

China's Rising Power, the U.S. Rebalance to Asia, and Implications for U.S.-China Relations*

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The Obama administration's "rebalance to Asia" has many elements of continuity with past policy, including recognition that rapid growth and economic dynamism have greatly expanded the Asia-Pacific region's economic and strategic weight and importance to U.S. interests. Administration officials emphasize that the rebalance involves a comprehensive diplomatic, economic, and military approach that pays more attention to India, Southeast Asia, and regional institutions; that the timing was dictated largely by the need for clear priorities to guide force development in an era of declining spending; and that demand by U.S. allies and partners for an increased U.S. commitment to the region played an important role in shaping the rebalance. U.S. diplomatic, economic, and military efforts to implement the rebalance demonstrate a significant increase in strategic attention to the Asia-Pacific region, matched by commitments of diplomatic, economic, and military resources, including

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the time of senior U.S. leaders. Chinese officials and scholars have reacted by expressing concern and skepticism about the stated U.S. rationale, lamenting the “lack of strategic trust” between Washington and Beijing, urging greater respect for Chinese “core interests,” and stressing negative consequences of the rebalance for Asian security (especially its supposed role in emboldening U.S. allies and partners to challenge Chinese maritime territorial claims). At the same time, they have redoubled efforts to stabilize Sino-U.S. relations and to build a “new type of great power relations.” A key implementation challenge is making the rebalance robust enough to reassure U.S. allies and partners of the U.S. capability and will to maintain its presence in Asia over the long-term, while not alarming Chinese leaders to the point where they forego cooperation with Washington. U.S. and Chinese leaders should work to expand and deepen the scope of bilateral cooperation on common interests, while seeking ways to limit and manage competitive aspects of U.S.-China relations.

KEYWORDS: United States; rebalance; Asia policy; diplomatic; foreign policy.

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Upon taking office in January 2009, Obama administration officials proclaimed a U.S. “return to Asia.” This pronouncement was backed with more frequent travel to the region by senior officials (Secretary of State Hillary Clinton’s first trip was to Asia) and increased U.S. participation in regional multilateral meetings, culminating in the decision to sign the Association of Southeast Asian Nations (ASEAN) Treaty of Amity and Cooperation and to participate in the East Asian Summit at the head of state level. The strategic “rebalance to Asia” announced in November 2011 builds on these earlier actions to deepen and institutionalize U.S. commitment to the Asia-Pacific region.

Asia’s rapid growth and economic dynamism have greatly expanded the region’s economic and strategic weight, elevating its importance for U.S. interests and demanding an increased U.S. focus. This evolution has been welcomed by America’s Asia specialists, who have long advocated greater investment of resources and attention from high-level U.S. policymakers.¹

¹Examples include the Asia Foundation’s reports *America’s Role in Asia* from 1992, 2000,

At a time of often bitter partisanship in the United States, there is a broad, bipartisan consensus on Asia's importance. Indeed, partisan criticism has focused primarily on whether the administration in power is doing *enough* to increase U.S. engagement in Asia and whether rhetorical commitment is backed by sufficient resources.²

While some initial comments about the U.S. "return to Asia" were cast in terms of correcting alleged neglect of the region by the administration of George W. Bush, senior Obama administration officials believed that the war on terror and U.S. military commitments in Iraq and Afghanistan had produced an imbalanced global footprint. The United States was overweighted in the Middle East and underweighted in the Asia-Pacific.³ The phrase *rebalance to Asia* was intended to highlight the region's heightened priority within U.S. *global* policy. (The term *pivot to Asia* initially used by some officials also suggested the transfer of resources and strategic attention from the Middle East and Europe to Asia.)

The rebalance to Asia also reflected the need to articulate U.S. global priorities in the wake of the withdrawal of American troops from Iraq and the drawdown in Afghanistan, freeing diplomatic and military resources that had been committed to the Middle East for the last decade. Anticipated reductions in U.S. Federal spending and military budgets also called for a clear statement of strategic priorities to guide cuts and reallocate limited resources. For the U.S. military, this came in the form of the January 2012 defense strategic guidance signed by President Barack

2004, and 2008; and Ralph A. Cossa et al., *The United States and the Asia-Pacific Region: Security Strategy for the Obama Administration* (Washington, D.C.: Center for a New American Security, 2009), http://www.cnas.org/sites/default/files/publications-pdf/CossaPatel_US_Asia-Pacific_February2009.pdf.

²The Obama administration's effort to increase attention and resources focused on Asia extends a trend dating back at least to the George H. W. Bush administration's East Asia Strategy Initiative in 1990. See the positive remarks about the George W. Bush administration's Asia policy in Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (Washington, D.C.: Brookings Institution Press, 2012); and Evan A. Feigenbaum, *Strengthening the U.S. Role in Asia* (Washington, D.C.: Council on Foreign Relations, 2011).

³See Tom Donilon, "The United States and the Asia-Pacific in 2013" (speech to the Asia Society, New York, March 11, 2013).

Obama, which declared “we will of necessity rebalance toward the Asia-Pacific region.”⁴

The term *rebalance* is not derived from “balance of power” thinking and does not signal U.S. intent to balance against China or any other country. Rather, the underlying logic is derived from the allocation of assets in a financial portfolio. As market conditions shift and new opportunities emerge, a portfolio is rebalanced to maximize return on investment. In this sense, the rebalance to Asia is intended to bring commitments of U.S. global diplomatic, economic, and military resources into balance with expanding U.S. political, economic, and security interests in Asia.

One of the clearest articulations of the rationale and strategic logic behind the rebalance is a November 2011 *Foreign Policy* article by Secretary of State Hillary Clinton.⁵ In the context of withdrawal from Iraq and Afghanistan, she argued that the United States needs “to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values.” The Secretary described the Asia-Pacific region’s importance as “a key driver of global politics” that spans the Pacific and Indian oceans, boasts half the world’s population, includes key engines of the global economy, and is home to several key U.S. allies and “important emerging powers like China, India, and Indonesia.” She argued that “harnessing Asia’s growth and dynamism is central to American economic and strategic interests” and that the United States has an opportunity to help build “a more mature security and economic architecture to promote stability and prosperity.” Given the importance of the Asia-Pacific region to America’s future, “a strategic turn to the region fits logically into our overall global effort to secure and sustain America’s global leadership.”

⁴Leon Panetta and Barack Obama, *Sustaining U.S. Global Leadership Priorities for 21st Century Defense* (Washington, D.C.: Dept. of Defense, 2012), http://www.defense.gov/news/defense_strategic_guidance.pdf.

⁵Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, no. 189 (November-December 2011): 56-63; and see Barack Obama, “Remarks by President Obama to the Australian Parliament” (remarks in Canberra, Australia, November 17, 2011), <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>.

She drew an explicit parallel with U.S. efforts after World War II to build a “comprehensive and lasting transatlantic network of institutions and relations.”

