



Asian Issues with
Regional and Global Impact



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Pacific Forum CSIS

Based in Honolulu, the Pacific Forum CSIS (www.pacforum.org) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate arenas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

The Young Leaders Program

The Young Leaders Program invites young professionals and graduate students to join Pacific Forum policy dialogues and conferences. The program fosters education in the practical aspects of policy-making, generates an exchange of views between young and seasoned professionals, promotes interaction among younger professionals, and enriches dialogues with generational perspectives for all attendees. Fellows must have a strong background in the area covered by the conference they are attending and an endorsement from respected experts in their field. Supplemental programs in conference host cities and mentoring sessions with senior officials and specialists add to the Young Leader experience. The Young Leaders Program is currently supported by Chevron, the Henry Luce Foundation, and the Yuchengco Group, with a growing number of universities, institutes, and organizations also helping to sponsor individual participants. For more details, see the Pacific Forum CSIS website, www.pacforum.org, or contact Brad Glosserman, director of the Young Leaders Program, at bradgpf@hawaii.rr.com.

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Mr. Brad Glosserman thanks Ms. Ana Villavicencio for her assistance in running the Young Leaders program.

The views expressed here represent personal impressions and reflections of Young Leader program participants; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes.

Introduction

By Brad Glosserman

The Pacific Forum CSIS, in conjunction with four other institutions (the Center for Naval Analysis (CNA), the Center for a New American Security (CNAS), the Institute for Defense Analyses (IDA), and the National Defense University's Institute for National Strategic Studies (NDU/INSS)) spent much of 2008 developing an East Asia Strategy Report (EASR) for the next U.S. administration. This effort reflected our recognition that the region and the world have been transformed in the decade since the last such report was issued. A (re)statement of U.S. interests in the region, American priorities, and ways to realize them was long overdue.

As the report will make clear, while there is much continuity in U.S. interests, policies, and priorities regarding East Asia, a great deal has changed. One of the most important changes – never explicitly identified in the report – is the emergence of a new generation in Asia and the U.S. that sees their own country, its place in the region and the world, and its relationship to the U.S. (or to Asia) quite differently from its predecessors. The Pacific Forum CSIS Young Leaders (YL) program was created to give this generation a voice, to help seniors better understand its thinking, to help it develop the skills necessary to deal with future security challenges, and to facilitate the building of networks among its members.

A small group of Young Leaders attended the meetings that discussed the East Asia Strategy Report. Two volumes have been released that detail their recommendations regarding U.S. alliances and the appropriate U.S. relationship with China. This third volume tackles “other issues” to which the Obama administration should pay attention. Three of the four issues identified here – economic policy, energy security, climate change and environmental policy – fall outside traditional security discussions. The fourth -- regional security architecture – addresses those traditional concerns from a nontraditional perspective.

Several aspects of their analysis stand out. The first is that economic issues are their first priority (issues are ranked in descending order of importance). As the Young Leaders explain, “economic growth is the lifeblood of a nation's prosperity and health.” This is best achieved through an open and interconnected international trade order, which can be realized by requiring APEC members to open bilateral and multilateral trade deals to third parties. This will spread liberalizing measures in the absence of a global trade deal.

Second, the YL suggestions encourage nations to work together to build confidence and trust. Just as important as the recognition that new issues now rise to the level of “security concerns” is the acknowledgement that cooperative solutions are the only workable answers. And, equally important, all nations should be encouraged to contribute to those solutions – not just traditional friends and allies.

Third, the YL suggestions embrace the notion of U.S. leadership by creating an order that other countries would like to join. This is encouraging on two levels. First, it should put to rest the idea that the U.S. would disengage from Asia; all of our Young Leaders see U.S. participation and leadership as essential to its – and the region's – future prosperity and stability.

