CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

ASIA’S RESPONSE TO CHINA’S RISE

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MICHAEL SWAINE: Well, good morning. I think we can begin. I think we have close to a quorum if not. My name is Michael Swaine. I’m a senior associate here at Carnegie in the China program. And it’s my pleasure today to be monitoring this event; which is on a very interesting – in many ways – very timely topic that I think is on the minds of a lot of people who analyze Asia, and the U.S. position in Asia. And that is, “Asia’s response to China’s emergence.” And presenting thoughts on this based on a recent RAND study will be Evan Medeiros, on my left, who headed a team of RAND experts who conducted a study of this topic using both interviews and documents, holding data, a variety of different methodologies to address a range of questions that I assume were on the minds of the sponsor regarding China’s role in Asia and its impact.

And so Evan is going to present the results of that study. All of you know Evan, I think. He is a political scientists at the RAND Corporation here in D.C. But prior to his rejoining RAND, he was for – how long? A year?

EVAN MEDEIROS: One year.

MR. SWAINE: One year. He was a policy adviser to the special envoy for China for the strategic economic dialogue at the Treasury Department, in which capacity he served there as – he was sponsored by the Council on Foreign Relations and International Affairs fellowship program. He is a specialist on international relations of Asia, Chinese foreign- and national-security policy, U.S.-China relations and Chinese defense industrial issues and has written widely on those subjects for RAND and in other journals, in journals outside of RAND.

And commenting on this presentation and the issues that it raises, we’re also very happy and privileged to have Professor Michael Green here to my right. Michael is a senior advisor and holds the Japan chair at CSIS as well as being an associate professor of international relations at Georgetown. As many of you know, Mike served as special assistant to the president for national-security affairs and as senior director for Asian affairs at the National Security Council during the Bush administration.

Before that he was senior fellow for Asian security at the Council on Foreign Relations and had served also in the Department of Defense as senior adviser and consultant to the Office of Asian and Pacific Affairs at DOD. And prior to that Mike’s been at IDA, Institute for Defense Analysis, and at SAIS – and you always learn new things when reading people’s biographies, an alumnus of Kenyon College, which is where my brother also went to school, which is from – many of you probably don’t know, a small liberal arts college in rural Ohio, but a very good one.

In any event, we will start with Evan, give his presentation. He’ll probably go about 20, perhaps, 25 minutes, no more than that. And then Mike will comment for about 15 minutes or so. Does that work? And then we will open it up to question-and-answer. I want to make sure we have plenty of time for Q&A because I know this is a topic that a lot of you are interested in, and there are a lot of issues to explore. So, Evan, the floor is yours.

MR. MEDEIROS: I’m going to speak from here so I can work my slides. I’m going to thank everybody for coming today. This research on regional responses to the rise of China is part of a growing body of RAND Corporation research looking at assessing the rise of China. Our study really is, I think, the best of what the RAND Corporation brings to offer in the sense that we take a
policy relevant issue, we put together an interdisciplinary team of social scientists; we use real social-science methodologies.

And, I think we’ve produced a study, “Pacific Currents,” which is online – you can download it for free – that provides a fairly in-depth analysis. And I think it’s an analysis that would have been very difficult for any one person to do. So it’s really what RAND does best. It puts together a collection of people; in this case both Asia specialists and international economists that provide a wide-ranging and pretty in-depth study.

What I’d like to do is begin by talking about the research questions and methodology. I’m going to highlight the top-level conclusions. I’m going to introduce to you in a brief way some of the country-specific responses and then summarize our key conclusions – and do all of that in 25 minutes.

The key questions that motivated us were the core questions any social scientists would ask about state-to-state interaction. It’s the what, the why and the so-what questions. The what question is: How are countries in the region responding to the rise of China? The why question is: What’s driving these responses and how are these drivers going to change? And I would argue that we provide some really robust and unique insights in the why question.

A lot of the research that has existed has explained what’s going on in the region. I think we do a pretty good job of explaining why and predicting where that might go in the future. And then, of course, being the RAND Corporation we’re most interested in the implications for U.S. policy. These questions are important, indeed critical, for very obvious reasons, the fact that China’s rise by dint of both its large economy and its increasingly sophisticated diplomacy is changing its relations with countries throughout the region.

The reactions of U.S. allies and security partners are of particular importance because we feel that those are central to sustainment of U.S. regional strategy in the region. And also the research that has been done to date has been of a somewhat limited or narrow scope, and a lot of it has been anecdotal. And we feel like we bring pretty sophisticated approach to doing so.

So let me explain what our methodology was. Our methodology in social-science terminology is called “structured focus comparison” and it has two parts. The first part is a selection of case studies. The case studies are the ones that you can see on the slide. It’s the five countries in Asia with which the U.S. has mutual defense alliances and then Singapore, which we consider a major security partner. These countries are particularly important because, obviously, they are allies and major security partners.

But the six countries also nicely represent both strong and weak governments, mature democracies and ones that are a little bit younger and also those with robust and more fragile economies. Also, this selection of six countries provides an interesting assortment of those countries that have had both long-standing historical ties to China, and more limited ones. And all the data that we used for this was collected in the 2005 to 2006 time period.

So the first part of the methodology is choosing six countries and choosing them well. The second part of structured focus comparison is analyzing those six countries in parallel. And what we did was – we chose to assess their responses to the rise of China in four areas. And those are the
four areas that you can see on the slide: domestic politics and public opinion, economics, diplomacy and defense policy.

So in each one of the chapters it’s structured in this way. So we’re assessing their responses to China in parallel. So, essentially, to summarize what we did, there are six case study chapters in the study and in each one of those categories we looked across. The benefit of this approach is that it also allows you in the conclusion to then look across the functional areas. So when we want to understand what kind of functional issues are driving the responses of key countries in Asia, we can make some general conclusions about what role domestic politics, for example, has or doesn’t have in driving regional responses for the roles of defense policy. And those kind of summary claims are detailed in the conclusion.

Let me now highlight some of the top-level conclusions, and if you remember anything from this presentation, remember the next four sides. The first and most important high-level conclusion we found is that none of the countries we surveyed see China as a viable, strategic alternative to the United States and the alliance-based system, that, in fact, the United States remains the security partner of choice in the region for the six countries we looked at; that their engagement with China, their embrace of China in recent years is largely driven by an economic logic, but that consistent U.S. efforts are necessary to maintain the continued relevance of that security framework.

That said, China is certainly changing the conversation of the nature of our alliances in East Asia. Most obviously the allies and partners that we’ve looked at in this study want to better position themselves between the United States and China. So in particular that manifests in behaviors in which nobody wants to choose between the United States and China.

But also, the rise of China in importance, in their national security calculations, also means in some instances, U.S. security commitments actually are more important because they provide the background with which these countries can more confidently engage China. But that said, as these countries develop their, or have developed their relations with China, what we found is that they often selectively want U.S. involvement or U.S. engagement in particular, sometimes in certain ways, at certain times and on particular issues do they want U.S. involvement in their national policy-making.

We also found that China is undoubtedly gaining influence with these countries. It looms larger in all of their national calculations, but specifically their national calculations related to economic and diplomatic policy-making. We found that China was most successful at influencing state policies in two ways: first, at sensitizing these countries to China’s preferences and interests, most specifically on the issues of Taiwan, Tibet and human rights. We also found that China was quite successful at influencing their efforts at what we call, kind of, counter-containment or counter-constraint. China was good at preventing the development of, kind of, anti-China efforts, at encouraging these countries not to become part of any, kind of, balancing coalition.