In the article, Secretary Clinton called for “smart execution of a coherent regional strategy that accounts for the global implications of our choices” and a sustained U.S. commitment to “forward-deployed” diplomacy in the Asia-Pacific. She outlined six key lines of action to implement the strategy:

- 1) Strengthening bilateral security alliances
- 2) Deepening our working relationship with emerging powers, including with China
- 3) Engaging with regional multilateral institutions
- 4) Expanding trade and investment
- 5) Forging a broad-based military presence that modernizes traditional basing arrangements in Northeast Asia while enhancing the U.S. presence in Southeast Asia and into the Indian Ocean
- 6) Advancing democracy and human rights

A coherent regional strategy, as Secretary Clinton and other administration officials have noted in public and private remarks, requires greater integration of U.S. diplomatic, economic, and military actions across the region to maximize their individual and collective impact. One area where the Obama administration’s approach differs from past U.S. policy is in its strong emphasis on the economic, transport, and strategic linkages between the Indian Ocean and Pacific region.⁶

The *Foreign Policy* article not only explicates the strategic logic of the U.S. rebalance to Asia, but also reflects a midcourse correction based on the Obama administration’s experience in implementing its Asia policy. Early Asia policy speeches stressed three elements: sustaining

⁶Mark Manyin E. et al., “Pivot to the Pacific? The Obama Administration’s ‘Rebalancing’ Toward Asia,” Congressional Research Service, CRS Report R42448, March 28, 2012.

and strengthening bilateral ties with allies and partners; building a new era of cooperation with emerging Asian powers China and India; and building multilateral structures in the Asia-Pacific that facilitate regional and global cooperation.⁷ U.S. officials acknowledged a tension between couching China policy within an activist Asia policy focused on U.S. allies and partners (“getting China right requires getting the region right”) and engaging China as a global actor in its own right.⁸

Obama administration officials devoted significant early efforts to broadening and deepening U.S.-China relations to better address regional and global challenges. Although the political need to rebrand policy precluded the use of the Bush administration’s “responsible stakeholder” language, the administration’s view of China as a rising power, with expanding global interests, that was succeeding within the existing international system was very similar. Administration officials sought to engage China in cooperation on regional and global issues, including efforts to deal with North Korean and Iranian nuclear ambitions, address climate change, and mitigate the impact of the global financial crisis. Their expressed goal was a “positive, cooperative, and comprehensive relationship” with China that allowed the two countries to work together on an expanded set of common interests.

One of the instruments used to build this relationship was broadening the bilateral U.S.-China Strategic and Economic Dialogue (S&ED) to address a wider range of issues, improve U.S. policy coordination, and bring the right actors to the table. Other mechanisms included holding regular meetings and communications at the Presidential level, highlighting areas of cooperation and praising positive Chinese contributions,

⁷James B. Steinberg, “Engaging Asia 2009: Strategies for Success” (remarks at National Bureau of Asian Research Conference, Washington, D.C., April 10, 2009); Hillary Clinton, “Remarks on Regional Architecture in Asia: Principles and Priorities” (speech in Honolulu, Hawaii, January 12, 2010).

⁸This phrase appeared in Richard L. Armitage and Joseph Nye Jr., *The U.S.-Japan Alliance: Getting Asia Right through 2020* (Washington, D.C.: Center for Strategic and International Studies, 2007), but was used regularly by Assistant Secretary of State Kurt Campbell, who was a member of the Armitage-Nye study group. The report outlines the findings of a bipartisan panel of Asia specialists co-chaired by Armitage and Nye.

encouraging a greater Chinese role in global governance, seeking continuity in military-military relations to help avoid crises and increase cooperation, and trying to avoid embarrassing Chinese leadership when taking actions such as meeting with the Dalai Lama or arms sales to Taiwan.

These efforts to build a deeper partnership with China produced relatively meager results. Despite formal engagements through the S&ED, reciprocal summit visits, and periodic meetings on the margins of multilateral forums, Chinese leaders remained suspicious and reluctant to expand cooperation with Washington or take on more international responsibilities. For many Obama administration officials, integrating China more fully in international institutions was a means of giving Beijing a greater voice and spurring Chinese leaders to make more international contributions. A more prominent Chinese role could strengthen both the legitimacy and potential effectiveness of international institutions, albeit at the cost of reduced U.S. dominance. In this sense, U.S. endorsement of greater Chinese representation was a signal of trust and confidence.

Chinese leaders, however, viewed enhanced multilateral cooperation as an effort to sustain a U.S.-dominated global order and to lock China into binding commitments on issues such as carbon emissions and a revalued currency in ways that might hinder future Chinese growth. While Beijing now participates in most major international and regional organizations, Chinese leaders tend to view these as vehicles for pursuing or defending Chinese national interests and remain wary of taking on international “costs, risks, and commitments.”⁹ Chinese scholars spoke of “China responsibility theory” as a Western plot to blame China for global economic problems and to force it to take on international commitments beyond its limited capacity.¹⁰ Moreover, in the context of the unfolding financial crisis, Chinese leaders may have misinterpreted Obama admin-

⁹Marc Lanteigne, *China and International Institutions: Alternative Paths to Global Power* (New York: Routledge, 2005); the point about Chinese reluctance to take on “costs, risks, and commitments” is from Robert Sutter, *U.S.-China Relations: Perilous Past, Pragmatic Present* (Lanham: Rowman and Littlefield, 2010).

¹⁰“Chinese Experts Lash Out at ‘China Responsibility’ Theories,” *Xinhuanet*, August 20, 2010; Zhouxiang Zhang, “Onus Not Binding on China,” *China Daily*, February 17, 2011.

istration efforts to increase cooperation as a sign of U.S. weakness and an opportunity to press for concessions. The result was intensified bilateral engagement, but one characterized by lots of process and relatively few tangible results.

The period from 2009-2010 also saw a more assertive Chinese posture on a wide range of bilateral, regional, and global issues.¹¹ From 1998-2008, China achieved remarkable success in improving relations with its neighbors in Asia through a combination of economic cooperation, diplomatic outreach, and military restraint (even as it continued to increase its military budget and modernize its forces). Within the space of 18 months, Chinese bullying, assertiveness, and apparent lack of concern for Asian and international reactions undid most of these gains. In particular, efforts to advance Chinese maritime sovereignty claims in the South China Sea and East China Sea did considerable damage to Beijing's efforts to persuade others of China's peaceful rise. The May 2009 deadline for submissions to the United Nations Convention on the Law of the Sea (UNCLOS) spurred many countries to reinforce their claims to disputed islands and waters. Sometimes China initiated contentious actions, such as increased patrolling in disputed waters; other times Chinese nationalists clamored loudly for strong reactions to actions by countries such as Vietnam, the Philippines, and Japan that challenged Chinese sovereignty claims. Beijing employed economic coercion in some sovereignty disputes, including a temporary ban on exports of rare earths to Japan and import restrictions on Philippine bananas.¹² China also took a tough line

¹¹See Bader, *Obama and China's Rise*, chapter seven; and Michael D. Swaine, "China's Assertive Behavior Part One: On 'Core Interests,'" *China Leadership Monitor*, no. 34 (Winter 2011), <http://media.hoover.org/sites/default/files/documents/CLM34MS.pdf>; Michael D. Swaine and M. Taylor Fravel, "China's Assertive Behavior Part Two: The Maritime Periphery," *China Leadership Monitor*, no. 35 (Summer 2011), <http://media.hoover.org/sites/default/files/documents/CLM35MS.pdf>; Michael D. Swaine, "China's Assertive Behavior Part Three: The Role of the Military in Foreign Policy," *China Leadership Monitor*, no. 36 (Winter 2012), <http://media.hoover.org/sites/default/files/documents/CLM36MS.pdf>; and Michael D. Swaine, "China's Assertive Behavior Part Four: The Role of the Military in Foreign Crises," *China Leadership Monitor*, no. 37 (Spring 2012), <http://media.hoover.org/sites/default/files/documents/CLM37MS.pdf>.

¹²Bonnie S. Glaser, "China's Coercive Economic Diplomacy—A New and Worrying Trend,"

on its interpretation of military activities permitted in its exclusive economic zone, acting to interfere with U.S. ships and aircraft (such as the March 2009 incident off Hainan Island when Chinese paramilitary vessels attempted to snag the towed sonar array of the USNS *Impeccable*).¹³

For a U.S. administration emphasizing the importance of unimpeded access to the “global commons,” Beijing’s actions in the South China Sea represented a clear threat to freedom of navigation. For China’s neighbors, Beijing’s assertive actions raised concerns about whether Chinese restraint would disappear as its military capabilities improved and its economic and diplomatic power increased relative to the United States.

