



Prepared for Future Threats?

US Defence Partnerships in the Asia-Pacific Region

Xenia Dormandy

June 2012



CHATHAM HOUSE

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Executive Summary

This report addresses two questions: are America's defence alliances and partnerships in the Asia-Pacific region adequate to meet future challenges there, and, given today's economic austerity, are they the most efficient way to do so?

These alliances and partnerships are the product of a long history of engagement. Treaties with Japan and South Korea date back to the post-Second World War era and the Korean War. America's strong relationship with Australia stems from their wartime alliance and was cemented in the trilateral ANZUS treaty (including New Zealand) in 1951. While recent rhetoric from the Barack Obama administration suggests a new pivot to Asia, this strategic trend started in the George H.W. Bush administration, and was continued by Presidents Bill Clinton and George W. Bush.

Since 2009, the United States has redefined and deepened older but already robust alliances (as with Australia) while exploiting new opportunities with less traditional partners (e.g. Vietnam and the Philippines) where their interests converge. There have been fewer formal bilateral agreements, reflecting the preference of many of these regional powers for a broader multilateral or plurilateral framework. This is particularly the case among ASEAN members which must consider how their actions are perceived by China. The net result, however, has had a distinct impact on the region's strategic balance. These efforts, taken as a whole, have broken new ground, extending America's partnerships and presence in the region.

Yet while America's Asia-Pacific alliances and partnerships are capable of addressing traditional threats to peace and security, they are not designed to deal with the growing non-traditional security challenges that will affect the region. Some are new (climate change and cyber security) while others are of more long-standing concern (food and water security, pandemics, natural disasters and broader resource security). Moreover, given new budget constraints, US military thinking, as well as that of Asian (and other) allies, needs to shift from a preoccupation with conventional military responses (and a fixation on troop numbers) to new and relatively uncharted areas of cooperative threat response (cyber threats and space security). Improvements in American military capability and effectiveness over the past decade allow more to be achieved with less, something not reflected in the relatively large US troop deployments in the region.

China has been slow to accept that the 'Asia pivot' has occurred in part because most of Asia wishes to preserve a regional balance of power in which offshore US power is key. In this sense, excessive Chinese assertiveness has backfired on Beijing. However, downsizing and diversification of US forces could assuage China's continuing fears about America's role in the region and encourage Chinese moderation in the future.

The principal findings of this report are summarized below.

Regional context

- The Asia-Pacific region will consolidate its place as the world's most important political, economic and strategic area in the coming decades. Getting the relationships in this region right will be vital not just for the United States but for the world.
- While China increasingly sees itself as America's strategic competitor and challenger, most expectations of linear Chinese growth are overplayed. Constant economic growth does not take into consideration the fragilities and weaknesses of the centralized Chinese state. China's projected rise to superpower status is not inevitable.

- US military preponderance in Asia has its roots in the Second World War, subsequently augmented by a Cold War ‘hub-and-spoke’ alliance structure based on bilateral security guarantees. The United States has been diversifying its engagement with Asia to include more, deeper and stronger partnerships with countries with which it has no formal security arrangement – India, Vietnam, Malaysia and Singapore – as well as with long-standing partners such as Australia and the Philippines.

Threat perception

- Security threats reflect economic, political and broader strategic trends. The most effective US strategy requires all the tools of statecraft to be brought together in such a way as to link economic realities, political issues and strategic challenges.
- Non-traditional security threats – cyber security, food and water security, pandemics, natural disasters and broader resource security – are likely to become more potent and will need to be addressed along with more traditional threats in the coming years and decades.
- The principal threats to the United States (and its allies in the Asia-Pacific region) today and in the near term are:
 - Nuclear proliferation from North Korea, the collapse of the North Korean regime, or a war between North and South Korea;
 - The escalation of tensions around territorial disputes, in particular over the status of Taiwan, which poses the risk of overt conflict between the United States and China, or over energy and other resources in the South China Sea;
 - Threats to prosperity and open trade (including an abrupt cessation of, or price spikes in, energy supplies); and
 - Violent extremism, in particular in and from Southeast Asia.
- Significant escalation of the threats would, in most scenarios, draw the United States and China into a dispute. Managing the Sino–American relationship therefore presents the greatest challenge and greatest opportunity for US diplomacy in Asia.
- Most nations in the Asia-Pacific region perceive their principal concern as balancing their relations with China and the United States. For allies, tensions exist between the desire to preserve the US security umbrella and the wish to maintain positive relations with China, the largest economy in the region.

Military capabilities and strategy

- US military capabilities in the Asia-Pacific region, while addressing today’s principal threats to the United States, are bloated.
- Evolving regional threats will require a move away from traditional conventional war-fighting capabilities towards the capacity to prevail in new arenas of strategic competition – military and otherwise – such as space and cyberspace and with regard to broader diplomacy, legal disputes and economic concerns.
- The United States should continue to rebalance its military capabilities in the region, away from ground troops and towards air and maritime forces that more closely reflect, and can help deter, the threats to peace and security.
- The role of the US military in providing security in the region, though ultimately designed to be capable of defeating potential adversaries, needs to be more focused on providing ‘reassurance’ to allies, ‘dissuading’ them from taking provocative positions, and ‘deterring’ China or North Korea from doing the same.

Recommendations

Diversifying bilateral agreements

- The United States needs to continue to diversify its bilateral agreements with regional actors, broadening its partnerships beyond those with traditional friends. Formalizing these agreements through treaties is not necessary; it is more important that the relationship has institutional flexibility (while retaining political consistency).
- The United States needs to change the debate, particularly with Japan and South Korea, to one that focuses on defence capabilities rather than simply troop numbers. The idea that reassurance is principally provided by the sheer number of troops rather than by capabilities needs to be challenged. It does not have the flexibility to address changing needs and threats and the costs are becoming prohibitive.
- The balance between the major elements of defence alliances – treaties, joint operations, joint exercises and training, intelligence sharing and industrial cooperation – needs adjustment in many cases. For example, with a number of partners (particularly Japan and India) more intelligence-sharing and joint research and development would provide significant benefits to the relationship.
- The United States should continue to try to work with China to establish crisis-prevention measures to prevent misunderstanding and miscalculation, similar to those that existed with the USSR during the Cold War. Such systems should include high-level communications channels between the political, diplomatic and military leaders and an Incidents at Sea Agreement.
- The United States should tread more softly in the Asia-Pacific region. Increasing partnerships and capabilities are positive steps, largely supported by most states in the region. However, over-publicizing them can make some partners wary, while antagonizing China and likely accelerating its military modernization process.

Alliance structures

- The current network of regional groupings (including Asia-Pacific Economic Cooperation, the Association of South-East Asian Nations, the ASEAN Regional Forum and the East Asia Summit) provide transparency and overlapping venues in which to discuss a range of issues and disagreements. As such, they provide a stabilizing influence on regional relations and diplomatic benefits, albeit with limited concrete impact. Strengthening these networks and maximizing US involvement, support and political attention are important.
- ‘Plurilateral’ dialogues, particularly those between the principal regional players – Japan, South Korea, the United States, Australia, India and China – also provide stability, transparency and potentially burden-sharing (particularly when they have a particular focal point such as the Six Party Talks with North Korea).
- Regional institutions that address economic and political issues are as vital as (and can be less controversial than) security-related groups.
- Integrating China into regional dialogues, whether trilateral or multilateral, would have distinct benefits beyond mitigating its fears of containment, such as improving information sharing and tying it more firmly to the norms embedded in these institutions.
- Non-traditional security fields such as cyberspace, food, water, health and broader resource security, provide opportunities for cooperative action, as there are more areas of common interest and they can generate less sensitivity. Regional and global groups should direct increased attention and efforts towards these issues.
- There are some areas of additional opportunity for collaboration including, in particular, in humanitarian assistance and disaster response where all regional nations, including China and India, benefit from working together. This provides an arena in which to build relationships and trust as well as joint capabilities and understanding towards a common good.

1 Introduction

Asia-Pacific is the 'key driver of global politics'

Secretary of State Hillary Clinton¹

The rising influence of Asia and, in particular, the meteoric ascent of China as a political and economic force, represents a remarkable and historic global shift. Despite the dominance the US appeared to hold in the 1990s, many believe that the 'unipolar moment' has turned out to be brief and is now over.² Power is shifting to the East.³ Although notions of US decline and the relationship between economic weight and political power remain hotly disputed,⁴ there is wide acknowledgment that the centre of gravity in world affairs is moving from the Atlantic to the Pacific.

US defence alliances and partnerships in the Asia-Pacific region are a product of a long history of engagement there. The American presence was shaped by the post-Second World War settlement, in which the United States occupied Japan and the Korean peninsula was divided along the 38th parallel. During the Cold War the development of rival spheres of American and Soviet influence shaped the contours of America's presence in the region. South Korea and Japan in particular became buffers to the spread of Soviet communism, as the United States developed a system of 'hub and spoke' military alliances across the Asia-Pacific region, much of which remains today.

Although the collapse of the USSR did not produce a dramatic realignment in the Asia-Pacific region similar to that witnessed in Europe, the last two decades have nevertheless seen remarkable change and dynamism.⁵ Strong growth, industrialization, and economic and demographic change have increased economic interdependence but also created surging demand for resources. Expanding economies have gained in self-confidence and GDP growth has been matched in many states by rising defence expenditure and military modernization. In nominal terms, defence spending in the region is likely to eclipse that of Europe during 2012.⁶ A number of long-standing flashpoints remain.

The attention paid to the region by US leaders is perceived to have declined over the last decade.⁷ The administration of President Barack Obama (following on from President Bush) was quick to recognize this. From the beginning of its term in office, the administration made clear – through both rhetoric and action – America's strategic commitment to the region. During his November 2011 visit to Australia, President Obama declared: 'Let there be no doubt: in the Asia-Pacific in the 21st century, the United States of America is all in.'⁸ Secretary of State Hillary Clinton, who made Asia the destination of her first official overseas visit, has expounded in some detail America's 'strategic turn' to the Asia-Pacific region, which 'fits logically into our overall global effort to secure and sustain America's global leadership'.⁹

1 Hillary Clinton, 'America's Pacific Century', *Foreign Policy*, November 2011.

2 Richard N. Haass, 'The Age of Nonpolarity', *Foreign Affairs*, vol. 87 (May/June 2008).

3 See, for example, Kishore Mahbubani, *The New Asian Hemisphere* (London: Public Affairs, 2008); Fareed Zakaria, *The Post-American World* (London: W. W. Norton & Co., 2008).

4 For two recent examples, see Gideon Rachman, *Zero-Sum Future: American Power in the Age of Anxiety* (Simon & Schuster, 2011) and Robert Kagan, *The World America Made* (Knopf, 2012).

5 Kurt M. Campbell et al., 'The Power of Balance: America in Asia', Center for a New American Security, June 2008.

6 International Institute for Strategic Studies, *The Military Balance 2011* (London: Routledge, 2011).

7 Campbell et al., 'The Power of Balance'.

8 *The Economist*, 'We're Back: America Reaches a Pivot Point in Asia', 19 November 2011.

9 Clinton, 'America's Pacific Century'.

For many, what Secretary Clinton termed the ‘pivot’ toward Asia is seen as necessary after a decade of US foreign policy driven by the response to the September 11 attacks and the wars in Afghanistan and Iraq. The focus on the Asia-Pacific region represents perhaps the most symbolically distinctive element of President Obama’s foreign policy to date. But the extent of actual rebalancing is over-hyped. For the most part, the rhetoric of America’s ‘Pacific Century’ remains mostly a symbolic acknowledgment of Asia’s growing importance, a restatement of commitment to allies in need of reassurance, and a signal of increased political and diplomatic attention, but not a wholesale realignment of US diplomatic and military assets.

This diplomatic focus is taking place at a time of economic uncertainty and fiscal austerity across the West. Political debates in Washington over the past year have centred on fiscal and budgetary concerns, including the controversy surrounding the raising of the debt ceiling, proposals to shrink the deficit, and disputes over how and in which areas federal spending should be reduced. Extensive defence cuts – at least \$450 billion over the next 10 years and \$1.1 trillion over the same period if the threatened budget sequestration cuts are triggered in early 2013 – will be a central part of fiscal consolidation.¹⁰

Given the combination of reprioritization and retrenchment in America’s global posture, and the dynamic and new threats to America in the Asia-Pacific region, this report explores what modifications or transformations may be required in America’s defence and security relationships there in order to respond to the changing power distribution and future range of threats to US interests. In particular, it examines:

- the state of US alliances and partnerships in the region;
- the current and future threats to US interests;
- the extent to which the current alliance structure needs to be changed to deal with these threats; and
- the implications of any such changes for America’s allies in the region and further afield.

Assumptions

The analysis in this report rests on the following assumptions:

- The Asia-Pacific region is considered to extend from Burma (Myanmar) to New Zealand and Japan. India, while not a member of the region itself, is considered to be an Asia-Pacific power. Russia and Pakistan are not included but referred to where appropriate.
- The following countries are of principal interest with regard to alliances or partnerships with the United States: Australia, India, Indonesia, Japan, the Philippines, Singapore, South Korea, Thailand and Vietnam. This selection is based principally on historical considerations, perceived threats, military capabilities, current relationships and regional influence.
- The report focuses on the security threats facing the United States and on the role of the military in mitigating these threats. However, it recognizes that security is integrated very closely with other factors such as economic, political and strategic power. Where appropriate, reference is made to these factors.
- The focus on four current principal challenges to the United States is based on an evaluation of the probability and severity of the possible threats. Assessments along these two criteria were established anecdotally, through interviews with senior officials at the US State and Defense Departments, in addition to representatives from the think-tank, corporate, academic and media communities and a survey of secondary literature.

¹⁰ Elisabeth Bumiller and Thom Shanker, ‘Defense budget cuts would limit raises and close bases’, *New York Times*, 26 January 2012.

2 Background

The United States' principal formal allies in Asia-Pacific are Australia, Japan, the Philippines, South Korea and Thailand. These alliances are framed by treaties that comprise defence obligations. These have been augmented more recently by additional partnerships and broader security dialogues with other states in the region. (See Appendix for more detailed information on each of the allies and other countries in the region.)

Australia

US engagement

Australia has been a US ally since the Second World War. The relationship is underpinned by the 1951 Australia, New Zealand and United States Security Treaty (ANZUS) and subsequent agreements, which together provide for mutual defence and technological and intelligence cooperation, and place Australia under America's extended nuclear umbrella.¹¹ This treaty mandates discussion and cooperation in the event of a threat, but does not feature an integrated defence structure.¹²

The United States and Australia are currently expanding and strengthening their military alliance to include rotations of up to 2,500 American troops near Darwin, and greater US access to Australian bases.¹³ The two countries regularly hold military exercises, and Australian forces have contributed to numerous American military engagements, including the wars in Afghanistan and Iraq. In 2011, Australia was the third largest purchaser of US arms in the region, and fourth worldwide.¹⁴

Interests and threats

Australia occupies a unique strategic position: geographically remote, historically and culturally linked to the West, but increasingly tied economically to the Asia-Pacific region. As for many other countries, balancing relations between its closest ally, the United States, and its largest trading partner,¹⁵ China, presents a significant challenge for Australia.

Australian strategic thinking has vacillated over the years. Influence has been fought over by internationalists who connect Australia's interests to developments in the global order, thus advocating an 'expeditionary' posture, regionalists who emphasize Australia's position as an Asia-Pacific power whose 'near abroad' is its greatest strategic interest; and 'continentalists' who place the emphasis on self-reliance in defence policy and focus primarily on the defence of Australia from armed attack.¹⁶

Current Australian strategic policy encompasses all three schools. Beyond the defence of Australian territory from armed attack, the 2009 Defence White Paper organizes interests in concentric circles of geographic priority, asserting first that Australia's chief strategic interest is in the security and stability of

11 Article IV of the treaty states that 'an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.' See Security Treaty between Australia, New Zealand, and the United States of America, 1 September 1951. This is understood by observers in both countries to constitute a robust mutual defence commitment.

12 United States Department of State, *Background Note: Australia*, 2011.

13 United States Army, *US, Australia Expand Military Relations*, 2011.

14 MSNBC, 'U.S. foreign arms sales reach \$34.8 billion', <http://www.msnbc.msn.com/id/45561075/ns/business/t/us-foreign-arms-sales-reach-billion/#>.

15 Australian Department of Foreign Affairs and Trade, *Australia's Top 10 Two-way Trading Partners and Australia's Top 10 Exports, Goods & Services*, Canberra, 2011.

