN's 600 million people are important in their own right, of course. But they also are critical in shaping the environment in which China rises. In 2010, for example, China's behavior in the region was in the opinion of many observers "assertive," a polite word for bullying. Indulgence of North Korean aggression, including sinking of the South Korean naval vessel Cheonan, fatal shelling of Yeonpyeong island, and revelation of a uranium enrichment program; a campaign of pressure on the ASEAN states on South China Sea issues; strong measures against Japan over a standoff in the Senkaku/Diaoyu islands; and threats of boycotts of American companies in response to U.S. arms sales to Taiwan were among the signs of this rising assertiveness, which probably reflected in part a belief that not only was China a rising power but the U.S. was a declining one. Not only did we push back, but the countries of the region did as well. The year ended with an authoritative statement by the man overseeing China's foreign policy, Dai Bingguo, restating China's commitment to the policy that Deng Xiaoping had put in place in the 1970's: that China needed a peaceful environment of friendly states, not hostile neighbors, if it was to develop.

The moral that I drew from this was that you can't neglect either half of the equation— the relationship with China or the relationship with allies and partners. If properly balanced, the two reinforce each other. No country wants to choose between a relationship with the U.S. and a relationship with China. At the same time, none wants to face China alone, without the U.S. as a powerful regional actor balancing China. But on the other hand, if relations are built with allies to the exclusion of or targeting China, the result will be a hardening of attitudes in China, the encouragement of paranoia, xenophobia, and a zero-sum relationship between the U.S. and China that will serve no one's interests, least of all ours.

I worked closely from the outset of the Obama administration with Secretary Clinton, Deputy National Security Advisor Tom Donilon (and later National Security Advisor), Deputy Secretary of State Jim Steinberg, and Assistant Secretary of State for East Asia Kurt Campbell. Our priorities from the start included the following:

- Make clear through words and deeds that the U.S. presence – economic, political, and security -- in Asia was substantial and enduring.
- Doing so would provide assurance to countries anxious about the rise of China and fearful of a vacuum that China would fill.
- Develop a stable relationship with China that allowed us to cooperate on the main global challenges we faced: nuclear weapons programs in Iran and North Korea, the world economic crisis, energy and climate issues, among others.
- Strengthen relations with allies, notably Japan and South Korea, which had been frayed.
- Make clear to North Korea that it would not be rewarded while it continued to develop nuclear weapons and intercontinental ballistic missiles.
- Develop a new relationship with Southeast Asia, with special attention to multilateral frameworks, to Indonesia, and to transforming policy toward Burma/Myanmar.
- Expand free trade agreements with major regional countries and take measures to maintain a level playing field in our relationship with China.

What did we do to advance these objectives?

- 1) China: The President visited China, and invited Hu Jintao for a state visit in January 2011. The two Presidents met a record number of times. We set up a Strategic & Economic Dialogue headed by Secretaries Clinton and Geithner and their Chinese counterparts, a mechanism that we have with no other country in the world affording annual high-level meetings by heads of numerous ministries and focused concentration on bilateral issues. We worked together on punishment for North Korea for its nuclear and missile tests, and we agreed on new tight sanctions against Iran. The record on these, to be sure, was mixed, but on balance positive, as China send strong messages to Pyongyang to avoid further acts of aggression against the South, supported UN Security Council (UNSC) action against North Korean nuclear and missile tests, and supported the strongest UNSC sanctions resolution against Iran in history. Collectively, our respective stimulus packages in 2009 helped prevent the world from sinking into depression. Agreement between the President and Premier Wen Jiabao prevented the Climate Change conference in Copenhagen from blowing up. We resumed military to military relations with China at the senior-most level in 2011, with Defense Secretary Gates' visit to China, and we inaugurated an unprecedented Strategic Security Dialogue grouping civilians and uniformed military to talk about the most sensitive and difficult issues in the relationship.
- 2) North Korea: Coordination with Seoul and Tokyo on the North Korea nuclear weapons issue was arguably the closest it has ever been. The President developed an especially warm relationship with ROK President Lee Myung-bak, cemented by a series of visits in both directions. We stood strongly alongside Seoul after the sinking of the Cheonan and shelling of Yeonpyeong island by the North, participating in joint exercises, sending an aircraft carrier to the Yellow Sea, and postponing operational control of ROK troops in wartime from the US to ROK till 2015. We ratified a free trade agreement with South Korea. We made clear we would not allow Pyongyang to drive a wedge between Washington and Seoul, as they had tried for 15 years.