These concerns found political expression in the July 2010 ASEAN Regional Forum (ARF) meeting, when twelve states joined Secretary Clinton in expressing concerns about freedom of navigation in the South China Sea, despite the best efforts of Chinese diplomats to discourage them from raising the issue. Chinese Foreign Minister Yang Jiechi (楊潔篪) gave an angry speech during the meeting in which he wagged his finger at the Singapore representative and pointedly stated that “China is a big country and other countries are small countries, and that’s just a fact.”¹⁴ Public and private pleas from countries in East and Southeast Asia urged the United States to take a more active role in Asian security, including speaking out against efforts to use threats and intimidation in territorial disputes. Countries also expressed a willingness to engage in deeper security cooperation with the United States via participation in bilateral and multilateral exercises and by providing access to U.S. forces for common security goals.

This political context—heightened concerns about Chinese behavior and regional demands for a stepped up U.S. security role—is also a sig-

PacNet, no. 46 (2012), <http://csis.org/publication/pacnet-46-chinas-coercive-economic-diplomacy-new-and-worrying-trend>.

¹³See Mark E. Redden and Phillip C. Saunders, *Managing Sino-U.S. Air and Naval Interactions: Cold War Lessons and New Avenues of Approach*, INSS China Strategic Perspectives, no. 5, 2012, <http://www.ndu.edu/press/lib/pdf/china-perspectives/ChinaPerspectives-5.pdf>.

¹⁴John Pomfret, “U.S. Takes a Tougher Tone with China,” *Washington Post*, July 30, 2010.

nificant part of the political rationale for the U.S. strategic rebalance to Asia. However, this does not mean that the United States has abandoned efforts to cooperate with China or to build a more stable Sino-U.S. relationship. The broad U.S. strategy of seeking to integrate China more fully within the current global order, while discouraging any efforts to reshape that order by the use of force, remains in place.

Implementation of the U.S. Strategic Rebalance

A common element in explications of the rebalance by U.S. officials is that it encompasses diplomatic, economic, and military elements, all of which must be applied in a coordinated manner for maximum effect. Because of the considerable continuity between the “return to Asia” and the “strategic rebalance to the Asia-Pacific,” this paper assesses U.S. diplomatic, economic, and military efforts from the beginning of the Obama administration.

Diplomatic Engagement

Perhaps the clearest success lies on the diplomatic front. The administration proclaimed the importance of enhancing high-level diplomatic engagement in the Asia-Pacific, and it has delivered on that promise. President Barack Obama visited Asia five times in his first four years in office, with visits to ten Asia-Pacific countries (including China) and participation in the Asia-Pacific Economic Cooperation and East Asian summits.¹⁵ Secretary Clinton visited Asia fourteen times during her tenure in office, traveling to all of the ASEAN member states and regularly participating in key regional meetings. U.S. Secretaries of Defense Robert Gates and Leon Panetta traveled to Asia thirteen times during President Obama’s first term in office. National Security Advisor Tom Donilon,

¹⁵All travel statistics in this paragraph omit travel to Afghanistan and Pakistan that was focused on the conflict there.

Chairmen of the Joint Chiefs of Staff Admiral Michael Mullen and General Martin Dempsey, and several chiefs of the U.S. military services also traveled regularly to Asia-Pacific countries, including China. This level of travel to the Asia-Pacific by senior Obama administration officials was significantly higher than that of the first administration of George W. Bush. The number of trips was similar to that of the second Bush administration but with more time spent in the region by Secretary Clinton, many more trips and much more time spent in the region by Secretaries of Defense Gates and Panetta, and a greater emphasis on participation in regional multilateral meetings.¹⁶

This list of travel by senior administration officials does not include those with specific responsibilities for the Asia-Pacific region, such as U.S. Pacific Command commanders Admiral Robert F. Willard and Admiral Samuel J. Locklear, Assistant Secretary of State Kurt Campbell, and Assistant Secretary of Defense for Asia-Pacific Security Affairs Mark Lippert. Given that the scarcest resource in government is high-level attention, the Obama administration amply demonstrated the heightened priority of the Asia-Pacific region. Moreover, the administration delivered on its commitment to expand U.S. involvement in regional institutions by signing the ASEAN Treaty of Amity and Cooperation and by participating in the East Asia Summit.¹⁷ Concurrently, U.S. officials also demonstrated their ability to mobilize regional opinion, most notably in effective U.S. bilateral and multilateral diplomacy before and during the July 2010 ARF meeting.

¹⁶In his second term, President George W. Bush spent 33 days in Asia on 6 trips, versus 27 days on 5 trips for President Barack Obama in his first term. Secretary Condoleezza Rice spent 73 days in Asia on 14 trips, compared to 101 days on 14 trips for Secretary Hillary Clinton. President Bush's Secretaries of Defense spent 33 days in the region on 7 trips, versus 58 days on 13 trips for President Obama's Secretaries of Defense. See Phillip C. Saunders and Katrina Fung, "Wheels Up! Has Obama Really Pivoted to Asia?" *The Diplomat*, July 23, 2013, <http://thediplomat.com/2013/07/23/wheels-up-has-obama-really-pivoted-to-asia/>.

¹⁷Signing the Association of Southeast Asian Nations Treaty of Amity and Cooperation was a prerequisite for joining the East Asian Summit.

Economic Engagement

Asia's economic dynamism and rapid economic growth are important to the well-being of almost all countries in the region, and therefore to the stability and legitimacy of their governments. Asia's booming market is also important to the United States, whose economy is still recovering from recession. Fulfilling President Obama's commitment to double U.S. exports between 2010 and 2015 requires greater access to Asian markets. Enhanced economic engagement is a critical element of the U.S. rebalance.

American allies and partners in the region have stressed U.S. economic engagement with Asia as a key means of demonstrating U.S. staying power. The Obama administration has faced obstacles in increasing U.S. trade and investment ties. In addition to the demands of the global financial crisis, these include the loss of U.S. jobs in the manufacturing sector, criticism of China's undervalued currency, concern about labor conditions and environmental pollution in Asia, and the current lack of trade negotiating authority (that is, Trade Promotion Authority, formerly called "fast track"). Trade expansion is always a difficult issue for Democratic Presidents whose coalition includes significant support from labor unions and other groups seeking protection from what they view as "unfair" competition. Moreover, in the U.S. system most economic activity is performed by the private sector; attracting more U.S. trade and investment requires Asian governments to implement politically difficult domestic economic reforms.

What the U.S. Government can do is enter into bilateral and regional economic agreements with Asia-Pacific countries that facilitate trade and investment. The Obama administration succeeded in securing congressional approval of the Korea-U.S. Free Trade Agreement ("KORUS"), the most significant agreement of its kind since the North American Free Trade Agreement. Several other bilateral trade agreements dating from the Bush administration were also approved.

The centerpiece of the administration's regional trade efforts is the Trans-Pacific Partnership (TPP), described as "an ambitious, next-generation Asia-Pacific trade agreement that reflects U.S. economic priorities and values." The TPP is intended to be a "high-quality" trade agreement

Table 1
U.S. and Chinese 2008 Trade with Asia-Pacific Countries (US\$ million)

	U.S. Exports	U.S. Imports	Total	Chinese Exports	Chinese Imports	Total
NE Asia	\$216,078	\$567,966	784,044	\$409,679	\$381,550	\$791,229
SE Asia [#]	\$91,609	\$123,892	\$215,501	\$139,109	\$155,616	\$294,725
S Asia*	\$20,475	\$35,205	\$55,681	\$44,198	\$21,627	\$65,825
All Asia-Pacific*	\$328,162	\$727,064	\$1,055,226	\$592,986	\$640,516	\$1,486,288
TOTAL	\$1,287,442	\$2,103,641	\$3,391,083	\$1,429,000	\$1,132,000	\$2,561,000
% to Asia	25.5%	34.6%	31.1%	41.5%	56.6%	58.0%

Sources: U.S. Census Foreign Trade, CEIC China database (by country), <http://www.census.gov/foreign-trade/balance/> (accessed April 28, 2014).