16 Rod Lyon, 'Australia's Strategic Fundamentals', Australia Strategic Policy Institute, 2007; Australian Department of Defence, *Defending Australia in the Asia-Pacific Century: Force 2030*, Australian Defence White Paper, 2009, p. 46.

its immediate neighbourhood, encompassing Indonesia, Papua New Guinea, East Timor, New Zealand and islands of the South Pacific. It states the continued need for Australia to contribute to security in the South Pacific and East Timor, where presently it leads the International Stabilization Force with approximately 800 peacekeepers deployed. Its next priority is to contribute to military contingencies in the wider Asia-Pacific region, especially the security of Southeast Asia, including 'meeting alliance obligations to the US'.¹⁷ The 2009 White Paper was also an attempt by the government of Prime Minister Kevin Rudd to distance itself somewhat from the previous government's foreign policy, including its pro-American rhetoric and reliance on the US alliance, prioritizing maritime security and the Royal Australian Navy over the Army, and returning to focus on state-based threats.

Australian policy recognizes a clear interest in preventing the Asia-Pacific region being dominated by any single power, other than the United States. Observing the strategic transformation of the region, successive Australian governments have attached considerable importance to strengthening regional multilateral arrangements. In 2010 Australia proposed the creation of an 'Asia-Pacific Community' to improve regional dialogue, as well as enhancing existing multilateral arrangements including the East Asia Summit (EAS) and the Association of Southeast Asian Nations Regional Forum (ARF).

As an economically liberal trading nation, Australia places considerable emphasis on the importance of freedom of navigation and on open and secure sea lanes of communication (SLOCs). This forms an important part of its dialogue with regional partners.

Direct threats to Australia are limited. There is little prospect of a state-based threat to the mainland, terrorism is considered a low, if not insignificant, threat, and the country lies far from many of the region's flashpoints. However, the strategic discussion in Australia is driven by a sense of uncertainty about the direction of transformation in Asia, concern over the durability of American commitment to allies' security, and the threat of increased great-power competition (e.g. through an arms race) if that transformation is 'uncontrolled'.

India

US engagement

America's long and complicated relationship with India was strengthened in 2005 with the signing of the New Framework for the US–India Defence Relationship. While there is much wariness about a close or formal partnership, particularly on the Indian side, the two countries do engage regularly through joint military exercises, occasional operations (on piracy and following the 2004 Asian tsunami), areas such as research and development, and military sales and assistance.¹⁸ The United States hopes to expand its military cooperation with India on issues such as non-proliferation, managing the global commons, and antiterrorism.¹⁹ In 2011 India was the second largest buyer of US arms in the region and the third largest worldwide.²⁰

Interests and threats

India's principal foreign policy objective is to support the country's economic growth. With a population of over 1.1 billion, of which 29.8% are in poverty, this is likely to remain true for some time.²¹ It is what drives India's desire for energy security, open trade flows and sea lanes, and regional stability, particularly with regard to Pakistan and China. With both these countries, India will try to move beyond territorial and other disputes to maintain the stability necessary for growth. Over the past decade, India has also worked to achieve what it believes is its rightful leadership place regionally and globally. This has played out in a number of areas including the 2005 nuclear deal with the United States, the 2006 'India Shining'

17 Ibid., pp. 41–44.

18 Amelia Gentleman, "New Era" on defense for India and U.S., *New York Times*, 30 June 2005.

19 Chairman of the Joint Chiefs of Staff, 'The National Military Strategy of the United States of America', 2011.

20 MSNBC, 'U.S. foreign arms sales reach \$34.8 billion'.

21 World Bank, *India Country Data*, 2010. <http://data.worldbank.org/country/india>.

promotion, most notably at the World Economic Forum, and the drive for permanent membership of the UN. While the mid-2000s saw a more assertive India, particularly regionally, of late it has played a more subtle role in South and East Asia, one that has led to improved relations with its neighbours. Recent internal challenges, particularly with respect to corruption, have also put India's external engagement on the back burner.

In terms of its perception of threats, India has two closely entwined foreign policy concerns: China and Pakistan. Pakistan has long been India's main focus, given the three (or four, by some counts) wars between them since independence. However, China has raised more concerns recently. Although India maintains a positive relationship, its government and military see China increasingly as a strategic, and potentially military, challenge. Despite questions about China's 'string of pearls' strategy to surround India and have a broader regional reach, its engagement with India's neighbours from Burma to Bangladesh, Pakistan and Nepal have led India to engage more actively with these countries.

While the competition with China is being played out in the context of regional and global geopolitics, rivalry with Pakistan is perceived as a more existential threat. Pakistan's nuclear capabilities are a direct threat to India, as are the militant groups that come across the Line of Control. The perceived increasing Islamization of Pakistan and its instability are thus of great concern to India.

Indonesia

US engagement

The United States has a small number of troops based in Indonesia and conducts some military exercises with the Indonesian military, mainly focused on counterterrorism. From 1997 until 2010, when policy started to be more flexible, US–Indonesian military cooperation was limited by the Leahy Amendment that prevented US forces from working with those of other states that had participated in human rights abuses. However, following a visit from President Obama in 2010, military cooperation has increased. The two countries carried out 140 joint military exercises in fiscal year 2011.²² Particular focus has been on counterterrorism training for Indonesian Special Forces. Since 2011, the United States has also provided 19 patrol boats that the Indonesian Police use throughout the archipelago.²³

Interests and threats

Indonesia occupies an important geographic and strategic space in the region and has a strong, albeit quiet, interest in expanding its vision to gain a more global presence and leadership. It provides a bridge within Asia, connecting the Indian and Pacific Oceans, and with the largest Muslim population in the world it also reaches out to the Islamic community. Its membership (and low-key leadership) of ASEAN reflect its Asian nature, while that of the Organization of Islamic Cooperation (OIC) reflects its Islamic character. In addition to its desire for global leadership, economic prosperity is a major policy driver for Indonesia, as for the other Southeast Asian nations. It wants to maintain its relatively high real GDP growth rates of approximately 5–6%.²⁴ Finally, given its pluralistic society and history of separatist movements (in Aceh, East Timor and Irian Jaya), it sets a high priority on maintaining internal stability.

Indonesia is concerned by what it sees as China's desire to exercise regional (and global) hegemony. Indonesians, like many others, were particularly alarmed following China's 2010 assertiveness in territorial disputes. However, the tension between the two countries has a historical basis: Indonesia broke off diplomatic relations with China in 1965, and was one of the last countries to re-establish them, after 25 years. The situation is further complicated, as it is for many in the region, by the relatively significant ethnic Chinese minority in Indonesia.

22 Voice of America, 'US, Indonesia Announce Stepped Up Military Cooperation', 24 July 2011, <http://blogs.voanews.com/breaking-news/2011/07/24/us-indonesia-announce-stepped-up-military-cooperation/>.

23 Ibid.

24 World Bank, *GDP Growth (annual percentage), 2010*, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.

Beyond China, Indonesia perceives two other principal threats. The first relates to keeping open Sea Lanes of Communication (SLOCs), not just in the South China Sea but also in the Strait of Malacca and the Indian Ocean. Indonesia collaborated with Malaysia and Singapore (and later with India) in the 2000s to clamp down on piracy in the Strait. While in the minds of many in the region the issue was overblown, keeping the lanes open is vital for Indonesia's energy and trade flows. Its concerns over China also play out here.

The other threat revolves around conflicts with the long-standing separatist movements in Indonesia. While many of these have been resolved in recent years (East Timor gained independence in 2002, and Aceh has achieved considerable autonomy following the 2004 tsunami), there are still significant tensions around Irian Jaya. Indonesia's ethnic diversity makes separatism a complex issue. These movements, Indonesia's geography and its weak maritime borders also increase the sensitivity of many Indonesians to the broader terrorist threat. Since the 1990s and into the 2000s, Indonesia was considered by many to be a terrorist haven, a fact that was borne out most terribly in the 2002 Bali bombing. While this is perceived as less of a problem today, it still remains high on the agenda of the Indonesian people and government.

Japan

US engagement

Concluded in 1954 and 1960 respectively, the Mutual Defense Assistance Agreement and the Treaty of Mutual Cooperation and Security require the United States to defend Japan if the latter comes under attack. Japan acts as a strategic base for the United States in East Asia, with 39,222 US personnel stationed there on active duty, and US ports and bases located mostly on the island of Okinawa.²⁵ The two countries regularly conduct joint military exercises, and Japan has supported joint operations, including by providing refuelling assistance to coalition vessels in the Arabian Sea and Indian Ocean during the war in Afghanistan and engineers in Iraq.²⁶ In 2011, Japan was the fourth largest purchaser of US arms in the Asia-Pacific region, and the ninth largest worldwide.²⁷

Japan looks to America to resolve regional security issues. It considers the alliance to be the 'indispensable cornerstone for peace and stability in the Asia-Pacific region.'²⁸ Over several years, however, the American military presence on Okinawa has proved especially contentious in Japan and has overshadowed other issues on the bilateral agenda.²⁹ A previous Japanese government sought a closure of the base and a relocation of US troops. In February 2012, the United States and Japan announced an interim compromise. Although the military base on Okinawa will not close, 4,700 marines will be moved to Guam and an additional 3,300 will be moved out of Okinawa and put on rotation between Australia, Hawaii and the Philippines.³⁰

Interests and threats

Japan's security policy is unique in that article 9 of the Japanese constitution explicitly renounces Japan's right to wage war and outlaws the maintenance of 'sea, and air forces, as well as other war potential'. The Japanese government interprets this clause as consistent with a right to self-defence, however, and Japan has a large and well-funded military to this end, but it has relied principally on its alliance with the United States for security. This legal restriction is matched by an engrained normative aversion to militarism within Japanese society.³¹ The legacy of Japanese colonialism significantly complicates relations with other states in the region, in particular China and South Korea, where historical sensitivities remain.

25 United States Department of Defense, *Active Duty Military Personnel Strengths by Regional Area and Country*, 2011.

26 BBC Online, 'New Japan PM Calls for 'Good Governance in Afghanistan'', 17 June 2010., <http://www.bbc.co.uk/news/10337152>.

27 MSNBC, 'U.S. foreign arms sales reach \$34.8 billion'.

28 Japanese Ministry of Defense, *Defense of Japan 2011*, 2011.

29 George R. Packard, 'The United States–Japan Security Treaty at 50: Still a Grant Bargain?', *Foreign Affairs*, March/April 2010.

30 Shirley A. Kan, *Guam: U.S. Defense Deployments*, Congressional Research Service, 2012.

31 The effective and robust response by the SDF to the 2011 tsunami has lessened this slightly.

Since 2001, particularly under the administration of Prime Minister Junichiro Koizumi (2001–06) Japanese security policy has undergone a sustained evolution, including reform and modernization of the Japanese Self Defence Forces (SDF) and international deployments in the Indian Ocean and in Iraq. Although this trajectory of security reform has been uneven under subsequent administrations, many analysts have recognized the progressive ‘normalization’ of Japanese security policy that has led to debates on amending Japan’s constitutional restrictions.³²

Japan’s incremental remilitarization is driven by the perception of growing threats to regional peace and security. The Mid-Term Defence Programme of the SDF identifies the ‘stabilization of the security environment in the Asia-Pacific’ as one of its three key roles and as an organizing principle of its structure and future procurement.³³

The immediate security threat to Japan comes from North Korea, and there is considerable concern over the development of Pyongyang’s nuclear programme and ballistic missile capabilities, which is reflected in the 2011 Japanese White Paper on Defence.³⁴ Cooperation with North Korea or other members of the Six Party Talks over the nuclear issue is complicated by the importance Japan attaches to the return of Japanese citizens abducted by North Korea in the 1970s and 1980s. The lack of attention given to this issue by the United States has caused some friction between them and Japan.³⁵

The longer-term security challenge identified by Japan is China’s rising power. The Japanese are apprehensive about its military modernization, in particular the opacity of China’s military spending and its increasingly assertive maritime activities near Japan.³⁶ China and Japan also dispute the sovereignty of the Senkaku Islands, currently administered by Japan, and there are intermittent crises (such as the incident surrounding the seizure in 2010 of a Chinese trawler which had collided with a Japanese Coastguard ship) that raise tensions diplomatically.³⁷ Recent concern about both North Korea and China has meant a renewed sense of the importance of alliances and increasing cooperation with other partners, in particular South Korea.

The Philippines

US engagement

The 1947 Mutual Defense Treaty between the Philippines and the United States forms the base of the bilateral defence relationship. There are 142 US active-duty personnel currently stationed in the Philippines, and the two countries engage in dozens of military exercises each year.³⁸

As a former American colony, the Philippines has significant cultural, economic and political ties to the United States.³⁹ After the overthrow of Ferdinand Marcos in 1986, US–Philippine relations weakened, but they recovered following the 1992 closure of the American base at Subic Bay.⁴⁰ The countries held an inaugural Bilateral Strategic Dialogue in 2011, and there is talk of re-basing US troops or ships in the country.⁴¹ Today, counterterrorism is the most significant component of the relationship.⁴²

32 Christopher Hughes, *Japan’s Remilitarisation* (London; IISS/Routledge, 2009).

33 Japanese Ministry of Defense, *Summary of Mid-Term Defense Programme (FY2001–FY2015)*, 2010.

34 Japanese Ministry of Defense, *Defense of Japan 2011*.

35 Emma Chanlett-Avery et al., *Japan–U.S. Relations: Issues for Congress*, Congressional Research Service, 2011.

36 National Institute for Defense Studies, Japan. *China Security Report 2011* (2011); *Xinhua*, ‘China expresses ‘strong dissatisfaction’ with Japan’s 2011 defense white paper’, 4 August 2011.

37 The islands are called Diaoyu in Chinese and both the People’s Republic of China and the Republic of China claim they belong to China. Japan does not acknowledge that the islands’ sovereignty is disputed, maintaining that they are an integral part of Japan.

38 United States Department of Defense, *Active Duty Military Personnel Strengths by Regional Area and Country*, 2011; Preeti Bhattacharji, ‘Terrorism Havens: Philippines’, Council on Foreign Relations, 2009.

39 United States Department of State, *Background Note: Philippines*, 2011.

40 Bhattacharji, ‘Terrorism Havens: Philippines’.

41 United States Department of State, *Background Note: Philippines*, 2011.

42 Bhattacharji, ‘Terrorism Havens: Philippines’.

Interests and threats

Like many emerging economies in Southeast Asia, the Philippines is a maritime state focused on economic development. Promoting growth is a government priority. Its other key interests are maintaining territorial integrity, which is threatened by separatist and extremist movements in the south of the country, and countering assertive action by China over contested territorial claims in the South China Sea.

As in other Southeast Asian countries, the Philippines is experiencing growing unease about the threat posed by the rising power of China. The two countries have several territorial disputes in the South China Sea over the sovereignty of the Spratly Islands, the Scarborough Shoal and the Macclesfield Bank and surrounding waters. The Philippines has accused Chinese vessels of entering its waters, floating buoys and unloading building materials on disputed islands. It has shown growing interest in increasing ties to the United States and potentially an increased American military presence to deter Chinese aggression around the disputed islands.⁴³

Beyond these sovereignty concerns, the largest security threat to the Philippines comes from domestic separatists and violent extremist movements, which are focused in the Sulu Archipelago and Mindanao where the central government does not have full control and there is considerable resentment among the Muslim population. The Moro National Liberation Front (MNLF) in the south of the country fought for greater autonomy for decades before agreeing a peace treaty in 1996. The Moro Islamic Liberation Front (MILF) splintered from the MNLF in 1980 and is estimated to include 11,000 guerrillas. Currently a ceasefire exists between the MILF and the government, and there are ongoing negotiations to seek a permanent peace.⁴⁴ While neither movement is listed as a terrorist organization by the US State Department, it does list two other groups, Abu Sayyaf and Jemaah Islamiyah. Abu Sayyaf is a violent Islamist group that has carried out numerous attacks in the Philippines and is believed to have loose ties to Al-Qaeda. Jemaah Islamiyah, based in Indonesia but active in the southern Philippines, has closer links to international terrorism and Al-Qaeda. However, in recent years the role of Filipino groups in Southeast Asian terrorism has declined and the Philippines is not considered a priority training ground or sanctuary for international Islamist terrorism.⁴⁵

Singapore

US engagement

The United States uses Singaporean air and navy base facilities, and a formal strategic partnership exists between the countries.⁴⁶ At the end of 2011, it was announced that two additional US littoral ships would be stationed in Singapore. Singapore is very supportive of increased American involvement in the Asia-Pacific region, and is one of the United States' closest partners within ASEAN.⁴⁷ Freedom of navigation and commerce is a major issue on the bilateral agenda.⁴⁸

Interests and threats

Singapore, as a maritime Southeast Asian city-state, has many of the same concerns and interests as its neighbours. Like them, it prioritizes economic prosperity. Its government depends on continued economic strength to maintain its credibility, both domestically and in the international community. Given its relatively small size and population, it is these interests that drive Singapore's leverage.

