

**7<sup>th</sup> Berlin Conference on Asian Security (BCAS)**

***Territorial Issues in Asia  
Drivers, Instruments, Ways Forward***

Berlin, July 1-2, 2013

*A conference jointly organised by Stiftung Wissenschaft und Politik (SWP), Berlin  
and Konrad-Adenauer-Stiftung (KAS), Berlin*

Discussion Paper (Rev.)

Do Not Cite or Quote without Author's Permission; the views expressed are those of the author  
and should not be attributed to the EEAS.

***Session IV: Great Power Competition***

Dr. Michael Reiterer

European External Action Service, Brussels

Adjunct Professor for International Politics, University of Innsbruck

## Great Power Competition in Asia

### I. The security situation in Asia

While the security situation in Europe has become stable, the traditional security situation in Asia has become volatile according to various accounts: first and foremost, the balance of power is shifting creating a source of instability. Asia's re-emergence and that of China in particular need a re-definition of relationships within Asia as well as with the out-of-the region power balancer and provider of the public goods security and stability. This is primarily the US but also the European Union and – to some extent - Russia. Secondly, the intra-regional relationships have to adapt: for the first time China and Japan are strong states at the same time. South Korea has become an independent middle power. India is catching up economically and engages also politically more actively in the whole region. ASEAN in its pitch to maintain its centrality pursues a policy of leveraged equidistance. It also attempts to enhance its cohesion in implementing its ambitious projects of three ASEAN communities by 2015 which will be difficult to achieve. Indonesia, the largest Islamic democracy in the world, joined the G20 and strives to regain its leading role in ASEAN, lost in the Asian Financial Crisis and its transition to democracy. Generally, Asia is home to three established nuclear states, China, India and Pakistan and one on the way to becoming one, the DPRK. South Korea and Japan could quickly go nuclear if they choose to.

The uncertainty about the future distribution of power, the lack of viable regional security architecture contributes to this volatility. The various maritime disputes, the uncertainty caused by the largely non-transparent rise of Chinese military expenditure and unclear Chinese motivations for this spending increase, the strong influence of nationalism on politics not least because of the legacy of the past, the US-answer to China's rise in 'pivoting' or 'rebalancing' to the Asia-Pacific, the political brinkmanship of the DPRK leadership and its step-by-step development of a nuclear and missile capacity and finally - looming in the background - the unresolved issue of Taiwan, all these factors contribute to this volatility .

Non-traditional security threats either present like competition over natural resources (water, food, energy) or future over arable land and clean air as well as a competitive outreach to space and concerns about cyber security add to the traditional security risks.

Asian powers are also present in global governance: China is the Asian permanent member in the UN-Security Council; India and Japan have ambitions for a permanent seat too. Presently South Korea and Australia serve as non-permanent members. In

the OECD Japan used to be the only Asian member since 1964, was later joined by Australia (1971) New Zealand (1973) and South Korea (1996). Also the G20 has now a stronger Asian representation: While Japan was the sole Asian representative in the G7, China, India, South Korea, Indonesia joined Japan in the G20; South Korea was the first Asian country to host a G20 summit in 2010 and also hosted the 2012 Nuclear Security Summit.

As Asia has turned over the last decades into the global growth engine, political stability and the freedom of navigation are essential public goods in which Asia and Europe as well as the United States, have a primordial interest, in order to provide an environment conducive to further economic and social development. While this should render all parties to be risk averters interested in stability, the above mentioned political risks as well as uncertainty whether the US will be able to sustain its enhanced Asia-Pacific engagement in light of its economic difficulties are contributing factors to the described political instability.

In reaction to this volatility the US declared "**pivot no.1**" through which the US committed continuing to playing its role as guarantor of stability. The US has taken on this task after World War II in its competition with the Soviet Union, binding Japan into the democratic world while guaranteeing its security as well as that of South Korea and Taiwan through a system of alliances and partnerships. This role fell naturally on the US as in contrast to earlier times, European powers lack comparable (hard) power projection capabilities.

This does not mean that Europe is absent from the region. On the contrary, like other outside powers the EU has an important stake in Asian security: Its Single Market is the world's largest and of importance for the export oriented Asian economies for which the EU is always in the top ranks of export destinations. Mutually advantageous trade and investment flows interlink the two regions. While only France<sup>1</sup> and the UK<sup>2</sup> maintain small military contingencies in the region, some European countries provide defense technology as well as some hardware; most Asian countries have expanded their military expenditure for modernization purposes or as part of action-reaction dynamics. Even Japan, for a long time restrained by its historical legacy and Art. 9 of its US-imposed Peace Constitution is enthralled in this development and increased its defense budget for the first time in eleven years, even

---

<sup>1</sup> French Minister of Defence Jean-Yves Le Drian at the 2013 Shangri-La Dialogue/Singapore: "France is a power of the Indian Ocean and of the Pacific Ocean. France owns territories in this area – some of which recently expressed their wish to remain within our national community – and there are an increasing number of French nationals in this area who need security and protection." at <http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2013-c890/fifth-plenary-session-a1d0/le-drian-cf2f>

<sup>2</sup> UK is member of the Five Power Defence Arrangements, with Australia, Malaysia, New Zealand and Singapore and maintains a garrison in Brunei Darussalam.

above the self-imposed 1% GDP limit. PM Abe intends to strengthen Japan's regional and international role, reviving a strong Japan facing up to the regional challenges.

## II. From the "US pivot" to "rebalance rebalancing"

President Obama's first trip as president re-elect and his overall fifth trip to the region was designed as a microcosm of the US pivot to the Asia-Pacific promoting alliances (Thailand), values (Burma/Myanmar) and multilateralism (East Asia Summit-EAS) while showing its wider reach by offering to engage broadly with Asian countries beyond the military component e.g. on trade, investment, energy, science, culture and people-to-people ties.

### *1. Perception of rebalancing*

Asian countries would not like to see a new version of the Cold War scenarios as a consequence of Chinese assertiveness and the US rebalancing. They try to engage with both, the US and China, signaling that additional counterweights, like the EU and Russia, are welcome not least in support of ASEAN.

#### 1.1 Military

The professed Asia-Pacific region-wide engagement by the US fuels concerns with alliance partners in the so far prevailing North East Asia (South Korea, Japan, and Taiwan) that the US-capacity to redeploy to conflict theatres close to them in case of emergency is diminished. It also nourishes the expectation that the US will demand that its alliance partners bear a bigger share of the burden through larger financial contributions and through deploying troops to other areas in case of need (e.g. to South East Asia or the Indian Ocean following the examples of Iraq, Afghanistan). Competitive nationalism paired with xenophobic populism burden especially the relationships of Japan with South Korea and China. Therefore an end to the bilateral tensions over Takeshima/Dokdo as well as the recently rekindled controversy about "comfort women" between the two allies, South Korea and Japan, blocked by nationalistic resentments in both countries, would be essential to increase the efficiency of the overall US position.

#### 1.2 Political and regional

Setting "**firsts**" has become a visible sign of the US pivot: first foreign trip of then Secretary of State (SoS) Clinton to Asia after her appointment; her first call on the

ASEAN Secretariat; her signing of the Treaty of Amity and Cooperation (TAC) in 2009; her first visits to Laos and Burma/Myanmar; appointing the first non-Asian dedicated ambassador to ASEAN; the ten-day Asia tour of the first “Pacific” President Obama in 2011 to announce the pivot; his first US-ASEAN summit; the first trip of president-elect Obama to Asia including Cambodia and Burma/Myanmar plus the US joining the EAS and organizing the APEC summit in Hawaii, Obama’s birth place. Receiving the Burmese and Vietnamese presidents in the White House in 2013 is part of the visibility campaign. These eye-catching activities are supplemented by regular high level political visits at ministerial and high official level, including the Secretary of Defense to foster military-to-military contacts.