([#] SE Asia data include Australia and New Zealand; * U.S. Data does not include Afghanistan)

that sets high standards for environmental and labor regulations, protection of intellectual property, financial services, government procurement, and competition policy. As of May 2014, twelve countries are participating in TPP negotiations (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam). TPP is an example of “open regionalism,” meaning that other Asia-Pacific countries willing to meet TPP standards will eventually be able to join the agreement.¹⁸

The empirical record indicates some success for the Obama administration’s efforts to enhance U.S. trade, aid, and investment ties with the Asia-Pacific region. Tables 1 and 2 show that despite the economic headwinds caused by the global financial crisis, U.S. exports and overall trade with Asia-Pacific countries increased from 2008 to 2012, and the Asia-Pacific region’s share in U.S. exports and overall trade also increased. When compared with China’s trade with the region, the 2012 data indicate that the United States is still an extremely important market for Asian countries (including China). Moreover, despite China’s nominal status

¹⁸See the fact sheets from the U.S. Trade Representative’s office, available at <http://www.ustr.gov/tpp>; and Jeffrey Schott, Barbara Kotschwar, and Julia Muir, *Understanding the Trans-Pacific Partnership* (Washington, D.C.: Peterson Institute for International Economics, 2013).

Table 2
U.S. and Chinese 2012 Trade with Asia-Pacific Countries (US\$ million)

	U.S. Exports	U.S. Imports	Total	Chinese Exports	Chinese Imports	Total
NE Asia	\$258,989	\$620,537	\$879,527	\$606,028	\$503,039	\$1,109,067
SE Asia [#]	\$100,956	\$124,948	\$225,904	\$245,589	\$286,446	\$532,035
S Asia*	\$22,327	\$47,974	\$70,301	\$70,404	\$22,985	\$93,389
All Asia-Pacific*	\$382,273	\$793,459	\$1,175,731	\$922,021	\$812,470	\$1,734,491
TOTAL	\$1,416,439	\$2,098,011	\$3,514,450	\$2,048,935	\$1,817,826	\$3,866,761
% to Asia	27.0%	37.8%	33.5%	45.0%	44.7%	44.9%

Source: U.S. Census Foreign Trade, CEIC China database (by country), <http://www.census.gov/foreign-trade/balance/> (accessed April 28, 2014).

([#] SE Asia data include Australia and New Zealand; * U.S. data does not include Afghanistan)

Table 3
U.S. Direct Investment Stock in Asia-Pacific (US\$ million)

	2008	2012
NE Asia	\$234,248	\$284,704
SE Asia	\$223,972	\$332,287
S Asia*	\$19,162	\$29,078
All Asia-Pacific*	\$477,382	\$646,069
TOTAL	\$3,232,493	\$4,453,307
% to Asia	14.8%	14.5%

Source: U.S. Direct Investment Abroad, <http://www.bea.gov/international/di1usdbal.htm>.

(* Does not include Afghanistan)

as the number one market for countries such as Japan and South Korea, a significant percentage of Asian exports to China are components for assembly and re-export to North American, European, and other third country markets.

Similarly, data for the U.S. direct investment stock in Asia-Pacific countries (table 3) shows an increase from \$477 billion in 2008 to \$646 billion in 2012, an overall increase of almost \$190 billion over a four-year period. This compares with a total 2012 stock of Chinese investment in the Asia-Pacific of about \$351 billion, of which \$306 billion is invested in Hong Kong. (Some of this Chinese investment has stayed in Hong Kong;

some has returned to China disguised as “foreign” investment; and some is invested elsewhere in Asia.)¹⁹

U.S. foreign aid to Asia-Pacific countries increased from \$2.62 billion in 2008 to \$6.12 billion in 2011, before falling to \$4.82 billion in 2012. A closer look at the data shows that almost all the increase involves war-related aid to Afghanistan and Pakistan, which began to ramp down in 2012. The data does show a significant (\$198 million) increase in aid to Southeast Asia by 2011, though the 2012 figure is lower.²⁰ Most of this trade, investment, and aid data predates the formal announcement of the rebalance, but the numbers indicate that efforts to increase U.S. economic ties with the Asia-Pacific region have paid dividends.

Security Engagement

Although much of the analysis of the military side of the U.S. rebalance to Asia has focused on changes to deployments of U.S. forces within the Asia-Pacific region, the rebalance also includes enhanced efforts to develop new capabilities to maintain access to the region. These include targeted initiatives to defeat “anti-access/area-denial capabilities” and increased emphasis on cyber-defense and the ability to sustain operations in a competitive space environment. Military cuts focused on reducing ground forces while seeking to minimize cuts in naval capabilities and to devote more attention to the Indian Ocean as a strategic area linked to U.S. interests in East Asia.²¹

In terms of deployments of U.S. forces, the goal is a stronger U.S. military presence in Asia that is “geographically distributed, operationally resilient, and politically sustainable.”²² This presence includes shifting of

¹⁹Data derived from Chinese Ministry of Commerce, accessed on May 8, 2013 through the CEIC China database.

²⁰“Foreign Assistance Data by Country,” U.S. Overseas Loans and Grants, USAID, <http://gbk.eads.usaidallnet.gov/data/country.html> (by country based on Economic Assistance, accessed April 28, 2014).

²¹See the priorities enumerated in Panetta, *Sustaining U.S. Global Leadership*, 4.

²²David Helvey, “Rebalance to the Asia-Pacific II: Defense and Security: Cooperation and Challenges” (statement to the Senate Committee on Foreign Affairs, Subcommittee on

Table 4
Military Rebalance to Asia by Service

Army	“The Army itself plans to align 70,000 troops to the Asia Pacific region as part of its new general regional alignment, which heavily weights the Asia-Pacific region” (Carter).
Navy	“We are moving more of our Navy to the Pacific Ocean than to the Atlantic Ocean, so that in a few years, in fact it will be 60/40 and it will probably go further” (Carter).
Marines	“The Marine Corps will have up to 2,500 Marines on rotation in Australia” (Carter). “About 9,000 Marines will relocate from Okinawa, with about 5,000 moving to Guam and the rest transferring to other locations in the Pacific such as Hawaii and Australia” (Parrish).
Air Force	“The U.S. Air Force has allocated 60 percent of its overseas-based forces to the Asia-Pacific—including tactical aircraft and bomber forces from the continental United States. The Air Force is focusing a similar percentage of its space and cyber capabilities on this region. . . . [T]his region will see more of these capabilities as we prioritize deployments of our most advanced platforms to the Pacific, including the F-22 Raptor and F-35 Joint Strike Fighter deployments to Japan” (Hagel).

some of the most advanced U.S. air and naval assets to the Asia-Pacific region or to U.S. bases on the West Coast, in Hawaii, or on the territory of Guam (see table 4). Within the Asia-Pacific region, there is less emphasis on permanent bases, and more emphasis on access agreements and rotational deployments that will allow the United States military to conduct exercises and operations that demonstrate U.S. commitment to the region and help protect the security of U.S. allies and partners. Table 5 draws upon statements by U.S. officials to illustrate several military dimensions of the rebalance.

