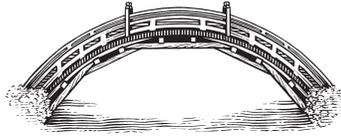


SPECIAL ROUNDTABLE

Advising the New U.S. President



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“Our allies may be frustrating at times, but we must give them precedence until China becomes what former deputy secretary of state Bob Zoellick called a ‘responsible stakeholder’—or, as Zoellick suggested, a democracy. Former deputy secretary of state Richard Armitage had it right: to get China right, we have to get Asia right.”



Get Asia Right

Michael Green

The new president is inheriting a U.S. strategic position in Asia that is stronger than many realize. Polls taken in Japan, China, India, and Korea suggest we are more popular today than four years ago. The Chicago Council on Global Affairs found that Asians rank the United States number one in the region in terms of “soft power” and believe that U.S. influence in Asia has increased over the past decade. We have both strengthened our alliance ties with Japan and broadened trust and cooperation with China simultaneously for the first time in U.S. history. Moreover, the new president is inheriting an array of important new multilateral mechanisms from the six-party talks to the Trilateral Strategic Dialogue with Australia and Japan and the Asia-Pacific Partnership on Clean Energy and Development.

Nevertheless, we still face major challenges in Asia. It would be a mistake to think that U.S. policy in the region can run on autopilot while the new administration focuses on immediate problems like Iraq, Afghanistan, Iran, and the Middle East—that is precisely the mistake that the Bush administration has made over the past year, and as a result the new president has some work to do in shoring up our position in certain areas. And to be candid, as excited as much of the world was about the election of Barack Obama to the presidency, our Asian friends are looking for reassurance from him on some issues that made them nervous during the campaign.

The first task is to set the right tone with North Korea. After North Korea’s October 2006 nuclear test, the UN Security Council (UNSC) unanimously passed a resolution imposing sanctions and promising more to come if Pyongyang did not immediately come into compliance with commitments it made in the September 2005 six-party talks to verifiably dismantle all of its nuclear weapons and programs. But we never implemented any of the

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approved UNSC sanctions or threatened new ones when North Korea balked at implementing denuclearization commitments. Once Pyongyang realized there would be no consequences for delay and deception, the North refused to move at all without new inducements. In the end, we managed to reach an agreement that only covers the North's plutonium facilities at Yongbyon. That is certainly a step forward, but one that would only be credible if the North's declaration on its facilities can be verified. In fact, President Bush made it clear in June that the United States would not go ahead with the final delisting without a credible verification protocol. That condition was all the more important because Pyongyang had successfully excluded from the agreement any measures on its clandestine uranium enrichment program, its existing nuclear weapons, or its dangerous transfer of nuclear know-how to Syria. Yet when North Korea balked and threatened to begin reprocessing or testing again in October, we lifted the sanctions anyway, in exchange for vague commitments to follow up on verification procedures later.

This diplomatic process has done real damage to our credibility with key allies like Japan. It has also taught Pyongyang the wrong lessons. Still, it would be a mistake to give up on the six-party talks at this point. The critical thing will be for the new president to convince Pyongyang that there will be consequences for failure to live up to its commitments just as there will be incentives for denuclearization. Just as important, the new administration will need to do a great deal of reassuring to Japan and South Korea, where thoughtful observers are beginning to question whether the United States is moving to accept a nuclear North Korea as long as proliferation can be reasonably contained. It is not enough for the new president to just state that a nuclear North Korea is unacceptable. Three past presidents have said that and it is now a reality anyway. The new administration needs to take more concrete steps, like revitalizing the U.S.-Japan-ROK Trilateral Coordination and Oversight Group (TCOG), enhancing the credibility of our nuclear umbrella in words and deeds, and showing a readiness to use both carrots and sticks to keep the process moving. And the new president should avoid talking about meeting directly with Kim Jong-il at this point, since this would undercut all the reassurance we need to do in the region.

The second thing the new president needs to do is to demonstrate a commitment to building an open and inclusive regional order. Barack Obama's opposition to the KORUS FTA was smart domestic politics, but now it would only weaken our hand in a region where there are competing visions of trade liberalization and most of the scenarios do not include us. Our best future lies in an Asia-Pacific free-trade area centered on APEC.