The US underlined its commitment to maintain its role as security provider in the region although tested by China. The US assured allies like **Japan** on the Senkaku/Diaoyu issue after already having declared at the 2010 ASEAN Regional Forum (ARF) that the peaceful resolution of competing sovereignty claims to the South China Sea is in the US national interest. The planned revision of the 1997 US-Japanese guidelines for bilateral defense cooperation will focus on adapting to the strategic challenge from China and its military buildup. This includes more cooperation in monitoring and surveillance activities and assuring freedom of navigation. The project of PM Abe to revise the Japanese constitution enabling Japan to exercise its right to collective self-defense feeds into this process as well as the will to allow a greater international role for the Defense Forces in UN-peacekeeping operations in various parts of the world and fighting cyber terrorism. Concerning anti-piracy Japanese Self Defense vessels will join the Multilateral Task Force directly instead of operating independently in parallel, a change of position because of a wider interpretation of the present constitution. Furthermore, worried about Chinese pressure in both, the East and South China Sea, Japan became more active in its foreign policy: encouraging ASEAN unity over maritime issues, strengthening the maritime capabilities of certain Southeast Asian claimants, reaching out to other stake holders and relying on the alliance with the US<sup>3</sup> testify this activism. PM Abe travelled to ASEAN countries three times within the first eight months of his second tenure, missing out however on China and South Korea. Unveiling the largest warship of the Japanese Self Defense Navy since World War II, a helicopter carrier, on August 6, 2013 in parallel to the Hiroshima nuclear attack remembrance ceremony and baptizing it "Izumo" thereby putting it in line with warships acquired after the first Sino-Chinese War from the UK, adds symbolism to this significant event.

---

<sup>3</sup> Ian Storey (2013). Japan’s Growing Angst over the South China Sea. ISEAS perspective, no. 20; p. 2.

At the same time the US will remain wary of nationalistic instincts of Japanese politicians and any Japanese attempts to overplay their alliance. This caused some disappointment on the Japanese side because of the handling of the Senkaku/Diaoyou issue where Japan feels a certain diplomatic isolation. This can also be found between the lines in an interview by PM Abe where he expressed "full confidence in the Japanese-US alliance" while stressing that Japan is willing "to fulfill its own responsibility" in increasing its defense budget.<sup>4</sup> The Economist put it more bluntly "Mr. Abe believes that meeting China's challenge means shaking off the apathy and passivity that have held Japan in thrall for so long...Only a wealthy Japan can afford to defend itself. Only if it can defend itself will it be able to stand up to China – and, equally, avoid becoming a vassal of its chief ally, the United States."<sup>5</sup> On the other hand the clear commitments made on behalf of Japan are welcome in the region to disperse fears that the US might take a softer stance on assertive Chinese policies.

The **Korean Peninsula** remains a hot spot, although most players got used to the cyclical creation of crises by North Korea which is skillfully exploiting its sole nuisance value, nuclear proliferation and weapons technology. Lately the DPRK risked overplaying its cards with its paymaster China. However, the DPRK's strongest asset and protection is the general interest in preserving the status quo: nobody is interested in a sudden implosion of the regime leading to instability and flows of refugees; China wants to maintain a client buffer state instead of having US troops directly at its border in a united Korea on South Korea's terms; South Korea is mindful of the financial and social burden of unification; Japan and the US have a common threat justifying in the first case to become a more "normal" state and for the US to maintain a military presence in the region. Withdrawing a large part of the troops from North East Asia would also have economic implications: for the US to reintegrate soldiers in times of economic strain, for the host country losing an economic factor. Thus, South Korea wants to ensure that the 2015 transfer of operational command from the US does not lead to an actual reduction in the US military presence while warming up to a certain extent to China which might hold the keys to a future solution.

While the 'rebalancing' is welcome by allies and many Asian countries to balance Chinese influence no country wants to complicate (further) their relationship with China. Asian countries outside a formal alliance would like to avoid the need to choose (openly) between the US and China. On the positive side, when the pivot was

---

<sup>4</sup> Foreign Affairs (2013). "Japan is back: A Conversation with Shinzo Abe". Vol. 92, no. 4; p. 7.

<sup>5</sup> The Economist (2013, May 18). "Japan's master plan"; p. 11.

announced by then SoS Clinton<sup>6</sup> rendered possible because of the diminishing US engagement in Iraq and Afghanistan which frees troops, the expectation was created that the regional hot spots would get more US attention like DPRK and proliferation; maritime and territorial disputes; re-integration of Burma/Myanmar into the international community and solving sectarian conflicts.

Then Secretary of Defense (SoD) Panetta confirmed at the 2012 Shangri-La Dialogue the rebalancing of US naval forces to 60/40 in favor of the Pacific compared to the longstanding 50/50 even split between the Atlantic and the Pacific. His successor Hagel added in 2013 that “*the U.S. Air Force has allocated 60 percent of its overseas-based forces to the Asia-Pacific – including tactical aircraft and bomber forces from the continental United States. The Air Force is focusing a similar percentage of its space and cyber capabilities on the region.*”<sup>7</sup>

Combined with joint naval exercises with South Korea, Vietnam, the strengthening of the presence in the Philippines, the deployment of Marines to Australia it is no wonder that the military component of the pivot got particular attention and lead to the Chinese perception that the pivot was directed against China. This impression was reinforced by the fact that the major non-military component, the **Trans Pacific Partnership** (TPP), does not include China. However, there are doubts whether China would be ready and able to take on the kind of obligations envisaged in the TPP, like labor laws, environmental standards, enhanced IPR protection to name just a few of the more difficult issues.

As Europeans were initially concerned that the pivot to Asia equals a pivot away from Europe SoS Clinton was reassuring: “*On the contrary, we want Europe to engage more in Asia, along with us to see the region not only as a market, but as a focus of common strategic engagement*”<sup>8</sup>. SoD Hagel confirmed this approach in his first policy in speech in Asia at the 2013 Shangri-La Conference: “*The U.S. has allies, interests and responsibilities across the globe. The Asia-Pacific rebalance is not a retreat from other regions of the world.*”<sup>9</sup>

However, the pivot also met some criticism in the US: Robert Ross sees in the military side an unnecessary challenge to China provoking counter reactions: the People’s Liberation Army put pressure on those neighbor countries that boosted their defense cooperation with the US, resulting in tensions between China and Vietnam,

---

<sup>6</sup> Hillary R. Clinton (2011). “America’s Pacific Century”, Foreign Policy at [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

<sup>7</sup> Chuck Hagel (2013). “The US approach to regional security“, Shangri-La Dialogue, Singapore at <http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2013-c890/first-plenary-session-ee9e/chuck-hagel-862d> (emphasis added).

<sup>8</sup> Hillary R. Clinton (2012). “U.S. and Europe: A Revitalized Global Partnership”, at <http://www.state.gov/secretary/rm/2012/11/201223.htm>

<sup>9</sup> Chuck Hagel (2013).

Philippines, and Japan. Thus “...the pivot has not contributed to stability in Asia. Quite the opposite: it has made the region more tense and conflict-prone....Washington's increased activity on China's periphery has led Beijing to conclude that the United States has abandoned strategic engagement, the cornerstone of U.S. policy toward China since the end of Cold War.”<sup>10</sup>

“**Pivot no.2**”, the first formal rebalancing in the post-Clinton e.g. Kerry era came from then National Security Advisor Donilon: At a speech at the Asia Society in March 2013 he replaced pivot by “**rebalancing**” as the key word: “To pursue this vision, the United States is implementing a comprehensive, multidimensional strategy: strengthening alliances; deepening partnerships with emerging powers; building a stable, productive, and constructive relationship with China; empowering regional institutions; and helping to build a regional economic architecture that can sustain shared prosperity.

*These are the pillars of the U.S. strategy, and rebalancing means devoting the time, effort and resources necessary to get each one right. Here's what rebalancing does not mean. It doesn't mean diminishing ties to important partners in any other region. It does not mean containing China or seeking to dictate terms to Asia. And it isn't just a matter of our military presence. It is an effort that harnesses all elements of U.S. power - military, political, trade and investment, development and our values.”<sup>11</sup>*

SoD Hagel confirmed this policy line in Asia, “America is implementing a rebalance – which is primarily a diplomatic, economic and cultural strategy. President Obama is increasing funding for diplomacy and development in Asia, including a seven percent increase in foreign assistance in the Asia-Pacific region. The United States is providing new resources for regional efforts such as the Lower Mekong Initiative, which helps improve water management, disaster resilience, and public health. We have built strong momentum toward implementing a next-generation trade and investment agreement through the Trans-Pacific Partnership negotiations. We are fostering regional trade and investment through our work in APEC and our support to ASEAN.”<sup>12</sup>

Although the prospect of **leaving Afghanistan** because of the fatigue of more than a decade of war and financial constraints was one of the elements leading to the “pivot”, the potential repercussions of an implosion of the Afghan state will assure

---

<sup>10</sup> Robert Ross (2012). “The Problem with the Pivot”. Foreign Affairs vol. 91/6; Nov./Dec. 2012; p.80, 81.