What we didn’t find was that China was having any success at gaining what we called “offensive influence.” That would be influence at which China could degrade or dismantle U.S. alliances or partnerships in East Asia. We also found that as China was gaining this kind of defensive influence and shaping some of the preferences of countries in East Asia, that the regional consensus favoring the engagement with China also had a very tentative quality to it. In many ways, we were surprised that even though these countries were trading with China more, recognized that
China was playing a bigger role in their diplomatic calculations, that China was never able to kind of seal the deal with them. There was uncertainty about China’s future, concerns about both a weak and a strong China creating instability in East Asia, but also fears about China as an economically competitive threat.

Another major finding was what was not occurring, or kind of non-events. There were issues that we thought might arise that we were surprised – we were surprised that they didn’t. And the two most obvious ones was, number one, there was no sense of an incipient Chinese hegemony. Regional states were not kind of climbing on a Chinese bandwagon, and in fact, their expectations of China were not such that they thought that China would eventually just become the hegemon of the region. In fact, many countries feared a Chinese domination, and you’ll see when I detail the country-specific responses that much of their regional diplomacy was informed by this particular issue.

Another major finding of a non-event was that there’s no incipient East Asian arms race, at least not yet. There was no regional rush to expand military budgets or force structures in reaction to PLA modernization. Now, we felt that this is something that could potentially change in the future, depending on the direction of PLA modernization, but that it wasn’t developing quite yet.

Now, let me run through some of the country-specific responses, and I’ve got six slides here where I detail some of the country-specific responses. But I don’t want to talk in detail because that would take me far longer than 25 minutes, but also to just give you a general sense or flavor of the responses of the six countries that we looked at.

In terms of Japan, what we found was that their responses to China were interesting in terms of the diversity of it. Unlike any of the other countries we found, China was increasingly a political issue among both, for several of the political parties in Japan, greater willingness to cite the China threat in political debates and declining public support for both bilateral ties with China and just general friendliness. And these results were further affirmed when the Cabinet office released in mid-December their newest survey data, which suggested that antipathy towards China has increased yet again in Japan, and the sense that China-Japan relations are in a good place have declined even further.

Yet, despite those views of public opinion in Japan, the economic-diplomatic defense policy trends are not necessarily going in the same direction. China has not become Japan’s top trading partner, and unlike a lot of the other countries, trade is growing, it’s complementary, it’s relatively balanced. Japanese investment in China is up pretty substantially, and among the business community, China is seen as important to future growth and prosperity. Diplomatically, since 2005, we’ve seen efforts to stabilize bilateral relations and Japan also, importantly, has sought to diversify its security partners in the region, not only with the United States, but other major actors such as Australia, India and ASEAN states.

What was most interesting was, given the level of concern in Japan about China, you didn’t see it necessarily reflected in defense policy. Among defense intellectuals and defense planners, there’s clearly growing concern about PLA modernization, but it’s not reflected in defense spending, which has been relatively flat. And to some extent, but in very limited ways, China has played a greater role in defense planning in the East China Sea, for example.
Australia presents a very different picture. In terms of domestic politics, China doesn’t figure, and there’s a general – generally positive views about China in Australia. In terms of economics, like with the other countries, you see growing trade and investment relations. Diplomatically, though, you see a kind of classic mixed-states strategy, or a hedging strategy, as some people like to call it, in which the Australians are engaging with China in order to give it a greater voice in East Asia to try to shape its intentions. But at the same time, its regional diplomacy is focused on maintaining U.S. influence, making sure the United States remains involved, and preventing any kind of incipient Chinese domination from developing.

Defense policy – the defense policy responses by Australia were particularly interesting because they’re very quiet, very below the surface, something the Australian government does not want to emphasize, but PLA modernization is a growing concern. I think we’re likely to see that when the new defense white paper is published, probably in the next coming months.

And you see a consistent investment in long-range air and naval capabilities as a result of a recognition that Australia may have to participate in, quote, “high-end coalition operations with the United States.” The Australians have been very good at reaching out and working with the Chinese military, to the extent that any country can do that, to try and shape its intentions.

Singapore has a similar mixed-state strategy approach, in which it – economically, the Singaporeans see China as critical to or at least central to the creation of this integrated production chain, especially related to electronics in East Asia, which Singapore as a key re-export hub in the center of that. And as China has created this integrated production chain in East Asia, Singapore wants to position itself as a key hub for trade services, other business services, and eventually in the future as a hub for financial services akin to New York or London. And they see China as an important driver of that.

Their diplomacy is very focused on making sure the U.S. remains active and involved in East Asia and that China does not displace the United States as the dominant power in the region, but they’re also engaging China, to give it a voice and to shape its views. Its regional diplomacy is very involved in making sure that China doesn’t dominate ASEAN. And Singapore was very involved, for example, in making sure that the Chinese didn’t play the leading role in shaping the East Asia Summit. Initially in 2005 and then subsequently, China doesn’t figure much in defense policy.

South Korea presents a little bit of a different story, because it had a very steep spike in relations, economic, diplomatic relations, and I think it’s starting to cool off. In terms of economics, China factors very significantly. It’s now South Korea’s top trade and investment partner. But we see that plateauing now because the competitive pressures from trade and investment with China are growing, especially as China moves into higher value-added production, especially in economics, like semiconductors, and Chinese exports are presenting competitive threats for key industries in South Korea like autos and shipbuilding, especially in third-country markets.

Diplomatically, China doesn’t figure significantly, but what’s been – what was most interesting in the latter stages of our research was the fact that there was a growing number of concerns or disputes in terms of China-South Korea relations. Some of you, I’m sure, are familiar with the debates about the ancient Koguryo kingdom, and also Chinese economic investments in North Korea.
So I think in terms of both economics and diplomatic issues in East Asia, there’s a growing concern that perhaps there are some real challenges associated with maintaining a stable relationship with China. And I think that that’s definitely led to an end in the honeymoon in China-South Korea relations, and there’s a lot of questioning going on in South Korea now about how best to manage the relationship with China.

Now, the last two countries I’ll talk about, Thailand and the Philippines, are really qualitatively different than the first four countries that I talked to because they are politically and economically weaker countries than the others and, in particular, they’re so internally focused. And that domestic preoccupation, internal focus, has an enormous influence on shaping their responses to the rise of China, because it’s really their internal focus that has led them not to be heavily focused on the rise of China.

In particular, in terms of public opinion and domestic politics, there’s a generally positive view about China. In both Thailand and the Philippines, China is seen as an economic opportunity, but only in a very diffuse sense. There’s no specific reason why there’s positive public opinion. It’s also very unclear whether or not public opinion in these countries have had a significant role in shaping elite policy.

With both countries, especially with Thailand, trade and investment with China is way up. China is seen, rightly so, as a key to future prosperity. But what’s interesting with both Thailand and the Philippines is that trade and investment with China also has a very competitive element to it, much more competitive than, for example, China’s trade relations with Australia or Japan.

In terms of diplomacy, to the extent that diplomacy is even a priority with the current Thai government, the current Thai government is so focused on the classic Thai priorities of working with ASEAN and working with South East Asian states that China doesn’t figure nearly as significantly as it did under Thaksin, who clearly had a kind of strategic outreach to China as a way to raise the level of that bilateral relationship. You don’t see that kind of strategic approach to China under the post-Thaksin government.

In terms of defense policy, China just doesn’t factor significantly for either the Thais or the Filipinos because they’re focused on internal security threats, especially counterinsurgency and counterterrorism operations. And you’ve seen flat – relatively flat defense spending. As I mentioned, the Philippines, because economic and political issues so dominate their thinking, they – China is just not a major factor in their national policy-making. And when China does emerge, it’s often as a kind of diffuse economic opportunity, and leadership – the leadership in the Philippines is clearly interested in raising the level of economic interactions with the Philippines.