Fortunately, the next three APEC summits will be in Singapore, Japan, and then the United States. But the new president will have to find a way early on to get his political base behind free trade and to convince the region that we are serious about trans-Pacific economic integration. Key is to also make sure he attends every APEC Summit and that his secretary of state attends every ASEAN Regional Forum (ARF) meeting. It is a long trip, but it has to be done (and if the new secretary of state balks, he or she should be reminded that past secretaries of state have on average taken three times as many trips to Europe than Asia, even though the center of international relations is shifting to the East). I do not believe that the new president needs to move quickly on participation in the East Asia Summit, but he may wish to keep options open for the future both by signing the Treaty of Amity and Cooperation (TAC) with the Association of Southeast Asian Nations (ASEAN) and by sending a senior observer to the meetings.

The third thing that is long overdue in our Asia strategy is a sustained engagement of Southeast Asia. The “ASEAN Way” of lowest-common-denominator content in meetings can be frustrating, but there are also new reasons to step up U.S. efforts. One is the reemergence of Indonesia as a strategic heavyweight in the region, and this time one that champions many of the democratic values we share. We also need to find a way to narrow the gap with ASEAN on Burma, where U.S. sanctions and ASEAN engagement have been working at cross purposes. Sanctions are an important part of our toolkit and should be continued, but our overall strategy will not succeed until Burma’s neighbors are using their leverage on the junta as well. China and India are unlikely to take the lead in increasing pressure, but ASEAN members might. First we will need to engage these Southeast Asian countries more seriously, and committing to a regular U.S.-ASEAN summit early on would lay the groundwork for that. ASEAN will insist that Burma attend too, and the new president should agree, since this will only increase the opportunities to put the issue on the table.

Finally, it will be important for the new administration not to ignore the basic power politics of Asia. Barack Obama’s campaign appropriately highlighted new 21st-century transnational challenges such as climate change, and, indeed, we will need to work with China more than any other nation to make progress on that issue. But some of his supporters and advisors have eschewed traditional state-to-state balance of power strategies as irrelevant in today’s world. In Asia, however, these strategies remain highly relevant. Nobody is talking about containing China, but the new president must ensure that his national security team stays focused on continually

reinforcing the military, ideational, and diplomatic underpinnings of our preeminence in Asia. Each small crisis will be an opportunity to do two things: to test China's willingness to play a more responsible role and to demonstrate the confidence we have in democratic allies that already share our vision for the future of the region. The new president may be tempted to take a utilitarian view of relations in Asia—to demonstrate that those that can deliver on issues like climate change will be rewarded with the closest ties to the United States. But as important as it is to build new patterns of cooperation with China on these kinds of issues, the new president must never forget that Beijing continues to pose challenges and uncertainties to us on a range of military and diplomatic issues. If we suddenly find ourselves in bipolar condominium with China in Asia, the underlying structure of the system will remain inherently unstable and uncertain. Our allies may be frustrating at times, but we must give them precedence until China becomes what former deputy secretary of state Bob Zoellick called a “responsible stakeholder”—or, as Zoellick suggested, a democracy. Former deputy secretary of state Richard Armitage had it right: to get China right, we have to get Asia right.

Barack Obama has won a historic victory and he is well served by a team of Asia advisors who give us all great confidence. He should remember, however, that the future is shifting to Asia and we have the alliances, the partnerships, and the values to ensure that we benefit from this great tide of history in the years to come. Good luck, Mr. President.

“East Asia remains the world’s most rapidly developing region and one in which the United States continues to enjoy a residue of goodwill and potential for mutually beneficial partnership. For the new administration to fail to build on these forces, and thereby fail to reverse recent negative trends, would be to squander a powerful opportunity.”



Unbungle East Asia

T.J. Pempel

The incoming administration is in danger of being swamped by the monumental catalogue of problems created by or left unresolved by the Bush regime. Two wars in the Middle East are draining two billion dollars per week from the U.S. Treasury. An international economic recession tied to the collapse of the U.S. housing market and the lack of economic regulation over hedge funds and derivatives demands sweeping and coordinated attention by global financial institutions. Inattention to the escalating problem of global warming threatens to choke off long-term growth prospects. And a cratering of global respect for the United States undermines the hard-won goodwill that long allowed others to cut the United States a bit of tolerant slack for past foibles.