We would not talk to the North or undertake any initiatives without the closest advance consultations and agreement with Seoul, and Tokyo. We have kept Six Party Talks on ice until and unless North Korea takes persuasive steps signaling a suspension of its nuclear weapons and ballistic missile programs.

- 3) Japan: We managed the relationship with Japan through a very trying period. The sweep of the 2009 parliamentary elections by the Democratic Party of Japan produced the first non-LDP Government in 60 years, with a one-year exception in 1994-95. The ensuing government of Prime Minister Hatoyama proposed steps that threatened the stability of the alliance, e.g., expelling the Marines from Okinawa, withdrawing support for the allied forces in Afghanistan, supporting establishment of an East Asian Community excluding the U.S. We tacked and trimmed our way through the period of Prime Minister Hatoyama's rule, with the end result that the alliance was supported overwhelmingly by the Japanese public, which helped steer his successors back toward a strong and closer relationship with the U.S. We also provided unique support to the Japanese people in response to the earthquake, tsunami, and nuclear meltdowns of 2011, which demonstrated graphically the value of the relationship and alliance to ordinary Japanese citizens.
- 4) Relations with Southeast Asia. We took a number of steps that transformed our relationship with the ASEAN countries:
 - a) We acceded to the ASEAN Treaty of Amity and Cooperation in 2009, something ASEAN had been asking us to do for a quarter century but previous administrations had declined to do.
 - b) In recognition of ASEAN's importance, the President has met each year with the leaders of the ten ASEAN states, the first American President to do so.
 - c) President Obama visited Indonesia, a country with whom he has a special affinity because of his youthful years there, and we established a Comprehensive Partnership with them. We also resumed relations with Indonesia's chief military counterterrorism unit, Kopassus, after a decade of estrangement.
 - d) The President decided to join the East Asian Summit, with the hope of making that 16 member organization (now 18 with addition of the U.S. and Russia) the principal political and security organization in a region lacking a strong multilateral framework. He did so at the urging of those of us in the political and security agencies and against the advice of economic agencies and, most importantly, the White House schedulers, who were not happy about the commitment for the President to attend two major multilateral meetings (APEC and EAS) each year in Asia. This was welcomed by the countries of the region, which saw the US presence as an important counterweight to a rising China, and by China as well.
 - e) We opened a channel of diplomatic engagement with Burma (Myanmar), after decades of isolation. The results have been astonishing. Burma, for whatever reasons, has opened up, released opposition leader Aung San Suu Kyi, abolished censorship, allowed opposition parties to form and organize, and is preparing for democratic elections in 2015, as it opens up dramatically to foreign investment. The ASEAN countries have been very pleased by the dramatic change in the US-Burma relationship, which in turn has helped our standing in the region.
 - f) Secretary Clinton enunciated principles for US policy toward the South China Sea in 2010 in Hanoi, making clear we would not accept claims or activities, principally Chinese though not named, in contradiction with international law and practice. Her statement, and our policy, did not take sides on the territorial disputes among the South China Sea claimants, but

made clear that we expected all claims to waters and resources to be based on valid land-based claims consistent with the UN Convention on the Law of the Sea, that we expected freedom of navigation to be respected, that we supported a multilateral code of conduct for the area, and that we expected claims to be settled peacefully. This was meant to give a boost to the long-suspended diplomacy in the area and to make clear our commitment to and expectation of a law and norm-based approach to resolution of disputes as China rises. It was welcomed by the states of the region.

I left the Administration in April 2011. I'll offer a few brief comments on things that have happened since.

For the most part, policy has unfolded consistent with the outlines of what I've described in the first 2 ½ years: deepening dialogue with China, efforts to correct instances where the economic playing field was unfair; continued strengthening of alliances; insistence on adherence to international norms on issues in the South China Sea.

There have been a few developments that can be interpreted as building on these policy lines, and others that arguably have stretched the envelope.