Given its economic focus, Singapore, like other states in the region, feels the need to balance its security concerns with its financial ties to China which was Singapore's second largest trading partner

43 Bhattacharji, 'Terrorism Havens: Philippines'.

44 Ibid.

45 Thomas Lum, *The Republic of the Philippines and U.S. Interests*, Congressional Research Service, 2011.

46 Emma Chanlett-Avery, *Singapore: Background and U.S. Relations*, Congressional Research Service, 2011.

47 Ibid.

48 United States Department of Defense, *Joint Statement of the United States–Singapore Strategic Partners Dialogue*, 2012.

in 2010.⁴⁹ Managing its relationships with China and the United States is often described as the greatest challenge for Singapore, and it walks a fine line between the two. It would support a stronger role for India rather than the United States in providing regional balance in this respect as many believe it would be less controversial for China. Singapore also has a long-standing military relationship with Taiwan which further complicates its engagement with China.⁵⁰

Singapore also perceives the threat that would come from broader regional instability, which is another motivation in its desire for balance. North Korea's nuclear programme is an indirect concern in this respect. Maintaining open sea lanes is a more direct economic motivation. Terrorism is also a concern although on the wane as Singapore believes that it has gained the upper hand in recent years (e.g. it has a credible rehabilitation programme for militants).

South Korea

US engagement

The Mutual Assistance Agreement of 1950 and the Mutual Defense Treaty of 1953 form the foundation of the US–South Korean alliance. Currently 25,374 American troops are stationed there and joint military exercises are conducted regularly.⁵¹ In 2009, South Korea was the fourth largest purchaser of US arms in the region.⁵² However, increased arms purchases by other nations in the region more recently mean South Korea is no longer among the top ten countries in the world that purchase US arms.⁵³

South Korea's government was closely aligned with the United States until the late 1990s. Between 1998 and 2007, a liberal administration pursued an engagement policy with North Korea, known as the 'Sunshine Policy', which represented a contrast to the more hard-line US policy.⁵⁴ Following the 2007 election of President Lee Myung-bak, the gaps between the US and South Korean approaches to North Korea have narrowed considerably, in large part due to North Korea's sinking of the South Korean vessel *Cheonan*, and its bombardment of Yeonpyeong Island in 2010.

The United States retains wartime command of South Korean forces through the Combined Forces Command (CFC). In 2007, Washington signed an agreement to give South Korea greater control over its defence, and wartime command was to be transferred by 2012. But in response to the provocations by North Korea in 2010 and 2011, this has been delayed until 2015. Some conservatives in South Korea are concerned about the country's preparedness against any North Korean action and argue that the transfer of military control should be postponed further. However, increased military spending and the cost of US troop relocation, as well as the US presence in general, also raise tensions in the broader population.

Interests and threats

South Korea faces an existential threat from North Korea, from which it has been separated from by a demilitarized zone since the end of the Korean War in 1953. South Korean defence and security policy is arranged overwhelmingly to deter this threat. The country's principal long-term interest is in the normalization of relations and eventual unification with North Korea.

In the short term, South Korea's concern is focused on the threat posed by North Korea's nuclear programme, and formulating a response to the provocative actions it has taken in recent years, including the *Cheonan* and Yeonpyeong incidents mentioned above. These provocations have prompted revision of South Korea's Rules of Engagement, and concerns about preventing escalation may yield to greater focus on 'countering the North's provocations'.⁵⁵

49 International Enterprise Singapore StatLink, China, 2011, http://www.iesingapore.gov.sg/wps/portal/lut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gDf4PQMfMD_1A3g2BDI0MPHwtDAwjQL8h2VAQAErdToQII/.

50 Singapore would be extremely unlikely to come to Taiwan's side overtly in any conflict with China, but it has been more forward-leaning than others. It is the only country that took a position in 2006 after the Taiwan Strait crisis, stating that China should not interfere in foreign elections.

51 IISS, *The Military Balance 2011*.

52 Richard F. Grimmitt, U.S. Arms Sales: Agreements with and Deliveries to Major Clients, 2002–2009, Congressional Research Service, 2010.

53 MSNBC, 'U.S. foreign arms sales reach \$34.8 billion'.

54 Jayshree Bajoria and Youkyung Lee, 'The US–South Korea Alliance', Council on Foreign Relations, 13 October 2011.

55 IISS, *The Military Balance 2011*.

While reunification is the longer-term objective, destabilization of the regime in North Korea would cause considerable security disruption to the South. Recently South Korea has also recognized the asymmetric threats emanating from North Korea and is expected to shift its budgetary focus towards countering these.

Maintaining and strengthening the US alliance is seen as a key element of South Korean security, and a core South Korean interest. The more hard-line approach of President Lee towards the North, in contrast to the 'sunshine' policy of his predecessor, has brought closer ties with Washington, and relations are considered to be at their strongest point in decades. However, this closeness also creates concerns that South Korea could be pulled into a future conflict over Taiwan.⁵⁶

South Korea also has an ongoing territorial dispute with Japan over Takeshima (known as Dokdo in South Korea), a small group of islets in the Sea of Japan (East Sea) over which it claims sovereignty. Maintaining and improving relations with Japan is a significant challenge, but both sides are making efforts to do so. South Korea's relationship with Japan is still informed by historical animosity over Japanese colonialism, and this prevents deeper military and political cooperation that might otherwise be natural and desirable between two of America's closest allies.

South Korea's Defence White Paper of 2010 also mentions cross-strait relations, territorial disputes, historical disputes, and issues relating to exclusive economic zones as key threats to stability in the Asia-Pacific region. As a major economy, a member of the G20 and a significant maritime trading nation, South Korea has an important interest in free trade and navigation.

Taiwan

US engagement

The Taiwan Relations Act of 1979 commits the United States to provide arms of a 'defensive character' to Taiwan. It continues to sell large volumes to Taiwan, which has consistently been ranked the first or second largest buyer of US arms in the Asia-Pacific region.⁵⁷ Arms sales between 2002 and 2010 totalled about \$11 billion.⁵⁸ Officially, the United States has a 'One China' policy and does not support Taiwanese independence. It is opposed to efforts by either Taiwan or China to unilaterally alter the status quo of cross-strait relations. This has been interpreted as an unofficial defence commitment. However, an increasing number of Taiwanese question how the United States would respond to more aggressive actions by China given the importance of the US–Chinese relationship. Thus ambiguity about America's defence commitment to Taiwan remains.⁵⁹

Interests and threats

Taiwan's strategic position is defined by its relationship with mainland China. Since the election of President Ma Ying-jeo in 2008, there has been considerable improvement in cross-strait relations. He has outlined a policy of 'three no's' that has reduced tensions with China: no unification, no independence and no use of force.⁶⁰ Since Ma's election there have been notable positive steps between the mainland and Taiwan, particularly in the economic sphere with the Economic Cooperation Framework Agreement (ECFA) of 2010. There remain approximately 1,100 ballistic missiles targeted at the island from China, however, and there is concern that China's military modernization is further shifting the balance towards the mainland.⁶¹ Politics on the island remains quite split, and the opposition Democratic Progressive Party has refused to rule out independence. Taiwan relies absolutely on the security guarantee it has

56 Esther Pan, 'South Korea's Ties with China, Japan, and the U.S.: Defining a New Role in a Dangerous Neighborhood', Council on Foreign Relations Special Report, February 2006.

57 United States House of Representatives, *Taiwan Relations Act*, 1979.

58 Grimmett, *U.S. Arms Sales*.

59 United States Department of State, *Background Note: Taiwan*, 2012.

60 Bonnie S. Glaser and Brittany Billingsley, 'Taiwan's 2010 Presidential Election and Cross-Strait Relations', Center for Strategic and International Studies, November 2011.

61 Ibid.

from the United States. But given the political sensitivities in America surrounding continued support to Taiwan, particularly with regard to arms sales, relations between the two countries are often complex and difficult.

Thailand

US engagement

The United States has described Thailand as a ‘key security ally in Asia’.⁶² Despite this, and the formal structure of their defence relationship, the US–Thai relationship is probably the least substantial of those America has in the region. The most likely reason for this is Thailand’s strong links to China. The United States has only 142 soldiers stationed in Thailand, although the two countries do engage in joint military exercises. Thailand has been a recipient of US military equipment and technology.

Interests and threats

Thailand is currently drafting a defence white paper for 2012–16, which is expected to focus on three areas: managing increasing domestic political violence; sovereignty and territorial integrity; and maintaining the monarchy as a central institution.⁶³

Although its primary security focus has been domestic, Thailand’s foreign engagements focus on its immediate neighbourhood. Armed conflict with Cambodia remains a principal threat and tension has spilled over into a number of violent incidents on the border in recent months, despite a truce signed in December 2011.⁶⁴

Thailand’s relations with China have historically been stronger than those of other countries in the region, and unlike many of them it does not have any territorial disputes with China. Thai foreign policy is focused on the avoidance of either Chinese or American dominance. However, despite engagement with the United States on matters such as terrorism, Thailand appears to be moving away from its Cold War-era US dependence and increasingly leaning towards improving relations with China.⁶⁵

Vietnam

US engagement

Despite a difficult history, cooperation between Vietnam and the United States has increased substantively in recent years. In 1995, after a 20-year hiatus, President Bill Clinton announced the normalization of bilateral relations. A seemingly innocuous Statement of Intent on Military Medical Cooperation, signed in August 2011, marked the first official military-to-military relationship since the end of the Vietnam War.⁶⁶ However, informally military cooperation between the two nations had been increasing for some time. In 2006, American navy ships started visiting Vietnamese ports. While joint naval exercises have been officially only to aid navigation and maintenance, there is a growing sense that deepened military cooperation would be beneficial to both countries.

Interests and threats

In a developing country with an expanding economy that has undergone market-oriented reforms since 1986, the priority of the Vietnamese government has been to promote economic growth. Beyond this, three other interests have been central to Vietnamese strategy over the last two decades: building relations with Southeast Asian states for diplomatic support and economic cooperation; mending and

62 United States Department of State, *Background Note: Thailand*, 2011.

63 Pavin Chachavalpongpun, ‘Thailand’s New Defence White Paper’, Institute of Southeast Asian Studies, 2011.

64 Ibid.; *BBC Online*, ‘Thai–Cambodia clashes “damage Preah Vihear temple”’, 6 February 2011.

65 Emma Chanlett-Avery, *Thailand: Background and U.S. Relations*, Congressional Research Service, 2011.

66 *CSIS Asia Blog*, ‘How Deeper U.S.–Vietnam Military Cooperation Starts with Medicine’, 18 August 2011, <http://cogitasia.com/how-deeper-u-s-vietnam-mil-coop-starts-with-medicine/>.

deepening relations with China; and expanding and improving ties with the United States, in particular to counterbalance or hedge against China's rise.⁶⁷

A 2009 Vietnamese Defence White Paper included territorial disputes, terrorism and piracy, climate change and transnational crime as risks to Vietnam's security. Beyond dealing with a basket of non-traditional security threats, including weapons- and drug-trafficking, illegal migration and transnational crime along its long land borders, territorial disputes in the South China Sea are the most serious challenge to Vietnam's interests.⁶⁸ It claims sovereignty over a number of islands and rocks in the Spratly Islands and Western Paracels, which are also claimed by China and Taiwan. The dispute also involves disagreement over the demarcation and limitation of exclusive economic zones (EEZs) and access to resources, including energy and fisheries, which are closely connected to Vietnam's core interest in economic development.

There is a constituency within Vietnam that views China as a more significant threat than the United States and favours stronger relations with Washington as a hedge or means of deterring China, particularly in the South China Sea. However, there is also continuing distrust within the political elite, with some remaining concerned that America's principal goal regarding Vietnam is eventual regime change, even if through peaceful means. Vietnam has leaned closer to Washington in recent years, driven by increasing Chinese assertiveness and its own stronger historical animosity towards China. Balancing relations with major powers represents a significant challenge for Vietnam's leaders. It is the only state in Southeast Asia to have a strategic relationship with all the major Asian powers (Australia, China, India, Japan, Russia and South Korea). It has tried to improve multilateral security cooperation in Southeast Asia, although these ASEAN-linked processes have made little progress.

Other countries

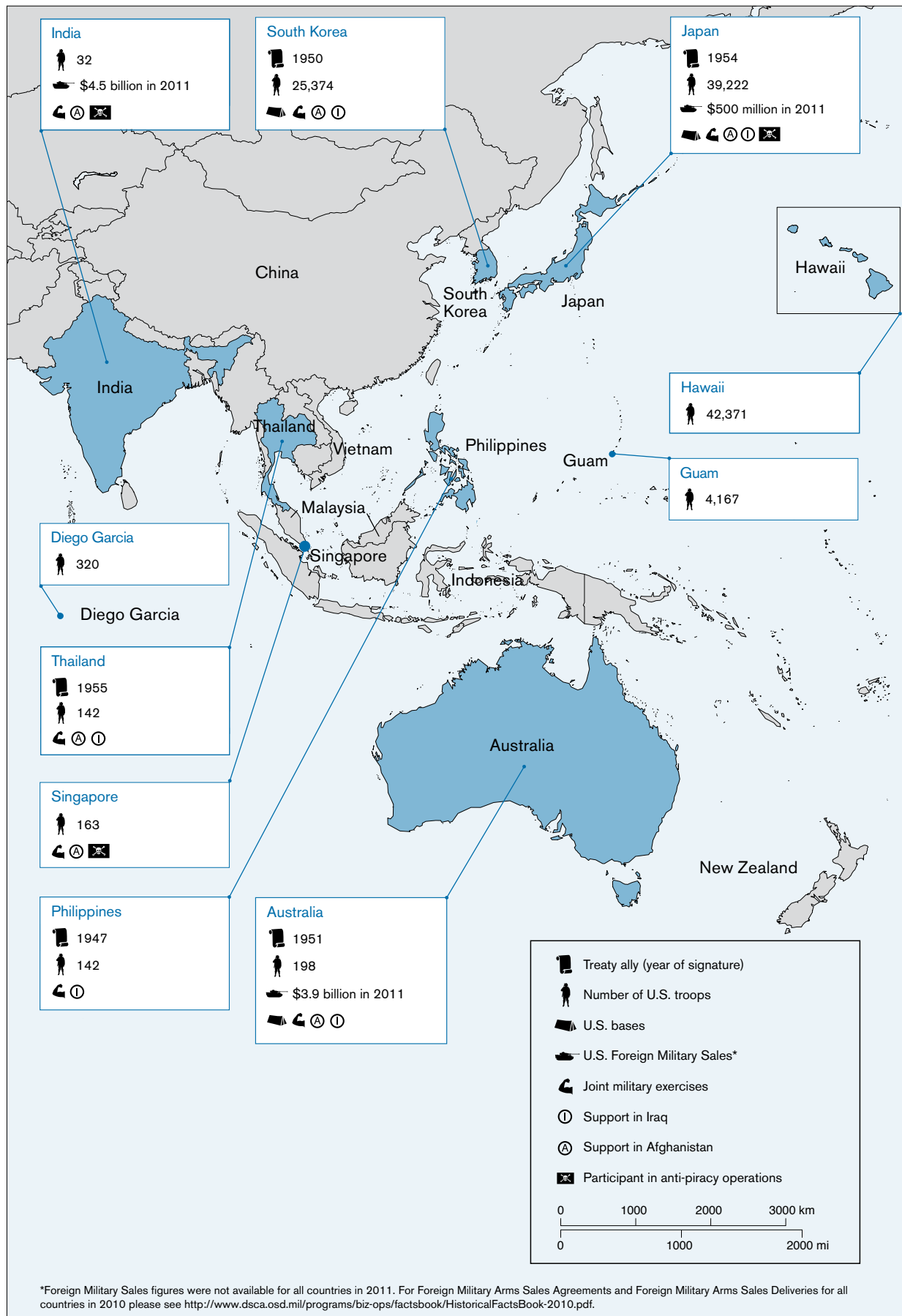
Other countries with which the United States conducts military exercises in the region include Malaysia and Cambodia, which both have a small US military presence. Guam, which is under US jurisdiction, also hosts 4,167 troops. The United States engages diplomatically with ASEAN and attends its summits. It has also signed the ASEAN Treaty of Amity and Cooperation, and has established an annual US–ASEAN summit. Several members desire a stronger American presence as Chinese assertiveness grows.⁶⁹ The United States is also a member of the Asia-Pacific Economic Cooperation (APEC) and the Trans-Pacific Partnership (TPP). In 2011 it joined the East Asia Summit (EAS).

