



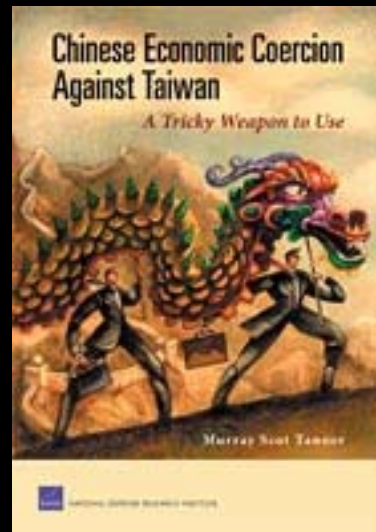
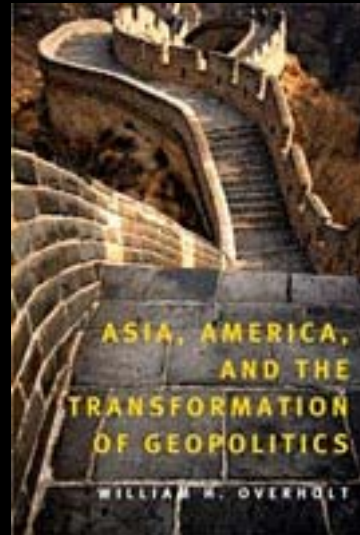
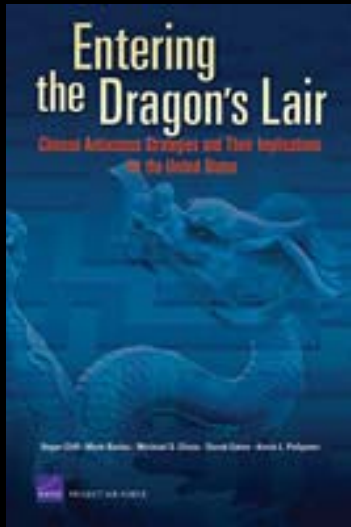
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***Pacific Currents:  
The Responses of U.S. Allies and Security  
Partners in East Asia to China's Rise***

**Evan S. Medeiros, Ph.D.  
Senior Political Scientist**

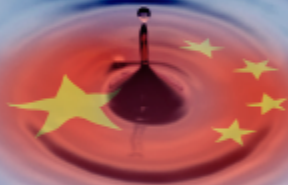
**Presented at:  
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University of Denver  
March 6, 2009**

# RAND Assessing China's Rise



# PACIFIC CURRENTS

THE RESPONSES OF U.S. ALLIES AND SECURITY PARTNERS IN EAST ASIA TO CHINA'S RISE

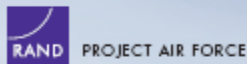


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## Multi-disciplinary Research Team

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**Evan Medeiros**  
**Eric Heginbotham**  
**Norm Levin**  
**Angel Rabasa**
- **International Economists**  
**Keith Crane**  
**Julia Lowell**  
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# *Briefing Agenda*

## ➤ **Research Questions and Methodology**

- **Top-Level Conclusions**
- **Country-Specific Reactions to China**
- **Implications for U.S. Policy**

# *Three Key Research Questions*

- 1. How have U.S. allies and security partners in East Asia responded to China's growing presence and involvement in East Asia?**
- 2. What forces are driving these nations' reactions and how will these drivers change?**
- 3. What are the implications for U.S. regional security interests and U.S. policies?**

## *These Questions Are Critical*

- **China is affecting internal and external affairs of countries throughout East Asia**
  - Growing trade and investment relations
  - China’s diplomatic “charm offensive”
- **The reactions of U.S. allies and security partners in Asia are central to U.S. regional strategy**
- **Limited work on this subject has been done to date – narrow scope and anecdotal**

# Research Approach: 6 Case Studies







- 6 case studies: Japan, South Korea, the Philippines, Thailand, Australia, Singapore
- Representative sample:
  - All are allies/security partners
  - Weak and strong governments
  - Young to mature democracies
  - Robust and fragile economies
  - Extensive and limited historical ties to China
- Sources: 2005-2006
  - Economic and polling data
  - In-country interviews
  - Documentary research