With the possible exception of the North Korean nuclear problem and the six-party talks, few Asian issues demand inclusion on any responsibly constructed list of the five most pressing problems for the new administration. The danger is that East Asia could be relegated to the back burner of policymaking as a new administration scrambles to put out a host of non-Asian conflagrations. Yet the Bush administration bungled Asia in numerous ways and the new administration would be mistaken if it did not make a major effort at “unbunling.”

The most immediately pressing issue in Asia is the nuclear situation in the DPRK. At the moment, a deal seems to be in place through the six-party process that, while far from achieving all U.S. goals, has at least led to the shuttering and global inspection of the DPRK’s plutonium facilities. Still, numerous steps must be taken for satisfactory resolution of the current crisis. Of most immediate concern is tackling any possible nuclear program involving highly enriched uranium (HEU) as well as the surrender of the

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DPRK's current arsenal of fissile material. Lurking in the background are additionally nettlesome issues involving nuclear proliferation, Japanese abductees, the DPRK's extensive missile program, and ultimately steps to help the DPRK overcome its dreadful economic isolation and the poverty of its citizens. Serious attention to the Korean Peninsula will be essential.

Three deeper structural problems created by the Bush administration are less likely to command immediate attention: (1) the recent U.S. reliance on military approaches to virtually all East Asian problems, (2) the dreadful mismanagement of the U.S. domestic economy and the consequent surrender of what had long been one of the United States' greatest assets in dealing with an economically self-conscious Asia, and (3) U.S. unilateralism and the failure to integrate with East Asia's rising regionalism. If these issues are not addressed, the poisons spawned by all three could metastasize across the region and dramatically weaken long-term U.S. influence in East Asia.

U.S. military prowess has long been a critical stabilizer in East Asia. But it is time to return to a more nuanced mix of policy tools compatible with the complexity of the problems faced across East Asia. The United States has advanced its war on terrorism across Southeast Asia while gutting public diplomacy, foreign aid, economic linkages, pandemic assistance, and other non-military policy instruments. Japan has been pressed to enhance military cooperation with the United States with seemingly no sensitivity to the reality that a militarily-bolstered Japan is more often seen by other Asian countries as a threat, not a stabilizer. The Bush administration's excessively military approach to the DPRK cost the United States and the rest of Asia several years of potentially beneficial negotiating time and has left the DPRK with substantially more fissile material and nuclear muscle than when the administration came to power. Though relations with China have improved following two years of early tension, many in Washington continue to press for the "containment" of China both by accepting India as a nuclear power despite New Delhi's noncompliance with the nonproliferation treaty and by pushing various containment axes such as the "arc of peace and prosperity."

That the United States' economic house is not in order has been made clear by the recent U.S. and global meltdown. But in responding to the current crisis, the new administration will be forced to swim against an emerging tide of protectionism and xenophobia. Surely it will be politically tempting to single out U.S. trading partners in Asia as threats, rather than allies, in dealing with domestic economic problems. This danger will be especially immediate in dealing with the Korea-U.S. Free Trade Agreement (KORUS), but it is also likely to surface as resistance to Chinese or Japanese

investments in troubled U.S. corporations or financial institutions. Any such surfeit of U.S. protectionism would send precisely the wrong global message now that the Doha Round has again stalled and could easily stir up a disastrous tidal wave of global tit-for-tat protectionist measures that would rival that following the Great Depression in 1929. Thus, quick passage of KORUS and close cooperation with Asian countries replete with vast stores of foreign reserves would be a welcome sign of a U.S. commitment to global economic cooperation.

Finally, the unilateralism of the last eight years must be reversed. A revitalized APEC (Asia-Pacific Economic Cooperation)—focused once again on economic rather than security issues—along with increased attention to the ASEAN Regional Forum (ARF) and emerging Asian bodies such as ASEAN +3, the Chiang Mai Initiative, and the East Asia Summit, would signal to Asia that the United States respects its collective efforts at cooperation and is willing to partner with the region in tackling a host of common problems—from the environment and education to economic development and energy—along multilateral lines.

The new president will have the opportunity to reintroduce the United States to East Asia—on far better terms than now stand. He could easily begin by dispatching the incoming secretary of state, the vice president, and several new appointees with Asian expertise in finance and diplomacy on a listening tour across the region. Their goal would not be to persuade Asian governments to sign on to any preformed U.S. agenda but instead to listen to Asian leaders discuss the problems they see and the opportunities they envision for collaboration with the United States. Such a mission will require a president able to stand up to a potentially unsympathetic electorate. Equally difficult will be initiating such a move in the face of seemingly more demanding crises. But East Asia remains the world's most rapidly developing region and one in which the United States continues to enjoy a residue of goodwill and potential for mutually beneficial partnership. For the new administration to fail to build on these forces, and thereby fail to reverse recent negative trends, would be to squander a powerful opportunity.