In terms of implementing the security aspects of the rebalance, the U.S. Pacific Command conducts a robust exercise and engagement

East Asian and Pacific Affairs, April 25, 2013), http://www.foreign.senate.gov/imo/media/doc/Helvey_Testimony.pdf; Joseph Y. Yun, “Rebalance to the Asia-Pacific II: Defense and Security: Cooperation and Challenges” (statement before the Senate Committee on Foreign Affairs, Subcommittee on East Asian and Pacific Affairs, April 25, 2013), http://www.foreign.senate.gov/imo/media/doc/Yun_Testimony2.pdf.

Table 5
U.S. Military Rebalance to Asia by Partner

Australia	Rotational deployments of 2,500 Marines; expanded cooperation on cyber security and space situational awareness; agreement to deploy an Australian warship in a U.S. carrier strike group (Hagel).
China	Positive military-to-military developments include the “first-ever joint counter-piracy exercise in the Gulf of Aden . . . U.S. invitation for China to participate in RIMPAC . . . [and an] agreement to cohost a Pacific Army Chiefs Conference with China” (Hagel).
India	“We’re deepening our security cooperation, technology sharing and defense trade with India” (Carter).
Indonesia	“working together on humanitarian assistance and disaster response preparedness, maritime security, international peacekeeping, and combating transnational threats” (Hagel).
Japan	“Over the past year, we reached major agreements with Japan to realign our forces and jointly develop Guam as a strategic hub . . . locating our most advanced aircraft in the Pacific, including new deployments of F-22s and the MV-22 Ospreys to Japan, and laying the groundwork for the first overseas deployment of the F-35 Joint Strike Fighter to Iwakuni in 2017” (Panetta).
Malaysia	“We are expanding maritime cooperation, including the first-ever visit of a U.S. aircraft carrier to Sabah” (Hagel).
Myanmar	“We are beginning targeted, carefully calibrated military-to-military engagement aimed at ensuring the military supports ongoing reforms, respects human rights, and a professional force accountable to the country’s leadership” (Hagel).
New Zealand	“The signing of the Washington Declaration and associated policy changes have opened up new avenues for defense cooperation in areas such as maritime security cooperation, humanitarian assistance and disaster relief” (Hagel).
Philippines	“With respect to the new Defense Cooperation Agreement . . . the goal for this agreement is to build Philippine capacity, to engage in training, to engage in coordination—not simply to deal with issues of maritime security. But also to enhance our capabilities [via base access] so that if there’s a natural disaster that takes place, we’re able to potentially respond more quickly; if there are additional threats that may arise, that we are able to work in a cooperative fashion.” (Obama).
Singapore	“We will have four Littoral Combat Ships stationed forward in Singapore” (Carter).
South Korea	“Strengthen cooperation with the Republic of Korea in space, in cyberspace, in intelligence” (Panetta).

Table 5 (Continued)

Thailand	Joint Vision Statement for alliance, “the first such bilateral document in over 50 years” (Hagel).
Vietnam	“We are expanding our cooperation—as set forth in a new memorandum of understanding—in maritime security, training opportunities, search-and-rescue, peacekeeping, military medical exchanges, and humanitarian assistance and disaster relief” (Hagel).

Sources: Ashton B. Carter, “Remarks by Deputy Secretary Carter at the Von der Heyden Fellows Program Endowment Fund Lecture Series at Duke University” (speech in Durham, N.C., November 29, 2012); Ashton B. Carter, “Remarks by Deputy Secretary of Defense Carter at the Woodrow Wilson Center” (speech in Washington, D.C., October 3, 2012); Chuck Hagel, “Speech at the International Institute for Strategic Studies (Shangri-La Dialogue)” (speech in Singapore, June 1, 2013); Leon Panetta, “Remarks by Secretary Panetta at the National Press Club” (speech in Washington, D.C., December 18, 2012); Karen Parrish, “U.S., Japan Agree on Okinawa Troop Relocation,” *American Forces Press Service*, April 27, 2012; Barack H. Obama, “Remarks by President Obama and President Benigno Aquino III of the Philippines in Joint Press Conference” (speech in Manila, Philippines, April 28, 2014).

program focused on “maintaining a credible defense posture, strengthening relationships with our allies, expanding our partner networks, and preparing to accomplish the full range of military contingencies.”²³ This includes eighteen major exercises involving joint military forces, inter-agency activities, and thirty partner nations. U.S. military forces also participate in more than 150 service exercises in the Asia-Pacific region annually. The United States has worked to reinvigorate and modernize relations with its treaty allies in the region (including increased emphasis on the Philippines and Thailand), while also expanding military engagement with India, Indonesia, Vietnam, Singapore, Malaysia, Brunei, and other partners.²⁴ These efforts are supported by efforts to shift U.S. military capacity and investments towards the Asia-Pacific region, and include air and ground capabilities, special operations forces, and intel-

²³Samuel J. Locklear, Statement before the Senate Armed Services Committee hearing on U.S. Pacific Command Posture, April 9, 2013.

²⁴For details, see the Helvey and Yun statements before the Senate Committee on Foreign Affairs, Subcommittee on East Asian and Pacific Affairs, April 25, 2013.

ligence, surveillance, and reconnaissance assets. The U.S. Navy will also base a fourth attack submarine in Guam in 2015 and shift six destroyers from Europe to the Asia-Pacific, as part of efforts to increase the U.S. naval presence in the Pacific from fifty-two to sixty-two ships by 2020.²⁵

Taken as a whole, these diplomatic, economic, and military measures demonstrate a significant increase in U.S. strategic attention to the Asia-Pacific region, which has been matched by significant commitments of resources. The rebalance has not addressed all concerns of U.S. allies and partners, with the issue of increased Chinese assertiveness on maritime territorial disputes being a key concern for Japan and for Southeast Asian states who are parties to the dispute over the Senkaku/Diaoyu islands in the East China Sea and the Spratly Islands in the South China Sea.²⁶ Nevertheless, the rebalance has played an important role in reassuring countries that the United States has the ability and will to fulfill its commitments in the Asia-Pacific region for decades to come.

China's Perceptions of the U.S. Rebalance

U.S. officials have used a variety of mechanisms to explain the rebalance to Beijing. These issues have been discussed bilaterally at summits, through the annual S&ED (which includes Chinese military representatives and a new Strategic Security Dialogue to discuss issues such as nuclear, space, cyber, and maritime security), by reciprocal bilateral visits by senior officials including the Secretary of Defense, Secretary of State, and National Security Advisor, and through regular security dialogues such as the Defense Consultative Talks (at the Undersecretary of Defense level), Defense Policy Consultative Talks (at the Deputy Assistant Secretary of

²⁵William Cole, "Navy Vessels Due in Asia-Pacific Area," *Honolulu Star-Advertiser*, April 10, 2013; Dan de Luce, "US Shift to Asia on Track despite Budget Cuts: Admiral," *Agence France-Presse*, May 6, 2013.

²⁶China, Taiwan, Vietnam, Malaysia, Brunei, and the Philippines all claim some islands in the South China Sea; China, Taiwan, and Japan claim the Diaoyu/Senkaku islands.

Defense level), and at the working level through the Military Maritime Consultative Agreement.

Increased U.S. engagement in multilateral meetings such as the East Asian Summit, ARF summit, ARF Defense Ministers Meeting, and unofficial meetings such as the Shangri-la dialogue in Singapore also provide frequent opportunities for senior U.S. officials to meet Chinese officials and senior People's Liberation Army officers. These efforts are supplemented by formal U.S.-China military-military ties (which have become somewhat less susceptible to interruptions due to policy disagreements) and informal interactions on a range of security issues (including nuclear, space, cyber, and maritime security issues) in unofficial and semi-official settings.²⁷

The explanations offered parallel the public strategic rationale, namely, that the U.S. rebalance is based on pursuing expanding U.S. interests in Asia as military engagement in the Middle East winds down; that it involves a comprehensive diplomatic, economic, and military approach; that the timing was dictated largely by the need to offer a clear statement of priorities to guide force development in an era of declining spending; and that demand by U.S. allies and partners for an increased U.S. security commitment to the region played an important role in shaping the rebalance.