67 Mark E. Manyin, *U.S.–Vietnam Relations in 2011: Current Issues and Implications for U.S. Policy*, Congressional Research Service, 2011.

68 Carlyle A. Thayer, 'Vietnam's Security Outlook', Presentation to International Workshop on Asia-Pacific Security, National Institute of Defense Studies, Japan, January 2011.

69 Isabella Bennett, 'ASEAN: The Association of Southeast Asian Nations', Council on Foreign Relations, November 2010.

Figure 1: Current state of alliances, partnerships and security cooperation



Sources: US State Department; Congressional Research Service; IISS, *The Military Balance 2011*.

3 Regional Trends and Dynamics

Relations in the Asia-Pacific region remain characterized by balance-of-power politics: patterns of competition, cooperation and hedging, shaped by growing economic interdependence amid sustained historical animosity and suspicion. The legacies of colonial rule, war and decolonization continue to inform the psychology of international relations between the powers involved. Rapid growth and development in the region has been accompanied by heightened strategic uncertainty. Alongside this, a growing patchwork of multilateral and 'plurilateral' institutions and dialogues have developed, but they are still dominated by interests of sovereignty.⁷⁰

China as a rising power

China's growth is the most remarkable feature of the transformation of the Asia-Pacific region and it has fundamentally altered the balance of power there. Already the world's most populous country, China surpassed Japan to become the world's second largest economy in 2010.⁷¹ Except in 2006, official Chinese defence spending has increased by double digits every year since 1989, and most analysts estimate actual spending to be considerably higher.⁷² This has been matched by a growing assertiveness with respect to a number of territorial disputes, including with Vietnam, Japan, India and, most recently, the Philippines. The success of Chinese state-guided growth has sparked discussion of a 'Beijing consensus' to rival the liberal 'Washington consensus', made all the more pronounced by the travails of Western economies since the 2008 financial crash.

China has been steadily building ties across the region in a 'charm offensive', in particular in Southeast Asia. Relations with China, principally driven by economics, remain of importance to all Asia-Pacific countries. However, despite these efforts (exemplified in the creation of cultural Confucius Institutes around the world), China's soft power is undermined by its sometimes bellicose rhetoric and hard-power actions. Examples of this include its recent extraction of gas in the East China Sea that intensified a dispute with Japan about maritime boundaries, and, even more recently, its deployment in March and April 2012 of warships to protect fishing vessels from the Vietnamese and Philippine navies in a number of disputed waters.⁷³ Recently, this assertive security posture has resulted in growing suspicion and concern among many of China's neighbours. China has yet to offer a compelling narrative of why its increased power is good for the region.⁷⁴

China's rise does present economic opportunities for other countries in the region. Increased liberalization, market access and investment can build shared prosperity. There is also hope that China will play a constructive role in tackling shared challenges. (These can be summed up by the aspiration of then-Deputy Secretary of State Robert Zoellick that China might become a 'responsible stakeholder' in the international community.⁷⁵) Since China is central to many of the region's festering security problems, there is potential for cooperative action to address shared challenges, both traditional (North Korea, Taiwan and territorial claims) and non-traditional (climate change, transnational crime and energy security).

70 'Plurilateral' is used to describe smaller multilateral organizations, without a mandated regional basis, that focus on particular issues or relationships. These can range from trilateral groups to those with a much broader, but not entirely inclusive, membership.

71 'China passes Japan as second-largest economy', *New York Times*, 15 August 2010.

72 'China's defence spending to rise 11.2%', *Financial Times*, 4 March 2012.

73 United States Department of State, *Background Note: Taiwan*, 2012.

74 Ian Storey, 'China's "Charm Offensive" Loses Momentum in Southeast Asia [Part II]', Institute of Southeast Asian Studies, May 2010.

75 Speech by then-Deputy Secretary of State Robert Zoellick to the National Committee on United States-China Relations, 21 September 2005. http://www.ncuscr.org/files/2005Gala_RobertZoellick_Whither_China1.pdf.

Despite the threats to peace and security in the region, China's leaders remain predominantly focused on domestic threats to stability, and the resources they devote to internal security still outstrip military spending.⁷⁶ Instability in the Xinjiang autonomous region, lingering discontent around the status of Tibet, and popular protests driven by disaffection over corruption, land seizures and environmental degradation have all challenged the authority of the Communist Party.

There is also a range of views within China on how to approach security. For example, there is disagreement over the extent to which bellicose language and aggressive actions from elements of the People's Liberation Army (PLA) and of the Chinese Navy over disputed maritime borders have been controlled by Beijing or by the military leadership. The transition between the fourth and fifth generations of Chinese Communist Party leaders in late 2012 will create an atmosphere of uncertainty domestically and internationally regarding the direction of Chinese foreign policy.

China maintains that it is a developing country with a 'peaceful rise'. Its security focus is disproportionately insular. The formal statements of Chinese leaders stress this and their lack of interest in a global role; they say their external actions are driven by the need for resources. However, despite this 'harmonious world' theory, China's fast economic growth and rising status have led many in the West and in the country itself to question whether this softer foreign policy is, or should still be, its guiding principle.⁷⁷ From a Western perspective, China's actions suggest it is not pursuing a gentle policy.

In China's near abroad, immediate threats emanate from Taiwan and North Korea. One Chinese scholar has described Taiwanese independence as 'the most serious threat that the People's Republic faces now and in the future' since it challenges core principles of the PRC – sovereignty, territorial integrity and national unity – and risks provoking a conflict with the United States.⁷⁸ The instability and chaos that war or regime collapse on the Korean peninsula could cause remains another acute concern, and China would be likely to face an enormous influx of refugees were North Korea's regime to unravel. China's claims to much of the South China Sea overlap with those of number of other littoral states, causing increasing friction. In the longer term, China will need to balance its expanding regional role with other major powers in the region: India, Russia, Japan and particularly the United States.

While there is a role for China's neighbours and other international powers (including the United States) in creating a positive context, China's rise and how it expands its role in the regional and global environment will depend principally on its internal dynamics. Its chosen path will be most influenced by how the various factions in the military and the Communist Party play out. Given the need for continued economic growth to sustain domestic stability, China is likely to maintain its international focus on ensuring the flow of resources. Nevertheless, creating a constructive environment in which it can act and the space for it to grow into its international role, and finding ways to move beyond historical animosities, will be important and provide useful leverage for those within China who would like to engage more positively with other countries.

US–Chinese relations

The opacity of its political system has meant China has long been considered something of a 'black box' to the United States. As a result, US–Chinese relations are the central source of strategic mistrust and uncertainty in the region. Within the United States, China's rise is seen as both an opportunity and a threat. The uncertainty surrounding China's interests and its likely future direction therefore lead to the prevailing policy of engaging and hedging.

The US government has made much effort to improve understanding and transparency between the two nations in the economic, strategic and military spheres, most recently during the visit of Vice President Xi Jinping to Washington in February 2012. There have been repeated efforts on the part of the United States to put in place systems to manage potential tensions and incidents so as to prevent unintentional

⁷⁶ According to data released at the National People's Congress in March 2012, China spent \$106 billion on defence as opposed to \$111 billion on internal security.

⁷⁷ Henry Kissinger, *On China* (Allen Lane, 2011), p. 508.

⁷⁸ C. Shulong, 'The Security Challenges in Northeast Asia: A Chinese View', in *East Asian Security: Two Views* (Pennsylvania, Strategic Studies Institute, 2007).

escalation (as was the case with the Soviet Union during the Cold War). During Xi's visit, Washington once again proposed stronger military-to-military engagement to promote better understanding and clarity. But China is unwilling to engage in substantive talks. As the rising power, and one that is therefore trying to change the status quo, it has less interest than the United States in transparency. Ambiguity provides China with a deeper buffer zone in which US uncertainty regarding 'red lines' makes the latter hesitant to act. Meanwhile, from China's perspective, US actions also compound the uncertainty. America continues to make moves that antagonize Beijing, whether with regard to arms sales to Taiwan or in its engagement strategy with China's neighbours.

Beyond the security domain, tensions also exist over economic issues. China is the largest holder of US securities and is sensitive to weaknesses in the dollar. The two economies are increasingly interdependent although China has recently started to diversify its holdings. The seriousness of disputes over Beijing's active management of its currency has diminished, however, as China slowly allows the value of the renminbi to increase (although the issue remains high on the political agenda in this US election year).

Private-sector activities have also created areas of tension between the United States and China. Chinese investments in 'sensitive' American industries generate concerns. The decision in 2011 by the Committee for Foreign Investment in the United States (CFIUS) to prevent Huawei, a Chinese technology firm, from purchasing an American computer company is just one example.⁷⁹ At the same time, American companies in China are discovering many areas of inequality: intellectual property rights (IPR) are often ignored, information or technology is stolen, and in China there is no level playing field and the legal system does not provide adequate recourse.

Notwithstanding China's membership of the UN Security Council, the G20, the World Trade Organization and other regional and multinational bodies, there is a strong Western concern that it often resists or disputes international norms. Whether in the UN (for example, on recent resolutions relating to Syria or Iran) or in other institutions such as the WTO, China has side-stepped broader norms or imposed its own restrictions or interpretations. One area of particular concern in the Asia-Pacific region is China's unique interpretation of the UN Convention on the Law of the Sea (UNCLOS), which brings it into conflict with its neighbours and other regional powers.

Taiwan is the biggest potential flashpoint in US–Chinese relations. Although the United States officially terminated its defence treaty with Taiwan in 1979, the Taiwan Relations Act passed that same year commits it to providing arms 'of a defensive character' to Taiwan, and the US is officially opposed to unilateral efforts by either side to alter the status quo. The supply of arms to Taiwan is a heated topic in the United States and in China, and continues to have repercussions in the bilateral relationship. Other issues on the American agenda such as human rights and the future of Tibet also add to the complexity.

A central dilemma for the United States is how to balance the investment and commitment it makes in its bilateral alliances and its attempts to strengthen the regional security architecture without creating fears in China that it is attempting to contain its growth, surround it with US allies or exclude it from regional affairs. Chinese efforts to build its relations with others in the region equally risk the perception that it is attempting to push the United States out of the Asia-Pacific region.

Intra-regional relations

Territorial disputes are a significant driver of tensions in the Asia-Pacific region. While the most significant is over Taiwan, there are a number of others over the sovereignty of islands and their surrounding waters. Many of these islands are uninhabited but their waters are rich in resources and many countries attach status and significance to their sovereignty over them. As mentioned earlier, increasing Chinese assertiveness regarding the status of these islands complicates relations with many regional actors. Compounding these territorial disputes are historical animosities, dating back to the Second World War, more recent conflicts (e.g. the Korean and Vietnam Wars) or even far earlier ones.

79 BBC Online, 'Chinese telecom company Huawei open to US investigation', 25 February 2011, <http://www.bbc.co.uk/news/business-12575237>.

Japan and South Korea have significant economic ties, but historical animosity and territorial disputes still colour their relationship.⁸⁰ Overall, however, things have improved recently and there has been more high-level diplomatic activity and coordination between the two. Provocation and hostility by North Korea fosters trilateral cooperation between them and the United States. In 2010, following the shelling of Yeonpyeong Island, South Korean military observers participated in US–Japanese military exercises for the first time.⁸¹ Japan and South Korea have announced plans to sign an agreement on the peacetime exchange of military goods and services.⁸² They also have a trilateral dialogue with the United States and one with China. In addition, Japan has sought to expand cooperation with other states, including through dialogues with India and Australia.

South Korea and China normalized ties in 1992, and upgraded their relationship to a ‘strategic cooperative partnership’ in 2008. The countries held an inaugural ‘strategic defense dialogue’ in 2010, the goal of which was to strengthen high-level strategic mechanisms.⁸³ However, contention remains about South Korea’s alliance with the United States and China’s policy towards North Korea.⁸⁴ South Korea also remains cautious about China’s military expansion.

Vietnam has a self-described ‘Comprehensive Strategic Partnership’ with China, despite tensions over the South China Sea. The two countries have conducted joint exercises and naval patrols, Vietnamese ships have called at Chinese ports, and there have been a number of ministerial visits and dialogues. However, further engagement is hindered by the considerable antipathy towards China that still exists in Vietnam.

Australia and China have had diplomatic relations for 40 years and regularly exchange high-level visits. Australia is also looking to expand cooperation and defence links with India, although this has been hampered recently by a dispute over uranium exports sought by India. The two states have initiated annual Defence Policy Talks, expanded military-to-military dialogues and carried out joint naval exercises. Improving relations with Indonesia is also an Australian priority. However, the Australian–Indonesian relationship has been stunted historically by diverging approaches and values on regional issues (not least over Australia’s involvement in Timor Leste’s independence in 1999).

There has been a recent strengthening of bilateral relations between Australia and South Korea. In 2005, they signed a Joint Statement on Enhanced Global and Security Cooperation on areas including counterterrorism, disarmament and non-proliferation, and defence. The two countries have held joint military exercises, and Australia contributed to an investigation following the sinking of the *Cheonan*.⁸⁵

Singapore’s foreign policy is generally subsumed into any policy that ASEAN might hold. However, it faces some challenges as a result of historical antagonisms (there is a low-level security concern with respect to Malaysia, particularly over water resources⁸⁶) and regional jealousies given Singapore’s prosperity.

Over the past five years, India has engaged more actively beyond South Asia in the broader Asia-Pacific region. In 2006, it started a ‘Track II’ trilateral dialogue with Japan and the United States. The Indian–Japanese partnership is focused on maritime cooperation, particularly with regard to piracy and ensuring open sea lanes; the two countries held their first joint training exercise in 2011. India has also engaged intermittently in quadrilateral talks with Japan, the United States and Australia, although concerns about antagonizing China caused it to stop. In 2008, India established the Indian Ocean Naval Symposium to promote cooperation between the ocean’s littoral states. These activities reflect a broader interest in India for ‘a new security architecture – an open, balanced and inclusive architecture to correspond to the new (security threat) situation that is emerging’⁸⁷

80 United States Department of State, *Background Note: Japan*, 2011.

81 Japanese military observers have done the same for South Korean exercises.

82 Emma Chanlett-Avery et al., *Japan–U.S. Relations: Issues for Congress*, Congressional Research Service 2011.

83 See-Won Byun, ‘Sino–South Korea Ties Warming?’ *The Diplomat*, 2 September 2011.

84 South Koreans believe that Beijing has not done enough to put pressure on Pyongyang, in particular after the sinking of the South Korean *Cheonan* warship in 2010.

85 Australian Department of Foreign Affairs and Trade, *Republic of Korea Country Brief*, 2012.

86 Malaysia provides approximately 60–70% of Singapore’s water.

87 Shri Shivshankar Menon, ‘The Role of Force in Strategic Affairs’, speech at the National Defence College, 21 October 2010.

Historical animosities make it hard for countries, their political elites and their populations, to make progress on issues of conflict or even those of mutual concern more pertinent to meeting their needs. Japan and South Korea, which have substantial mutual interests with regard to North Korea, China and their own regional and global roles, are often stymied by lack of trust arising from their long and often antagonistic history. Newer conflicts over territory only compound the challenges of working together. However, a more positive trend is the steady, albeit slow, advances that regional organizations such as ASEAN and the EAS have made. While they are still largely lacking in power, the mere fact of their creation and the engagement that takes place within them are signs of the increasing need that many countries in the region see for more transparency and cooperation.