But what’s most interesting with a country like the Philippines is that even though trade, for example, has grown so extraordinarily over the last 10 years – I mean, exports themselves are up about 14 percent – that trade is actually not that big a driver of growth in the Philippines. For example, the greatest source of external revenues, interestingly, is remittances, which is about 25 percent of all merchandise exports, which is really quite significant. I believe that among all the countries that we looked at, all six, that trade with China as a percentage of GDP is one of the lowest for the Philippines, even though trade has grown so significantly.
What’s most striking about the Philippines, though, is the fact that 10 years ago, that concerns about China – China as a threat, especially due to their maritime territorial disputes, was at an all-time high. And we saw very little of that. China was seen as, basically, a benign power in the region, a country that we can work with. And as a result, China interestingly, even though both countries have not resolved their disputes in the Spratly Islands, defense spending has not been driven by external security threats, certainly not by China. In fact, we were surprised by the degree to which the government in the Philippines has let their air and naval capabilities atrophy, to the extent that they really have no capability to police their claims in the South China Sea.

Now, what I’d like to do is just briefly look across the six countries, at the functional areas. And what we found is that first, in terms of domestic politics and public opinion, that these issues were not a significant driver of national responses to the rise of China, with limited exception of Japan, that there was generally positive views of China, suggesting that China’s reassurance, or charm offensive, has been quite effective and that, in fact, China factors quite significantly in the expectations of these countries about its growing importance.

Though, in a few of the countries, there is kind of incipient concerns: Japan, Korea and Australia, in particular. So even though they’re generally positive views, I think there is a gradual reassessment going on in some of the six.

In terms of economics, trade and investment has expanded for all of these countries. China is seen as critical to future prosperity, but with several of the countries, trade is seen as increasingly competitive, costly and complicated. So this notion that just because countries are trading with China more, that that suddenly means they’re going to fall into kind of a Chinese orbit or a Chinese sphere of influence I think is a highly, highly underspecified plane, and we found limited evidence of it.

And as a more general proposition, when you look at the way in which trade is conducted in East Asia, in this regional production chain, that the ability for China to try and translate its trade and investment ties into political influence would be a very, very difficult thing to do. We can talk about that more in the Q&A if you’d like to, but I think it really calls into question some of these actually very prominent claims in political science about how trade and investment relations can shape political relationships. We actually found that that is far, far harder to do and that China probably wouldn’t be successful if it tried.

In terms of diplomacy, we found three major trends across the six countries: Number one, they’re all engaging China more. And that’s, I’m sure, well known to all of you, because they want to expand their opportunities for trade and investment and they recognize that China just weighs more heavily in all regional debates about institutions and multilateral processes.

But we also found, at the same time, that these countries in their diplomacy are diversifying. They’re diversifying in part because of China, but they’re also diversifying because they recognize that that’s just a good state strategy. And so they’re diversifying by expanding links with the United States, with Japan, with India, with ASEAN countries as well. And as I mentioned, a very consistent theme in their diplomacy is gradually expanding ties with the United States and pushing the United States to have a more active and more relevant role in the region.
In terms of defense policy, the three major trends that we found were that threat perceptions about China varied quite significantly from very high in some countries, like Japan for example, to almost none in other countries. We found, as I mentioned, no region-wide military buildup, and we found that all the countries that we looked at were very interested in expanding alliance cooperation.

Now, they weren’t doing that as a way to, necessarily, balance China, but clearly, as they extend their alliance – expand their alliance cooperation with the United States, that has real implications for the geopolitical space with which China has or doesn’t have to expand or grow its influence.

Now, I’ve got two more slides left on implications for the United States. Firstly is that I believe, as a result of this study, that the U.S. remains very well positioned to achieve its core goals of deterring, reassuring and restraining countries in East Asia. That the U.S. does not face a crisis of confidence and that the foundation of U.S. economic and security presence in East Asia remains pretty robust. That said, it’s still quite early in the whole process of Asia’s reaction or accommodation to China’s rise. The region is still coming to terms with what that means, and so I think there is room for the United States to further bolster the legitimacy and the credibility of its classic role in the region.

But in doing so, we need to be sensitive to the changing constellation of equities, and I use that term very specifically, because I really see it as a changing constellation of equities. In particular, none of the countries in the region want to provoke China or be drawn in to any kind of conflict with China. Nobody wants China to dominate, nobody wants the United States to leave East Asia, and the legitimacy of the U.S. role needs to be strengthened. I think there’s a recognition that the United States could be more active and more present and extend the basis of its legitimacy in East Asia.

And that goes to my final slide about policy recommendations, that I think the United States needs to think about a more differentiated strategy that involves greater involvement in multilateral economic and security institutions, both rhetorically and substantively. And I see that as a way to broaden legitimacy of the U.S. role in East Asia. That involves a greater appreciation of countries in East Asia’s economic and security interests, and in part that means that if the U.S. chooses to take a very highly competitive approach to China, that that has real costs associated with it.

There’s lots of debates in Washington about how you, you know, address China’s growing presence and influence in East Asia. And one of the possibilities that’s discussed is taking a competitive approach. And it’s important to recognize, and I think this is a major finding of our study, is that a competitive approach not only has implications for our relationship with China, but it could alienate our allies as well.

And it was clear from our study that the U.S. ability to continue to provide the classic public goods to the region is important, and we need to continue to do so as the basis for legitimacy and credibility of the U.S. role. So why don’t I end there, and I look forward to Mike’s comments.

MR. SWAINE: Thank you, Evan. Go ahead.

MR. MEDEIROS: Oh, you can take long.

(Laughter.)

MR. GREEN: Add a few updates, little critiques, points of emphasis on some of the specific country assessments, and then finally talk about the implications and some big questions this raises about U.S. policy, some of which Evan touched on at the end, about values, about the impact of the financial crisis, alliance management and so forth.

But first, let me start with the book. It’s terrific. If you haven’t read it, don’t be deterred by the rigorous social science methodology, by the matrix approach, by the framework – it’s very readable and for any of you who are experts on the region will resonate, but with data and proof and interviews. And it’s particularly useful if you focus on one or two or three of the countries and you want to look for comparisons.

It’s an important book. I think it’s, frankly, the most important book representing this idea of how states in Asia are responding to the rise of China. There’s a cottage industry now of books arguing that China is dominating Asia with the Beijing consensus and soft power. They’re selling very well. This is the antidote. Read this before or after you read any of those.

There’s also a small cottage industry arguing that international relations today are dominated by new factors, that suddenly the world has changed, that we’re in a non-polar world, a world where balance of power doesn’t matter, where states don’t matter, where transnational issues and challenges should dominate. There’s something to all of that, but the structure of international relations hasn’t changed all that much in Asia since Thucydides was writing, or Morgenthau, or other basic neo-realists. So this sort of reminds you of that and is a very useful antidote but doesn’t fall into one simple ideological frame of mind. It looks at economic factors, looks at ideational or ideological factors and is a very balanced presentation, and I think people will have a hard time arguing it’s wrong, except in a few little nitpicking areas I’ll come to.

The book captures, also, very nicely the complexity of international relations in the region, the combination of competition and cooperation, and also I think is very important because it opens up states and looks inside to see, who are the winners and losers in expanding relations with China, economically and politically? That’s very important because that explains a lot of the dynamics within countries like Korea or Japan.

It very usefully points to the centrality of the U.S. role. And in many ways, the fact that we are the biggest variable for many of our partners, not China, China is the secondary variable. What we do is going to be more important. That’s, I think, between the lines. It’s for the Air Force, so RAND has to be a little bit polite, but it comes out quite clearly.