Second, it emphasizes the U.S. greatest strength – the power of its ideals and the example it can set by living up to them. After a period in which one of the greatest threats to peace – according to foreign audiences – was U.S. unilateralism, it is doubly reassuring to see the next generation stressing this “soft power” and the desire to win the world over to its side through persuasion rather than compulsion or coercion.

Asian Issues with Regional and Global Impact

By Kim Fassler, Arthur Lord, A. Greer Pritchett, and Sophia Yang

On Sept. 25-26, 2008, the National Defense University's Institute for National Strategic Studies (NDU/INSS) hosted the fourth in a series of workshops on "The Next East Asia Security Strategy." This effort is a joint project undertaken by the Center for Naval Analysis (CNA), the Center for a New American Security (CNAS), the Institute for Defense Analyses (IDA), NDU/INSS, and Pacific Forum CSIS. It aims to outline a new U.S. Asia-Pacific security strategy given the sweeping changes that have occurred in the Asia Pacific region over the 10 years since the last official strategy report was issued. The September workshop focused on issues with regional and global impacts and their implications for U.S. strategy, focusing on economic issues, Asian demographic trends, energy and the environment, Asian perspectives of the U.S., and regional multilateralism.

One of the overarching themes of the two-day conference was the need to develop a proactive strategy that would re-entrench and strengthen the U.S.' role in the Asia-Pacific region. Most participants agreed that the next U.S. administration would be mired in a host of crises and problems when it takes office – the financial crisis, the war in Iraq, and increasing instability in Afghanistan and Pakistan, to name a few – and as a result the Asia-Pacific region might not top the administration's agenda. As many states contemplate a waning of the unipolar moment – blame the U.S.' diminished moral standing and prestige – we must make sure that the U.S. is not pushed out of the most dynamic and important region in the world due to lack of attention and focus.

It is time for the U.S. to look for places where it can make marked improvements in its relations with countries in the Asia Pacific region. With this goal in mind, we have outlined four key U.S. interests and recommend proposals that the Obama administration should capitalize on early in its tenure.

U.S. Interest: Economic Prosperity

What: Foster a system of robust and open trade connections in the Asia-Pacific region to allow for continued prosperity and growth.

How: Pursue an agreement at APEC that would require all members to include a provision in their Free Trade Agreements (FTAs) / Economic Partnership Agreements (EPAs) that would allow other countries to join as subsequent signatories if they are willing to abide by the terms of the agreement.

Why: Economic growth is the lifeblood of a nation's prosperity and health. As indicated by China's 10-fold increase in GDP since its economic reforms began in 1978, openness to trade and economic growth are strongly correlated.

Recognizing that economic integration is a foundation for building political integration, most nations have pursued trade liberalization through the World Trade Organization (WTO) and

its predecessor, the General Agreement on Tariffs and Trade (GATT) throughout the latter half of the 20th century. As membership in the decision-by-consensus WTO has grown, however, systemic challenges to the global trade liberalization system have been highlighted. At the same time, FTAs, preferential trade agreements that further trade liberalization between signatories, have played an increasingly significant role as a mechanism for trade liberalization by reducing tariffs on goods and harmonizing rules and regulations to expand trade in services. The WTO reports that over 200 FTAs and Customs Union agreements are now in force.

Despite the growing popularity of FTAs as a trade policy tool, both economists and policymakers have questioned whether preferential trade agreements are building blocks or stumbling stones for global trade liberalization. While many argue that the trade creation effects of FTAs maintain momentum behind the trade liberalization movement, others argue that the trade diversion effects of FTAs undermine nondiscrimination, the central tenet of the WTO, and distinct, complex rule of origin regimes lead to a “spaghetti bowl” of trade regulations with different trade partners, diminishing instead of enhancing gains from trade.

Pushing an APEC-wide agreement calling for all FTAs to include a provision that allows third parties to join, provides the U.S. with a unique opportunity to reconcile pragmatic interests with economic realities and breathe life into a largely sidelined Asia-Pacific institution. Furthermore, although much of the debate over FTAs focuses on specific instances of trade diversion or trade creation, the underlying concern is really about the evolving nature of the trade system. Approaching the FTA debate through APEC can serve as an important first step in asserting institutional architecture over increasingly unilateral actions.