<sup>11</sup> Tom Donilon (2013). “The United States and the Asia-Pacific in 2013” at [www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a](http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a)

<sup>12</sup> Chuck Hagel (2013).



that the US will remain economically, politically and militarily committed post 2014. However, this will go hand in hand with pressure firstly, on the Afghan government to honor its commitments and secondly, on US allies to take on more responsibility in burden sharing. As the EU shares with the US (and China and India) the interest in a stable Afghanistan, timely identification of potential synergies and areas of cooperation with the US in drawing on EU experience in civilian crisis management is necessary.

Keeping the difficult **Afghan transition process** on track remains a key security concern. In the coming months, Afghanistan might well face a situation in which a number of possibly destabilizing factors come together: elections, a new president, a harsh economic downturn, plus the military transition, while the peace & reconciliation process might not gain any real momentum. A high degree of uncertainty will very likely define the political landscape, with potentially important repercussions throughout the region. Afghan nation building will remain a key challenge for years to come but can only be successful if there is the prospect of an end to the conflict within the "decade of transformation" which will follow the transition phase post-2014.

Improved relations between Afghanistan and **Pakistan** remain essential for lasting peace - but could be challenged by internal developments in both countries as well as influenced by relations with important third partners (such as India, China or the United States). Alleged safe havens for insurgents and the indirect or direct support of different Taliban groups remain highly divisive issues. While the role of Pakistan will be crucial, all regional actors need to actively support a successful peace process. Without addressing the regional dimension, in particular India-Pakistan relations and the role of Central Asian Iranian neighbors and Iran, the prospects of stabilizing Afghanistan remain uncertain. Continuation of US policy towards Pakistan is to be expected, counter-terrorism, nuclear proliferation remain key issues. The withdrawal of US troops from Afghanistan in 2014 could contribute to the normalization process. China will remain a strategic partner for Pakistan. Thus, continued progress in Afghan state-building, including securing the gains made in counter-terrorism, will require further substantial international commitment and support for years to come. In supporting the **Heart of Asia Process** as well as through its involvement in all six Confidence Building Measures the US has signaled strong willingness to support regional cooperation especially in terms of economic cooperation. Counter-terrorism activities, however, will remain in the bilateral realm. Both, the US and China are interested to create a stable and peaceful Afghanistan; therefore the US would welcome more Chinese economic engagement and investment in the country.

**India** faces due to its geographical location complex and multiple threats and challenges to its security since independence, including its difficult relationship with its neighbors China and Pakistan and the long-lasting conflict in Afghanistan. This particular situation explains why India regards the 'strategic partnership' as a means to upgrade its relationship with the EU "beyond trade" and develop its political dimension. This attitude contrasts with China or South Korea, which focus on economics and the integration into the international economic and financial systems. In terms of multilateralism, the EU could make better use of its observer status in South Asian Association for Regional Cooperation (SAARC) in cooperating closer with India, the major player in South Asia. At the 2012 Summit it was "*agreed to continue consultations and cooperation between SAARC and the EU*".

The larger **Indian Ocean area** imposes itself as an area for enhanced cooperation, for mainly three reasons:

Firstly, as **the world's third largest Ocean**, the Indian Ocean carries half of the world's container ships, one third of the bulk cargo traffic, two-thirds of the world's oil shipments. This lends growing strategic importance to the area, turned into a theatre of competition between India, China and the US, not least because of the mentioned shipping lines, the security of the Sea Line of Communication especially in connection with the transport of energy, including ports for inland transport. The Indian Ocean Rim Association for Regional Cooperation<sup>13</sup> is presently chaired by India which would like to act as bridging power as the South China Sea is directly connected to the Indian Ocean. As during the Cold War the attention was more focused on the Atlantic and the Pacific Oceans a certain rebalancing of attention is required.

Secondly, within this area originates an **arc of (partly Islamic inspired) terror** spanning from Pakistan, Afghanistan via Somalia, Yemen, Nigeria, Niger, Mali to Mauretania. Mali, the present hot spot, has the potential to become the Afghanistan of Africa. The Joint Working Group on Counter Terrorism held in New Delhi in January 2012, in implementing the Joint Declaration on International Terrorism of the 2010 Summit, offers a suitable platform for EU-India cooperation. The 2012 Joint Summit refers to the mentioned cooperation in relation to the stabilization of Afghanistan, underlines that "terrorism cannot be justified on any grounds" and stresses the need to seek Pakistan's cooperation "to eliminate terrorism and dismantle terrorist networks...as terrorism and violent extremism represent serious threats to international peace and security". Experts are also working on enhancing cooperation on **anti-piracy** efforts, escorting of WFP shipments and related problems off the coast of Somalia.

---

<sup>13</sup> France and the UK are dialogue partners; <http://www.iorarc.org/default.aspx>

Thirdly, **India** increased diplomatic activities beyond its immediate neighborhood in elevating its relationship with South Korea to the strategic level, intensifying the relationship with Japan, ranging from a FTA to a strategic dialogue also in the trilateral form including the US and courting ASEAN countries without forgetting a responsive Australia. Militarily India is working on its first home-built aircraft carrier 'Vikrant' which should be operational by 2018; the explosion of a submarine and the forced stop of the launch of a satellite, both in August 2013, were however set-backs for the Indian ambitions. There also seems some common ground between India and **China** which could potentially lead to more cooperation once the dividing issues namely the border quarrel; the fate of shared water and the relationship with Pakistan are cleared.<sup>14</sup> However, the Indian government recently decided to set up a mountain strike corps "of 50,000 troops to protect its border with China, in the latest sign that New Delhi sees China as a more significant long-term military threat than Pakistan"<sup>15</sup>. On the other hand, the US-relations with **India** are not progressing quickly; nuclear and military cooperation, voting patterns in the UN as well as progress for a FTA remain below expectations. FTA negotiations with the EU are also slow and the strategic partnership is in need of rekindling. A further slowdown of the Indian economy, its growth rate and the exchange rate of the rupee could impact negatively on the political ambitions of the country.

As part of the competition in the region, the US is paying more attention to smaller countries like **Sri Lanka** and the **Maldives** which attract growing Chinese investment. The US recognizes the leading role of **Bangladesh** in international peace keeping operations through running training facilities in the country. Furthermore, Bangladesh is the third largest recipient of American ODA after Afghanistan and Pakistan.

### 1.3 Economic

As China has become the largest trading partner of ASEAN, the US promotes bi- and multilateral trade arrangements as well as more generally any steps to further liberalize the region – a policy former SoS Clinton liked to call 'economics of power'. Starting with the US-Vietnam and US-South Korea FTA the US engaged in the region and attempts since 2011 to enlarge the **Trans-Pacific Partnership (TPP)** to NAFTA+ on the one hand and to Japan and important ASEAN countries (Brunei,

---

<sup>14</sup> Jing Huang/Kanti Bajpai/Kishore Mahbubani (2012). "Rising Peacefully Together". Foreign Policy at [http://www.foreignpolicy.com/articles/2012/08/01/rising\\_peacefully\\_together](http://www.foreignpolicy.com/articles/2012/08/01/rising_peacefully_together)

<sup>15</sup> Financial Times (July 18, 2013) "India to add 50,000 troops to protect China border" at <http://www.ft.com/intl/cms/s/0/000a98d4-ef7d-11e2-a237-00144feabdc0.html#axzz2ZTRppCQO>

Malaysia, Singapore, and Vietnam) as well as Australia and New Zealand but not China on the other hand. Having received assurance of flexibility by the US PM Abe agreed in 2013 to join the negotiations as part of his domestic reform agenda which could, however, jeopardize the US goal of concluding by 2013 and weaken the project because of too many important carve outs.