And it resonates with some other recent polling and survey work done. The Chicago Council on Global Affairs had a very interesting study last summer, that some of you may have seen, on soft power across five countries in Asia. They measured the power of ideas, of commercial relations, the influence of diplomacy of five countries. And the U.S. came in at number one in every category in every country, and Japan came in second and China was third, in terms of the influence of their soft power, which helped to correct and add some nuance to some of these arguments.
about growing Chinese soft power. There is growing Chinese soft power, but it put it into perspective.

And also, it resonates with a report – and this is my plug – that CSIS has coming out shortly. We did a – of 350 strategic elite in nine countries in Asia about the future of regional architecture and regional order and our findings – we’re going to release this on February 17th at CSIS, but our findings very much resonate with this report by RAND. To give a few little teasers, across the region very high expectations that China will supplant the U.S. in 10 years as the more powerful country in Asia.

It surprised us actually, how deep that expectation was among elites in the region, but a very pronounced preference for the U.S. as the security guarantor – in some countries like Korea 95 percent – and we were very careful to have a broad ideological representation – 95 percent said that in 10 years the U.S. will be the most important force for peace and stability in the region and even in China the number was fairly high – (chuckles) – saying that the U.S. will be the leading force for peace and stability.

Broad endorsement of the idea of institution-building in Asia but then when we asked more specific questions, very little confidence in regional institutions in 10 years and an expectation that alliances, national military power and global institutions like the IMF and the World Bank, U.N. will continue to be the most important guarantors of peace and stability. So a few surprises, I think it bears out a lot of the findings in the RAND report. We’ll invite Evan to come to that one and you can critique us back.

But that’s – we’re doing that February 17th. I think this is a useful trend in analysis here in the U.S. We’re starting to look at some of these issues and trying to use data and trying to use a methodology so we’re not just making it up as we go along and this book is one of the best examples. Okay, a few quibbles and updates: Japan, which is my main area of expertise, I thought the scholars in this book pretty much nailed right on the head – got it very much right. I started arguing about 10 years ago, a little more than that, that some of these trends were coming out in Japan’s foreign policy as the result of the rise of China and I think that this is a very balanced catalogue of those.

Just a few little quibbles, though. Public opinion – I was surprised by the most recent data, actually, showing that the Japanese public thinks that relations with China are being managed badly – actually deteriorating. That is not what you hear from the foreign ministry, the business community, their prime ministers’ office where they feel like, after the Koizumi era, Abe and then also Aso have done a pretty good job and so have Hu Jintao and Wen Jiabao of managing relations. So I’ve wondered why is the polling so bad and it’s one cautionary tale about public polling as a tool.

Two factors in the case of Japan – one is Jiaozi dumplings. When Japanese think China most of them think poison dumplings. (Chuckles.) Are they going to go to war or increase the defense budget to stop poison dumplings? No, but it’s sort of polluted the national mood over China because it’s been one of these, you know, day-time TV stories that just pounds away again and again. The other thing is, in the Japanese polling these days they’re negative about everything the government does: They say the U.S. relationship is being managed worse, the economy is being managed worse, immigration is – so basically this is set against an overall failing grade for the government in every category by the Japanese public.
But it does point to how difficult it is to sort of manage public opinion and for governments to try to rebuild relations with China when they do get in trouble. I think the – just probing a little bit deeper – the book usefully highlights things to watch for in terms of regional reactions and I would add on the list to Japan a few things that weren’t mentioned – two things in particular.

One is the F-22, the F-X, especially for the air force. What decision Japan makes on its next air superiority fighter and even more so what decision we make in the United States about what we’re willing to release in terms of technology will be a real litmus test – a real indicator, I think, for the Japanese public about how reliable the U.S. is going to be in helping Japan maintain a deterrence and defense capability against a rising China. And I think that’s one thing that I would have emphasized a little bit more, which is sensitive they have to be to our allies – especially Japan, but not just Japan – to our allies’ focus on our capabilities, their capabilities, war-fighting.

In other words – Evan made a good point at the end – if we push a confrontational or competitive strategy towards China we’ll alienate our allies, but if we’re too soft, if we’re too accommodating, if we look like we’re too worried about the so-called security dilemma, about Chinese reactions – that will also have a very negative effect that will begin to shift the dynamic especially in Japan, but I would argue in other allies as well. So right now the report accurately notes that most of the response is what political scientists call external balancing, you know, building partnerships, relationships, moving more closely to the U.S. as a hedge and to balance China’s growing power.

Very little internal balancing, which would be trying to match China. China’s defense budget is growing 12 to 18 percent a year; Japan’s is basically decreasing; Korea’s is slightly increasing and so is Taiwan’s. They’re not doing internal balancing – they’re not developing the capabilities, the weapons, nuclear weapons to actually match China. They’re relying on external balancing on the U.S. and on, in the case of Japan, new partnerships with Australia, India. Not hard security commitments but just diversifying their playbook.

We need to be very conscious of hard power and of how credible our hard power is if we want to maintain stability in the region and ensure that this somewhat healthier external balancing is the norm and not an arms race or internal balancing as countries start hedging on their own. Other small quibble on Japan: The history issue is a problem for Japan; it limits Japan’s influence. On page 58 somebody recommends that the U.S. should no longer be quiet on the history issue. Having spent five years in the White House, let me tell you that, while we were publicly quiet about the history issue, this was not absent from discussions among trusted partners in Tokyo. But to move the history issue to a public dialogue between the U.S. and Japan would be incredibly self-defeating for us because the enemy would no longer be China, it would be us. Remember, in Japan there’s a strong sense of victim status because of Hiroshima and Nagasaki, so dangerous game to play that publicly. But the basic point is right: It hurts Japan’s position in Asia and we need to find a way quietly to help our friends in Tokyo understand the strategic implications.

The chapter on Korea really nicely captures the shifting Korean attitudes towards China. The honeymoon, I think, is largely over. The polling, if anything, since this research was done indicates even more Korean suspicion of China and a swing towards trust in the U.S. I once got 20 years of Korean polling about the United States and looked at it and it’s very volatile – (chuckles) –
so we have to be careful about straight-line projections. It’s a love/hate relationship – much, much more love now than hate. But if anything in the last six months or so since the research I think it’s increased.

I think the Korea chapter also points out one of the important recommendations, which is if we push too hard in the U.S. for a competitive relationship with China among our allies in some places like Korea we can weaken our position. The example would be strategic flexibility, when we pushed a few years ago for Korea to give an explicit guarantee that U.S. forces would have strategic flexibility, the obvious implication being Taiwan. You know, it’s a classic lawyer’s lesson: You don’t ask a question in the answer if you don’t know the answer – (chuckles) – or you’re afraid the answer will be no and we asked the Koreans for something that they couldn’t say yes to.

It came out as a no and I think that weakened our position vis-à-vis China and it made it look like the Korean Peninsula was in play. And it’s bad for us and bad for regional stability if Beijing thinks that South Korea is in play. As we say when President Lee Myung-Bak went Beijing in June – it was in June, right? – and the Chinese foreign ministry spoke and said the U.S.-Korean alliance is a relic of the Cold War. There’s a lot of debate about what that meant and whether it was an accident or a slip of the tongue. I think there was a lot more substance to that statement.

Australia I also thought was quite nicely done – a lot of writing about Australian views of China in academia these days sort of act as though Australia’s gone over the edge; we’ve lost them, the Chinese have swallowed them. I think this captures very nicely the complex but quite sophisticated Australian view of China and the U.S. We’ve had probably six months or a year to watch Kevin Rudd since this research and I think the authors are careful not to prejudice too much would Kevin Rudd go.