U.S. officials have been careful to stress that the rebalance is not "all about China," intended to contain China, or seeking to build an anti-China coalition. However, they have noted that lack of transparency about Chinese military capabilities and strategic intentions, and the more assertive Chinese behavior discussed above, have heightened U.S. and regional concerns. U.S. officials have also complained about intrusions into U.S. Government and defense contractor computer systems, "some of which appear to be attributable directly to the Chinese government and

²⁷Recent editions of the Office of Secretary of Defense annual report to Congress on *Military and Security Developments Involving the People's Republic of China* discuss U.S.-China military-military contacts; also see Shirley Kan, "U.S.-China Military Contacts: Issues for Congress" (Congressional Research Service, CRS RL32496, April 7, 2013).

military.”²⁸ The United States has sought to expand the scope and depth of U.S.-China military cooperation, including through regular high-level visits, exchanges of student delegations, counterpiracy and humanitarian affairs and disaster relief (HA/DR) exercises, an invitation for China to participate in the 2014 RIMPAC exercise, and an agreement to co-host a Pacific Army Chiefs Conference.

Broadly speaking, the official Chinese reaction has been to express concern and skepticism about the stated U.S. rationale for the rebalance to Asia, lament the “lack of strategic trust” between Washington and Beijing, urge greater respect for Chinese “core interests,” stress negative consequences of the rebalance for Asian security (especially its supposed role in emboldening U.S. allies and partners to challenge Chinese maritime territorial claims), and redouble efforts to stabilize Sino-U.S. relations, most notably through efforts to build a “new type of great power relations” with Washington.²⁹ Despite significant concerns about the impact of the U.S. rebalance on Chinese interests, enhanced efforts to build a stable partnership with Washington have arguably been the most important element of China’s response. In its regional policy, Beijing appears to be balancing two partially incompatible goals: maintaining a stable regional security environment (which requires efforts to reassure its neighbors) and making progress on strengthening its control over disputed maritime territories (which aggravates relations with other claimants).³⁰

However, in the Chinese narrative, Beijing has not changed its foreign policy goals, expanded its territorial claims, or adopted a more assertive

²⁸Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China 2013* (Washington, D.C.: Office of the Secretary of Defense, 2013), 36.

²⁹This section draws primarily upon official Chinese statements and the author’s interactions with Chinese officials, military officers, and scholars in a variety of settings over the period 2009-2012. Also see Michael D. Swaine, “Chinese Leadership and Elite Responses to the U.S. Pacific Pivot,” *China Leadership Monitor*, no. 38 (Summer 2012), <http://media.hoover.org/sites/default/files/documents/CLM38MS.pdf>.

³⁰Phillip C. Saunders, “China’s Role in Asia: Attractive or Assertive?” in *International Relations in Asia*, 2nd edition, ed. David Shambaugh and Michael Yahuda (Lanham: Rowman and Littlefield, 2014).

attitude toward maritime territorial disputes. Rather, other countries, emboldened by passive or active U.S. support, have stepped up their efforts to challenge China's long-established territorial claims, forcing China either to allow them to trample on Chinese sovereignty or to take appropriate measures in response. Chinese officials, academics, and military officers stress that China's policy environment has changed, and that leaders must therefore be more responsive to the concerns of Chinese citizens, including nationalists who advocate a tough line on sovereignty disputes.³¹ Chinese officials have also argued that China has not taken any actions that violate legitimate freedom of navigation and that its policies of seeking to resolve territorial disputes through peaceful dialogue and its willingness to set aside sovereignty and pursue joint exploitation of resources in disputed areas remain unchanged.³² Chinese officials insist that sovereignty disputes must be resolved on a bilateral basis and have urged Washington not to interfere or take sides.

Although most mainstream Chinese scholars and analysts have adopted significant elements of this official narrative, two divergent schools of thought have emerged. One focuses on the relative balance of power between China and the United States and questions the U.S. capacity to sustain the rebalance. This school highlights China's continued rapid growth, accumulation of comprehensive national power, and development of much more capable military forces, and contrasts this with slower U.S. economic growth, large budget deficits, and challenges in maintaining the size of current U.S. military forces. This group views the United States as a power in relative decline and questions its ability to maintain its regional power, influence, and alliance structure over the longer term. This implies that China should not overreact to the U.S. rebalance.

³¹See Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper, no. 26, September 2010, http://books.sipri.org/product_info?c_product_id=410.

³²China pursued joint seismic exploration with the Philippines and Vietnam from 2007-2009 and reached an agreement with Japan on joint exploitation of natural gas in the East China Sea in 2008, but implementation of that agreement has stalled, largely due to domestic opposition in China.

A second group views the rebalance in much more alarmist terms. For this school, China is clearly the target and the reinvigoration of U.S. alliances and expansion of security partnerships in the Asia-Pacific reflect a U.S. strategy of encircling and containing China. This group emphasizes military elements of the rebalance, especially U.S. military deployments, the development of new military capabilities, and expanded security cooperation with allies and partners. All these actions are viewed as aimed against China. Some in this school even argue that the United States is using its allies and partners as proxies to challenge Chinese sovereignty and provoke China into military overreactions that would damage its strategic position in Asia.³³

One specific focus of Chinese complaints is the U.S. Air/Sea Battle concept, a set of ideas focused on how the U.S. Air Force and U.S. Navy can work together to ensure the continued U.S. ability to project power in the face of growing anti-access/area-denial (A2/AD) capabilities. The services were tasked to develop the concept by then-Defense Secretary Robert Gates in 2009, and many details remain classified.³⁴ Initial public debate focused on publications by authors at the Center for Strategic and Budgetary Assessments, a Washington D.C. think-tank with close ties to some Pentagon officials.³⁵ These clearly identified China as the motivation for efforts to develop the concept, and speculated about its application in the Asia-Pacific region.

Official U.S. statements and writings on the Air/Sea Battle concept have focused on the strategic need to maintain the U.S. ability to project

³³Interviews by author in Shanghai, May 2012.

³⁴See Philip DuPree and Jordan Thomas, "Air-Sea Battle: Clearing the Fog," *Armed Forces Journal*, May 2012, <http://www.armedforcesjournal.com/2012/05/10318204>; *Air-Sea Battle: Service Collaboration to Address Anti-Access & Area Denial Challenges*, Air-Sea Battle Office, May 2013, <http://navylive.dodlive.mil/2013/06/03/overview-of-the-air-sea-battle-concept/>.

³⁵Andrew F. Krepinevich, *Why AirSea Battle?* (Washington, D.C.: Center for Strategic and Budgetary Assessments, 2010), <http://www.csbaonline.org/publications/2010/02/why-airsea-battle/>; Jan van Tol et al., *AirSea Battle: A Point-of-Departure Operational Concept* (Washington, D.C.: Center for Strategic and Budgetary Assessments, 2010), <http://www.csbaonline.org/publications/2010/05/airsea-battle-concept/>.

power despite adversary capabilities and the budget-driven desire to improve Air Force-Navy interoperability.³⁶ U.S. officials have been careful to discuss responses to anti-access/area-denial capabilities in generic terms, citing concerns about their potential employment by a number of countries and by non-state actors. Nevertheless, China is clearly making significant investments in developing and deploying systems such as conventional attack submarines, conventional cruise and ballistic missiles, anti-satellite weapons, and anti-ship ballistic missiles that appear to be aimed at contingencies involving the United States.³⁷ China refers to these as “counter-intervention” capabilities and denies that they are aimed at “any specific country.”