Multilateralism and regional institutions

Considerable discussion has been devoted to the development of multilateral institutions in the Asia-Pacific region, much of which has focused on the absence of institutions comparable to those found in other continents – particularly Europe – and the mixed prospects for further integration.⁸⁸ This has been explained through recourse to geography, history and regional norms.⁸⁹ What exists instead is a variety of different regional, sub-regional and bilateral arrangements focused on dialogue and confidence-building, which eschew legal approaches and commitments. Consequently, there has been an historical preference in the United States for focusing its engagement with Asia on its network of bilateral alliances.⁹⁰

The relatively recent proliferation of institutions – imperfect, overlapping, and in many cases works in progress – has been described as an ‘institutional layering process’ or a ‘complex patchwork’, while some have even linked it to the growth of a ‘pan-Asian consciousness’.⁹¹ The increasing importance of non-traditional security threats such as infectious diseases and natural disasters has also driven a ‘creeping institutionalism’ within ASEAN and created the impetus for newer forums such as the EAS.⁹² Despite broad support for the concept of an East Asian Community, however, there is little consensus about the make-up of any such grouping and an enduring preference for military self-sufficiency and traditional alliances.⁹³

ASEAN is the most developed and durable organization in the Asia-Pacific region, but its limitations are clear. It remains dialogue-oriented, based on non-interventionism and sovereignty. There have been attempts to improve its capacity as a forum for regional security discussions. ‘Spin-offs’ such as the ASEAN+3, ASEAN Regional Forum (ARF), ASEAN Defence Ministers Meeting (ADMM) and ADMM Plus have been credited with adding clarity to the regional strategic agenda, and improving understanding and expectations among members. But they still face criticism for being overly dialogue-driven. In general, these broader meetings involve groups of states with different approaches to international security norms and sovereignty commitments that limit the potential for substantive outcomes.⁹⁴

The annual East Asia Summit (EAS), begun in 2005 and expanded in 2011 to include the United States and Russia, is viewed by some as the future of regional security and political dialogue.⁹⁵ Its membership reflects the regional power dynamic, with all major actors involved. At the November 2011 summit, the United States raised the issue of disputed territory claims in the South China Sea, showing that it can provide an opportunity to air sensitive issues.⁹⁶

88 See, for example, Bates Gill and Michael Green (eds), *Asia's New Multilateralism: Cooperation, Competition, and the Search for Community* (New York: Columbia University Press, 2009); Kent Calder and Francis Fukuyama, *East Asian Multilateralism: Prospects for Regional Stability* (Johns Hopkins University Press, 2008); Andrew Yeo, *Bilateralism, Multilateralism and Institutional Change in Northeast Asia's Regional Security Architecture*, East Asia Institute Working Paper Series, April 2011.

89 See, for example, Amitav Acharya ‘Why Is There No NATO in Asia? The Normative Origins of Asian Multilateralism’ Working Paper, Weatherhead Center for International Affairs, Harvard University, July 2005. The history of colonialism in the region results in many countries supporting sovereignty over all else and explains in part the resistance to strong institutions.

90 Kurt M. Campbell et al., ‘The Power of Balance: America in Asia’, Center for a New American Security, June 2008, p. 18.

91 See the different scholars quoted in Joshua Kurlantzick, ‘Pax Asia-Pacifica?’ *The Washington Quarterly*, Summer, 2007.

92 Mely Caballero-Anthony, ‘Nontraditional Security and Multilateralism in Asia: Reshaping the Contours of Regional Security Architecture?’, *Stanley Foundation Policy Analysis Brief*, June 2011.

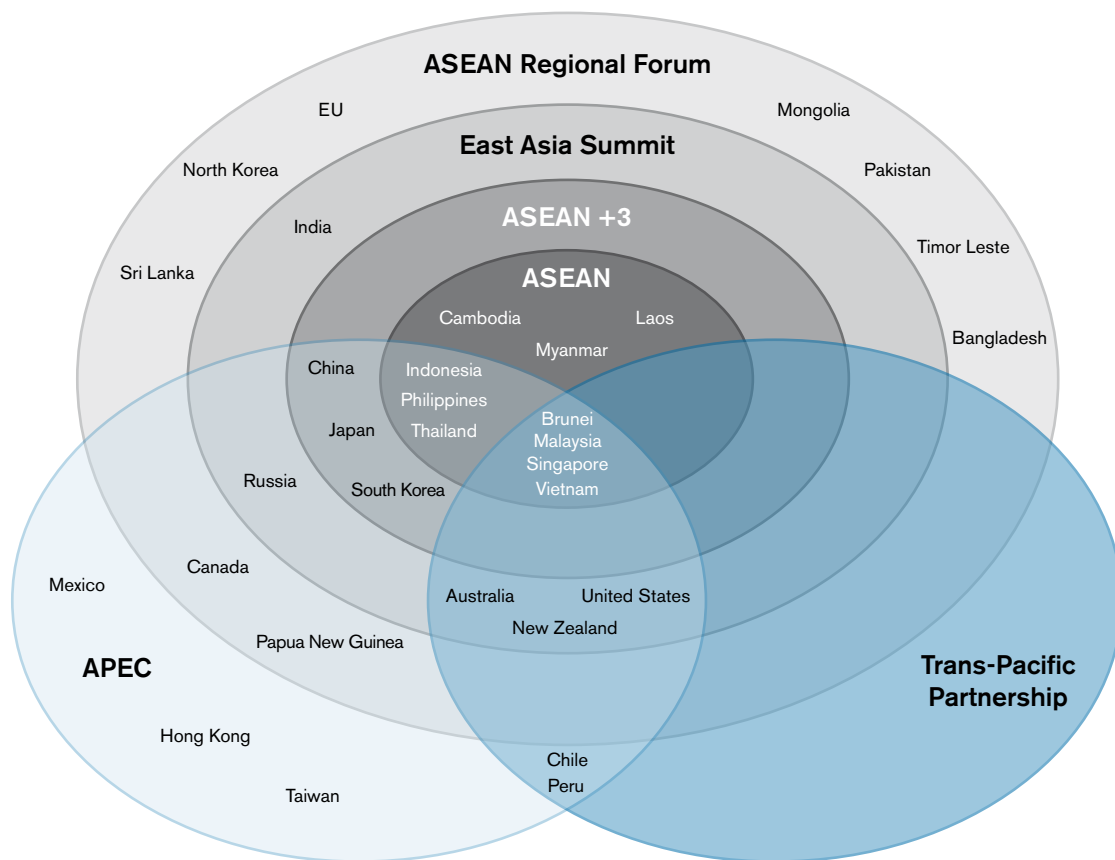
93 Gill and Green (eds), *Asia's New Multilateralism*.

94 Ibid.

95 Ernest Z. Bower, ‘East Asia Summit: Next Step is Structure’, Center for Strategic and International Studies, November 2011.

96 BBC Online, ‘China “Constructive” on South China Sea row, says US’, 19 November 2011.

Figure 2: Overlapping multilateralism in the Asia-Pacific region



The Six Party Talks over the North Korean nuclear issue is an example of a more ad hoc multilateral process. These talks began in 2003, bringing together China, Japan, Russia, the United States and both Koreas. Although North Korea left the talks in 2009 and held further nuclear tests, it agreed to suspend these tests in 2012 in exchange for food aid (an initiative that was subsequently halted because of a North Korean satellite launch test in April 2012).

The Asia-Pacific Economic Cooperation (APEC) is a forum that brings together 21 states from around the Pacific Rim to focus on promoting free trade and increasing economic cooperation. Membership criteria allow for the participation of Taiwan, and the forum also brings together Pacific states that are not involved in other regional dialogues, including Chile, Canada and Peru. However, from a broader Asia-Pacific perspective, there are notable membership omissions, most conspicuously India, that limit APEC's reach. Its economic focus also inevitably limits its ability to address security concerns in a multilateral setting.

The proliferation of regional organizations focused on different, sometimes overlapping, issues is perhaps a sign of the recognition in the region of the need for greater cooperation and understanding. However, as mentioned earlier, these institutions have intentionally not been endowed with the powers of those in many other regions. Nevertheless, as noted, their mere creation and the importance with which they are often held in the region suggest a positive trend towards, at best, increased collaboration and, at a minimum, information exchange. They are also potentially platforms for discussing issues of regional concern and establishing and disseminating norms.

4 US Regional Interests, Threats and Challenges

'We seek the security of our Nation, allies and partners. We seek the prosperity that flows from an open and free international economic system. And we seek a just and sustainable international order where the rights and responsibilities of nations and peoples are upheld, especially the fundamental rights of every human being.'

US Department of Defense, *Sustaining US Global Leadership: Priorities for 21st Century Defense*, January 2012

Outline of US interests

In many respects, American interests in the Asia-Pacific region have changed little from previous decades. While the focus of this report is on military alliances and partnerships, US interests go far beyond conventional security concerns. As Secretary Clinton wrote with regard to the region, 'From opening new markets for American businesses to curbing nuclear proliferation to keeping the sea lanes free for commerce and navigation, our work abroad holds the key to our prosperity and security at home.'⁹⁷ American interests, both in general and specific to the region, can be separated into four areas: security and stability, prosperity, international norms, and supporting American allies.

Ensuring peace and stability

Peace and stability in the Asia-Pacific region have both direct and indirect impacts on the United States. While there are direct challenges to American security, such as the proliferation of weapons of mass destruction (WMD) from North Korea, there are also indirect implications when US allies or friends are at risk, or when America's ability to exert leverage or influence in the region is diminished.

Ensuring stability in the region is, in large part, about decreasing uncertainty and bringing a stable balance of power. As Andrew Shapiro, Assistant Secretary of the Bureau of Political-Military Affairs, said in February 2012, 'lingering suspicion between powerful countries' is a major regional challenge.⁹⁸

Promoting prosperity and open trade

In today's environment of austerity, maintaining growth and economic stability is a primary function of any legitimate, democratic government. A number of senior American civilian and military leaders, most recently Secretary of Defense Leon Panetta, have emphasized the interconnection between economic prosperity and national security. With the economic downturn since 2008 in the United States and Europe, much of the world's growth has come from Asia. In terms of US exports of goods, APEC members account for 61%,⁹⁹ while trade with ASEAN members increased by 31% between 2009 and 2010.¹⁰⁰ In addition to trade with the United States, energy flows through Asia are significant. No less than 90% of total oil and gas transported into the Asia-Pacific region transits the Strait of Malacca. Open sea lanes are vital to ensure effective trade and energy flows within and through the region.

97 Clinton, 'America's Pacific Century'.

98 Andrew J. Shapiro, 'U.S.–Malaysia Partnership'; speech at the Malaysia Armed Forces Defense College, Kuala Lumpur, 15 February 2012.

99 International Trade Administration, *Making the Asia-Pacific Region a Top Priority for U.S. Trade*, 2012.

100 Office of the United States Trade Representative, *Association of Southeast Asian Nations (ASEAN): Recent Developments*, 2011.

Strengthening global norms and the international order

America has a vital national interest in ensuring that, as the ‘Asia-Pacific [becomes] a key driver of global politics’,¹⁰¹ it does so in a way that supports global norms and finds better ways to share the burdens of the global commons. This is pertinent in many areas including security and economic norms (such as UNCLOS or WTO agreements) as well as those in non-traditional security areas such as humanitarian assistance and disaster response (HADR). Supporting democracy and human rights, while not usually considered in the traditional security realm, is also a vital area of focus as recent events in the Middle East and North Africa have shown. It is very relevant to Asia, a region that has shown advances and retreats on this issue in the past decade.

Security of allies

Finally, the United States has a strong interest in ensuring the legitimacy and influence of its allies in the region. In order to retain its own alliances and leverage, it needs to be seen as a constant and faithful partner, particularly to smaller countries. America’s security commitments are perceived to have waned in recent years and many countries in the region have raised quiet concerns over its constancy.

Current threats to US interests

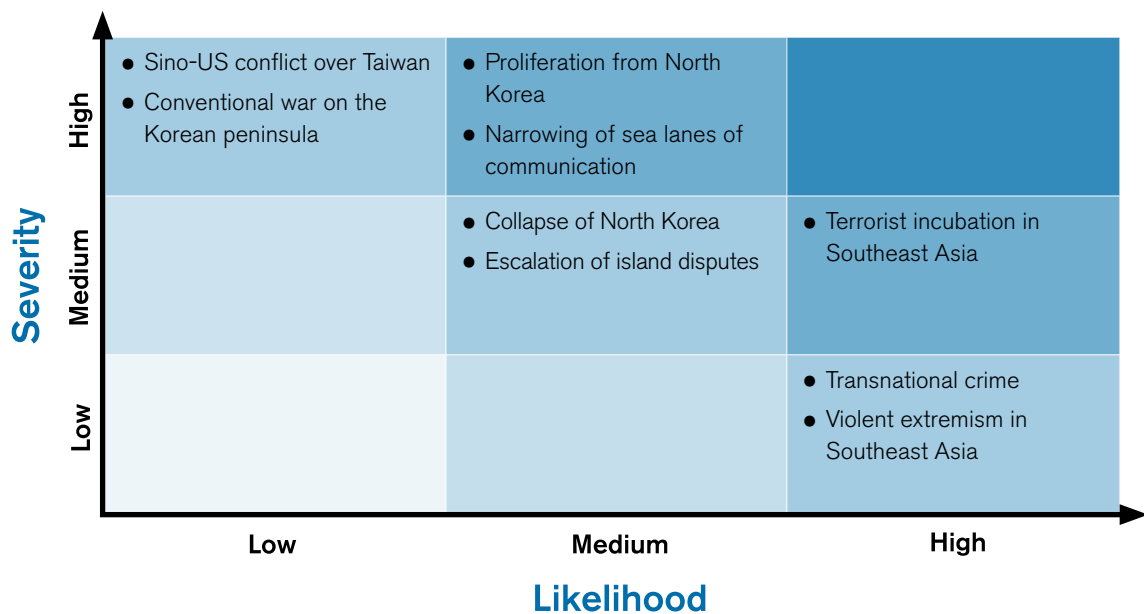
The principal threats to US interests in the Asia-Pacific region fall into four main areas:

- *North Korea*: Threats related to proliferation of WMD and missile technology, state collapse or a conventional war on the Korean peninsula;
- *Contested territories*: Escalation of tensions across the Taiwan Strait or in the South and East China Seas;
- *Prosperity*: Threats to open trade and freedom of navigation; and
- *Violent extremism*: Particularly from Islamist movements in Indonesia and the Philippines.

Although, as Figure 3 indicates, the United States perceives quite a broad number of threats against its interests, this report focuses on the major ones.

The objective of the US military posture and partnerships is to lower the probability of these threats and, to limit their potential impact on America, its allies and the region.

Figure 3: Threats and flashpoints in the Asia-Pacific region



101 Clinton, 'America's Pacific Century'.

US military strategy outlines four principal roles that it is designed to perform: to reassure, dissuade, deter and defeat. While each of these roles can address these threats, the United States' primary objective is to perform the first three so effectively so as not to have to 'defeat' an adversary.

North Korea

The ongoing proliferation of WMD and missile technology is of enormous concern to the United States. North Korea has sold nuclear and missile technology to other states (e.g. Iran, Syria and Pakistan) over the last two decades and is likely to continue doing so, even if this trade has diminished as a result of the imposition of sanctions.

Also of concern is the possible disorderly collapse of North Korea that could lead to refugee flows, uncertainty over the fate of nuclear material, and a chaotic and unpredictable scenario that could pull in South Korea, China and the United States. Since Kim Jong Il's death in December 2011, the succession process remains a key driver of uncertainty. North Korea's new leader, Kim Jong Un, is in his late twenties and has little legitimacy among the ruling elite (beyond being his father's son). Real power is held by a group of generals around him, including his aunt and her husband. Their loyalty and views are unknown, although all probably have a vested interest in maintaining a unified front given the absence of any immediate credible alternative. In the short term, this may make their outward actions either more compliant – to gain time as they manage the transition – or more bellicose as they attempt to gain internal credibility by taking a tough stance with South Korea and the United States. The South Korean military is already planning appropriate responses to any future North Korean provocations.

Escalation of territorial disputes

While the United States does not have direct territorial disputes with any country in the region, treaty alliances and broader partnerships could draw it into an escalating dispute between two other parties. The principal concern in this area involves Taiwan.

Taiwan

Since 1979, the United States has maintained close informal ties with Taiwan alongside its formal diplomatic recognition of Beijing. It tries to balance support of Taiwan's democracy and self-determination (through security guarantees and arms sales) with constructive engagement with China, while maintaining broader peace and security in the region. This is a policy of 'strategic ambiguity'. As mentioned earlier, the United States has a 'One China' policy. The ambiguity of the US position has both benefits and disadvantages, including increasing the potential for miscalculation by all sides.¹⁰² Escalation of cross-strait tensions could drag it into direct military confrontation with China.