I don’t know who wrote the Australia chapter but –

MR. MEDEIROS: Me.

MR. GREEN: Well, it’s brilliant then. (Laughter.) You rightly point to the defense white paper as something to look for and I think – my sense is that the defense white paper, while it will not be explicit about the China threat when you look at the numbers and the order of battle and so forth, it will be pretty clear that the Rudd government is not oblivious to – (chuckles) – challenges posed by China’s defense modernization. And on human rights and other things the chapter says that there may be calibrating to China. I think less calibration than perhaps maybe you, Evan, or others expected.

I think Rudd’s actually been pretty good. He’s had some missteps; his long travel through China without going to Japan was reminiscent of Japan-passing in 1998. A lot of people warned Rudd that would happen and he should go to Japan. He learned at lesson; had a very good trip to Japan after that. The foreign minister’s dismissal of a U.S.-Japan-Australia-India quad was a little bit clumsy and frankly unnecessary because the idea had already been killed by Secretary of State Rice.

So there were a few things like that that got a lot of press play, but for the most part I think Australia’s been quite strategic in managing this complex relationship well. Yeah.
MR. MEDEIROS: I was just going to say – just to add to this, because Australia is a fascinating example and it’s very instructive for how highly developed economies and democracies respond to the rise of China. In the case of Rudd, you know, this thing was going to the printer more or less as Rudd got elected so there was limited space to update it. But basically the issue was – and it will be interesting to see how this plays out – as the author of the chapter I was less concerned about how Rudd would react because there were pretty strong indications that he had a very balanced approach to China.

Rather, the question was, you know, now that you have a new labor government, how would the political context in Australia change or not change that would either constrain or enable his ability to advance what I thought was a very balanced approach to China? So the x-factor was less Rudd himself, but rather the political room he would have to advance his agenda.

So that was kind of the argument and I very much agree with Mike that we’ve seen it play out in such a way that he’s had a very balanced approach, he actually recognizes both the security and the economic challenges posed by China’s rise and he hasn’t really been constrained by some of the more activist parts of the labor party that I thought possibly could constrain his ability to advance that.

MR. GREEN: I think that’s right and Rudd has been his own China-desk officer, so he’s – (chuckles) – kept a tight reign. Personnel matters, I mean, people are asking what the Obama administration’s China policy will be and a lot of it depends on who goes to what jobs and you were probably wondering that when you were in Australia as well because there are some intellectuals around ALP – around the labor party – who do argue for more of a multilateralist – I would say accommodationalist – stance and I don’t think their influence has been that great.

People also need to remember that, while Australia’s economic – and you mentioned this – Australia’s economic relationship with China is expanding as essentially a commodity exporter – in many ways Australia is – it is China that is the demander. (Chuckles.) Australia has what China needs more than the other way around. I think people recognize that in Canberra.

Okay, finally, very quickly Thailand: Very good chapter, my only question would be, with Abhisit as prime minister and Kasit as foreign minister – how much does this change in Thailand in terms of Burma policy and China? I think it changes from Thaksin but how much depends on how much political stability there is in Bangkok, which is still unfortunately a question mark. And then finally, although you did partners and allies – Mongolia, Vietnam and to some extent Indonesia are exhibiting a lot of similar behavior, I would argue.

Okay, the big questions – and I’ll try to be brief – we have external balancing as the primary response and the obvious question is how long does external balancing continue before our partners and allies switch one way or the other. Obviously, one way would be accommodation. But based on your survey I think the argument would be that long before accommodation, if there’s a shift it’s going to be more hedging, certainly among the northeast Asian powers and perhaps Australia would fit in that as well and maybe Singapore.

In other words, more pronounced hedging in the form of counterstrike capabilities and things like that. How long can China’s defense budget grow like this and how confident will countries be in this external balancing? For Japan, this new relationship with Australia is that – it’s
new in security. With India it’s very new. There’s an excitement about it; there’s a sense among Japanese politicians and I suppose in India and Australia as well – it’s some new security partnerships that give more variety of tools potentially.

But at the end of the day if China, if the PLA military budget just keeps growing, if Chinese submarines keep navigating Japan and so on and so forth, will faith in this external balancing start to collapse? And most important of all in the U.S., which is why I think attention to hard power is going to be an important variable and why we have to be careful not to give the impression to our allies that we’re moving to some kind of bipolar condominium with China, which would exacerbate that.

The second big factor, which came out only a little bit, is what I would call ideational dimension of balancing China. And you mentioned in the Japan chapter that also pushed democracy as a theme for Japan’s what I would call branding – Japan’s a democracy; China’s not. That gives Japan a tool in foreign policy to increase its influence at a time when it’s in relative terms loosing influence to China in the region. And there are obvious problems with that history and so forth – Burma, you know, exceptions. But I think to various degrees you see this ideational balancing happening across the region.

It is not external balancing yet – Japan is trying to build alliances and relationships among democracies; Korea, Indonesia, India are not in the same way because they’re sensitive to China in a way Japan’s not. But if you look at what Indonesia’s doing in the ASEAN charter debate, if you look at Korea’s – at Myung-Bak’s pronouncements about a global Korea and about Korea’s adherence to global norms, you can see that – broadly defined democratic norms – and we go out this in our CSIS survey and it’s really born out in the survey – and there are differences about elections, but when you’re talking about governance, rule of law, transparency – those issues – it’s becoming much more pronounced in a number of our partners’ – especially democratic partners’ – foreign policy.

In Japan’s case it’s branding against China: We’re a democracy, China’s not, to a large extent. But I think there’s something more, which is, as powers rise, the other countries around them are going to be more comfortable if that power is transparent, if there’s rule of law, if there’s predictable governance. Especially if you’re Japan, Korea, these countries that are investing so heavily in China and having so many problems with intellectual property rights, corruption and so forth.

So this is hard to capture, we tried in our survey, but I think at some level there’s an ideational dimension to this. About norms, values, rules, to try to manage the rise of China, that’s a factor as well. It’s not entirely rational or legalistic, though, and what you find in all of these countries is that China is a political factor. So Lee Myung-Bak’s balancing concept was not really, in my view, a grand strategy by Korea, but it was a subtle, sort of anti-U.S. statement of Korean autonomy.

And 10 years ago, 15 years ago, as Japan talked about moving towards China and so forth, you saw some of the same, so in domestic politics, often, when you have a party in power that is pro-U.S., the party out of power, and you see this with Ozawa, the opposition leader in Japan, will often use the China card. And then when conservatives – usually conservatives – come into power, they’ll often play the global norms U.S. card.
So the bipolar structure of domestic politics in our democratic allies was very pronounced during the Cold War, and the conservative parties were pro-U.S., and many of them, as in Korea and Taiwan, kept the liberal – kept the left out. And you had that bipolar structure of international relations reflected in domestic politics. To a lesser extent, but I still think in a pronounced way, you see that with the China-Japan – excuse me, U.S.-China dimension in how domestic politicians use the China card against politicians too closely associated with the U.S., and vice versa.

What that means is not – it’s consistent with all your findings, but what it means is, I think you’re going to have much more volatility. You may have a democratic party of Japan with Ozawa as prime minister who suddenly starts throwing out all these very pro-China things for awhile. It’s going to add a fluidity to the domestic politics and how these countries approach China and the U.S. that’s going to be complicated for us to deal with, and we’re going to have to put it in perspective.

Why don’t I end there. We want to talk about financial crisis as well. I don’t think the financial crisis, from what we know about it, fundamentally alters any of your conclusions, but it adds some interesting spin to the ball, and maybe we can talk about that in the Q&A. Thanks.