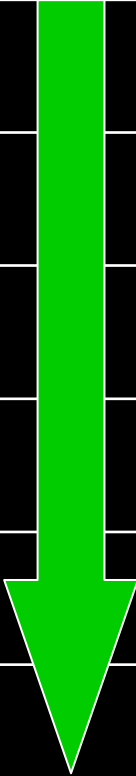

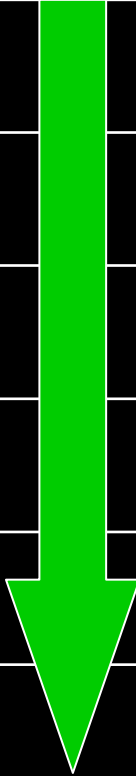
# *Research Approach: Uniform Variables*

- **Structured the investigation to examine same four responses across the six countries**
  - **Domestic Politics and Public Opinion**
  - **Economics: Trade and Investment**
  - **Diplomacy: Bilateral and Multilateral**
  - **Defense Policy: Spending, Procurement and Planning**

# The Research Matrix

Case Studies	Domestic Politics/Public opinion	Economic Relations	Foreign Policy	Defense Policy
Japan				
South Korea				
Philippines				
Thailand				
Singapore				
Australia				

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Case Studies	Domestic Politics/Public opinion	Economic Relations	Foreign Policy	Defense Policy
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# *Briefing Agenda*

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## *Foundation of U.S. Alliances in Asia Endure*

- **None of the six see China as a viable strategic alternative to the United States and its alliances**
- **U.S. remains the security partner of choice – only nation with ability and resolve to balance China**
  - U.S. key to preventing Chinese domination
  - Allies/partners favor U.S. doing “heavy lifting”
- **Engagement with China driven by an economic logic, amid concern about China’s intentions**
- **Consistent U.S. efforts needed to ensure allies’ faith in U.S. resolve and capabilities continues**

# ***China Changing Some Alliances/Partnerships***

- **Allies and partners positioning themselves to benefit from both China and the U.S.**
  - None want to choose between U.S. and China
  - China generates some leverage with U.S.
- **China makes U.S. security commitments more relevant: Nations can engage China confidently because U.S. commitments endure**
- **On balance, Asian allies and partners want continued U.S. involvement in the region, *but sometimes only in certain ways, at certain times, and on particular issues***

# ***China Undoubtedly Gaining Influence***

- **China looms larger for all nations: economically, diplomatically**
- **More sensitive to China's preferences and interests**
  - **Sovereignty issues such as Taiwan, Tibet, human rights**
- **China most effective at precluding "anti-China" efforts**
  - **"Defensive influence" that involves nations *not* taking actions**
- **Little evidence of "offensive influence" – to degrade or dismantle U.S. alliance/partnerships**
  - **China's efforts to assert itself have back-fired**
- **Regional consensus favoring engagement with China has a tentative quality**
  - **Uncertainty about China's future: weak or a strong China**
  - **Fears of China's economy as a competitive threat**
  - **Nagging concern about PLA modernization**

# *What Is Not Occurring in East Asia*

- **No Chinese hegemony**
  - Regional states are not climbing on a Chinese bandwagon in expectation of its eventual hegemony
  - Some fear Chinese regional domination
- **No East Asian arms race...yet**
  - No regional rush to expand military budgets or force structures in reaction to China
  - This could change if China became militarily adventuristic
- **But....alliances strengthened**
  - East Asian nations tightening existing alliance links and diversifying security ties with other regional states

# *Briefing Agenda*

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# *Japan: Anxiety and Ambivalence*

- **Domestic Politics and Public Opinion**
  - Across political parties, willingness to cite “China Threat”
  - Declining public support for bilateral ties with China
- **Economics**
  - China is top trading partner: growing, complementary, balanced
  - Investment in China growing rapidly: now 17% of annual flow
  - China seen a critical to growth and prosperity
- **Diplomacy**
  - Diversify security relations: U.S., Australia, India, Southeast Asia
  - Since 2005, effort to stabilize deteriorating relations with China
- **Defense Policy**
  - Growing concerns about PLA modernization
  - Flat defense spending
  - Increased focus on China contingencies in planning