The **Regional Comprehensive Economic Partnership (RCEP)** consisting of ASEAN + 6 [China, Japan, South Korea, Australia, New Zealand, India] while having a regional and not an interregional vocation is, is the ASEAN's and China's answer: compared to the TPP it has the advantages of including the whole of ASEAN and China and in the 'ASEAN way' is less ambitious concerning the depth of commitments expected. In the margin of the EAS both competing groupings met in order to step up activities. In case of the conclusion of both competing FTAs connecting them would be a challenge for regional governance embedded in the multilateral WTO regime. Seen positively, TPP and RCEP could become “*parallel pathways of economic integration into APEC’s Free Trade Area of the Asia-Pacific (FTAAP)*.”<sup>16</sup>

The trilateral FTA talks between **Japan-China-South Korea** are welcome in this context and they could have the additional value to create a positive spill-over into the dense political relationships. Given the size of the three countries involved, this FTA would outperform the ASEAN FTA (AFTA), de facto splitting East Asia in North and South East Asia, to the detriment of ASEAN. Nevertheless, a lesson to be learned by Asians from East Asia is that open economic policies foster economic development even in times of political tensions. The interdependence of the Japanese and Chinese economies may help preserving a '*pax economica*' as the two export driven economies need it each other; China has a particularly strong demand for Japanese machinery equipment.<sup>17</sup>

**India** is not covered by any of these FTAs. The TPP is one of the top priorities for **New Zealand** (NZ) which started the process in the P4 context and ceded the driving seat to the US; contrary to the US NZ would like to see China included in the TTP. Although close to the US, NZ is representative for those countries in the region which prefer close cooperation to a formal alliance in order to guard some independence in the eyes of China. New Zealand prefers low key political dialogue with China on sensitive issues in order to maintain a certain neutrality, unlike **Australia** which shows its preference for the US not least in allowing the stationing of 2 500 troops in Darwin.

---

<sup>16</sup> Sanchita Basu Das (2013). The Trans-Pacific-Partnership as a tool to contain China: Myth or reality?. ISEAS perspective no. 31; p. 7.

<sup>17</sup> Francois Godement (2013) "Xi Jinping's China". European Council on Foreign Relations.

## 2. US-China

Having profited from the established order during its rise China is interested in stability but not necessarily in a standstill. As PM Lee of Singapore put it when talking in the US about the China-US relationship "*[China] wants its rightful place in the sun, and will be wary of any perceived attempt to constrict its freedom of action. Each side will be watching the actions and reading the motives of the other, and reacting to them. China and the US have to strengthen mutual confidence, in order to manage this shift in the global balance wisely and prudently.*"<sup>18</sup> This asks for an overall assessment of the geopolitical situation in the bilateral relationship taking into account the relative power shifts which are in favor of China while both countries are economically and financially interlocked. Therefore, "*[m]anaging its relationship with China is recognized as perhaps the greatest diplomatic challenge America faces in the early 21<sup>st</sup> century. Given the interconnectedness of the two economies, this will require balancing between areas of competition and of cooperation. The current US hedging strategy is an attempt to do so.*"<sup>19</sup>

In this context Asian countries are wary, firstly, not to get involved in competition between the two powers and, secondly, that the US-pivot is perceived by China primarily as part of a US containment policy. As long as the US cannot dispel this perception despite declarations to the contrary<sup>20</sup> as well as the primarily military nature of the pivot, some East Asian countries will try to avoid declarations or actions anchoring them firmly in the US camp. This applies even to close allies: When South Korea signed its first ever military agreement with Japan, it balanced this off in offering China a similar agreement. Similarly, Vietnam pursues a policy of "proactive integration" aiming at good relations with all major powers and down-playing the defense cooperation fixed in a memorandum of understanding with the US in 2011. While there is consensus that Sino-US cooperation is necessary not only because of economic and financial interdependence but also in managing or solving conflicts in the region (cf. DPRK), the US invitation extended by SoD Hagel in Singapore to host ASEAN defense ministers in Hawaii in 2014 could be understood as part of a containment policy vis-à-vis China.

---

<sup>18</sup> Lee Hsien Loong (2013). Speech at the US Chamber of Commerce, April 2. "On US relations with China, ASEAN and Singapore..." <http://www.asiaone.com/News/Latest%2BNews/Singapore/Story/A1Story20130403-413356/2.html>

<sup>19</sup> Xenia Dormandy (2012). Prepared for Future Threats? US Defence Partnerships in the Asia Pacific Region. Chatham House, London; p. 30.

<sup>20</sup> Chuck Hagel (2013): "Building a positive and constructive relationship with China is also an essential part of America's rebalance to Asia. The United States welcomes and supports a prosperous and successful China that contributes to regional and global problem solving."

As an ascending power China is striving for regional hegemony and clearly regards part of the Asia Pacific as its sphere of influence and therefore strives to assure access for its navy to the Pacific while attempting to control access by external powers. Kaplan puts this into the context of normal behavior of coastal states drawing parallels with the *mare nostrum* of the Romans and the ‘American’ or ‘Asia Mediterranean’: “China may seek to dominate the South China Sea in a similar way that the Americans dominated the Caribbean, while America, playing by different rules now, will seek along with allies like Vietnam and the Philippines to keep it a full-fledged international waterway. It is fear of China – not love of America – which is driving Hanoi into Washington’s arms.”<sup>21</sup> China justifies its maritime requests with the “nine dotted line” concept e.g. with historic rights which is not in line with UNCLOS which China ratified albeit with important reservations concerning dispute settlement. Thereby China implicitly wants to push-back US-influence and dominance in the region. Therefore joint work to render the regional architecture capable of dealing with such claims and tensions in providing for conflict prevention and management mechanisms which would also allow handling accidental clashes by avoiding them spiraling out of control is of primordial importance. Assuring respect for international law especially for UNCLOS and the freedom of navigation should become a common goal for responsible major powers, including China. This could contribute to seeing regional competition not as a zero-sum game.

China has some concerns: the profound political change in **Burma/Myanmar**, culminating in a visit to the White House of President Thein Sein leads to a cooling of the close relationship. Similarly the transformation of **Vietnam** from US foe to friend can be read as a strategic set-back for China. The **Philippines**, already covered since 1951 by a Mutual Defense Treaty, reconnected with the US under Chinese pressure on the Spratley Islands. **Malaysia** seems to be closer to the Chinese position in rejecting outside interference and advocating joint development schemes like in the case between Malaysia and Thailand. China’s strong support for and engagement with **Cambodia** and **Laos** strains ASEAN’s cohesiveness. The overall change of Chinese policy towards assertiveness especially in maritime matters has casted doubt on the proclaimed peaceful rise, alienated some Asian countries including **ASEAN**. Former ASEAN Secretary General Rodolfo Severino expresses this change of attitude clearly, “Some Southeast Asian states perceive China’s assertive stance on territorial and maritime jurisdictional disputes in the East China Sea and the South China Sea, demonstrated especially in military terms, as a threat...In general, this Southeast Asian threat perception has apparently begun to reverse, or at least marred, the image that the People’s Republic had assiduously cultivating over years – that of a

---

<sup>21</sup> Robert Kaplan (2012). *The revenge of geography*. Random House; p. 220.

*“good neighbor” with only the benign intention of helping its needy neighbors and being a useful partner to all.”*<sup>22</sup>

This Chinese policy, its perception by and occasional clashes with Southeast Asians lead to an increase in regional military spending and fostered the mentioned rapprochement with the outside balancer, the US which is not in the strategic interest of China. This should lead over time to a recalibration of its policy. In South Asia **India's** de facto acceptance into the nuclear club by President Bush jr. prompted China to take a more strategic approach and fend the relationship despite border disputes.

The US has no interest in a confrontational policy with China, but has to find a way to accommodate the resurgent power through a policy which allows competition and cooperation at the same time and to manage this competition as well as disagreements. Adhering to and accepting international rules and cooperation in global governance could provide the necessary framework which could also help to extend the limits of trust which are systemic in the relationship between an authoritarian and a democratic regime. Such a trust and confidence building exercise is a potential area of EU-US-China trilateral cooperation. In order to help overcoming this security dilemma caused more by uncertainty and suspicion than by a threat scenario the EU should strengthen its policy of engagement as it is not suspected of pursuing a hidden super-power agenda or its own grand design.