MR. SWAINE: Thank you. Thank you very much Mike, and thank you Evan. An excellent set of presentations that I think raise many, many issues and questions, so I’m looking forward to hearing some questions from the audience. But before we do that, I would just like to raise for consideration by either Evan or Mike a couple of issues that have sprung to my mind in listening to them both. And they relate to the some things that have been said.

One of them, really, is this issue of how the region or how these countries look at the security architecture in the region. There’s been a lot of writing about the increased influence in – not influence, the increased interest among many countries in the region, particularly in South East Asia, for trying to develop a more viable regional security-related architecture. Not as a replacement for bilateral security alliances, but in some way to moderate the potential rivalry-inducing aspects of the alliance structure, to try to bring the Chinese in, to co-opt them in and also to raise the level of cooperation in the region as a whole on security-related issues.

And that’s sort of not, kind of a, what do we do with the allies kind of an issue. It’s really a question of, how do countries in the region look at the security architecture at large? Do they see a need for a more viable security structure in the region that goes significantly beyond what we have thus far? The ASEAN-based structure, the East Asian community. They really, do they see a need to have something that augments the current hub-and-spoke system of the U.S. bilateral security alliance structure? That, to me, would be a very interesting question to try to answer.

Now, a second one that relates to that is really this question of an arms race. And it’s not really so much the arms race between the Asian countries and China or whether or not they’re internal balancing, it’s a question of how do they look at the U.S. PRC arms race, if there is such a thing? Do they see – there’s been a lot of references to wanting to have the United States maintain its position as the strategically dominant force in the region, even though there’s an expectation that China will become – could very well become the dominant, in many ways the dominant economic force.

Well, how do they see these two factors interacting with each other and how do they look at the potential for growing military rivalry between the U.S. and China? Do they just assume that the
U.S. will stay ahead of the Chinese and that the U.S. will retain its position as a dominant military power, and the U.S. just simply needs to keep pouring more resources into its military as the Chinese military builds up? Or do they see that as a potential really serious danger that we want to get out of? We don’t want to be into that kind of dynamic at all, we want to really try and create some kind of alternative to that that moderates the potential for that kind of an arms race in the region.

And then my last observation would be, and this was touched on in the briefing by Evan, but I’d like to hear a little bit more on this: how the region looks at China’s efforts to weaken or dilute U.S. influence. There’ve been a lot of writing about this as well, a lot of people have observed that China, through its support for the East Asian summit, through other types of activities, has to some degree, directly or indirectly, been really focused on trying to erode U.S. influence in the region.

Now, Evan observes that this – he describes this as offensive, as an offensive aspect of Chinese policy and that it really hasn’t been very much in evidence, and what has occurred has backfired. Well, I’d like to hear a little bit more about that and particularly about how the region looks at that issue. Do they see China as trying to – even though maybe it had backfired, but nonetheless, trying to erode U.S. influence? Don’t have to answer these questions immediately; keep them in mind. I would like to open it up to the audience and take a couple of questions, and then we can get some responses from Evan and or Mike. So when I call on you, please stand up, please identify yourself and please be as brief as you can.

Q: Judd Heriot, a documentary filmmaker. My question may take you somewhat afield from your terms of reference, but it strikes me that the two major players in the Far East, India and Russia, have not been really mentioned. My question is, if these two countries react aggressively to PLA modernization, how does this affect your conclusions?

MR. SWAINE: Why don’t we take another – take another one, and then we can – yes, sir, right there.

Q: I am Satoshi Ogawa of the Yomiuri Shimbun, a Japanese newspaper. Last month, Chinese ship – Chinese governmental research ship violated Japanese territorial water near the island in East China Sea. And after that event, Chinese government claimed that such – that these islands are Chinese territory. What do you think are the Chinese government intentions, and how should U.S. and Japan deal with such violations? Thank you.

MR. SWAINE: Why don’t we stop here and get some responses to any or all of the questions already being – (inaudible).

MR. MEDEIROS: Thanks. These are very interesting questions. Unfortunately, they don’t really bear on the topic that we talked about today. John’s question about India and Russia – I wouldn’t – I personally wouldn’t characterize India and Russia as the major players in East Asia. I tend to think of Japan, Korea, Australia, Indonesia as major actors in East Asia. But that aside, reacting aggressively to PLA modernization – well, given the fact that Russia and China have a strategic partnership, that Russia has basically facilitated PLA modernization and sold them most of the advanced naval and air and missile capabilities that they’ve needed to facilitate modernization, it’s unclear to me that Russia’s going to react negatively to this.
Now, there’s some interesting adjustments that appear to be going on in Russia-China security cooperation, but given Russian procurement over the last 10 years, it’s unclear that they, you know, share your threat assessments associated with PLA modernization. In terms of India, as I mentioned in our presentation, we didn’t really look at India, so I don’t feel like I really have the expertise to comment on it. If a China-India arms race were to emerge, that clearly would have destabilizing consequences, but all trends in those two countries – both diplomatic and defense relationships – suggest that there’s a lot of mutual accommodation and engagement that’s been going on.

And the Indians – both countries have been pretty clear that they’re interested in broadening the basis of their diplomatic cooperation. There are certainly competitive elements of that relationship and the Indians are concerned about PLA modernization, especially naval modernization – China’s ability to project power into the Indian Ocean – but I don’t see any incipient signs of an arms race developing.

On my Japanese colleague’s question about the Chinese government’s intentions, you know again, the study was looking at East Asian responses to the rise of China, not specific aspects of Chinese naval activities in the East China Sea, so I don’t feel like I’m up to date enough on that issue to provide commentary, but I’m sure Mike would have something to add.

MR. GREEN: On Michael Swaine’s question about security architecture, we found in our survey, overwhelming support for building what’s sometimes called an East Asian community among experts in the region – very high support. But then we asked other questions, what we call the Ghostbuster questions – “Who ya gonna call?” (Laughter.) And we sort of asked, in 10 years, where do you expect this will all go? And we had almost nobody say that in 10 years, ASEAN regional forum or EAS or these things would be the first place they’d go in a financial, humanitarian, or security crisis.

It was their allies, their own capability or the U.N. The exception was, of course, within ASEAN. ASEAN countries had somewhat more confidence – somewhat more confidence – in ASEAN as an institutional home for responding to countries.

MR. SWAINE: Could I just add?

MR. GREEN: Yeah.

MR. SWAINE: Did they, though – did they address the question of China in this? Did they say one of the reasons they want to see more security interaction is because they want to embed the Chinese in the system and they’re concerned about the rivalry that could emerge between the U.S. and China, and that this is partly what’s driving this?

MR. GREEN: Right. Well, I’m glad you asked because we also did a book, which is coming out next month, and Bates Gill, my colleague, and I edited it and we had regional chapters, from the region, and asked why the interest was for thinking about regional architecture. And almost everybody said it’s about China, at some level, not necessarily to prevent a U.S.-China rivalry – in fact, very few had that view. Most surveying – in a methodology similar to this one – their own country’s views of regional institution building saw this as one more way to increase their influence vis-à-vis China, to integrate China – to build more leverage and more patterns of cooperation to
make China need them more, give them another bite of the apple, another chance to make their case with China.

If they can’t get it done bilaterally, if you’re a middle power, if you can get it in APEC or the EAS, you get another shot to push your issues with China. So it was about integrating China, having influence in the relationship as they see China’s importance growing. We didn’t find many who saw multilateralism, at least among government strategists, as a way to mitigate a U.S.-China rivalry, except, to some extent, some of the ASEAN countries who view the ASEAN-plus-three as, generally, a way to manage relations among the big powers, as you know from Southeast Asia.