Notwithstanding the challenge of building consensus in APEC for such an agreement, the Obama administration will be able to demonstrate new strategic direction in how the U.S. approaches East Asia. By seizing on this opportunity to refine the role and purpose of global, regional, and sub-regional institutions that establish the basic architecture for interstate political and economic relations, the U.S. can play a defining role and further its interest in continuing to invest in a system of open and robust trade relations. In addition to re-infusing APEC with political capital and credibility, an APEC-wide agreement to build FTA member expansion provisions in all its members’ FTAs will mitigate the harm of trade diversion while encouraging more nations to conform to the same rules in their trade regimes, thus enhancing the potential of FTAs to serve as building blocks toward global trade liberalization. Although this may not resolve the “building block” vs. “stumbling stone” debate, it offers a new and innovative way for the U.S. to demonstrate intellectual and political leadership in furthering not only its own but the universal interest of economic prosperity.

U.S. Interest: Energy Security

What: Work to ensure that existing tensions over energy resources do not flare into open conflicts, particularly between China and Japan.

How: The U.S. should take the lead in organizing a partnership between China, the U.S., and Japan – the world’s three largest oil consumers – to encourage an open Sino-Japanese dialogue and to coordinate international energy policies. The primary goals of this consortium

should include stabilizing international oil market prices, combating terrorism and piracy in the sea lines of communication (SLOCs), taking up questions of nuclear power, and addressing environmental pollution and climate change.

Why: Growing demand for energy and a shortage of domestic natural resources are two of the most important security issues many East Asian nations face. To protect its political, economic, and military interests in the region, the U.S. must take the lead in recognizing and addressing long-term issues associated with declining supply and increasing demand for oil.

The U.S. has an interest in maintaining stability in the region and an energy partnership would help mitigate energy disputes before they escalate into open conflicts. The most obvious potential source of conflict is between China and Japan, the world's two largest oil consumers after the U.S. China's oil consumption represented 9.3 percent of the world's supply in 2007; Japan consumed 5.8 percent.¹

Japan and coastal China both face a scarcity of domestic energy resources. That has led both countries to stake claims to the rich oil and natural gas fields under the East China Sea. Tensions there have nearly erupted into open conflict in the last few years, particularly over the Chunxiao gas fields, as both parties explore the area for resources. If a quarrel over one of these areas prompted an armed conflict between the two countries, it could have an enormous economic impact on the U.S. and the entire world.

An open discussion about energy could also address growing concerns about China's rise and its increasing influence in East Asia. In its quest to ensure a stream of energy imports, China is in the process of creating a "String of Pearls" – pockets of Chinese geopolitical influence that extend from the South China Sea, through the Straits of Malacca (through which 80 percent of China's energy imports pass) and on toward the Persian Gulf. China's growing influence in those areas has obvious implications for India, Southeast Asia, and other countries with interests along the String of Pearls, as well as the U.S., which has a naval presence in the Straits of Malacca.

By taking up international energy security questions, leaders from China, the U.S., and Japan will also address issues of domestic stability. In many East Asian countries, questions about energy are now inextricable from domestic policy. In China, for example, it is crucial that the Chinese Communist Party maintain rapid economic growth and avoid an energy crisis to ensure political stability. Japanese leaders also face questions about energy self-sufficiency, the use of nuclear power, and potential disputes with China.

The value of a regional energy partnership will go beyond mitigating potential conflicts. By pooling their resources, a committee of experts from the three countries can take a concerted first step toward exploring alternative energy resources, new technology, and feasibility – discussions from which all countries can benefit. Energy efficiency should be a top priority, particularly for China, which currently operates well below the efficiency levels of both the U.S. and Japan.

¹ BP. 2007. *BP Statistical Review of World Energy 2008*. London: BP.