Despite fundamental disagreement and a fair amount of distrust linked to the military component of the pivot, *“the ties between the armed forces of the two nations [US and China] have been getting closer. Direct contacts between China’s People’s Liberation Army (PLA) and some of its potential adversaries have increased dramatically in the last two years”*<sup>23</sup> according to Reuters’ Peter Apps. Open lines of communication including contacts on a less formal level may be useful not only for explaining policies and strategies but also to avoid escalations by error. As visible signs of engagement Chinese vessels participate in the EU- coordinated anti-piracy mission at the Horn of Africa and China has become one of the largest contributors to UN peace keeping missions.

However, cyber security and related theft, hacking and espionage has the potential of clouding the relationship, as the US considers cyber-security as an important issue not just for its companies, but also from a national security perspective. Despite the

---

<sup>22</sup> Rodolfo C. Severino (2013). "The rise of Chinese power and the impact on the Southeast Asia". ISEAS perspective, no. 32: p. 9.

<sup>23</sup> Peter Apps (2013). "Analysis: From opera to exercises, U.S. and China deepen military ties". Reuters, May 22, at <http://www.reuters.com/article/2013/05/22/us-usa-china-military-analysis-idUSBRE94L0X920130522>

clear warning by then National Security Advisor Donilon<sup>24</sup> in March, Chinese hackers allegedly managed to "compromise" about 30 US weapons systems<sup>25</sup> which lead to public criticism of China by SOD Hagel at the Shangri-La Dialogue in Singapore, "...growing threat of cyber intrusions, some of which appear to be tied to the Chinese government and military"<sup>26</sup>. At the informal retreat between the two Presidents Obama and Xi, in Sunnylands Estate (June 2013) the issue remained as expected unresolved; idem for the differences concerning China's exchange rate policy, the delivery of arms to Taiwan and more generally the maritime disputes, while there was some progress on the DPRK and climate change. In sum, no sign of a grand design leading to a G2 or a "new model of major country relationships" as the Chinese would call it.

### III. Multilateralism

**ASEAN** is aware of the pressure to deliver in light of the current situation: It will be measured against its own targets e.g. establishing three communities by 2015. This is complicated by the fact that "*ASEAN governments want an organization that provides the venue for dialogue but not one that restricts sovereignty or requires them to develop common policy positions.*"<sup>27</sup> Furthermore, ASEAN has to resist attempts to be split through Chinese bilateral advances (Cambodia, Laos) which lead e.g. to the first failure in 45 years of ASEAN foreign ministers to agree on a declaration in 2012, competing FTA projects (TPP does not encompass all ASEAN countries) and struggles to maintain its self-proclaimed centrality while facing competition from its

---

<sup>24</sup> Tom Donilon (2013). "Another such issue is cyber-security, which has become a growing challenge to our economic relationship as well. Economies as large as the United States and China have a tremendous shared stake in ensuring that the Internet remains open, interoperable, secure, reliable, and stable. Both countries face risks when it comes to protecting personal data and communications, financial transactions, critical infrastructure, or the intellectual property and trade secrets that are so vital to innovation and economic growth. It is in this last category that our concerns have moved to the forefront of our agenda. I am not talking about ordinary cybercrime or hacking. And, this is not solely a national security concern or a concern of the U.S. government. Increasingly, U.S. businesses are speaking out about their serious concerns about **sophisticated, targeted theft of confidential business information and proprietary technologies through cyber intrusions emanating from China on an unprecedented scale.** The international community cannot afford to tolerate such activity from any country. As the President said in the State of the Union, we will take action to protect our economy against cyber-threats." (emphasis added).

<sup>25</sup> Financial Times, May 29, 2013. "Obama to press China's Xi on cyber hacking" at <http://www.ft.com/intl/cms/s/0/ad32bbbc-c80a-11e2-be27-00144feab7de.html>

<sup>26</sup> Chuck Hagel (2013).

<sup>27</sup> Xenia Dormandy (2012); p. 27.



own creations like the ASEAN Plus Three losing out to the **East Asia Summit (EAS)**.

The EAS with its wider participation (ASEAN Plus Three, AUS, NZ, India, further enlarged in 2011 with the US and Russia) is diluting the influence China enjoyed in the more restrictive ASEAN Plus Three setting. Presently **ASEAN** maintains a sort of moratorium on enlargement of the EAS which runs counter to the EU's professed intention of joining, repeated publicly by HRVP Ashton at her first appearance at the 2013 Shangri-La Dialogue.

While China could be wary of a too Western agenda if the EU and Canada were to join the EAS, the lukewarm attitude or resistances of like-minded countries like Australia and Singapore is evidence for a Pan-Asian understanding and - in EU-speak - a preference for deepening over widening. But also the US appears not very forthcoming in their support for the EU asking for homework to be done e.g. the EU should demonstrate its added value to the summit, sustain its particularly active 2012 engagement with the region over time (including nominating a dedicated Ambassador to ASEAN), devote sufficient resources to the project and continue to show the flag with high level visits.

Part of the political dimension of the US rebalancing is the goal of strengthening ASEAN and to engage more along the strategically important **Mekong River** – both goals shared by the EU although not necessarily pursued with the same means. The US favours the Lower Mekong Initiative while the EU is already engaged with the Mekong River Commission following a comprehensive sub-regional approach.

The US would like **ASEAN** to become a cornerstone of stability in the region and serve as a counterweight to China which explains the heightened attention paid to the Association demonstrated through a dedicated ambassador as well as adherence to the EAS in 2011. In recognition of ASEAN's growing economic role the US launched at the November 2012 meeting the US-ASEAN Expanded Economic Engagement (E3) Initiative and the ASEAN-US Investment Framework Arrangement (TIFA) Work Plan with the target date 2013. However, in expressing “deep disappointment and concern” about the content of the ASEAN Human Rights Declaration adopted on November 18, 2012, the US made it clear, that “*ASEAN can only reach its full potential as an organization if it, and its constituent member states, commit to observing the established universal human rights and fundamental freedoms that allow the people of the ASEAN region to think and act freely; to engage in open debate; and to live up to the noble principles of the ASEAN Charter.*”<sup>28</sup>

---

<sup>28</sup> Daniel Baer (2012), Deputy Assistant Secretary, Bureau of Democracy, Human Rights, and Labor; “Keynote Address to the U.S.-ASEAN Symposium on the ASEAN Human Rights Declaration”, November 28, 2012, at <http://www.state.gov/j/drl/rls/rm/2012/201210.htm>

**Indonesia**, clearly attempting to re-establish its former leadership in ASEAN, pursues a policy of “dynamic equilibrium” e.g. balancing its own bilateral relations with the US and China as well as the policy of these two with ASEAN. The US supports Indonesia in this role, intensifies bilateral relations and recognizes its moderating influence not only in the Association but also in the Muslim world. Weak ASEAN leadership is becoming an issue of concern.

The **twice a year engagement of the US president in summits** (APEC for economics, US-ASEAN for ASEAN centrality, EAS for politics and security) underpins visibly the rebalancing. In the region the US engagement in the EAS is seen positively as it provides the framework for regular meetings of the main powers US, China, Japan and Russia. US engagement raises the stakes and could contribute to transform in the medium term the still rather diffuse EAS summit agenda into a security platform at the highest level, although this bears the danger to weaken the ARF and thereby ASEAN.

**Japan**, the longstanding US-ally, whose new government signals to be willing to become more active in the region and globally, partners with the US in **triangular consultations** with **South Korea, Australia and India**. While part of the US network of security alliances, these meetings also send the message of closer cooperation between like-minded democracies. In the case of South Korea and Japan, such meetings could also be helpful in controlling/overcoming bilateral tensions, necessary in the face of North Korean brinkmanship and threats. If these triangular consultations are supplemented in 2014 by **US consultations with ASEAN defense ministers** (cf. above) a tightly woven network around China appears which will further fuel Chinese concerns about encirclement or containment. This perception is further inflated as China hardly has any allies in the region, except Pakistan and the DPRK, while not counting (yet) Laos and Cambodia.