By the way, our survey – I probably shouldn’t say too much, because we’ve embargoed it – but surprisingly we found that, you know, a narrow majority of Chinese strategic thinkers thought the U.S. had to be in East Asian integration. We didn’t see any clear signs – and again, this is out of government elites – but we didn’t see any sort of distinct effort to squeeze the U.S. out entirely.

MR. SWAINE: These elites were all non-governmental?

MR. GREEN: Yeah, it was all people you know. Kicker (ph), Cass (sp), you know. On India and Russia, India would have been an interesting addition, too. And you could argue that India is a, quote, unquote, “security partner,” although maybe that’s a little too rich at this point, for the air force. But I think India’s reaction Evan characterized well. I mean, India, like China, has a kind of harmonious society peaceful development strategy. It wants to minimize old conflicts around its borders with Pakistan, if it can, and with China. And trade is growing.

And within the Indian elite and within the Indian government, there is going to be resistance to being a card in other countries’ China strategies. All of that said, I spent a lot of time in dialogues with the Indians about East Asia. Evan’s absolutely right about the string of pearls, or this Indian concern about PLA naval access around their periphery and the growing PLA capabilities. And the Indians and the Chinese directly collided over U.N. reform. The Chinese organized the so-called, “coffee club,” to block India and Japan and Germany and Brazil from getting the U.N.

So there are many areas where India and China are competing for influence. While trade was growing, I was told, when I was in Delhi in October, that foreign direct investment from China into India this year is going to be less than $500,000. And it’s mostly Chinese restaurants. Why? The Indians have their own quiet, non-transparent version of CFIUS. They’re very nervous about Chinese strategic investment. So there’s a complicated relationship – a mix of real intense strategic competition with the military to mention, but also a desire to try to manage it and emphasize trade and so forth.

And finally, I’m glad you raised the Senkaku-Diàoyútái East China Sea incident, because one more thing that this should call people’s attention to is the dynamic, particularly between Japan and China, at sea, and the real-time interaction of Chinese and Japanese naval and coast guard assets, which is new. And people in Japan used to worry, throughout the Cold War, about being entrapped in a U.S.-China conflict. And now, American strategic thinkers are beginning to wonder, is it possible we could get entrapped in a Sino-Japanese conflict as the PLA navy and air force reach goes out and Japan becomes increasingly sensitive about its sovereignty, its territory, and ships are moving very close and planes are moving very close. So it is one, I think, that this – one specific area this report would lead one to watch carefully.
MR. SWAINE: All right, let’s take some more questions, then. Here, in the front, and then we’ll go somewhere in the back.

Q: Hi, Betty Lin (ph) of the World Journal. Could you analyze the different approach that President Obama would have toward East Asia? And also, since person already put in a request to call President Hu of China, and I don’t know whether that would make allies like Japan nervous, and which country in Asia should the president call or visit first? In Asia like China, Indonesia, Japan?

MR. SWAINE: I think we’re straying somewhat afield from the main topic, but that’s okay; these things are all related in some way. Yes, sir?

Q: My name is Steve Hirsch (ph). I’m a freelance journalist who write about Asia periodically. Evan, you made the point early on in your presentation that, from the receiving end, the motivation of these countries for their linkage with China is economic, which I have no argument with. I’m wondering if, from the other end, whether the Chinese motivation, in your findings, is also completely economic or are the Chinese equally looking at political and military goals, as well? Thank you.

MR. SWAINE: Let’s take one more. Yes, ma’am, in the back there?

Q: Hi, I’m Felicia Saunders (ph) from the Asahi Shimbun Japanese newspaper. I was interested in hearing more about your ideas on how the increasing economic ties are not going to be successful at changing China’s political alliances. I’m also wondering if you might be able to talk a little bit about China’s reactions to China’s rise in light of this new, fledgling pro-democracy petition that’s being passed around. Thank you.

MR. MEDEIROS: Okay. Let’s see, Betty, on your question on the Obama approach to East Asia – I think we just have to wait and see. I mean, the administration is currently putting its team together. I’ve heard some of the names of the people that are going to be major policy-makers. My understanding is Jeff Bader, formerly from Brookings, is currently now with the National Security Council. I have great faith in Jeff. I’ve heard people talk about Dr. Kurt Campbell at the State Department. I mean, Kurt has got deep expertise and experience, and if that – if he ends up being the assistant secretary, I think both of those people would be great additions to having a very active policy in East Asia, but I think we just have to wait and see.

The only indications we have are from the campaign statements, and I think that the campaign statements were a very centrist view of the importance of East Asia to U.S. global strategy, the importance of the United States remaining active and involved in East Asia, and that it’s going to be a priority for the Obama administration. But as we all know, there’s often a big difference between campaign statements and the realities of actual policy-making, so I think we’ll have to wait and see.

Steve, you asked about the motivations, both on the countries we looked at and on the China side. To clarify, what we argued was not that economics were the only motivation, but that they – in most cases, they were the principal driving force, because of the size of China’s economy, because of the size of the growth of the Chinese economy and that that’s where the most money is
to be made these days, and the fact that China is part of this important regional production chain. I mean, all of those provide a very stark economic reality. But, again, it’s not the only motivation.

They also – all these countries recognize that China is a big force in major regional debates about architecture, so whether it’s the Chinese participation in APEC, in the East Asia summit – China’s made a very dedicated effort to reach out to ASEAN states, and there’s a lot of very practical diplomatic cooperation on non-traditional security issues, for example. So there are a variety of different motivations there. And then, of course, these countries want to make sure that China doesn’t dominate the region. We found that as a consistent motivation. And that, clearly, is a strong geopolitical logic.

So it was kind of – I was putting economics in the first place, but that, again, didn’t mean that it dominated all the time and for all countries. In terms of Chinese motivations, in some sense, they are a mirror of the other countries. I mean, Chinese motivations, first and foremost, in its policy, are creating a stable, productive regional security environment through which economic development can occur. And it’s been a long-standing Chinese foreign policy priority going back to the earliest days of the reform and development period.

I think it’s taken on a more activist logic in recent years, in which we’ve seen the Chinese actively going out, especially in East Asia, and expanding its access to markets, to investment, to technologies and now, natural resources, as a way to kind of keeping the economic engine of China going. And so there’s always been a very strong economic logic to Chinese foreign policy, but, again, there are strong diplomatic priorities for the Chinese as well. Reassurance – reassuring East Asian countries, especially Southeast Asian countries, that China’s economic growth is not going to compromise their economic interests, and that China wants to share – you know, share it’s largesse with the region.

That reassurance also has a security logic to it, as well, that China is not going to necessarily, immediately press its territorial claims. So China’s taken a number of steps – signing onto a declaration of a kind of code of conduct, signing onto the Treaty of Amity and Cooperation – China’s taken a variety of steps that I think all of you in the room are familiar with to political reassure countries in the region about China’s intentions as a rising power. So I think you have a mix of motivations on both sides.

Q: But what about sort of specific things like access to – the challenge to Southeast Asia in terms of – not only economics, but access to a warm-water port. Military – I mean, specific military things?

MR. MEDEIROS: So you’re talking about strategic military – I haven’t seen anything in PLA writings. Again, that’s not what this study was about. This is not reflection of deep RAND Corporation research, but I’m not familiar, myself, with any PLA research that says that we’re interested in getting access to, you know, foreign ports. I mean, the Chinese like to tout the fact that they’ve, you know, never had a foreign military base, and they still don’t have one today. So I’m not aware of anything like that.