# *Australia: A Classic “Hedge”*

- **Domestic Politics**
  - China not a partisan political issue – even in 2007 election
  - Positive views of China and U.S., marked by recent concerns
- **Economics**
  - China top trading partner in 2007, but Japan is biggest export market
  - Very limited two-way investment, but growing
  - China trade makes limited contribution to GDP: 2-5% per year
- **Diplomacy**
  - Fully engaging China to expand trade and shape intentions
  - Asia diplomacy focused on maintaining U.S. influence and preventing Chinese hegemony, using multilateral organizations
- **Defense Policy**
  - PLA modernization a growing concern, privately and publicly
  - Improving long-range naval and air: to facilitate coalition operations
  - Engaging PLA to shape its intentions



# *Singapore: A Mixed Strategy*

- **Domestic Politics and Public Opinion**
  - No debates about China policy in single party system
  - Rising Chinese popularity and prestige: no good polling data
- **Economics**
  - China is 3<sup>rd</sup> largest trading partner, with Singapore as a re-exporter
  - China driving regional integration, with Singapore as a hub
  - Since 1997, China is top FDI destination, but problems persist
- **Diplomacy**
  - Fear China seeks to displace U.S. as dominant Asian power
  - Engaging China: give it a voice, shape its views, but don't let it dominate
  - Regional diplomacy to ensure the U.S. remains active, influential
- **Defense Policy**
  - China not a driver of military modernization and planning
  - Expand strategic ties with U.S., maintain regional balance of power



## ***South Korea: Honeymoon Ended***

- **Domestic Politics and Public Opinion**
  - China not major or controversial political issue – U.S. is more so.
  - General favorability toward China, but recent declines
- **Economics**
  - China now top trading partner, largest investment destination
  - Economic competition growing, fears of over-reliance on China
- **Diplomacy**
  - Bilateral relations neither robust nor multi-dimensional
  - Generic engagement to expand trade, manage Korea issues
  - Growing irritants/uncertainty: Koguryo, China in North Korea
- **Defense Policy**
  - Military focused on proximate threats: North Korea
  - U.S. alliance key to security and to manage China with confidence
  - Seoul *may* now expand scope of alliance with U.S.



# *Thailand: Bending with the Wind*

- **Domestic Politics and Public Opinion**
  - China not a partisan political issue
  - High public favorability: viewed as major economic opportunity
- **Economics**
  - China is 3<sup>rd</sup> largest trade partner: growing, balanced, but competitive
  - Chinese investment growing, but small compared to U.S. and Japan
  - Thailand's economy heavily dependent on trade
- **Diplomacy**
  - Under Thaksin, strategic partners; general engagement now
  - Improving ties with U.S., India and others; multilateralism a key tool
  - Seeks middle position between major powers, maximize flexibility
- **Defense Policy**
  - Focused on internal security threats
  - Almost flat defense spending and some arms purchases from China



# *Philippines: Weakness Dominates*

- **Domestic Politics and Public Opinion**
  - Politics rarely focus on international issues, but recent China debates
  - Positive views of China, but U.S. importance dominates
- **Economics**
  - China is 3<sup>rd</sup> largest trade partner – exports grown 14 times from '96-'06
  - Trade not a major driver of growth; trade through foreign companies
  - Remittances worth 25% of all merchandise exports
- **Diplomacy**
  - China no longer seen as a security threat - seen as a benign power
  - Growing engagement with China and using China card with U.S.
  - Regionalize China problems; pulled U.S. closer
- **Defense Policy**
  - Total preoccupation with internal security threats
  - Highly atrophied air and naval capabilities
  - Heavy reliance on U.S. for external security/deterrence

# *Looking Across the 6 Countries*

- **Domestic Politics and Public Opinion**
  - Not a high profile political issue (except in Japan; recently in Philippines)
  - Generally positive views of China; awareness of its growing importance; some concerns about challenges from China (Japan, Korea, Australia)
- **Economics**
  - Trade with China has significantly expanded for all
  - China perceived as important to future prosperity - but trade is increasingly competitive, costly and complicated
  - Difficult for China to translate trade ties into political influence
- **Diplomacy**
  - Engage China to broaden ties; China's importance only growing
  - Diversify regional relations by enhancing ties with Asian powers
  - Growing ties with U.S. and push for enhanced U.S. regional role
- **Defense Policy**
  - Threat perceptions about China vary, from high to almost none
  - No region-wide military build-up; some specific reactions
  - All expanded alliance cooperation with the U.S. – not all China-related