Finally, it will be difficult for a serious energy partnership to happen unless leaders in the U.S. view future interactions with Asia in a different light. The Obama administration must see the current energy challenge as an opportunity for cooperation and coordination with East Asia – not as a zero-sum game. By taking up serious questions of energy security, a U.S.-initiated partnership could serve as a model for other countries and regions and restore faith in the U.S. as a global leader.

U.S. Interest: Climate Change and Environmental Security

What: Implement programs that aim to reduce the vulnerability of the U.S. and others countries to the predictable effects of climate change.

How: Reducing greenhouse gas emissions should be a cornerstone of action on addressing climate change. A variant of the cap-and trade market-based approach that successfully reduced sulfur dioxide emissions has been proposed by some economists as a blueprint for climate change.² According to the blueprint, a national hybrid system of long-and short-term carbon emissions permits would allow for trades on long-term permits and taxes on short-term permits.

Increasing efforts to integrate climate concerns into top-level decision making should be the other cornerstone of action. Under the Bush administration, climate policy decisions rested on the shoulders of two players – the head of the White House Council on Environmental Quality and the senior climate negotiator at the State Department’s Bureau of Oceans and International Environmental and Scientific Affairs – at the expense of others. In the Obama administration, a group of positions focused only on climate should be created to provide strategic support to addressing environmental security threats.

Supporting clean energy technology transfers to China and India as part of a broader strategy on environmental security will help bolster support for a rules-based global order that will be helpful in moving Asia toward greater regional stability.

Why: One of the many challenges the Obama administration will face is maintaining the confidence of its friends in Asia while dealing with challenges at home. While the future of America as the world’s leading power looks precarious, one opportunity where the U.S. can concurrently assert leadership in the region and address a domestic issue of concern to many Americans is climate change.

The U.S. needs to recognize the inevitability of climate change, a serious threat that can undermine global efforts to increase political stability and economic prosperity. The interrelatedness of climate change and national security demands that environmental policies receive greater attention and prioritization in the U.S. federal government. Forging the political will to act nationally on climate change is an opportunity that demonstrates U.S. leadership while concurrently addressing energy concerns. Furthermore, participation in reducing emissions is a platform on which major carbon emitting countries such as China and India can cooperate.

² McKibbin, Warwick J., and Peter J. Wilcoxon. “The 2008/2009 Top 10 Global Economic Challenges,” Brookings Institution, 2008.

Environmental security is an issue that our leadership can no longer ignore or pass on to the next generation.

U.S. Interest: Regional Security

What: Institutionalize a security framework for Northeast Asia. This security framework would address the North Korean nuclear issue, as well as begin to tackle the numerous transnational threats that plague the region, such as port security, piracy, energy security, WMD proliferation, environmental degradation, and humanitarian disasters.

How: Develop a loose, not overly concretized, multilateral institution that has clearly delineated goals and draws on the close cooperation and coordination that occurs among the region's key players in the Six-Party Talks. Establishing specific goals upfront can pre-empt this regional framework from becoming just a "talk shop." However, it should be understood that the priorities of a regional framework will change as the situation dictates. For the foreseeable future, denuclearization of the Korean Peninsula and economic and political integration of the Democratic People's Republic of Korea (DPRK) into the region and international community at large might be the top priorities. However, if a natural disaster or humanitarian emergency occurred, this group should be nimble enough to reorient itself to the crisis at hand.

Why: Northeast Asia is one of the most important regions in the world from economic, political, and geostrategic perspectives. This is especially true for a country such as the U.S., which is not only the dominant military power in the region, but is also one of the region's most important trade partners. In this region the interests of three of the world's principal nuclear powers (the U.S., China, and Russia) intersect; it is home to approximately 100,000 U.S. troops; it has two potential "flashpoints" – a nuclear North Korea and an often strained and uneasy cross-Strait relationship between China and Taiwan – to which the U.S. is integrally linked; and it contains three of the world's five largest economies (the U.S., China, and Japan). It is of critical importance that the U.S. create or define a policy whereby it can most effectively secure its interests in the region, while helping to maintain the region's overall stability.