The current focus of regional tensions involves China’s maritime territorial disputes in the South China Sea and East China Sea. As a matter of policy, the United States does not take a position on the question of the sovereignty of the various disputed islands. The United States does recognize Japanese administrative control over the Diaoyu/Senkaku islands, and U.S. officials have repeatedly stated that the islands fall under the scope of the U.S.-Japan security treaty. U.S. officials have emphasized the importance of handling the disputes in accordance with principles such as the peaceful resolution of disputes, compliance with relevant international law (especially UNCLOS), and respect for freedom of navigation. U.S. officials have also supported ASEAN efforts to negotiate a binding code of conduct for the South China Sea and have urged China to deal with the disputes via multilateral means.³⁸

³⁶See Norton A. Schwartz and Jonathan W. Greenert, “Air-Sea Battle: Promoting Stability in an Era of Uncertainty,” *The American Interest*, February 20, 2012, <http://www.the-american-interest.com/article.cfm?piece=1212>.

³⁷See *Military and Security Developments Involving the People’s Republic of China 2013*.

³⁸See Kurt Campbell, “Maritime Territorial Disputes and Sovereignty Issues in Asia” (testimony by the Assistant Secretary of State for East Asian and Pacific Affairs, U.S. Department of State at the hearing before the Senate Foreign Relations Committee, Subcommittee on East Asian and Pacific Affairs, September 20, 2012); and “Joint Press Conference with Secretary of State Hillary Rodham Clinton, Secretary of Defense Leon Panetta, Philippine Secretary of Foreign Affairs Albert del Rosario, and Philippine Secretary of National Defense Voltaire Gazmin,” April 30, 2012.

When crises have flared, as in the April 2012 Scarborough Shoal incident, U.S. officials reiterated these principles publicly and urged the parties involved to act with restraint. U.S. officials have also sometimes played a quiet diplomatic role in crafting face-saving ways for the parties to de-escalate the crisis. In the Scarborough Shoal case, the United States reportedly brokered an agreement for both China and the Philippines to withdraw ships from the disputed area.³⁹ When China subsequently re-deployed paramilitary ships to the Scarborough Shoal and acted to reinforce administrative control over the area, a State Department spokesman issued a public statement singling out Chinese behavior.⁴⁰ When China responded to the Japanese government purchase of some of the Diaoyu/Senkaku islands from a private Japanese owner with increased air and naval patrols, senior U.S. officials reiterated that the islands are covered under the U.S.-Japan security treaty and warned that the United States would oppose “any unilateral actions that would seek to undermine Japanese administration” of the islands.⁴¹

While avoiding taking sides in maritime sovereignty disputes, the United States has sought to reinforce the principles discussed above, promote international rules and mechanisms for managing and resolving disputes, and fulfill its alliance commitments (including by helping its allies improve surveillance and naval capabilities). Secretary Hagel stated in June 2013 that the United States “stands firmly against any coercive attempts to alter the status quo. We strongly believe that incidents and disputes should be settled in a manner that maintains peace and security, adheres to international law, and protects unimpeded lawful commerce, as well as freedom of navigation and overflight.”⁴² Assistant Secretary of

³⁹Jane Perlez, “Philippines and China Ease Tensions in Rift at Sea,” *New York Times*, June 18, 2012; Campbell Testimony, September 20, 2012.

⁴⁰Patrick Ventrell, “South China Sea” (press statement, Washington, D.C., August 3, 2012), <http://www.state.gov/r/pa/prs/ps/2012/08/196022.htm>.

⁴¹Jane Perlez, “China Criticizes Clinton’s Remarks about Dispute with Japan over Islands,” *New York Times*, January 20, 2013.

⁴²Karen Parrish, “U.S. Following Through on Pacific Rebalance, Hagel Says,” *American Forces Press Service*, June 1, 2013.

State Daniel Russel reinforced that position in February 2014, testifying that “we firmly oppose the use of intimidation, coercion or force to assert a territorial claim [and] . . . take a strong position that maritime claims must accord with customary international law.” Russel stressed the importance of dealing with territorial and maritime disputes “peacefully, diplomatically and in accordance with international law” and criticized the lack of clarity in China’s South China Sea claims.⁴³

Conversely, China appears to be looking for opportunities to reinforce its sovereignty claims and expand its effective control over the disputed territories and waters, redefining the status quo in its favor via actions on the ground and in disputed waters.⁴⁴ Although China claims that its actions are responses to provocations by other claimants, a harder Chinese line is evident in actions such as Beijing’s November 2013 declaration of an Air Defense Identification Zone in the East China Sea and May 2014 oil exploration operations in disputed waters off Vietnam’s coast. Given the high domestic political costs of abandoning maritime sovereignty claims, Japan and Southeast Asian countries are unlikely to either give up their claims or reach an accommodation with China. As a result, regional tensions over maritime sovereignty disputes and associated regional concerns about Chinese military capabilities and actions are likely to continue and potentially increase.

Prospects and Implications for U.S.-China Relations

The United States faces a number of challenges in implementing the rebalance over time. One of the most pressing is sustaining U.S. military capabilities and commitments in the face of budget pressures. This is why

⁴³Daniel R. Russel, “Maritime Disputes in Asia” (testimony before the House Committee on Foreign Affairs Subcommittee on Asia and the Pacific, February 5, 2014), <http://www.state.gov/p/eap/rls/rm/2014/02/221293.htm>.

⁴⁴M. Taylor Fravel, “China’s Island Strategy: ‘Redefine the Status Quo’,” *The Diplomat*, November 1, 2012, <http://thediplomat.com/china-power/chinas-island-strategy-redefine-the-status-quo/>.

the Obama administration has sought to wrap the different elements of the rebalance in an integrated package. A second challenge is maintaining the willingness of the President and senior officials to travel to Asia regularly to participate in multilateral meetings. A third challenge is managing the domestic politics of regional free-trade agreements in ways that help the United States shape regional norms and are politically sustainable at home. This challenge delayed the Obama administration's efforts to formulate a regional trade policy. A fourth challenge is matching U.S. military and diplomatic commitments with increased private sector business activity. A fifth challenge is ensuring that a stepped up U.S. security presence does not encourage allies and partners to undertake destabilizing actions, especially with respect to territorial disputes. A sixth challenge is limiting the competitive dynamics of U.S.-China relations at global and regional levels.

Perhaps the most difficult task is making the rebalance robust enough to reassure U.S. allies and partners of U.S. capability and will to maintain a presence in Asia over the long term while not alarming Chinese leaders to the point where they forego cooperation with Washington in favor of a more confrontational approach. Finding and maintaining this sweet spot in U.S. policy poses a daunting challenge.

Two distinct critiques of the rebalance have emerged. The first, offered by Robert Ross, argues that the rebalance is "unnecessary and counterproductive." Ross views Chinese regional assertiveness as the product of weakness. "Instead of inflating estimates of Chinese power and abandoning its long-standing policy of diplomatic engagement, the United States should recognize China's underlying weaknesses and its own enduring strengths. The right China policy would assuage, not exploit, Beijing's anxieties, while protecting U.S. interests in the region."⁴⁵ This critique overemphasizes the military aspects of the rebalance, downplays Obama administration efforts to engage China, and neglects demands

⁴⁵Robert S. Ross, "The Problem with the Pivot," *Foreign Affairs* 91, no. 6 (November-December 2012): 70-82.

from U.S. allies and partners for reassurance of continued U.S. commitment to regional security.⁴⁶

The U.S. rebalance must be considered in light of the alternative of *not* responding to Chinese assertiveness. If the United States remained passive, Chinese nationalists would likely be emboldened and increase calls for China to use its military power to resolve outstanding territorial disputes. U.S. allies and partners in the region, already wary of China, would likely increase efforts to build their own military capabilities, perhaps even reconsidering longstanding nonproliferation commitments. The result might be increased regional instability and a potential unraveling of the U.S. alliance structure with nothing to replace it.