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Prepare to Deal with Discontinuities

Nicholas Eberstadt

If we wish to consider the international policy challenges that may face the new U.S. president, we might begin by reflecting on the experience of the outgoing Bush administration.

The first year of the Bush administration saw the September 11 terrorist attacks by al Qaeda on the U.S. homeland. The final year of the Bush presidency saw a global financial panic in which governments around the world committed trillions of dollars of taxpayer-funded subsidies and public guarantees in the hope of keeping a global economic crisis from spiraling even further out of control.

These two events—chronologically serving as bookends for the Bush presidency with respect to international affairs—will surely be remembered as among the very most monumental events shaping the Bush years. Some may even argue these were in fact the two signal and defining events of the Bush era, at least with respect to international affairs.

The common element in these otherwise disparate occurrences, however, is that they were both surprises: highly consequential—and in retrospect, obviously plausible—contingencies that did not happen to be central in the U.S. government’s own selected international policy agenda but nonetheless dramatically altered the international environment that Washington operated in and was necessarily required to cope with.

The chastening lesson here (admittedly, only one of many chastening lessons from experiences of the past eight years) is that governments do not always have the luxury of choosing the problems they face—and that sometimes the most important problems confronting governments turn

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out to be unexpected challenges to which they had devoted precious little thought in advance.

There is an all-too-understandable intellectual temptation to assume that the immediate future will present us with an environment much the same as the one we are familiar with today—and that such changes as may be expected to occur will come about as more or less linear extrapolations of trends we already recognize. Unfortunately, the international political, economic, and security environment is not adequately understood as an aggregation of these (intellectually) comforting continuities. Discontinuity plays a critical part in determining the risks and opportunities that national actors must face in the world arena. The magnitude of the dangers posed (or alternatively, the rewards offered) by sudden discontinuities can be very great indeed. Therefore, as a matter of statecraft, it is highly prudent to the degree feasible to prepare for the unexpected.

What does this mean specifically for Asia policy today? Let me offer a few possible examples.

Let us start with China. In academia, the business community, and governmental circles, the received wisdom is that the dazzling economic ascent that has been established by China's economic performance over the past three decades will continue into the future, perhaps for decades: China's economic success will be the dominant factor altering the international equation in Asia over the years ahead. This may indeed turn out to be the case—but then again, it may not. There are a great many imaginable ways in which China might instead fail. To mention just a few of these: the country's looming demographic troubles are very real, the potential for resource or environmental crises is already evident, and a sudden unraveling of the brittle, authoritarian, and increasingly corrupt political system is hardly beyond the realm of possibility. Policymakers in the United States must of course deal with China as it is, but they would also be well advised to devote some attention to what such seemingly low-probability alternatives for China's future might portend.

The Korean Peninsula is another area where discontinuity could prove to be consequential to U.S. political and security interests. A central question here, of course, is the future of the North Korean state—a political construct that appears particularly ill-suited for gradual political adjustments or reforms. The DPRK, to be sure, has to date defied post-Cold War predictions and expectations (including my own) that it would collapse. But Pyongyang's success in staving off sudden systemic change thus far does not in itself guarantee continued and indefinite success in this effort. Big

changes in North Korea could raise the specter of dangerous new security threats (destabilizing refugees flows, military conflict, WMD, and nuclear proliferation)—but they could also set the stage for a Korean unification (an eventuality that might possibly alter Asia very much for the better, just as German unification did in Europe). Needless to say, U.S. policymakers are likely to deal better with sudden change in North Korea if they have thought in advance about the issues such change would raise

Preparing to deal with discontinuity, I should emphasize, is not just “worst-case planning.” The international environment may be replete with risks but it also always offers opportunities. Strange as it may sound today, one of the big foreign policy opportunities for the United States in future years could emerge on the western side of the Asian landmass—in Iran. Although Washington-Tehran relations are clearly tense and hostile today (as they have been for almost three decades) conditions that might conduce to a U.S.-Iranian *détente*, or even to an eventual U.S.-Iran alliance, are by no means entirely inconceivable. Recognizing those possibilities will not summon better relations into existence—but it could afford a meaningful additional measure of discernment to policymakers at some future juncture.