# *What About The Global Financial Crisis?*

- **Its far too early to tell**
  - How severe and lasting will it be?
  - What are the relative rates of recovery?
- **Unclear that “GFC” expands China’s economic influence, undermines U.S. influence**
  - China is hurting badly: both exports and imports down a lot
  - China’s recovery depends on replacing loss in external demand with internal demand
  - This approach doesn’t aid many East Asia exporters
- **China may begin to export capital abroad, providing a new source of potential influence**
  - Low corporate leverage
  - Large foreign exchange reserves make this likely

# *Determinants of GFC's Political Repercussions*

- **Who gets blamed for crisis?**
- **How do East Asian states recover? How Fast?**
  - Recovery driven by external or internal demand?
  - Increased foreign investment?
- **Who helps Asian states manage the crisis?**
  - Will the U.S. or the Chinese markets matter more?
  - Will Asian states seek to diversify from China or leverage expected increases in China's domestic demand?
  - What will they do with large forex reserves?
  - Who leads institutional reforms?
- **Who is seen as benefactor driving a recovery?**

# *Briefing Agenda*

- **Research Questions and Methodology**
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# *Implications for U.S. Policy*

- **U.S. is well positioned to achieve its core regional objectives: no crisis of confidence and foundation of U.S. presence endures**
- **It's early days in East Asia's response to China's rise; region still coming to terms with China – and the evolving U.S. roles**
- **Still abundant geopolitical space for U.S. to grow its security partnerships, solidify its role, build a regional order in which no single power dominates – but Asia needs attention.**
- **U.S. policy needs to be sensitive to changing constellation of equities of its allies and partners**
  - **No one want to provoke China or be drawn into anti-China effort**
  - **No one wants China to dominate**
  - **No one wants the U.S. to leave East Asia**
  - **The legitimacy of U.S. global and regional role needs to be strengthened**

# *Need for a Differentiated Strategy*

- **Greater involvement in multilateral economic and security institutions: rhetorically and substantively**
- **Greater appreciation of nations' economic and national security priorities – and security cooperation that accords with them**
- **Understand the costs of taking a highly competitive approach to China – potentially alienating allies**
- **Broaden security cooperation to increase quality of U.S. defense assistance**
- **Continue to provide key “public goods” to the region - as the basis of U.S. legitimacy and credibility**
- **More burden sharing in defense and diplomatic cooperation**