A second critique questions whether the Obama administration has devoted sufficient resources to the rebalance and whether the commitment to the Asia-Pacific can be sustained given budget realities and competing policy demands. A recent Senate assessment highlighted the need for more diplomatic and economic resources to be devoted to the Asia-Pacific and for a better coordinated “whole of government” effort.⁴⁷ Other critics cite President Obama’s cancelled trip to Asia due to the 2013 government shutdown, the impact of sequestration and budget cutbacks, and Secretary of State John Kerry’s intense involvement in the Syria crisis and efforts to broker a Middle East peace agreement as evidence of the administration’s inability to sustain the rebalance.⁴⁸

In diplomatic terms, President Obama compensated for the 2013 cancellation with an April 2014 trip to Japan, Malaysia, South Korea, and the Philippines, and will almost certainly visit China in November 2014 for the APEC summit. Secretary Kerry’s extensive travel to the Middle East

⁴⁶See Shawn Brimley and Ely Ratner, “Smart Shift: A Response to ‘The Problem with the Pivot,’” *Foreign Affairs* 92, no. 1 (January-February 2013): 177-81.

⁴⁷U.S. Government Printing Office, *Re-Balancing the Rebalance: Resourcing U.S. Diplomatic Strategy in the Asia-Pacific Region*, Majority Staff Report prepared for the use of the Committee on Foreign Relations, United States Senate, April 17, 2014, <http://www.foreign.senate.gov/imo/media/doc/872692.pdf>.

⁴⁸David Nakamura, “Promised ‘Pivot’ to Asia Falls Short,” *Washington Post*, April 17, 2014.

has not prevented him from visiting 10 countries in Asia and spending thirty-two days in the region in his first sixteen months, not far off Secretary Clinton's pace. Secretary of Defense Hagel has already made five trips to the region and is on pace to surpass all his predecessors. The 2012 economic data presented above documents a significant increase in U.S. trade and investment activity in the Asia-Pacific. However, critics are correct in pointing out that there has not been a parallel increase in foreign aid resources (other than that related to the war in Afghanistan) and that the prospects and potential impact of a TPP agreement are uncertain.

Although the Chinese media and potential scholars and military officers have criticized the U.S. rebalance in Asia and point to heightened regional security tensions, it is not clear that increased U.S. commitment to the Asia-Pacific region is necessarily bad for Sino-U.S. relations, much less that it signals the start to a new Cold War as some have argued.⁴⁹ U.S. policymakers have been careful to frame U.S. Asia policy in terms of U.S. interests in the region, and not in terms of containing China or frustrating its legitimate aspirations. Moreover, the two countries share many important common interests, including a shared stake in an open global economic system and a stable Asia-Pacific region within which both can prosper.

The United States has repeatedly provided assurances that it does not seek to contain or break up China; China has repeatedly provided assurances that it does not seek to expel the United States access to the Asia-Pacific region or to challenge U.S. global leadership. The problem is that neither side fully believes the other's assurances or trust that they will last as the balance of relative power between the United States and China changes over time. The lack of strategic trust between U.S. and Chinese leaders described by Ken Lieberthal and Wang Jisi is certainly real.⁵⁰

⁴⁹Lanxin Xiang, "China and the 'Pivot'," *Survival: Global Politics and Strategy* 54 (October-November 2012): 113-28.

⁵⁰Kenneth Lieberthal and Jisi Wang, *Addressing U.S.-China Strategic Distrust* (Washington, D.C.: Brookings Institution, 2012), http://www.brookings.edu/~media/research/files/papers/2012/3/30%20us%20china%20lieberthal/0330_china_lieberthal.pdf.

But strategic trust cannot be built by pretending that U.S. and Chinese strategic interests are perfectly aligned, or by ignoring the competitive element in U.S.-China relations. The United States and China certainly do not have a zero-sum relationship, but strategic competition is increasingly evident on a range of military and strategic issues. Each side is focused on the other's military modernization, deployments, and exercises. Improvements in Chinese military capabilities (especially A2/AD capabilities) are attracting significant attention from U.S. strategists; many of these Chinese development programs have been in development for many years and appear to be targeted specifically at U.S. military capabilities. Ignoring these competitive dynamics will not make them go away.

What is important is for the two sides to find ways to expand and deepen the scope of cooperation on common interests and to find ways to limit and manage the competitive aspects of U.S.-China relations.⁵¹ Senior political leaders on both sides need to remain actively engaged and make full use of summits and other mechanisms to articulate common interests and areas for expanded bilateral cooperation. Actions and statements by top leaders set the overall tone for bilateral relations, especially in China. U.S. and Chinese leaders should also consider decisions about military capabilities and regional policies in light of the potential impact on bilateral relations.

In this light, the June 2013 Sunnylands summit meeting in California between President Obama and President Xi Jinping (习近平) is a significant and encouraging sign. According to a U.S. official, the summit was intended to provide a "wide-ranging, informal setting for discussions between the two leaders" that will "allow them to cover the broadest possible agenda, but also to forge a working relationship that we will be relying on very much in the years to come."⁵² As then-National Security

⁵¹Phillip C. Saunders, "Managing Strategic Competition with China," *INSS Strategic Forum* 242, July 2009, http://www.ndu.edu/inss/docuploaded/SF242China_Saunders.pdf.

⁵²"Background Conference Call by Senior Administration Officials on the President's Meetings with President Xi Jinping of China" (transcript of teleconference, Office of the Press Secretary, the White House, June 4, 2013).

Advisor Donilon put it, “We do not want our relationship to become defined by rivalry and confrontation . . . a better outcome is possible. But it falls to both sides—the United States and China—to build a new model of relations between an existing power and an emerging one. Xi Jinping and President Obama have both endorsed this goal.”⁵³

There are several specific measures the two sides could adopt to manage the competitive aspects of bilateral relations:

- Keep the competitive dimensions of U.S.-China relations within the context of a broader, generally cooperative relationship that is vital to both countries. Both sides should be careful not to let concerns about worst-case scenarios and unlikely contingencies drive the broader relationship and limit cooperation on important issues.
- Avoid “zero-sum” conceptions of regional security and competition for influence. Stated U.S. and Chinese regional goals are not necessarily incompatible; a loss for China is not necessarily a gain for the United States. Both countries should recognize that smaller countries want the United States and China competing for their favor, which is not necessarily in either’s interest.
- Place some limits on competition that might make both sides worse off. Unrestrained nuclear competition or all-out efforts to weaponize space would require huge investments that might ultimately produce no strategic advantages once the other side’s response is factored in.⁵⁴
- The United States should continue to encourage and support Chinese efforts to take on more responsibility for sustaining and supporting the international system; China should look for opportunities where it can contribute to shared goals even if this entails some domestic economic sacrifices.

⁵³Donilon, “The United States and the Asia-Pacific in 2013.”

⁵⁴See David C. Gompert and Phillip C. Saunders, *The Paradox of Power: Sino-American Strategic Restraint in an Age of Vulnerability* (Washington, D.C.: National Defense University Press, 2011), <http://www.ndu.edu/press/paradox-of-power.html>.

- Expand bilateral and multilateral security cooperation. Competitive dynamics will limit cooperation in some areas, but there are important opportunities in matters such as peacekeeping, humanitarian affairs and disaster relief, infectious disease control, counter-piracy, and energy security where both countries can make important contributions. Cooperation on these issues could help balance the more competitive aspects of relations.
- Prepare for the unexpected. Developments on the Korean peninsula or elsewhere might require both the United States and China to employ their military forces in close proximity. The two militaries should find ways to discuss potential contingencies and how they might share information, deconflict operations, or work together in various scenarios.

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