The value of dealing competently with international discontinuities, it seems safe to say, is very high. Desirable as this may be, however, it is devilishly difficult to institutionalize such a disposition within any international policy decisionmaking structure. Encouraging such a disposition will require more than simply new flow charts from the new U.S. administration. At the very highest levels of government, such a disposition will demand openness to thinking about the world not just as it is, but as it might be.

“The reluctance of Asian governments to undertake international leadership, continuing wariness and suspicion among Asian powers, and general satisfaction with the role of the United States as security guarantor and economic partner suggest that a power transition from the prevailing order is unlikely soon.”



Trust Our Resiliency

Robert Sutter

Media commentators, academic specialists, and government experts frequently depict the situation in Asia as one of declining U.S. influence amid emerging Asian integration and cooperation, with rising China as a new center of power. Despite contrary arguments by Bush administration officials and others, the U.S. position in Asia is widely seen to have deteriorated and to require strong remedial actions by the new administration.

However, a closer look at the strengths and weaknesses of the United States in Asia and at prevailing dynamics in the region suggests that the United States remains relatively well-positioned in pursuing the interests of military balance and stability, economic development, and the promotion of U.S. values. The 2008 global economic crisis raises a lot of uncertainty and speculation but thus far shows little sign of substantially diminishing the influence of the United States when compared to other regional powers and organizations that also are affected by the crisis. U.S. leadership remains strong in Asian affairs. Whatever changes in the U.S. approach seem warranted should be carried out methodically, without urgency driven by alleged U.S. “decline.”

A major reason for the continued resiliency of U.S. power and influence in Asia has to do with Asia’s lagging leadership. On the one hand, predictions of the 21st century as an Asian century—led by burgeoning Asian economic, political, and military powers—appear on course: the wealth and power of rising states such as China and India is growing, backed by the already well-developed economies of Japan, South Korea, and others that used to be called newly industrialized countries. On the other hand, despite a great deal of discussion, Asian nations that have asserted leadership in managing

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regional affairs (through numerous regional and subregional groups as well as other means) remain weak and have not seriously diminished the leadership role played by the United States in Asia.

Although many factors account both for this apparent “leadership deficit” in Asia and for the continued reliance of Asian nations on the United States, recent regional dynamics show three salient determinants.

First, governments matter in Asia: government officials tend to make the key decisions on whether or not to diverge from the United States and assert greater leadership in regional and world affairs. These officials are influenced by many forces, including the sometimes lofty ambitions of elite or popular opinion urging moves away from existing power arrangements in favor of new arrangements that would increase the profile of their respective country and reduce U.S. influence.

However, Asian officials generally remain focused on two pragmatic quests. The first quest is effective nation-building; the second is preserving the narrow national interests. Both provide the foundation for the legitimacy of Asian governments at home and abroad. These quests are complicated by forces of globalization and an uncertain security environment in Asia characterized by widespread wariness among Asian states. They also are complicated by numerous internal problems that have led to periodic political gridlock and governance crises among many of Asia’s leading states.

Against this background, Asian government leaders have remained focused on fostering the development and national interests of their countries and generally have eschewed major commitments to managing Asian and world affairs that would involve significant costs and risks to national development and interests. Even rising China, seen as Asia’s leading power, continues to carefully avoid unwanted risks, costs, and commitments, notably through its “win-win” diplomacy. This foreign policy approach allows China to cooperate with other countries on already existing common ground. With a few exceptions, China does not require other nations to do things they would not ordinarily do, and China in turn does not do things—that would involve significant risks, costs, and commitments—it would not ordinarily do.

Second, Asian governments tend not to trust each other. The kind of suspicion and wariness one sees today between China and Japan characterizes to various degrees relationships between and among most Asian governments. As noted above, economic development associated with effective nation-building is seen as critically important to the legitimacy

of most governments in Asia. Stability is needed, however, in order for governments to meet their nation-building priorities. In this context, the United States looms very large in the calculations of Asian governments. Unlike their neighbors, the United States does not covet territory in Asia or want to dominate any country in the region. Washington too wants stability and—in contrast with the inability or reluctance of Beijing and other powers to undertake major risks and commitments—continues the massive expenditure of, and major risks associated with, a U.S. military presence in the Asia-Pacific region. This role is broadly viewed by Asian government officials as essential in stabilizing the often uncertain security relationships among Asian governments.