There are a number of potential flashpoints in this triangular relationship. At the extreme, if Taiwan pushed for formal independence it would force a robust, probably military, response from China. Beijing believes that a change in Taiwan's status would have profound effects for the internal stability of China, undermining the territorial integrity of the state and challenging the authority of the Communist Party. A crisis could also be driven by provocative military exercises (as was the case with the 1995–96 crisis during the Taiwanese elections) or by US arms sales. The perception that the balance of power is shifting as the Chinese army (PLA) continues its military modernization may only encourage more Taiwanese requests for arms deals (as the 2011 sales indicate). However, for now, relations between Taiwan and the mainland are in good health. The re-election of President Ma in 2012 ensures the continuation of an administration in Taipei with a pragmatic approach to the mainland and a good record of improving cross-strait ties, with the status quo likely to be maintained.¹⁰³

102 Campbell et al., 'The Power of Balance', p. 36.

103 Bonnie Glaser and Brittany Ballingsley, 'Taiwan's 2012 Presidential Elections and Cross-Strait Relations'.

There are a number of additional contested territorial claims across the Asia-Pacific region that have the potential to sour relations between states, and even to provoke conflict. Increasing naval assertiveness could also affect the freedom of navigation of commercial shipping through vital international waterways.

Figure 4: Territorial disputes



Sources: UNCLOS and CIA (based on BBC map available at <http://www.bbc.co.uk/news/world-asia-15802063>).

The South China Sea

There are multiple overlapping claims in the South China Sea. China asserts an expansive claim to sovereignty over the Spratly and Paracel Island chains and their surrounding waters, clashing with those of Vietnam, the Philippines and Brunei. It also claims ocean areas that Malaysia believes to be part of its exclusive economic zone. Given the vital importance of the South China Sea for global trade and energy flows and the potential for American allies and partners to be involved in disputes, there would be a clear threat to US interests should disagreements escalate. A 2002 Code of Conduct agreed between ASEAN states and China restated a commitment to resolving disputes peacefully but increasingly provocative actions by Chinese maritime agencies (often civilian maritime patrol vessels) have increased friction.

A number of scenarios could lead to a deterioration in relations. As was seen in 2011 when Chinese vessels cut the cables of two Vietnamese ships conducting surveys in disputed waters, hydrocarbon exploration or extractive operations can provoke strong reactions. The United States could be drawn in by the involvement of American companies or allies. The differing interpretations of permissible naval activities in the respective exclusive economic zones under UNCLOS could also lead to tensions, as an incident involving USNS *Impeccable* demonstrated in 2009.¹⁰⁴

104 In 2009, an unnamed US surveillance ship, *USNS Impeccable*, was harassed by five Chinese vessels just off the southern Chinese island of Hainan. The Chinese complained that the ship was in Chinese waters; the United States argued it was in international waters.

The East China Sea

The Senkaku Islands, administered by Japan but claimed by China and Taiwan as the Daiyou Islands, are a source of potential escalation between China and Japan. In 2010, as noted, the Japanese Coastguard arrested the crew of a Chinese trawler after a collision with a Coastguard ship, causing a diplomatic incident. Further such clashes at sea are foreseeable. Japan and South Korea also dispute the ownership of Takeshima (known as Dokdo in South Korea), a group of tiny islands currently administered by Japan. While remaining a thorn in the bilateral relationship, the dispute is unlikely to escalate into outright confrontation.

Threats to prosperity and open trade

Given the importance of the Asia-Pacific region as a trade and energy transit route, the threats to prosperity and global trade there are extensive, particularly in the South China Sea and the Strait of Malacca. The closing or narrowing of Sea Lanes of Communication (SLOCs) would have a significant impact on the global economy. The escalation of territorial disputes as mentioned above is probably the greatest threat to this. China's apparent aspiration for expanding regional leadership is reflected in its Anti-Access and Area Denial (A2/AD) policy and its interpretation of UNCLOS. Earlier this year China agreed to start a dialogue with ASEAN to conclude a replacement to the 2002 South China Sea Code of Conduct. The agreement is likely to be finalized in November 2012 but it is as yet unclear whether it will be effective.

Finally, piracy continues to be a disruptive threat, particularly in the Strait of Malacca. However, concerns have largely been alleviated by vigorous action on the part of Indonesia and Singapore (with support from India). Counter-piracy is an uncontested security issue that could provide an important opportunity for China and other countries in the region, including the United States, to work together.

Box 1: The role of China

Given the integral role that China plays in managing many threats to US interests in the Asia-Pacific region, from North Korea, to prosperity to territorial disputes, handling the US–Chinese relationship correctly is going to be of principal concern for policy-makers in America and across the region. Ensuring regional balance is vital to prevent escalation in many of these areas. A positive and productive relationship can lead to significant opportunities for the two nations to promote peace, understanding and prosperity. A bad relationship could do the opposite, with consequences for all regional players.

The current uncertainty surrounding China's ultimate intentions in the region and more globally makes defining the posture of the United States and that of its regional friends and allies difficult. Increased transparency on the part of China would do much to alleviate this complexity, but it appears to see benefits to maintaining ambiguity, creating a buffering space that America and its allies do not want to cross.

While China's actions affect the planning and posture of the United States and its allies, the reverse is also true. Enhancing American and allied military capabilities and alliances heightens China's perceptions of insecurity, leading it to take additional steps in response. This results in a spiral of mistrust and attempted containment. Reassurance should be considered as high a priority for US–Chinese relations as it is with US allies.

Violent extremism

Finally, the United States continues to be concerned about Islamist violent extremism in Southeast Asia, particularly in Indonesia and the Philippines, and the potential for these states to become a bases and incubators of terrorism directed against the United States or Americans abroad. Groups such as Abu

Sayyaf, based in the Philippines, and Jemmah Islamiyah, based in Indonesia, (both designated terrorist organizations by the State Department) have provoked much concern in Washington. US attention surged after September 2001 and the 2002 Bali bombing that killed over 200 people. Both groups were seen to have links with Al-Qaeda and have continued to conduct terrorist activities in the region. However, strong efforts by the respective governments, often with the support of the United States, have resulted in the killing or capture of many of their top leaders and the reduction of their capabilities.

Future threats

In addition to the current threats to US interests in the Asia-Pacific region, there are a number of more unpredictable threats that are likely to arise in the future and for which the United States needs to prepare.

Future great-power competition

In recent years, particularly since the start of the global financial crisis, much debate has focused on the great-power balance between the United States and China. This dualistic approach, however, is too simplistic in relation to the Asia-Pacific region where other powers also play an important role. Expectations of a stable linear progression of Chinese growth over the coming two decades are overstated. Although GDP growth has been around 12% in recent years, President Hu Jintao announced it was closer to 7.5% for 2012. Meanwhile China's internal instability is unlikely to diminish. India's growth continues at around 7% annually, its population will surpass China's around 2030, and while it faces many domestic challenges, its democratic system provides mechanisms to release internal tensions. Japan remains the third largest economy in the world and has a capable military that has engaged more internationally in recent years. Indonesia, with its Asian and Islamic character, is swiftly becoming an important player in the region and beyond. Assuming continued political stability, it will become more influential.

Regional balance-of-power politics among the United States, China, India, Japan and increasingly Indonesia (and perhaps Russia too) are going to continue to play out regionally as well as globally. These countries' changing relationships can have significant consequences for smaller powers. Unlike the other powers, China's rigid, centralized political system while it can lead to faster and easier decision-making, also provides little avenue for the release of tensions or the correction of mistakes, leaving it the least flexible Asian power and the most likely to be susceptible to negative externalities, man-made or natural. For their part, the other powers are likely to maintain a steadier and slower trajectory, whether of decline or rise.

Competition, particularly between China, the United States and India, and to a lesser extent Japan, will ensure heightened tensions and much maneuvering between the players. The increasingly close trilateral relationship between the United States, Japan and India is likely to allow them to continue to collaborate, sharing capabilities to achieve mutual objectives. Where tensions do occur, they may play out indirectly, through proxies (as is already happening between China and India with regards to, for example, Pakistan, Burma and Bangladesh), as well as directly through such activities as arms build-ups. Here again the increasingly close relationships between some of China's neighbours is likely to increase its concerns about encirclement.

Competition over natural resources

Resource-based security threats in relation to the availability and accessibility of water, food and energy will be increasingly important globally and in the Asia-Pacific region. For example, trans-boundary water resources are already a cause of tensions between Singapore and Malaysia, between China, India and Pakistan, and between Vietnam, Cambodia, Thailand and China. Climate change, population growth, urbanization and industrialization mean these tensions are likely to grow. Meanwhile, the 2008 and 2011 international food price spikes, and the political instability in many countries that followed in their wake, mean that globally governments are increasingly turning away from international markets and free trade as a means to access affordable food. Instead, states are pursuing nationalist food security policies, characterized by export controls, stockpiling and bilateral investment deals, the cumulative effect of which

is to increase food-price volatility, undermine trust and increase the chances of conflict.¹⁰⁵ Technology may well mitigate these challenges but it is unclear by how much.

Energy resources are also likely to be much scarcer in the coming decades. The decision by Japan, following the tsunami and earthquake in early 2011, to shut down its nuclear facilities in Fukushima and review its energy policy will affect its long-term vision for energy security. Japan's changing energy import balance will have short-term impacts on the regional markets for fossil fuels, particularly liquefied natural gas. However, the overriding energy security issue remains access to and the price of oil, with most countries in the region heavily reliant on imports. India imports 70% of its oil and China over 50%. While coal is the dominant domestic source of energy in many countries, its use may be limited by inadequate access to resources to mine and process it and by controls on carbon emissions. Given these trends, uncertainties are only going to increase in the coming decades.

New arenas for conflict: space and cyberspace

Asian states are fast developing wide-ranging space capabilities. Almost every country in the region has a stake in meteorological and communications space-based assets.¹⁰⁶ Critical infrastructure, such as receiving stations, and technical training are growing apace, led by China, Japan, South Korea, the United States and India. However, alongside civilian efforts, the militarization of space is also being explored by some countries and there has been little to no progress on a proposed international agreement to prevent this (in large part owing to US resistance).¹⁰⁷ There has been no formal progress on addressing space security issues since the Conference on Disarmament in 1994.

In early 2007, using a ground-launched missile, China destroyed one of its own old weather satellites, making clear its willingness and ability to conduct operations in this new arena. Given the dependence of the US military and the global economy on satellite communications, reliance on specific assets in this area can be a considerable vulnerability. Until a code of conduct is developed the susceptibility to militarization is great, creating a weak link in security systems.

Cyberspace is increasingly becoming an arena for crime, intelligence-gathering and conflict as well as a forum for expression of national and international tensions. China has been accused of numerous incidents of hacking and espionage against US public- and private-sector organizations, though no evidence of government involvement has been revealed. The United States and China are two of the most active actors in cyberspace, and, given the reliance of the US military and its allies on information and communications technology, it is extremely likely that any significant escalation in tensions between China and other parties will manifest itself early in the cyber domain. Cyberspace is also used by a wide variety of non-state actors, many of which are likely to independently participate in and contribute to any escalation of tensions. This vastly expands the complexity of any response and of protective measures.

105 Oxfam, *Growing a Better Future: Food Justice in a Resource Constrained World*, 2011.

106 In the Asia-Pacific region China, India, Japan, Singapore, Australia, South Korea, North Korea, Malaysia, Indonesia, Taiwan, Bangladesh and Vietnam all have space agencies, and most of them also have their own satellites. <http://www.aprsaf.org/participants/>.

107 In addition to the United States and China, India and North Korea are also exploring the militarization of space, while Pakistan and Indonesia are at very early stages of this (e.g. ground receiving stations).

5 The Role of Alliances and Partnerships in Promoting US Interests

Military alliances and partnerships are just one element of a broader strategy to promote US interests and ensure peace and stability in the Asia-Pacific region. They should be seen within the context of a broader strategy towards the region. Diplomacy, development and economic policies will also have a significant role to play in building and maintaining close relationships and alliances.

There are three principal elements to a military alliance structure that most effectively, and economically, meets the future needs of the United States: a) supporting multilateral and plurilateral structures; b) strengthening and expanding bilateral partnerships; and c) thinking beyond conventional security threats.

Multilateralism and plurilateralism

The Asia-Pacific region has accumulated a wide array of organizations with often overlapping and inadequately defined agendas, from APEC to ASEAN, ASEAN +1, +3, the ARF and EAS. The status of these organizations is in flux as they occasionally take on new members (e.g. the EAS) and their roles expand or change. However, while the reaction to them is sometimes indifference, they also attract criticism, particularly from the West, over their lack of tangible impact. The United States has, for example, urged ASEAN to become a more directive and integrated functional organization, perhaps drawing from experiences of institutional construction in the European Union.¹⁰⁸ Meanwhile, ASEAN governments want an organization that provides a venue for dialogue but not one that restricts sovereignty or requires them to develop common policy positions. The smaller countries of the Asia-Pacific region have also been wary of including the larger powers in their institutions (such as the EAS), fearing that they will overwhelm them and take control.

Given these regional concerns, the United States must step warily into this space, with reasonable expectations of what such organizations can achieve. Assertive leadership would make waves and raise unnecessary concerns about America's interest in driving only its own agenda. A slower and softer approach, focused on the longer term, is more likely to win over regional powers and build effective relationships.

Such an approach could be criticized within the United States as a 'time-sink' (i.e. an activity requiring time-intensive resources with little return on the investment). It is hard to persuade busy senior diplomats and leaders, including the president, to attend summits when the outcomes are generally modest, intangible and hard to define. However, the mere existence of these regional institutions has a number of inherent benefits that should not be underestimated. They provide a structure for interaction and engagement and, more concretely, enhance transparency. They also provide a venue and mechanism for raising areas of potential conflict for discussion and eventually mediation. Broadly speaking, the multilateral arena favours America and disadvantages any other power seeking hegemonic influence.¹⁰⁹ Such institutions could even increase the costs of antagonizing other regional actors, as states could 'bandwagon' against an aggressor within these venues. By providing a web of relationships, they are an important source of stability in the region and provide many intangible benefits.

American support for these institutions already comes in the form of rhetoric and participation. Despite the problems associated with ensuring high-level American attendance at their meetings, this

108 Kurt M. Campbell, 'Comments on Cambodia and ASEAN by State Department Officials', Phnom Penh, Cambodia, 3 February 2012.

109 This is why the US decision to back, overtly, a multilateral solution to competing sovereign claims in the South China Sea – an approach enunciated by Defense Secretary Gates and by Secretary of State Clinton in Hanoi in 2010 – caused such a negative Chinese reaction.

support needs to be sustained. (Secretary of State Condoleezza Rice's absence from the ARF in 2005 was interpreted by many as a sign of US lack of interest in Asia.¹¹⁰)

APEC will continue to be the leading forum for economic issues (although it is limited by its current refusal to expand membership to include, most notably, India). In the coming years the Trans-Pacific Partnership (TPP) is also likely to prove an important initiative for economic integration, particularly if Japan and other major powers maintain their efforts to join. The ARF and the EAS are the better venues for the discussion of security concerns. But all require strong US presence and attention, and perhaps resources where appropriate. In particular, the EAS, of which all the major regional powers are members, but with a smaller membership than the ARF (most notably it does not include Pakistan or North Korea) is likely to become the institution of choice for addressing regional security issues. In time, the EU and Canada could become members, but pushing that goal at this time will only raise suspicions of an attempt to impose a Western agenda. It should also be noted that there could be times when US participation in institutions might not be advantageous, e.g. where it unnecessarily antagonizes other members. Such decisions will need to be made on a case-by-case basis.

In addition to supporting regional and broader multilateral groups, the United States should encourage the creation of smaller plurilateral or trilateral groupings, particularly between its major allies and partners. India, Japan and America have a burgeoning and important trilateral dialogue. So do India, Australia and America. The Japanese–South Korean–US trilateral is not yet proving so successful, in large part because of the historical tensions between the two Asian powers, but this needs to be encouraged by American officials. Building these groupings creates a second layer of networks that support more institutionalized summits and can provide impetus to get things done in these larger regional organizations. It also ensures that even when the United States is not participating its partners are moving a positive agenda that addresses all the allies' needs (including America's). The stronger the relationships that can be built between America's partners, the better for it and the region. America should focus on strengthening in particular the Japanese–South Korean relationship, and on encouraging Australia and India to participate in such dialogues.

Promoting these dialogues could raise Chinese concerns about an American 'containment' strategy. To avoid this, alongside these trilaterals, the United States should also encourage groupings that include China. An example of this is the recent launch of a trilateral between China, Japan and South Korea. While excluding the United States, discussions in this group should improve transparency and information exchange, diminish China's concerns about being surrounded and lower tensions. They could also have tangible benefits, moving forward the agenda on territorial disputes or open navigation. Given the shared interests between the United States and its major Asian allies, it is unlikely that any vital American interests will be threatened by such meetings.