PM Abe’s proposal to create “Asia’s Democratic Security Diamond” in associating Japan, US, Australia and India to “*safeguard the maritime commons stretching from the Indian Ocean region to the Western Pacific*”<sup>29</sup> would strategically link the China Seas with the Indian Ocean. However, to avoid isolating China, consultations US-China-Japan should complement other triangular meetings as the **China-Japan relationship**, linked to the US, is of primordial regional importance: Daniel Twining<sup>30</sup> highlights Japan's "*striking ability to rapidly transform itself in response to international conditions*" and recalls that "*since 2011, successive Japanese prime*

---

<sup>29</sup> Shinzo Abe (2012). “Asia’s Democratic Security Diamond”. <http://www.project-syndicate.org/commentary/a-strategic-alliance-for-japan-and-india-by-shinzo-abe>

<sup>30</sup> Daniel Twining (2012). "China's Overreach, America's Opportunity". American Foreign Policy Council at <http://www.gmfus.org/archives/chinas-overreach-americas-opportunity/>

*ministers have articulated unprecedented ambitions for Japanese grand strategy*" such as positioning Japan as the 'thought leader of Asia', cooperation with other democratic countries in an 'Arc of Freedom and Prosperity' to building an 'East Asian community' to name just a few examples. The Tokyo International Conference on African Development (TICAD) which recently celebrated its 20<sup>th</sup> anniversary is not only Japan's political, economic and financial platform for cooperation with Africa but also for competition with China for resources and influence. It mirrors the Forum for China-Africa Cooperation which meets since 2000 at the summit and ministerial level.

These activities alert China which, according to Evelyn Goh, is still trying to establish its Japan policy: Since the end of the Cold War Japan emancipates from the US security umbrella and plays a more active international role - more to come under PM Abe. In order to reach a "*new great power bargain*"<sup>31</sup> China and Japan have to reconsider their positions. Accepting "*a more normal Japan and/or the legitimate place of the U.S.-Japan alliance in the regional security order*"<sup>32</sup> would be the ultimate challenge for China with two options: militarizing against Japan (and the alliance) or to come to terms with the situation given its own rise of power – a regional security architecture would facilitate this process which is favored by Asian partners and in line with EU thinking.

Albeit stalled for years, the **Six Party Talks** offer a forum for close cooperation among allies US-South Korea-Japan in the bi- and trilateral format thereby potentially strengthening the alliances. The DPRK special envoy to China – in an apparent effort to smoothen the strained relationship between the two allies - has recently (May 2013) hinted at the readiness of the new leadership to consider resuming the talks. However, the DPRK's main goal is to get directly involved with the US and to get its nuclear power status recognized. The ten years old **Proliferation Security Initiative (PSI)** is another joining of efforts to curb proliferation with wide participation but with the noteworthy absence of China and India.

#### IV. Implications for the EU

While there is a window of opportunity for the EU to present its strength and experience in complementarity to the US – e.g. being neither the US nor China, not being suspected to strive to keep China in check – more engagement and more presence should not give Asian partners the impression of being pawns in someone's

---

<sup>31</sup> Evelyn Goh (2011). Japan, China, and the Great Power Bargain in East Asia. Royal Holloway, University of London; p.19.

<sup>32</sup> Ibid.; p.20.

else chess game. Asia and Europe share security concerns regarding failed states, terrorism, organized crime and illegal immigration to name just a few. This carries a certain “déjà-vu” scenario: in 1996 the **Asia Europe Meeting (ASEM)** was created by the EU and ASEAN also inviting the three North East Asian countries China, Japan and South Korea, to fill the missing link in the Europe-US-Asia triangle - the other two being the Transatlantic Partnership and APEC. Thus, the EU engagement is not just a reaction to the US pivot but has a long tradition<sup>33</sup> – 37 years of dialogue with ASEAN – and is well rooted e.g. the four strategic partnerships<sup>34</sup>. The 2014 ASEM summit offers the EU as the host the chance to underline its strong security interest in Asia, highlight the Eurasian nature of the Meeting and to bring common concerns like energy security to the fore.

The EU’s multilateral and soft power approach to international challenges carries an appeal when the region’s other major partners are stressing hard power. In the process of building a regional architecture the EU’s expertise and experience in regional economic and political integration, including dispute avoidance, management and settlement, are assets in demand. This allows the EU to pursue a comprehensive security policy, in promoting peace and security through development assistance (5 bn. Euro for the 2007-2013 period) and non-military assets in form of know-how about regional reconciliation through integration and institution building, confidence building measures for conflict prevention and management, post-conflict management and more generally non-traditional security issues including fighting pandemics, disaster relief. Establishing a **Taskforce for Burma/Myanmar** including the private sector in rebuilding efforts is another example of the EU's comprehensive approach to security.

In addition, the EU can leverage its normative power especially in conducting various sectoral dialogues reflecting the external dimension of domestic EU policies. This includes the promotion of good governance on all levels and the rule of law. An effective cultural diplomacy would be a useful complement allowing soft power to better flourish.

While the EU’s credibility has taken a beating because of the persistent economic and financial crisis, the historic achievement honored by the 2012 Nobel Peace Prize and its lack of any territorial or maritime claims in the region remain assets. The German-Polish reconciliation could be an example for overcoming the Japanese Korean nationalistic tensions.

---

<sup>33</sup> Nicola Casarini (2013). The European Pivot. IISS Issue alert at [http://www.iss.europa.eu/uploads/media/Alert\\_Asia.pdf](http://www.iss.europa.eu/uploads/media/Alert_Asia.pdf)

<sup>34</sup> Michael Reiterer (2013). "The Role of 'Strategic Partnerships' in the EU's Relations with Asia". Thomas Christiansen/Emil Kirchner/Philomena Murray (eds.) The Palgrave Handbook of EU-Asia Relations, Palgrave; pp. 75-89.

In light of the TPP and the US pivot/rebalancing the EU concluding another FTA with Singapore after the one with South Korea set firstly, a benchmark for other ASEAN countries and secondly, gave a welcome sign of EU-engagement. The mentioned recent launch of negotiations with Japan on a FTA as well as on a political framework agreement complements the picture.

However, the EU is not spared the more assertive Chinese policy as evidenced by the spat about anti-dumping duties on Chinese solar panels and wireless communication networks where China orchestrated the majority of Member States to oppose a move by the EC and issued a rather stern warning "*...the Chinese government would not sit on the sidelines but would rather take necessary steps to defend its national interests.... avoiding a trade war, but this would require restraint and cooperation on the EU's part*"<sup>35</sup>. After weeks of threats and counter-threats a pragmatic solution in agreeing on a minimum price undertaking was found – to a certain degree the prove of interdependence but also a forceful reminder that China is willing to bring its economic weight to bear in its diplomacy. (The export restrictions on rare earth in the conflict with Japan were a precursor to this policy.)

While cooperation with the US in case of overlapping interests will enhance the EU's influence, every effort has to be made to **strengthen the EU's own distinct profile** in promoting multilateral approaches, the rule of law, good governance and regional integration. The latter means supporting a balanced multilateral political, security and economic structure with ASEAN at its core as such a system avoids centering the system either on China or the US. A **tri-partite dialogue China-US-EU** on strategic issues could be a strong sign of cooperation dispelling also fears stemming from Chinese reactions to counter containment.

Similarly **Japan** is keen to develop its own profile in Asia but also in other areas like the Middle East. It therefore operates at arm's-length from the US and advocates a multilateral, rules based approach to maritime security issues and also strengthens its engagement with ASEAN. This offers the EU possibilities for cooperation with Japan, like in the anti-piracy operations off the coast of Somalia. In order to support such cooperation and also to facilitate the negotiating process of the FTA and framework agreement, Japan expects to figure more prominently on the political radar of the EU. The chances are good, the postponed summit will be held in November 2013, the said negotiations will assure constant contacts. Furthermore, PM Abe included a few European destinations in addition to the G8 meeting, following also

---

<sup>35</sup> <http://blogs.r.ftdata.co.uk/brusselsblog/files/2013/05/China-TradeStatement.pdf>

the Chinese example<sup>36</sup> in paying special attention to Central Europe in having a meeting with the Visegrad Group of Four.

In intensifying the **engagement with ASEAN and ARF**, the engagement to shape the evolving regional security architecture and in pursuing an active trade policy bilaterally and multilaterally, the EU can contribute to shaping the regional framework within which bilateral relationships can be developed. Although China is ascending, the EU's Asia policy has to be more than just a China policy. This can be achieved in fostering the relationship with the other three strategic partners (Japan, South Korea, India) while clearly implementing a policy which is value based on the one hand but realistic in pursuing national interests on the other. In this context special attention should be paid to the Indian Ocean and South Asia which is still one the last integrated areas.