During President Obama's trip to the region in November 2011, he announced a number of steps that taken together were characterized, within and outside the Administration, as composing a "pivot," or "rebalancing" toward the Asia Pacific region, away from the preoccupation with the Middle East and western Asia that had dominated US foreign policy in the previous decade:

- Deployment of between 250 and 2500 Marines to Darwin Australia for rotating exercises.
- The President's first attendance of an East Asia Summit, at Bali, after declaring our intention to join the previous year.
- Announcement of a framework for the Trans Pacific Partnership trade agreement.
- Dispatch of Secretary Clinton to Burma for the first visit by a US Secretary of State in over a half century.
- A visit by Secretary Clinton to Manila in which she spoke about the South China Sea and the "West Philippine Sea" from aboard a US destroyer in Manila Bay.

The trip, and the announced "pivot," drew much negative comment in China, where it was seen as a disguised form of "containment" of China. In the region, it was generally well received as a sign of continued U.S. commitment, though there was some unease about confrontation with China. In the U.S., commentary emphasized the military components of the "pivot" and their targeting of China.

In the wake of that trip, the US-China relationship has been marked by a certain scratchiness – over Chinese actions and US statements regarding the South China Sea, over the Sino-Japanese standoff over the Senkaku/Diaoyu islands, and more broadly over Chinese suspicions that the "pivot" was an overtly hostile policy designed to build a coalition of hostile powers surrounding China.

There is uncertainty about Chinese short-term objectives and tactics in the South and East China Sea– whether they are reacting opportunistically to missteps by rival claimants or whether they

have a road map to move aggressively to assert their claims. There is little doubt that China's long-term objective is to effectively assert its sovereignty over all the islands within the so-called "9 dash line" in the South China Sea and over the Senkaku/Diaoyu islands. China's objective may be a matter of concern to the U.S., and certainly is to rival claimants, who can be expected to maintain their territorial claims with comparable determination. I don't believe it's a plausible U.S. national objective, however, to seek to resolve these territorial claims, or to steer toward a particular outcome. Our interest, narrowly stated, is what Secretary Clinton said it was in Hanoi. But more broadly, it is to ensure that China's rise occurs within international norms and reinforces international peace and stability. The manner in which China has been asserting its claims for the last several years has raised real questions in the region whether that will be the case. So it has been right, in my view, for the U.S. to raise its profile and declare our interest in the process and norms, though not outcomes. At the same time, I do not believe we should go further and allow these troubled areas to become venues for U.S.-China military rivalry, or make statements that seem to inject us in a one-sided way into territorial disputes. We do have treaty obligations to Japan, so that is the more difficult challenge.

Elsewhere in the region, the Administration attempted to break the stalemate with North Korea by negotiating a food aid package that might have been a prelude to talks on security issues. The North Koreans almost immediately blew up the deal by announcing their intention to launch a satellite using a rocket with intercontinental ballistic missile capabilities, which led subsequently to a UNSC resolution and another North Korean nuclear test. At this time, I see little serious prospect of meaningful talks with North Korea, either bilaterally or multilaterally, about its nuclear weapons program. Kim Jong-un has clearly forecast that the playbook used by his father remains in effect. The better opportunity might be to find ways for the U.S. and China to align our North Korea policies more closely. Chinese disgust at North Korean behavior, and the recent tests, has become visible. So that is the direction in which I hope the Administration will go, both for the sake of policy toward the Korean peninsula but toward China as well.

To be clear, I believe the general goals, and most of the specific steps I've listed, are proper and consistent with the policies pursued during the time I was in the Administration. I have reservations about the rhetoric and vocabulary surrounding the "pivot." I think it is an inapt term that serves to irritate the Chinese without compensating benefits. "Rebalancing" is a less loaded term, one that most members of the Administration use to describe our policy. It's the term that National Security Advisor Tom Donilon used in an address to the Asia Society yesterday in New York laying out comprehensively, and I believe persuasively, the Administration's Asia policy. Whatever one calls it, I believe the strategy for the last couple of years has been in U.S. interests, consistent with what preceded it, and welcomed in the region.

That said, I think we will need greater attention to the relationship with China in the coming years to prevent degeneration into a classic security dilemma, in which each side suspects the worst of the other and takes steps to defend itself that simply reinforce negative perceptions on both sides without advancing one's own security. Making it clear that the "rebalancing," or whatever name is used, is designed to include rather than target China and to help the U.S. benefit from the growth of the world's most dynamic region should be our stated objective. There is nothing more important to U.S. interests in the world in the 21st century than getting our relationship with China right, so the stakes are high indeed.