Finally, there are some threats, such as proliferation and terrorism, that can best be tackled through specific constellations of like-minded states with the motive, will and capabilities to take action. These ad hoc groups have been particularly successful in well-defined areas with concrete objectives, such as counter-proliferation. The North Korean proliferation threat is currently being addressed through two such institutions the Proliferation Security Initiative (PSI) and the Six Party Talks. While the membership of PSI has grown dramatically, there are some missing actors, most notably China and India, whose involvement would significantly strengthen both the activities themselves and the norms that the initiative promotes. Equally, success in counterterrorism has come in large part through intelligence-sharing and training with regional governments and militaries, and could be strengthened by the creation of a stronger regional ad hoc group to serve this specific purpose.

It should be noted that, while the focus of this report is on alliances for defence, the involvement of non-military government agencies and non-state actors (civil society, business, NGOs etc.) is also important. These actors should also be encouraged to engage regionally.¹¹¹ Strengthening links across all these sectors would promote security and stability by increasing integration and thus raising the costs

110 Ralph Cossa, 'Rice's Unfortunate Choice', *Asia Times Online*, 28 July 2005.

111 An extra-regional example is the creation of the business, B20, and labour, L20 groups alongside the G20. It is not in the scope of this report to detail particular areas and avenues of non-state engagement. More study in this area for specifics is definitely needed.

of conflict. Such broader participation can also have a particular focus on reducing hostile national sentiment in the public domain.

Strengthening and expanding bilateral partnerships

Since President Obama's November 2011 trip to the Asia-Pacific region, the US government has announced the strengthening of relationships with a number of its traditional partners (notably Australia and Singapore), and the diversification of its bilateral agreements with other Asia-Pacific countries. This is to be encouraged. However, this expansion should focus not just on extending the range of partners, but also on the breadth of the partnerships.

Diversifying partnerships

America's military relationships with Japan and South Korea are the strongest and most integrated in the region. It is augmenting its marine presence in Australia and its maritime engagement with Singapore. There has been a positive tone too in recent dialogues with the Philippines and Vietnam. But efforts should also be reinvigorated with other regional players, most notably Indonesia, India and, perhaps, Malaysia.¹¹² Military-to-military engagement with Indonesia was on hold for about a decade, restricted by the Leahy Amendment that since 1997 prevented US assistance to foreign militaries that had violated human rights. The amendment is still in force but exchanges have restarted with parts of the Indonesian military that have not participated in human rights violations. Contacts need to be re-established between the US and Indonesian militaries at all levels. Issues such as piracy and terrorism provide many opportunities to work together. India has been hesitant about engaging more extensively with the US military but joint exercises have been robust and efforts to get around historical tensions continue.¹¹³

Diversification also needs to take place within existing alliances and partnerships. Bilateral security relationships can be considered to contain five main elements: formal treaties, joint operations, joint exercises and training, intelligence-sharing and industrial cooperation. By virtue of the Combined Command Structure, the US relationship with South Korea is very closely integrated throughout, with industrial cooperation the possible exception. On the other hand, America's relationship with Japan is lacking in both industrial and intelligence cooperation, the latter in large part owing to Japanese wariness.¹¹⁴ However, there are potentially significant benefits to be realized if information exchanges can be improved. More progress on industrial cooperation could follow Japan's removal of restrictions on selling on Japanese technology. With India, progress could be made too, in particular on co-production (particularly in the aerospace and maritime sectors) but this will require efforts on the part of the two bureaucracies to change current thinking and become more flexible. Focusing on facilitating joint operations with India would also be valuable, recognizing, however, that progress is likely to be slow given its sensitivity to being seen to as a close ally of and beholden to the United States.

Formal treaties need not be the route to develop many of these new or reinvigorated security partnerships. It is more important that the United States retain the flexibility to address changing environments and situations, and that it can be responsive to needs as they arise. A good example of this is the US-Indian military framework that does not rely on a formal treaty but lays out interests and objectives on which the two countries can focus.

Balancing the US troop presence

There is a sixth element to the US relationship with Japan and South Korea: the presence of large numbers of American troops. Both countries' senior officials and elites within and outside government (as well as

¹¹² Malaysia is not one of the countries considered in this study, but a preliminary look suggests there might be opportunities there.

¹¹³ In particular following the civil nuclear deal announced in 2005, India and the United States have worked extensively to move beyond historical tensions stemming from India's leadership of the Non-Aligned Movement (NAM). This has included expanding joint exercises, including with third parties, signing a formal agreement between the two defence ministers in 2005, and joint industrial production. India is also increasingly buying US military equipment including, in particular, in the naval and aviation areas.

¹¹⁴ The Japanese military is also wary of sharing intelligence within its own government agencies, so there is a long way to go.

their publics) are often fixated on US troop numbers, which bear little relation to military capabilities. While both countries' capabilities have improved markedly over the decades, until very recently American troop numbers in Japan and South Korea have largely stayed constant.¹¹⁵ At the same time, the nature of threat has also changed. With the exception of a possible conventional conflict between the two Koreas, it is extremely unlikely that the Asia-Pacific region will see a ground war that drags in the United States or its allies in the coming decades. Despite this, the large number of US ground troops (including marines) in both South Korea and Japan has not changed with the rise of new threats or an assessment of new capabilities, and reflects a time when money was less tight.

There have been at least three fundamental changes in American military capability in recent decades. The first relates to the improvements in military training and lessons learned that have developed over time as the United States (and others) engage in war-fighting overseas. The second relates to advances in military technology, led by the United States. And the third relates to the aggregate impact of the extensive collaboration, training, joint exercises and in some cases joint operations between the United States and its friends and allies. All these (and other factors) need to be taken into consideration when assessing the American military capability that could be brought to bear against an adversary or to address a challenge in the region. They should also be important in reassuring, or where appropriate dissuading and deterring, other regional actors.

'Defeating' an adversary remains the US military's final goal (if reassurance, dissuasion and deterrence fail). Given the significant capability difference between US forces, in conjunction with those of American allies and partners, and the capabilities of possible adversaries (principally North Korea), US troop numbers in the region could be reduced. This is particularly the case as more US troops are stationed elsewhere in the region (e.g. in Australia) and can be called upon when needed.

In addition to a reduction of numbers, the other change with respect to the troops relates to the ratio of the services. Given the geography and the potential flashpoints in the region, any military engagement (except with North Korea) is likely to take place in the air or at sea. Thus moves towards a higher ratio of navy and air force to army (with marines, given their versatility, making up the balance) – as seen in current trends in the American presence in Japan – should continue.

Any change in the ratio of troops, and in particular of numbers, would have to be implemented carefully and transparently in consultation with America's partners and allies in the region. These trends have already started in the US military in general with the January 2012 budget decisions announced by Secretary of Defense Panetta. They are also reflected in the region with the announcement, in early 2012, regarding the withdrawal of 8,000 troops from Okinawa in Japan; approximately half of them are to be transferred to Guam and the rest rotated through the region and in the United States.

Some have argued that maintaining troop numbers in the region is necessary to meet the three primary objectives of reassurance, dissuasion and deterrence. However, a better and more viable long-term solution would be to move the dialogue forward and strengthen perceptions in in Japan and South Korea, and more broadly in the region, that these three objectives can be achieved less through numbers and more through capabilities. At the same time, enhancing interactions, integration and engagement in other areas, such as HADR, food and water security, or economics (e.g. the Trans-Pacific Partnership), can offer additional reassurance to allies that that the United States is not withdrawing from the region.

Managing the US–Chinese relationship

Managing its relationship with China is recognized as perhaps the greatest diplomatic challenge America faces in the early 21st 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. The expansion of Chinese military capabilities, which often follows perceptions of US or allied security enhancements in the region, is extremely counterproductive for building a closer, more

¹¹⁵ Until the announcement of a decrease of approximately 8,000 troops in Japan in May 2012, numbers had stayed static in Japan but decreased by approximately 10,000 in South Korea since 1955.

trusting, relationship. As China's economy continues to expand, its ability to devote greater resources to responding to perceived US assertiveness is only likely to increase. Every effort should be made by all the parties involved to mitigate this effect wherever possible, while still recognizing America's (and China's) need to provide for their own and their allies' security.

Given the inevitable areas of competition and tension, the United States should actively seek out aspects of common interest and purpose, where real cooperation with China can take place. There are a number of potential opportunities within the broadly defined security realm such as HADR. China has increasingly, albeit slowly, enhanced its response to regional disasters from a very low level of engagement following the 2004 tsunami to a more active response, such as in reconstruction following the 2005 earthquake in Pakistan. China and its allies (particularly North Korea but also Pakistan) are also especially susceptible to some emerging threats such as food and water security and therefore have strong interests in cooperation on this agenda. Action is only going to get harder over time as demands for these resources increase with growing populations. Recent outbreaks of pandemics in the Asia-Pacific region (avian and H1N1 influenza) have also given China and others strong reasons to cooperate in monitoring and responding to threats to public health.

In the area of cyber security, while there has been much concern in the United States over China's role in attacks and threats, the latter is just as susceptible as the West to invasive attacks and should be urged to cooperate on broad guidelines and norms, as a precursor to the establishment of new regimes.

Making progress is also vital in the sensitive area of maintaining safe and open sea lanes. China's brief statement of willingness to engage in discussions on this issue with ASEAN should be taken up swiftly and supported by the United States and other outside powers.

As stated earlier, the United States should also encourage Chinese participation in regional and plurilateral organizations. Mitigating China's perception that such institutions are designed to keep it out is important. China's lack of allies in the region (excluding Pakistan and North Korea, both of which have significant challenges of their own) makes this imbalance all the starker. The concerns of many Asian countries that are trying to balance relations between the United States and China would also be mitigated by engaging with China within such organizations (such as the EAS). This would improve information-sharing and transparency and reduce China's sense of being contained that leads, in part, to its drive for military advances. It will also mean allowing China a greater say in areas where it feels its interests are directly affected and preparing for its success in areas in which it can legitimately compete with the United States (including in trade and geopolitical areas). As it manages its power more harmoniously with the outside world, and if it moves in the coming decades towards increased democratization, the United States is going to need to allow space for a competitive China.

In addition to the steps outlined above, efforts could be made by America to 'tread more softly' in the region. Recent initiatives, such as those with Singapore and Australia, are widely publicized and promoted. A quieter more low-key rollout would, at a minimum, remove the necessity for China to take any actions for face-saving reasons. It would also make it easier for US allies in the region that are trying to balance between America and China and feel squeezed when this balance is seen to change through US activity. An example of this type of approach is the US–Singaporean engagement. While American facilities in Singapore are *de facto* a base, avoiding the use of that term allows Singapore to sidestep Chinese concerns or demands for reciprocity.

Finally, on a bilateral basis, the US military should continue to encourage China to engage in broader and deeper military-to-military dialogues. While Vice President Xi made it clear during his February 2012 visit to the United States that the Chinese military was not willing to expand the existing dialogue, the benefits of building more robust fail-safe mechanisms, like those America created with the Soviet Union during the Cold War, are obvious. China may not perceive transparency to be in its interest, but introducing basic crisis management tools – whether an agreement on incidents at sea or hotlines between the political and military leadership – could play a significant role in keeping tensions between the two countries manageable and contained.¹¹⁶

116 A hotline between the two militaries does already exist but is deemed inadequate by many. Viola Gienger, 'China–U.S. Defense Hotline Shows Gulf Between Nations', Bloomberg, 13 May 2011.

Thinking unconventionally

Currently, America's regional alliances focus principally on traditional security challenges such as proliferation and territorial conflict. However, as noted above, resource constraints, whether related to water, food or energy, are significant emerging challenges. These require a different type of response, and acting to address them now will be far easier (although still challenging) than leaving them until the constraints and demands are much greater. To differing degrees, all the states in the region have strong interests in building secure food and water supplies and could discuss these issues on a multilateral or regional basis. Doing so and directing political attention to them at a senior level is the only way to ensure that they will be addressed effectively in the short to medium term. As issues of less urgency today, they also provide opportunities to build trust between states. Energy too, while already of great concern, is an issue that can only be managed effectively through broad multilateral or plurilateral organizations.

Not only will many future challenges be non-traditional, but they will present themselves in new arenas. It is increasingly unlikely that conflicts in the Asia-Pacific region, particularly those that involve China, will be fought through conventional military means. Instead, initial engagements will be, and already are, played out in the economic and cyber domains and in space. These issues require global cooperation. However, in the meantime it is vital that the United States and its partners in the region build defensive strategies either to withstand attack in these arenas or to develop contingency planning to mitigate the impact of a successful attack. US Cyber Command, created in May 2010, needs to actively engage with regional partners (e.g. South Korea, India and Japan) to ensure compatibility and to share lessons learned. While it is probably premature to suggest that similar discussions take place with the equivalent Chinese cyber agency, discussions of non-traditional threats that include cyber aspects, such as transnational crime and terrorism, might be a place to start.

Finally, Secretary Clinton's announcement in January 2012 that the United States will join efforts to develop an international code of conduct for outer space (with the proviso that this does not have a negative impact on US national security) is a positive step. Following through on this initiative with China and others could significantly enhance future security in the region.

6 Implications of the New Approach

Risks

There are risks associated with a strategy that emphasizes more multilateralism, expanded partnerships, diversification and unconventional thinking.

Troop rationalization

Attempts by the United States to rationalize its troop presence in allied countries, particularly by reducing the presence of personnel in Japan and South Korea, could be perceived by allies as a weakening of American resolve and commitment to their security and to regional stability. Fearing a diluted American security commitment, allies could be driven to increase their own military expenditure and capabilities, prompting a regional arms race or causing them to reach out to other strong players such as China.¹¹⁷ It could also strengthen the case of commentators who argue that US power is in decline. Moreover China could interpret these moves as a sign of American weakness, thereby reducing the effect of American deterrence policies. Therefore, a rebalancing of assets would have to be combined with a sophisticated communications strategy that emphasizes ongoing American commitment, highlights US capabilities (rather than troop numbers) in the region, and is matched by new and expanded security cooperation, potentially around non-traditional security threats. US engagement in other areas also sends a strong message that America will continue to play an important regional role.

Expanding partnerships

As the United States looks to expand its range of security partners in the region, it may risk creating 'soft' security obligations. Even while avoiding formal treaties of mutual defence, any extension of security cooperation with states that contest territorial claims with China creates a risk that America will be drawn into a dispute with China over an issue that may be only tangentially connected to its interests. American leaders will have to balance the value of these partnerships – both in terms of strategic and deterrent effects, and as regards capability enhancements – against the risks of diplomatic entanglement.

Multilateralism

Supporting the expansion of multilateralism also brings risks. Critics already point to the ineffectiveness and overlap of many of Asia-Pacific's new dialogues and plurilateral arrangements. Merely encouraging more discussion which fails to produce substantive outcomes risks summit redundancy, wasting diplomatic capital and the limited time and attention of American leaders. Broad dialogues may simply become arenas for strategic competition between major powers, frustrating smaller states whose voices may not be heard. Over-investment in multilateralism may also be seen as threatening the bilateral alliances that are at the core of American security policy in Asia. However, these fears should be balanced with optimism about the important confidence-building role played by multilateralism. Growing familiarity between leaders can build trust even without immediately resolving long-standing issues. Entrenching dialogue can support institutionalism and governance, reinforcing habits of consultation and laying the foundations for more effective institutions in future.

117 'Regional arms race is heating up', Editorial, *Taipei Times*, 17 February 2012.

Non-traditional security

Diplomatic attention is a finite quantity. A focus on non-traditional security threats may be a distraction from finding solutions to some of the festering conventional risks in the Asia-Pacific region. However, such attention should not be viewed in zero-sum terms. Giving greater attention to cyber and space security need not affect approaches to the Korean peninsula or Taiwan. The potential impacts of these non-traditional threats to security in the region, combined with a higher degree of vulnerability and a lack of regional mechanisms to deal with them, make the case for expanded action compelling. In addition, as countries have less entrenched positions on these issues than on some conventional threats, they may become areas for greater cooperative progress that could have secondary benefits in supporting open and constructive dialogue in other areas. Ultimately, however, the inevitable growth of these threats means that the United States does not have a choice but must deal with them.

What rebalancing means for America's North Atlantic allies

Evolution, not revolution

The Pacific strategy of the Obama administration is more about evolution than revolution. America's NATO allies will remain important, and in most cases the partners of first resort to confront many global challenges. Despite often legitimate American grumbles about European defence expenditure and diminishing capabilities, and unequal burden-sharing, compared with other states NATO members retain formidable armed forces, their defence spending remains high in nominal terms, and their familiarity and interoperability with US troops are significant. The United States is not blessed with a host of other allies which share the same commitments to collective security and expeditionary operations (however occasionally and unevenly) and so will continue to work closely with its NATO allies.