The **2012 East Asia Policy Guidelines** provide a solid basis for building such an engaging policy towards the region which is the nucleus of the Asia-Pacific although due attention has to be devoted to the development of India and the strategically important Indian Ocean. The Indian Ocean links Asia to Europe via Arabia, including the two crisis prone flashpoints, the Straits of Malacca and Hormuz. In operationalizing the Guidelines priorities have to be set backed up by the necessary means to implement them effectively.

As many Asian countries encourage an active EU-presence because of the evolving rivalry and competition of the US and China, a distinctive and principled voice is necessary. Enhanced presence, concentration on the defined priorities, coherent actions by the EU and its Member States not least in relation to China, cooperation with partners where effective and necessary, competition where warranted in applying the EU's comprehensive approach to security (Three D tool box), effective communication and messaging to create a clear profile based on policies and facts are the necessary ingredients.

Sustained credibility will not always allow applying equidistance and neutrality; on the contrary, it will necessitate clear policy pronouncements as well as contingency planning in order to be able to address conflicts and be prepared to make policy choices. A few examples for illustration: addressing the piecemeal change of the status quo by China in the various maritime disputes to gain strength over time labeled "reactive assertiveness" by the Crisis Group<sup>37</sup>; evaluating US policy as

---

<sup>36</sup> Chinese PM Wen held two meetings with Central European leaders in 2011 (Budapest) and 2012 (Warsaw).

<sup>37</sup> International Crisis Group (2013). *Dangerous Waters: China-Japan Relations on the Rocks*. Asia Report no. 245; pp. 12-15: "Beijing uses an action by another party as justification to push back hard and change the facts on the ground in its favor... China's reactively assertive approach

engaging or controlling China; taking political risks when pursuing economic or trade interests, such as trade defense measures, addressing value issues. In the context of the various maritime disputes the EU is sending a clear message how it expects parties involved to deal with conflicts e.g. by diplomatic means without violence or threat thereof according to international law and the United Nations Convention on the Law of the Sea (UNCLOS), while not taking a position on the underlying sovereignty issues.

In order to **sharpen the EU's profile in the region** and not to fall further behind the US and China in public diplomacy, a thoughtful, balanced and interest driven implementation of the 2012 Joint EU-US Statement on the Asia Pacific region<sup>38</sup>, regular bilateral high level visits including the high profiled ARF and Shangri-La Dialogue, the setting up of tri- or plurilateral dialogues with strategic partners or other like-minded countries, joining the EAS and eventually the ASEAN Defense Ministers Meeting Plus as well as the regular taking of position on developments in the area are necessary to gain credibility and visibility and to maintain the 2012 drive in the EU's Asia-Pacific policy.

## V. Outlook

As demonstrated by President Obama's first foreign trip after his re-election to Asia – despite the then looming “fiscal cliff”, the US will implement its rebalancing policy towards the Asia-Pacific, thus no fundamental policy change but rather adaptations can be expected.

This continued active engagement appears firmly anchored in the prevailing strategic interest of the US in the region; the growing importance of the economic, political and military challenge of China; the economic dynamism of the region and the US alliance and close cooperation networks in the region.

The stability of the region will depend on the quality of the relation between the US and China as this relationship has direct effects on most bilateral relations as well as on the nascent institutional architecture of the region. Robert Kaplan diagnoses an *"emerging Asian power web"* of closer cooperation of many Asian states, hedging against uncertainty induced by the Sino-US rivalry which he regards as *"another aspect of the so-called rise of the rest, as opposed to the continued dominance of the*

---

likely reflects its desire to take firm actions to defend its maritime claims while maintaining a policy of peaceful development.”

<sup>38</sup> Michael Reiterer (2012). “The EU-US engagement in the Asia-Pacific”. In Lay-Hwee Yeo/Barnard Turner (eds.) *Changing Tides and Changing Ties – Anchoring Asia-Europe Relations in Challenging Times*. EU Centre Singapore; pp. 105-113.



*United States and Europe.*"<sup>39</sup> Chinese economic dynamism has served the Chinese Communist Party internally as well as the region (ASEAN), the US and the EU. The common message is that a predictable, rules based regional and international system serves all players best in which emerging countries, like China and India, will get an increasingly important voice. A policy to avoid negative spill-over from politics into economics - one of the main goals of the multilateral WTO system - needs to be accompanied by a policy of engagement for which the China-Taiwan relationship is a good example. Such a policy will foster international cooperation which takes into account that emerging China is challenging the US geo-political, geo-strategic and geo-economic preponderance.

In order to avoid a re-run of the Cold War script the Chinese perception<sup>40</sup> of US efforts of containment<sup>41</sup> needs to be rebalanced by a real policy of engagement and offer of burden sharing to assure regional and global stability e.g. becoming a stakeholder in the international system. The US and the EU need developing a hedging strategy which allows the necessary actions in case of digression of China's proclaimed policy of 'peaceful rise' while recognizing China's leading regional role commensurate with its geopolitical and economic strength. For the EU this means engaging China economically, politically and strategically on the regional and global level. Given the interdependence in the region – in economic terms intra-regional trade is on the rise – such a policy will have to be aware that the countries of the region want to avoid choosing between China and the US except if pushed by Chinese threats. ASEAN and the institutions and processes it has initiated could provide the needed multilateral setting to this end. However, in order to fulfill this task the Association needs to strengthen its capacity to deliver – in terms of economics (ASEAN Free Trade Area by 2015?) as well as politically: the only regional security forum ARF is conspicuously absent from all the regional hotspots (maritime/territorial disputes in the various Seas; Thai-Cambodian territorial conflict;

---

<sup>39</sup> Robert Kaplan (2013) "Asia's New Power Brokers" at [http://www.realclearworld.com/articles/2013/06/13/asias\\_new\\_power\\_brokers.html](http://www.realclearworld.com/articles/2013/06/13/asias_new_power_brokers.html)

<sup>40</sup> Financial Times (2013, June 2) quotes Major General Yao Yunzhu, director of the centre for China-America Defence Relations at the Academy of Military Science: "The rebalance has been widely interpreted as an attempt to contain China. The US has on several occasions clarified that it is not against China. However, China is not convinced....How can you assure China [...]? And how can you balance [...] the two different objectives – to assure allies, and to build a positive relationship with China?". "China and US stage delicate rebalancing act". at <http://www.ft.com/intl/cms/s/0/fe23767c-cb59-11e2-8ff3-00144feab7de.html#axzz2V8UczF5T>

<sup>41</sup> The transposition of the term "containment" from the Cold War to today's environment can lead to misunderstandings: contrary to the ideological conflict about world dominance between the US and the Soviet Union at the time, China and the US are first interdependent. Secondly, despite competition they do not view each other as 'enemies' and contenders for ideological world-wide dominance comparable to the animosity between the Soviet Union and the US.



The Straits; India-Pakistan; contingency planning for the Korean Peninsula...) and remains limited to confidence building and preventive diplomacy.

Such an analysis has prompted the US to consider developing the **EAS** into a leaders' based security institution while APEC<sup>42</sup> and the TPP cover the economic angle. Australian PM and former Foreign Minister Kevin Rudd advocates that the US and Australia need to use the EAS and the ADMM+ "*to develop a series of confidence- and security-building measures among the region's 18 militaries.*"<sup>43</sup> However, the EAS still has to find its role and its distinct profile and agenda. It could fill the security gap although ASEAN countries have a preference for economic issues. The EU, once admitted, could play a useful role to reach this goal and draw on its experience in regional integration and effective multilateralism in general; in providing peace through institution building, negotiations, rule of law; in trust and confidence building, overcoming legacy of history; in conflict prevention and management (2012 Nobel Peace Prize for the EU) These elements need to be taken into account when striving to convince partners of the value added by the EU.

If ASEAN wants to maintain its centrality, if it wants to offer another platform outside the Sino-US competition, if it wants to contribute to easing the security dilemma of depending on China in terms of trade and economics while on the US for security, it will have to strengthen its effectiveness, institutionalization and thereby cohesiveness to resist attempts to split up the bloc. Supporting ASEAN in this endeavor could be an area of joint cooperation of the US and EU which both favor multilateralism and would like to see an institutional framework to stabilize the volatile regional security situation. This is part of the US efforts to mold the emerging regional security and economic architecture in their favor. In pursuing this goal the US will have to reassure its allies Japan and South Korea as they are concerned about a pivot within the pivot e.g. a focus of US interest towards South East and potentially South Asia. In order to be able to serve as an effective security mechanism the EAS (or a re-invigorated ARF) will have to foster the rule of law and to develop enforceable rules and procedures.