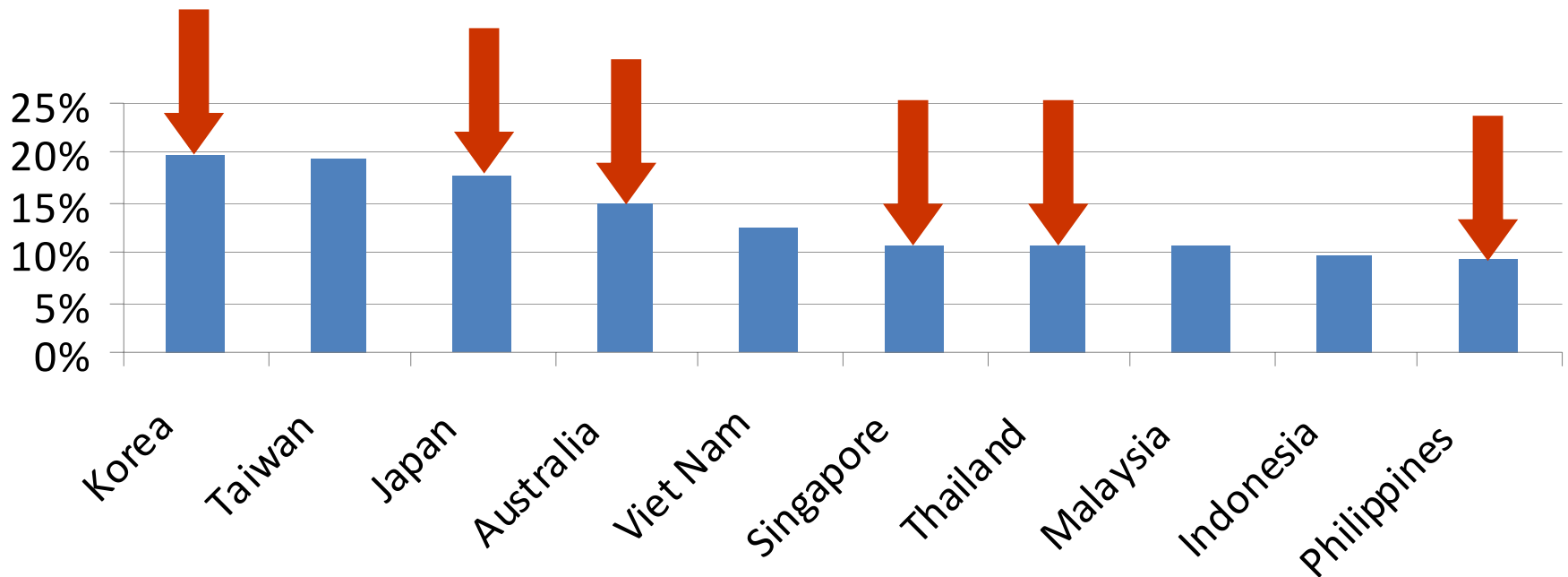


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# ***BACKUP SLIDES***

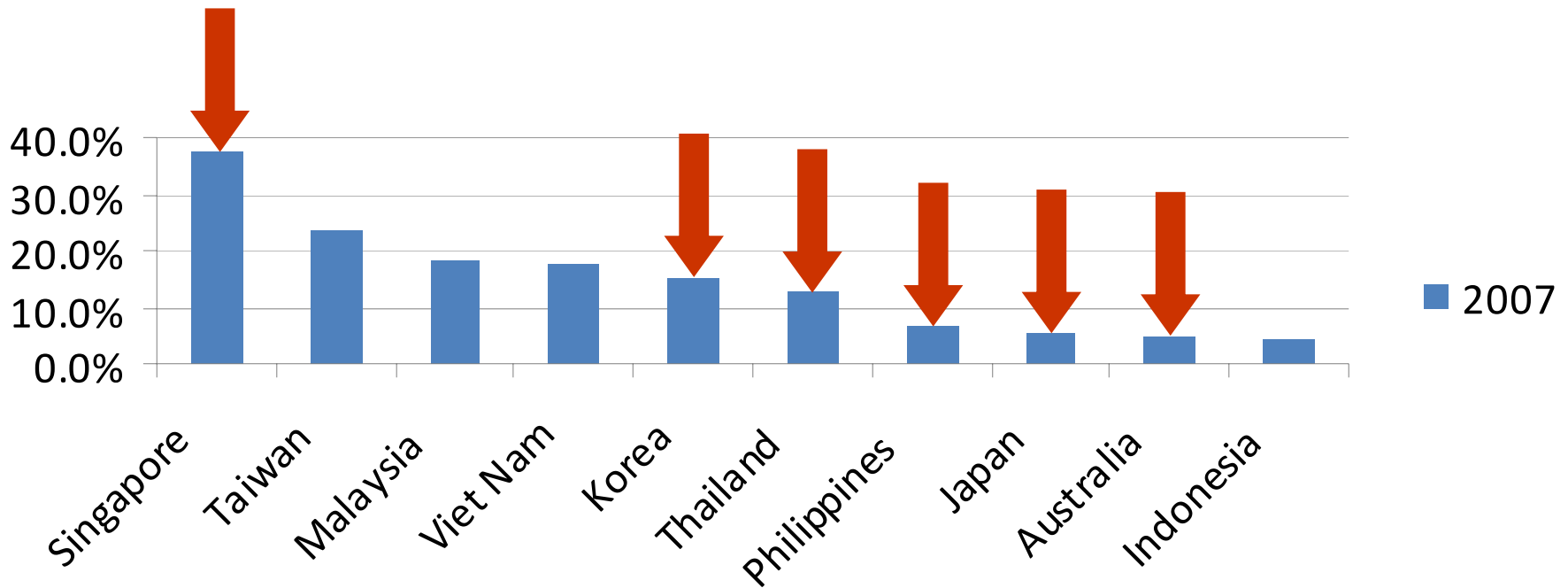
**Figure 1.1**

## China Trade as a Percentage of World Trade -- 2007



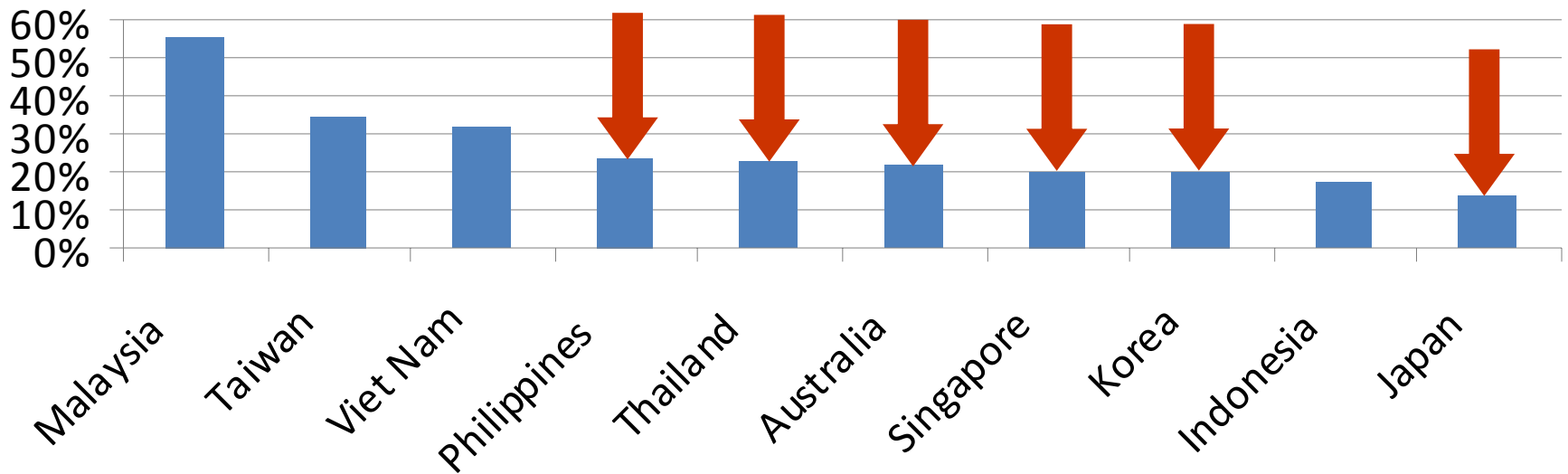
**Figure 1.2**

# China Trade as a Percentage of GDP -- 2007



**Figure 1.3**

## Annual Average Growth of Trade with China, 1997 to 2007



# *U.S. Policy Objectives in East Asia*

- 1. Ensure that the U.S. is in no way denied major or sustained economic, political or military access to East Asia**
- 2. Prevent one or a collection of nations from concentrating sufficient resources to support or otherwise constitute a challenge to U.S. interests in East Asia**
  - **Two types of possible security architectures for East Asia**
    - **A concert of major Asian powers (e.g., US, Japan, India, China) with U.S. at top of an implicit hierarchy, but explicit power and burden sharing**
    - **U.S. balancing among several major regional powers; East Asia is a truly multi-polar regional system and U.S. is a classic off-shore balancer.**

## *Group 1: Japan, Australia, Singapore*

- **Strategic approach to Asian security and regional power balances**
  - Think long-term and comprehensively about security
- **Want to benefit from China, shape its rise, prevent its hegemony, and deter provocative actions**
  - Mixed state strategy/classic “hedging”
- **Expanded alliance cooperation with US and regional diplomacy to translate views into policy reality**

## ***Group 2: Thailand and The Philippines***

- **Intensely preoccupied with political instability and economic problems**
  - National weakness shape approach to China
- **China not a strategic concern for public or elite policymakers**
- **China registers as a benign actor and economic opportunity**
  - China perceived as key to future prosperity
- **Security and defense policy driven by internal security challenges**

## *Group 3: South Korea*

- **SK its own group because it has attributes of both**
- **SK elites and public focused on domestic issues: internal focus not driven by weaknesses**
- **China not seen as a strategic concern, but as both opportunity and challenge**
  - **Strategic issues are alliance with US and NK's future**
- **China does not drive foreign or defense policy, but more important than a decade ago**