I would argue that the Chinese approach toward East Asia, Southeast Asia only being a part of that, has largely been a kind of defensive security approach, in which the Chinese diplomacy, and even its military diplomacy, has focused on, number one, reassurance – making sure these countries
don’t think China represents a threat to them – and a variety of that is kind of a counter-containment, counter-constrainment. China has – China’s diplomacy and its economic outreach to the region seeks to create an environment in which these countries would not feel the impulses to work together or with the United States to kind of balance Chinese power.

So I see their security concerns manifesting in those kinds of strategies as opposed to an approach of, we’re going to, you know, expand Chinese territory; we’re going to break apart American military alliances; we’re going to develop military bases abroad. I haven’t seen that. But, again, it wasn’t really the focus of this particular study. And then the last question on economics and politics – this is a great question, and I’m glad you asked. And it’s a really strong kind of finding in the study that I think has major implications for this big body of literature in political science about economics and politics.

And what we found was that, even though trade and investment between China and several of these countries has grown substantially, that there’s so many different layers and mediating factors that lessen the degree to which this actually creates dependence on the part of the host country and, more importantly, limits or inhibits China’s ability to try and leverage economic influence for political influence. And let me explain what I mean. I mean, even countries like – let’s take a country like Australia.

Trade between China and Australia has increased, per year, 20 percent in the last 10 years. It’s really substantial. I mean, these numbers are really big. China is now Australia’s top trading partner. But you need to kind of look at intervening variables. Number one, trade as a percentage of GDP – China’s trade as a percentage of GDP for Australia is actually quite small – depending on calculations, anywhere from three to 5 percent. Why is that the case? Because Australia is not a trade-oriented economy; 70 percent of Australia’s economy is from services, not from either merchandise or services exports.

Four out of five Australian workers are employed in the services industry, not in the export industry. And also, the trade figures between China and Australia are skewed a little bit because it’s such a commodity-intensive relationship and commodity prices have been through the roof. So the actual volumes versus comparing the dollar amounts, you know, actually skews the trade. So, you know, when you start peeling back the layers of what trade represents, it maybe doesn’t translate into the type of dependence that I think a casual analysis would suggest.

But also, when you look at other relationships, like trade relationships between China and the Philippines, for example. As I mentioned in my presentation, even though trade between China and the Philippines has been off the charts, trade is not a major source of external revenue for the Philippines. Remittances play a much, much more significant role. So when you actually look at trade as a percentage of GDP for the Philippines, not as significant as with some of the other countries, like Singapore, for example.

But also, because so much of the trade between China and other countries in East Asia is part of this integrated regional production network, what you have is that trade between Philippines and China is really done through foreign invested enterprises, so most of the trade between China and the Philippines is through Japanese, Korean and Taiwanese companies that have set up production factories for the production or manufacturing of intermediate goods – kits – that get exported to China for final assembly.
So if China actually wanted to try to leverage this trade relationship for some kind of political influence, how is it going to do that, because it’s actually the Japanese companies or the Korean companies or the Taiwanese companies that have actually set up operations in the Philippines, so it’s not really clear the channels through which China could operationalize this. And the last point that I’d make is just at the level of very broad correlation. When you look at the six countries we looked at, the three of the countries whose trade with China has grown the most and whose trade relations are very complimentary – very small, very limited competitive elements – those three countries are Japan, Australia and Singapore.

Those are also the three countries, in the study, that we found have probably the most concerns about the competitive elements of China’s rise, meaning China gaining diplomatic influence. Those are the countries that, in our study, are most interested in making sure the United States maintains an active diplomatic and military presence in East Asia, and in the case of Japan and Australia, the two countries that have – two countries in which China plays a growing role in both defense community threat perceptions, but also, to some degree, defense procurement and defense planning.

So my point is, when you look at that correlation, it suggests that this notion that just because you trade with China more that you’re going to kind of fall into a Chinese orbit or you’re going to start accommodating to China is not borne out by the major findings. And all you have to do is look at the responses of Australia, Singapore and Japan. Thank you.

MR. SWAINE: Thank you. Let’s – we really only have time, I think, for one more question, unless, if it’s a really brief question and a brief answer, we’ll get in another question. But the gentleman in the front, here, with the sweater, right there – with the vest.

Q: My name’s Dan Lieberman. I want to thank you for a really very well-organized, well-presented and informative talk. I was actually able to follow it and understand it. And I can see where the Southeast Asian nations were to call the United States on certain security issues, but what is based upon that the U.S. is the leading force for peace and stability.

If you look around the world, the U.S. has been the leading force in Central America, the Caribbean, South America, but hasn’t really brought peace and stability leading forth in the Middle East, but hasn’t brought peace and stability. And the U.S. has fought two wars in Asia and there are a lot of other things going on in Myanmar and with India and Kashmir. What is this based upon, that the U.S. is a leading force in peace and stability?

MR. SWAINE: We, of course, could have another seminar on that subject, which we’d be here for the rest of the morning, but perhaps one or both of the presenters will want to comment on it. But why don’t we get in one last question, way in the back.

Q: Joe Snyder. Evan, much of Southeast Asia’s relations with China in the post-war period were colored by the factor of the Chinese minorities in Southeast Asia – or a majority, in Singapore. You didn’t mention that at all, and I’m wondering if that has any impact, now, on attitudes toward the rise of China or relations between the Southeast Asian countries and China?
MR. MEDEIROS: Great, thanks. Dan, thanks for your question about the U.S. as the leading force. The difficulty in answering that question is, you know, I’m not sure that I would use that characterization, “the leading force for peace and stability,” but I agree with the logic, which is, the United States has been, for decades, the principal guarantor of security in East Asia, and that’s created conditions under which these countries could prosper, and I think it just underscores the importance of maintaining a robust alliance network to allow the U.S. to play its classic roles of reassure, deter, restrain different actors in East Asia.

And I think that that’s the logic behind this notion of the U.S. being a leading force for peace and stability. But as Mike pointed out in his comments, and I think it’s an implicit undertone in our report, East Asia’s going through a lot of dramatic changes. It’s not just the rise of China, but it’s also Japan playing a much greater role, India kind of coming into its own, and ASEAN states figuring out what their role is. And I think we see a rise of regional institutions and regional processes also affecting. So I think it’s a mix of all of these forces.

But the United States plays a critical role in ensuring that these forces play out in a way that brings more prosperity and stability to the region. And so I think the logic underlying that notion is based on that – the classic role that the alliance network as played. On Joe’s question about the ethnic minorities – Chinese minorities – we looked at it to some degree. It didn’t – especially in the case of Singapore – in the countries that we looked at, it just didn’t seem to be a big factor.

I mean, we looked at ethnic Chinese in Thailand – in the Philippines as well – as a kind of conduit for business, but we didn’t find trends one way or another. One issue that kind of came up, but we didn’t address very significantly, was that these communities, for whatever reason, ended up being a conduit of kind of, you know, corruption and a kind of conduit of illicit economic influence, but it just didn’t – in the countries we looked at, it wasn’t a significant factor.

Now, I know in other research that’s been done on Chinese influence in Southeast Asia, like in Indonesia and Malaysia, for example, their experiences with ethnic Chinese populations has certainly colored their perceptions of the challenges and threats posed by a rising China, but we just didn’t find it to be a major factor.

MR. SWAINE: Thank you. We’re really out of time – we’re a little over time, in fact – so I think we should just end it here. This has been very informative – a very interesting discussion – and thank you very much for some very interesting questions. Please do read the study, and look forward to the ones that are coming out at CSIS, but please join me in thanking both of our presenters today. (Applause.) And thank you all for coming.

(END)