Despite China's rise and the economic and financial problems of the US the latter maintains large economic<sup>44</sup>, military<sup>45</sup> and soft power advantages over China. This

---

<sup>42</sup> India is neither a member of APEC nor negotiating TPP participation.

<sup>43</sup> Kevin Rudd (2013). "Beyond the Pivot: A New Road Map for U.S.-Chinese Relations". Foreign Affairs, vol. 92/2, March/April; p.14.

<sup>44</sup> The World Bank put the US per capita income in 2011 at 48.422 \$ (rank 16) while China ranked 91 (5.445 \$).

<sup>45</sup> According to SIPRI military expenditure in East Asia increased since 2000 by 69%; in 2011 the US spent 41% of the world total, China 8,2%. In Asia, Chinese military spending continued to increase, by 6.7% in real terms, faster than in 2010 but slower than during most of the 2000s.

allows designing a strategy recognizing the rise of both powers in parallel and not in a zero-sum mode, a process to which the EU could contribute. Such a strategy will have to take into account that China considers itself entitled to play a leading role as a regional power with wider ambitions: After 30 years of 'peaceful rise' the outlook has changed. China aims at a 'big power relationship with the US and wants to be recognized as an equal partner as "the West Pacific Ocean has enough space for the two large countries of China and the United States"<sup>46</sup>. Therefore China will continue testing the resolve of the US to maintain and defend its role as dominant power and hub of the security alliances. Regarding the South China Sea as part of its core national interests<sup>47</sup> China's anti-access/area-denial strategy aims ultimately at securing Taiwan. Therefore, China makes efforts to enlarge its 'area of denial', implement the 'string of pearls', and get the 'nine-dotted line' respected, invests in the navy and particularly in submarines as sea-based nuclear deterrent. Chen Zhimin/Chang Lulu spell this out clearly, "*As to the military [power], with the principle of non-first-use of nuclear weapons, China should develop a credible and minimum power of nuclear deterrence, establish modernized conventional military power, dispel the illusion of waging local or total war on China of any country, and effectively protect territorial integrity and maritime rights.*"<sup>48</sup> This also seems to be the appreciation of the US: One of the Navy's top intelligence officer Capt. James Fenell explains the reason for the rebalancing of the US Navy to the Asia-Pacific: "*The Chinese People's Liberation Army (PLA) is focused on war, and is expanding into the 'blue waters' explicitly to counter the U.S. Pacific Fleet....the PLA Navy is going to sea to learn how to do naval warfare*"<sup>49</sup>. Garnaut also points out that the new Chinese leader Xi has risen to power in cultivating the PLA as his power base and he seems set to continue this policy "*in building up China's military power as never before.*" Gompert/Kelly are also alarmist in pointing out that the US counter strategy called "Air-Sea Battle" with the goal "to neutralize the ability of enemies to keep US forces at bay" creates the "danger that the United States and China are both moving toward military postures and embracing operating concepts – if not war-fighting plans – that create spiraling

---

Total military spending for the rest of Asia & Oceania remained constant, at <http://www.sipri.org/research/armaments/milex/resultoutput/trends>

<sup>46</sup> Godement (2013); p. 6.

<sup>47</sup> Jia Qingguo (2013) denies that China has officially claimed the South China Sea as a core national interest: "China and the region", CSCAP Regional Security Outlook 2013; p. 16.

<sup>48</sup> Chen Zhimin/Chang Lulu (2013). "The Power Strategy of Chinese Foreign Policy". NFG Working Paper no.3/2013; p.22.

<sup>49</sup> John Garnaut (2013). "Xi's War Drums", Foreign Policy, May/June, at [http://www.foreignpolicy.com/articles/2013/04/29/xis\\_war\\_drums](http://www.foreignpolicy.com/articles/2013/04/29/xis_war_drums)

incentives to act first."<sup>50</sup> For the sake of maintaining overall credibility e.g. not only in the Asia-Pacific but also other theatres like North Africa/Middle East, the US will have to stir a firm course which could work both ways: avoiding an escalation or escalating tensions.

The interpretation of the rights granted by UNCLOS concerning military surveillance activities in the exclusive economic zone (EEZ) puts China at odds with the majority of the signatories which regard them as legal without prior notification or permission. China has recently started to reciprocate the US practice of sending military vessels to patrol the US EEZ of 200 nautical miles in exercising the right of free passage which it had so far contested in its own EEZ<sup>51</sup> which could either lead to the recognition of this right in conformity with UNCLOS or create further tensions.

In addition, China uses non-navy means – strong presence of para-military state owned vessels and fishing boats in disputed waters - as means of testing the resolve while thereby demonstrating the relative uselessness of top notch high tech means of/or military alliances which China in contrast to the US does not have in the region. This could also be part of tactics to create facts on the ground in small steps. Building up asymmetrical capabilities in cyber and space technologies to make up for lasting disadvantages on the sea could supplement the strategy. The assertiveness also contributes to an increase in military expenditure in the whole region, especially for navies (e.g. first Chinese aircraft carrier "*Liaoning*", project for a second one). China, India and Pakistan are according to SIPRI the only nuclear powers which upgrade their nuclear arsenals in numbers and sophistication<sup>52</sup>. This is neither a sign of confidence building nor of a trend to bank on the rule of law and institution building to resolve disputes peacefully.

Looking back on the policy change vis-à-vis the Asia-Pacific of the Obama I Administration and taking into account the US national interest as well as the commitment of President Obama to be the first “Pacific” president, these are strong indications that the US pivot in its rebalanced edition will prevail under Obama II. Compared to the 'first pivot' it has become clear that the evolving regional order cannot be reduced to Sino-American competition for influence: Japan sees a chance to recover ground lost during the last two decades, South Korea's strategic position and its sound economic development make it a strong stake holder in regional politics,

---

<sup>50</sup> David Gompert/Terrence Kelly (2013) "Escalation Clause", Foreign Policy at [http://www.foreignpolicy.com/articles/2013/08/02/escalation\\_cause\\_air\\_sea\\_battle\\_china?print=yes&hidecomments=yes&page=full](http://www.foreignpolicy.com/articles/2013/08/02/escalation_cause_air_sea_battle_china?print=yes&hidecomments=yes&page=full)

<sup>51</sup> Financial Times (2013, June 2)."Chinese navy begins US economic zone patrols" at <http://www.ft.com/intl/cms/s/0/02ce257e-cb4a-11e2-8ff3-00144feab7de.html?ftcamp=crm/email/201362/nbe/AsiaMorningHeadlines/product#axzz2V8UczF5T>

<sup>52</sup> SIPRI Yearbook 2012 at <http://www.sipri.org/yearbook/2012/07>

ASEAN fights to maintain its former leading role, which the US will support with the first US-ASEAN summit in the margins of the 2013 EAS in Brunei, while India asks for a seat at the regional high table, like the EU. The EU as a collective and in Asia not yet well-known political and security actor offers in addition to access to the largest market in the world its experience in integration<sup>53</sup> and its comprehensive approach to security<sup>54</sup> which picks up on the regional uneasiness of a primarily military rebalancing thereby making an important contribution to avoid a rerun of traditional realist power politics with the potential of tensions spinning out of control. This also underlines the fact that the great power competition is played out in different games where different rules apply and the players have different strength and capabilities depending on the playing field, either politico-strategic, trade, finance or culture (soft/smart power).

---

<sup>53</sup> Philomena Murray/Edward Moson-Browne (2013) "The European Union as a Template for Regional Integration? The Case of ASEAN and Its Committee of Permanent Representatives". *JCMS*, vol 52, pp. 522-537 argue.in comparing decision making structures in the EU and ASEAN that the two are comparable but on different trajectories concerning decision making and intergovernmentalism.

<sup>54</sup> Catherine Ashton (2013). Speech at the Shangri-La Dialogue 2013, on "Defending National Interests; Preventing Conflict" at <http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2013-c890/second-plenary-session-8bc4/ashton-ba27>