However, it is undeniable that America's rebalancing towards Asia has implications for these allies. Fundamentally, the pivot reflects the recognition that Europe is no longer the ultimate strategic preoccupation of US foreign policy. Given this reality, the logic of maintaining 50,000 US troops in Germany is hard to sustain). A disproportionate burden of US military retrenchment will fall in the European theatre.¹¹⁸

The process of US retrenchment and rebalancing will accelerate political currents that were already in motion. The United States will maintain its ultimate guarantee to NATO allies under Article V of the North Atlantic Treaty, but there is a greater expectation that Europeans will pay for their own security and that the balance of burden-sharing, whereby America now provides around 80% of NATO costs, will need to be adjusted. The 2011 UN-mandated operation in Libya provided a new model of transatlantic security cooperation in which the United States has taken a back seat.

The pivot to Asia may yet come to generate a serious discussion about what sort of operations NATO allies should be capable of handling without significant US support, though this has yet to become a significant element of the longer-term planning of the governments concerned.¹¹⁹ The US pivot may also prompt other allies to further their own process of rebalancing and start to pay more attention to Asia, as has been advocated by some EU leaders and as the Canadian government has already begun to do.¹²⁰ Indeed, several states, notably the United Kingdom, have already started down this road, devoting increased diplomatic resources to the Asia-Pacific region and pursuing new political and commercial relationships with emerging economies.¹²¹

118 As is already the case with the downsizing of two US battalions from Germany.

119 UK Parliament Joint Committee on National Security Strategy, *First Review of National Security Strategy 2011*, available at <http://www.publications.parliament.uk/pa/jt201012/jtselect/jtnatsec/265/26502.htm>.

120 Herman Van Rompuy, 'Europe's political and economic challenges in a changing world', 9 November 2011, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125983.pdf.

121 Foreign Secretary William Hague, Statement to UK Parliament, 11 May 2011, <http://www.fc.gov.uk/en/news/latest-news/?id=594693382&view=PressS>.

Europe and North America in Asia: allies out of area

As America debates its ‘Pacific Century’ and Europeans fret that they are forgotten or overlooked, it is worth examining opportunities for new areas of cooperation that build on the US pivot. Such a realignment need not be solely about Europe and Asia as competing poles of American attention, but also about how America can work with its traditional NATO allies in Asia. It remains the case, however, that America’s allies in Europe, even larger ones such as the United Kingdom, Germany and France, do not have the same range of strategic and security interests in the region, and have prioritized their economic relationships with many of Asia’s emerging countries. US activities that could raise tensions with China and have negative economic repercussions may well alarm not just Asian allies but NATO partners too.

The EU–Chinese economic relationship is the second largest in the world, with bilateral trade in 2011 standing at €428.3 billion.¹²² Since 2003, the EU has promoted its relationship with China through a ‘strategic partnership’, which seeks to further integrate China into the world economy, build cooperation on global issues – in particular climate change and global governance through multilateral institutions – and support processes of political, economic and social reform in China. Despite over 50 sectoral dialogues, the ‘strategic’ character and effectiveness of this partnership are disputed by many observers.¹²³ They point to the lack of content and direction, divergent interests and norms, and a tendency for China to play individual European states off against one another.¹²⁴ A number of issues – including the EU arms embargo, a dispute over textiles, an expanding trade deficit, and the importance the EU attaches to politically sensitive issues such as human rights and the status of Tibet – have hampered bilateral ties over the last decade.¹²⁵

Building the EU–Chinese strategic partnership was highlighted as an objective in the 2003 European Security Strategy, which also identifies regional conflict in the Korean peninsula and the spread of weapons of mass destruction as key threats to European security. However, both this document and the 2008 report on its implementation pay comparatively little attention to China or the Asia-Pacific region.¹²⁶ While its common foreign and security policy remains a work in progress, the EU’s greater ability to negotiate as an economic bloc will necessarily shape the terms of its engagement with China and the Asia-Pacific region. EU Council President Herman Van Rompuy acknowledged as much in November 2011, noting that the EU is ‘not a player in the militarization trends in the Pacific’. However, he added that its security role came from its economic heft and the potential for economic interdependence to reduce the risks of conflict: ‘The EU does not only have a significant stake in regional stability, but itself is a potential major factor contributing to this stability.’¹²⁷ The challenge for the EU remains translating this economic weight into political influence in the region.

Although Canada does not have the same extensive security interests and relationships as the United States in the Asia-Pacific region, it has been economically tied to it for decades. Like the United States, Canada has also been engaged in a rebalancing process. Of America’s major non-Asian allies, Canada has been the most engaged in the region, not least through its membership of APEC. The recent decision of the Obama administration to hold off on the Keystone Pipeline project led Canadian government officials to suggest they would look to Asia as a stronger energy market – one more example of Canada’s willingness to engage eastward.¹²⁸

122 European Commission, *Facts and Figures on EU–China Trade*, 2011, http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144591.pdf.

123 European External Action Service, *Information Note: Sectoral cooperation between the EU and China*, 2011. http://eeas.europa.eu/china/docs/sectoral-dialogues_en.pdf.

124 See, for example, Thomas Renard, *The Treachery of Strategies: A Call for True EU Strategic Partnerships*, Egmont Paper 45, April 2011; and John Fox and François Godement, *A Power Audit of EU China Relations*, European Council on Foreign Relations, 2009.

125 Jing Men, *EU–China Relations: Problems and Promises*, Jean Monnet/Robert Schuman Paper Series, vol. 8, no. 13, European Commission, June 2008.

126 EC Consilium, *A Secure Europe in a Better World: The European Security Strategy*, December 2003. <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>; and EC Consilium, *Report on the Implementation of the European Security Strategy – Providing Security in a Changing World*, December 2008, available at http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/reports/104630.pdf.

127 Herman Van Rompuy, ‘Europe’s political and economic challenges in a changing world’.

128 Theophilus Argitis and Jeremy Van Loon, Obama’s Keystone Denial Prompts Canada to look to China Sales, Bloomberg online, 19 January 2012, <http://www.bloomberg.com/news/2012-01-19/canada-pledges-to-sell-oil-to-asia-after-obama-rejects-keystone-pipeline.html>.

In its 2010 Defence White Paper, Canada lists several Asian security concerns as important threats to national security. Military build-up and 'low-intensity or frozen conflicts' in South Asia are of concern, as is proliferation.¹²⁹ Between 1994 and 2010, Canada's trade with APEC members has grown by about 3.5% per year, and further expansion of trade and investment with Asian countries has been identified as a policy priority.¹³⁰ Therefore, Canada's continued and growing focus on the Asia-Pacific region represents an opportunity for cooperation with the United States on economic as well as security matters.

There are a number of issues in the Asia-Pacific region on which North Atlantic allies could cooperate. The institutional construction of the European Union could serve as an example for Asian states, and the United States is keen to encourage exchanges between ASEAN and the EU. Collective positions between North Atlantic allies on human rights and Tibet could counter China's tactics of isolating states that express such concerns. Coordination on development assistance and HADR are other areas of potential cooperation. Both the United States and its Atlantic allies share an interest in advancing the protection of intellectual property rights in the Asia-Pacific region and widening access to markets. The world's largest single economy and the world's largest economic bloc could be formidable advocates for free trade and economic liberalization in the region.

There are also opportunities for the United States and its Atlantic allies to build common strategies to further integrate China into a liberal, rules-based international order. Despite their differing interests and perspectives there is room for discussion about how they can cooperate with China on addressing issues of global concern. The United States also sees a potentially strong role for NATO in peace-building and stability operations. NATO and EU members have much expertise in such areas as security-sector reform that could provide considerable benefits to the region and provide valuable areas of collaboration and cooperation with Asian states.

129 National Defence Canada, *Canada First Defence Strategy*, 2011.

130 Foreign Affairs and International Trade Canada, *Expanding Canada's Trade and Investment Ties in Asia-Pacific Region a Harper Government Priority*, 2011, http://www.international.gc.ca/media_commerce/comm/news-communiques/2011/343.aspx?view=d.

7 Conclusion

The United States is doing many things right in the Asia-Pacific region. The much-discussed ‘pivot’ is deceptive because US engagement and interests in the region are long-standing, but recent moves to diversify and augment US presence and activities there and Secretary of Defense Panetta’s assurance that any decreases in military capabilities will not come out of the US posture Asia are both welcome.

However, the changes currently taking place are unlikely to be sufficient over the long term. While beneficial, the restructuring is not directed adequately at many growing future challenges. It is likely that even if the 2013 budget sequestration process does not go through, future cuts in defence spending will be required or more targeted spending will be necessary. Future threats are less likely to be realized in the conventional military arena, instead manifesting themselves in economics, energy, cyber security and space. They will arise from both traditional and non-traditional security dilemmas, and the US military will therefore be required to cover much more with less spending. For this reason alone, the US military in Asia and elsewhere will have to make progress in a number of areas:

- Improve efficiencies through technology and other mechanisms;
- Either lower expectations of what threats it can respond to, or become more directed in addressing the greatest challenges; and
- Build alliances and partnerships with others with similar interests to pool capabilities and thus reach.

This report has focused on the third of these points. But the United States and its allies in the Asia-Pacific region, as elsewhere, must address all three in order to meet tomorrow’s challenges. While the United States is heading in the right direction, further steps are needed. More attention must be paid to the broader set of traditional and non-traditional challenges in the region. Allies should be engaged earlier and more comprehensively in the planning process so that policy decisions are made together and joint investment is explored, and the politically difficult steps of downsizing need to be taken.

Appendix: Principal Data on US–Asia-Pacific Partnerships

Country	National force ¹	US forces based in country ²	Interregional agreements and multilateral participation	US defence agreements and joint exercises
Australia	56,552 total active 20,440 total reserve	25 army 69 navy 43 marine 61 air force 198 total	<ul style="list-style-type: none"> • ANZUS: trilateral mutual defence agreement between Australia, New Zealand, United States (New Zealand has since withdrawn) • APEC member • East Asia Summit member • Trans-Pacific Partnership member • Joint security declaration with Japan (2007)³ • Trilateral talks with Japan and the United States⁴ 	<p><i>Agreements</i></p> <ul style="list-style-type: none"> • ANZUS Treaty (1951) • Mutual Defense Assistance Agreement (1951) • Mutual Weapons Development Program Agreement (1960) • Several other agreements about the presence of US Forces in Australia, and radar, logistics and other technology cooperation • The US and Australia operate a satellite tracking facility at Pine Gap, in Australia's Northern Territory⁵ • 2,500 US Marines will rotate through facilities in Darwin by 2016–17 <p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Talisman Saber': biennial; takes place across Australia • 'Malabar': maritime and air exercise with US, India, Japan and Singapore
India	1,325,000 total active 1,155,000 total reserve	5 army 8 navy 12 marine 7 air force 32 total	<ul style="list-style-type: none"> • East Asia Summit member • First formal trilateral dialogue with the US and Japan (2011)⁶ 	<p><i>Agreements</i></p> <ul style="list-style-type: none"> • New Framework for the US–India Defense Relationship (2005) includes agreements on research and development, military sales, military assistance <p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Yudh Abhyas': hosted by Indian Army • 'Malabar': maritime and air exercise with US, Australia, Japan and Singapore
Indonesia	302,000 total active 400,000 total reserve	7 army 5 navy 13 marine 4 air force 29 total	<ul style="list-style-type: none"> • APEC member • ASEAN member 	<p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Garuda Shield': annual; with Indian Armed Forces; primarily peace support operations, also includes field training, humanitarian assistance
Japan	247,746 total active 56,379 total reserve	2,501 army 6,851 navy 17,208 marine 12,662 air force 39,222 total	<ul style="list-style-type: none"> • APEC member • ASEAN +3 member • East Asia Summit member • Applicant to Trans-Pacific Partnership • Peace and Friendship Treaty with China (1978)⁷ • Joint security declaration with Australia (2007)⁸ • Trilateral talks with Australia and the United States • Trilateral talks with South Korea and the United States⁹ • Trilateral talks with South Korea and China 	<p><i>Agreements</i></p> <ul style="list-style-type: none"> • Mutual Defense Assistance Agreement (1954) • Treaty of Mutual Cooperation and Security (1960) • US must defend Japan, not reciprocal • Agreement for Cooperation on Ballistic Missile Defense (2006) • Several agreements pertaining to military personnel, and technology sharing and development

Country	National force	US forces based in country	Interregional agreements and multilateral participation	US defence agreements and joint exercises
Japan (<i>cont.</i>)				<p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Keen Sword': annual, involves 10,500 US and Japanese troops; • 'Cope North': quarterly between air forces • 'Annualex': with US naval forces in the Sea of Japan • 'Yama Sakura': annual between Japan Ground Self Defense Force Army and US Army • 'Malabar': maritime and air exercise with US, Australia, India and Singapore
Philippines	125,000 total active 131,000 reserve	9 army 7 navy 116 marine 10 air force 142 total	<ul style="list-style-type: none"> • APEC member • ASEAN member • East Asia Summit member 	<p><i>Agreements</i></p> <ul style="list-style-type: none"> • Mutual Defense Treaty (1947) • Several agreements pertaining to military bases, personnel, facilities, and logistics <p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Balikat' and disaster assistance, mutual cooperation • Engaged in efforts to combat Abu Sayyaff and Jemaah Islamiyah (37 exercises to this effect in 2006)¹⁰
Singapore	72,500 total active 312,5000 total reserve	6 army 110 navy 34 marine 13 air force 163 total	<ul style="list-style-type: none"> • ASEAN member • APEC member • East Asia Summit member • Trans-Pacific Partnership member 	<p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Sandfisher': US Marine Corps and Singapore Armed Forces, joint reconnaissance and surveillance training
South Korea	655,000 total active 4,500,000 reserve	17,130 army 7,857 air force 25,374 total ¹¹	<ul style="list-style-type: none"> • APEC member • ASEAN +3 member • East Asia Summit member • Trilateral talks with Japan and the United States • Trilateral talks with Japan and China 	<p><i>Agreements</i></p> <ul style="list-style-type: none"> • Mutual Assistance Agreement (1950) • Mutual Defense Treaty (1953) • Several agreements pertaining to technology and personnel • US will maintain wartime command of South Korean Forces, until 2015¹² <p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Cope Jade': quarterly; air defence and tactical offensive exercise
Taiwan	290,000 total active 1,657,000 total reserve	n/a	<ul style="list-style-type: none"> • APEC member 	<ul style="list-style-type: none"> • Taiwan Relations Act (1979)¹³ • US committed to ongoing arms sales, opposed to unilateral attempts to change the status quo of cross-strait relations
Thailand	305,860 total active 200,000 total reserve	41 army 8 navy 68 marine 25 air force 142 total	<ul style="list-style-type: none"> • APEC member • ASEAN member • East Asia Summit member 	<ul style="list-style-type: none"> • SEATO (1955); defunct but continues to be interpreted as a defence commitment <p><i>Exercises and training</i></p> <ul style="list-style-type: none"> • 'Cobra Gold': hosted by Thailand, includes US, Singapore, Japan, Indonesia, South Korea; consists of staff and field training exercises and humanitarian assistance projects • Average of 40 joint military exercises per year¹⁴

Country	National force	US forces based in country	Interregional agreements and multilateral participation	US defence agreements and joint exercises
Vietnam	482,000 total active 5,000,000 total reserve	6 army 1 navy 9 marines 2 air force 18 total	<ul style="list-style-type: none"> • APEC member • ASEAN member • East Asia Summit member 	<i>Exercises and training</i> <ul style="list-style-type: none"> • Has hosted US ships, on visits for humanitarian missions, since 2006¹⁵
Other				
China	2,285,000 total active 510,000 reserve (approx.)	n/a	<ul style="list-style-type: none"> • APEC member • ASEAN +3 member • East Asia Summit member • Peace and Friendship Treaty with Japan (1978)¹⁶ 	n/a
North Korea	1,190,000 total active 600,000 total reserve (approx.)	n/a	n/a	n/a
US States and Territories				
Diego Garcia	Part of the British Indian Ocean Territory ¹⁷	280 navy 40 air force 320 total	n/a	n/a
Guam	Guam's defence is the responsibility of the United States	59 army 2,034 navy 39 marine 2,035 air force 4,167 total	Under US jurisdiction	<i>Exercises and training</i> <ul style="list-style-type: none"> • 'Valiant Shield': held on Guam three times since 2006
Hawaii	n/a	22,895 army 8,630 navy 5,905 marine 4,941 air force 42,371 total	n/a	n/a
Other				
US military afloat (in the Asia-Pacific)	n/a	0 army 11,224 navy 4,375 marines 0 air force 15,599 total	n/a	n/a

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