Though geographically separated, the U.S. is considered the region's dominant and most important actor, especially from a security standpoint. The U.S. has fostered the "hub and spokes" model of alliance-building and security architecture in Asia after World War II and into the Cold War. A more institutionalized, cooperative regional security approach could be seen as something of a departure. And it has been argued that agreeing to participate in a regional security framework would mean that the U.S. would be relinquishing some of its autonomy and independence. However, there is no need to look at this type of multilateral institution as being incompatible with alliance-driven security strategies. Indeed, a multi-layered and multilevel Northeast Asia security strategy might help the U.S. mitigate the tensions that underlie the region and prevent conflict.

Such a framework would serve several purposes. First, it would firmly embed the U.S. in Northeast Asia at a time when some fear that regional powers, such as China, are beginning to gain on and might one day outpace the U.S. in terms of influence – at least from an economic perspective. Second, it would help create an equilibrium between major countries in the region

that would assuage the fears of smaller, seemingly more vulnerable countries, who worry about becoming (again) the battleground for greater powers. Third, a Northeast Asian security framework would ensure that diplomatic lines of communication remain open. This is particularly important in a region where lack of transparency, not only in military expenditures but also in military capabilities and military intentions, remains a source of friction and potential conflict.

This architecture might also help heal some of the region's psychic wounds. China and Japan continue to be wary of each other, a poisonous historical legacy. Japan has a deep-seated fear of abandonment and marginalization by the U.S. as we continue to pursue strategic cooperation with China. China is concerned that the U.S. alliances with Japan and South Korea are attempts to hedge against its inevitable rise, and the U.S. is alarmed that China is attempting to flex its increasingly toned diplomatic muscles to establish a regional hegemony. It would be extremely difficult to forge mutual trust between the U.S. and China with regard to each other's military capabilities without having a security framework that would, in essence, force the two countries to cooperate and share information. The ultimate confidence-building mechanism would be active cooperation to address a shared security threat in the region.

Moreover, though political and ideological disparities exist between the possible members, the goal of maintaining security could reassure them not to explicitly or tacitly act in a manner that runs contrary to regional interests. As long as this security framework was grounded in a discussion of interests as opposed to values, these parties could act in concert with regard to particular security imperatives. It could also take some of the pressure off the U.S. while helping to prove to other countries that our Northeast Asia policy was clearly articulated and that we welcome the involvement of all concerned parties, instead of forging a U.S.-dominated path that might not have the support of other actors.

Finally, by working together in a permanent multilateral institution, the parties involved would have a better, more nuanced appreciation of each other's interests, styles, and intentions. A permanent framework would also lead to a more cohesive level of policy coordination. When security is threatened, time is not on anyone's side; therefore, having to take time to bring all of the parties to the table, designating appropriate negotiators, and trying to understand modes of behavior would constrain the ability of such a group to move quickly and deftly.

The U.S. needs more than just allies in this region; it needs to ensure that there is a security climate conducive to addressing underlying and overt tensions in a systematic way. A Northeast Asian security framework should be seen as a supplement to, not as a substitute for, the U.S.' bilateral alliances. Ultimately, this multilateral institution would cement the U.S. as an "inside member" of the East Asian club, which would be critical to our country's continued economic success and security. This goal should be one of the foreign policy priorities for the Obama administration.

APPENDIX A

About the Authors

Ms. Kimberly FASSLER is pursuing an M.A. in China Studies and International Economics at the Johns Hopkins School of Advanced International Studies in Washington, D.C. Originally from Honolulu, Hawaii, she previously worked as a reporter for The Honolulu Advertiser.

Mr. Arthur LORD is currently an analyst at the Government Accountability Office (GAO). Prior to joining GAO, Arthur earned a masters degree in international relations from Johns Hopkins SAIS, graduating with distinction in strategic studies and international economics. At SAIS, Arthur worked on research projects related to the U.S.-Japan alliance. He has previously served as a foreign affairs researcher for Yoichi Funabashi, Editor-in Chief of the Asahi Shimbun, and an intern at the Henry L. Stimson Center.

Ms. A. Greer PRITCHETT is the Assistant Project Director of the Northeast Asia Project at the National Committee on American Foreign Policy (NCAFP) in New York. In that capacity, she manages projects on multilateral cooperation for a denuclearized Korean Peninsula; the possible creation of a Northeast Asian Security Forum; China-Taiwan relations; and the U.S. alliances with Japan and South Korea. She returned to the U.S. in August 2008 after living in China for the 2007 – 2008 academic year where she served as a visiting lecturer at the China Foreign Affairs University. Greer has also worked for the International Crisis Group and the International Peace Academy (now International Peace Institute). She received her B.A. summa cum laude from Hunter College, majoring in Political Science and Classical and Oriental Studies.

Ms. Sophia YANG is currently a research associate in the Japan Studies program at the Council on Foreign Relations. Before joining the Council, Sophia was a communications associate at the Brookings Institution. As a summer 2007 Harold Rosenthal Fellow, she supported the U.S.-Japan Alliance at the Office of the Secretary of Defense. Following her fellowship, Sophia served as an American student delegate in the 59th Japan-America Student Conference during which she was selected to participate as a student panelist at the Asia Youth Forum in Tokyo. Sophia graduated in May 2008 with a masters degree in international policy at the Monterey Institute of International Studies, where she also served as Student Council President.

APPENDIX B

Agenda



Project on the Next East Asia Security Strategy

CNA, Center for a New American Security, Institute for Defense Analysis, NDU-INSS, and Pacific Forum Center for Strategic and International Studies

Workshop #4 – Agenda

Hosted by the Institute for National Strategic Studies
National Defense University
25-26 September 2008

Thursday, September 25

08:00 ***Welcome and Introduction (Continental Breakfast)***

Patrick Cronin, Jim Kelly, Mike McDevitt

09:00 ***Session I: Economic Issues***

- Asia-Pacific Economies in the Global Context
- China's Role in the Regional Economy
- Economic Regionalism

Panelists: Ellen Frost (PIIE/INSS), Amy Searight (GWU)

12:00 ***Working Lunch***

- Further Q&A with Session I Panelists
- Continued discussion and dialogue on Session I

13:00 ***Session 2: Regional Issues with Global Impact***

- Energy: Opportunities for Cooperation/Sources of Conflict
- Climate Change: Regional and Global Impact
- Asia-Pacific Demographic Trends

Panelists: Edward Chow (CSIS), Trevor Houser (Rhodium Group), Nicholas Eberstadt (AEI)

16:00 *Adjourn*

Friday, September 26

08:00 *Opening Remarks (Continental Breakfast)*

- Administrative Remarks
- Recap of Day One

08:30 *Session 3: Views from the Region*

- Security Concerns
- China
- U.S. Role
- Multilateralism – Where does it Fit?

Panelists: Kuni Miyake (Former Japanese Ministry of Foreign Affairs Official), Evelyn Goh (Oxford), Sun-won Park (Brookings), Sourabh Gupta (Samuels International), Admiral (ret.) Christopher Barrie (Former Chief of the Australian Defense Force)

11:30 *Working Lunch*

- Individual or team discussions with regional specialists
- Continued discussion and dialogue on Session #3

12:30 *Session 4: Multilateralism and Regionalism*

- Multilateralism in the Asia-Pacific: Likely Future Trends
- Opportunities & Pitfalls for the U.S.
- What Should We Be Doing?

Panelists: Bob Manning (National Intelligence Council), Satu Limaye (East-West Center)

15:00 *Closing and Discussion of Report Organization*

16:00 *Adjourn*