Third, the United States plays a vital economic role in the development priorities of Asian governments. Most of these governments are focused on export-oriented growth. Although many Asian nations now trade much more with one another than with the United States, Asian officials are generally aware that much of this trade is processing trade depending on export out of the region. Despite an overall U.S. trade deficit exceeding \$700 billion annually, the United States continues to allow massive inflows of Asian imports (and massive trade deficits with Asian trading partners) essential to Asian economic development. This is a cost and commitment that no other world power can and would undertake.

In sum, officials in the incoming administration who are concerned over U.S. decline and who are predicting Asian leadership in the 21st century are advised to watch when and how Asian powers will undertake the risks, costs, and commitments that come with leadership. The reluctance of Asian governments to undertake international leadership, continuing wariness and suspicion among Asian powers, and general satisfaction with the role of the United States as security guarantor and economic partner suggest that a power transition from the prevailing order is unlikely soon. Under these circumstances, needed U.S. policy changes in Asia can be undertaken calmly and methodically, without unwarranted and unwise alarm or urgency.

“The overwhelming advantage in military power that has long underwritten U.S. commitments in East Asia is fast disappearing. If Washington does not begin to respond more vigorously than it has to date, the United States may find its alliances frayed and its options in any future crisis dangerously constricted.”



Build on Past Successes, Tackle Long-Term Challenges

Aaron L. Friedberg

Despite accusations that it ignored the region in order to focus on the Middle East and terrorism, the Bush administration actually devoted substantial attention to Asia, achieving some notable results. Relations with China are at a high point. The United States has bolstered its alliance with Japan and embarked on a new era of strategic cooperation with India. After several years of tension, relations with South Korea appear to be back on track. Both the nuclear stand-off with North Korea and the delicate situation in the Taiwan Strait look less prone to explode than they did only a few years ago.

While it inherits a region, and a policy, in reasonably good order, the new administration will have to work hard to prevent its predecessor’s achievements in Asia from unraveling. The new president will also have to address some difficult long-term issues that have not yet been fully faced.

Continued Sino-U.S. amity is by no means assured. In the near term the greatest threats to good relations will be economic rather than strategic. A protracted global recession may lead to heightened protectionist pressure from Congress. If the new president fails to resist, simmering trade tensions between the two Pacific powers could easily boil over.

Despite the recent reduction in open hostility, the China-Taiwan issue is also far from settled. Taiwan’s newly elected president has shown a willingness to talk with China, but given the divisions among his own people he is unlikely to be able to make the concessions the mainland desires. If China’s leaders anticipate an early diplomatic breakthrough, they are destined for disappointment. Assuming that the new U.S. administration follows through on the long-standing commitment to supply Taiwan with

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defensive arms, there will inevitably be new frictions between Washington and Beijing.

The U.S. alliances with Japan and South Korea will also require careful tending. After a period of reform and progress, Japan seems to have lapsed again into a cycle of weakness and stagnation. To make matters worse, there is growing concern in Tokyo that the United States may be starting to “lean” toward China, backing away from an emphasis on common democratic values just as Japan is beginning to embrace them as the centerpiece of its own diplomacy.

Should the new president and the newly-elected Congress refuse to finalize a free-trade agreement with South Korea, they risk undoing much of the progress that has been made in recent years toward building a sturdier U.S.-ROK alliance. Moreover, if the current “kinder, gentler” approach to North Korea fails to yield satisfactory results, Seoul and Washington could once again be at odds over what to do next.

In its closing days the Bush administration finally succeeded in winning congressional approval for a deal that permits nuclear cooperation with India. With this obstacle out of the way, the new administration will be able to move forward in developing a broad strategic partnership. But it will also have to negotiate potentially serious differences over how to deal with Pakistan, Afghanistan, and Iran.

Looming over all these more immediate issues is the biggest strategic challenge the new president will face in Asia and, arguably, the wider world: figuring out how to deal with an increasingly wealthy, powerful, ambitious, and assertive China.

The new administration will inherit a China policy that seeks to blend elements of economic and diplomatic engagement with ongoing efforts to preserve a favorable balance of power in Asia. The aim of current strategy is to integrate China into the existing international system and, over time, to strengthen tendencies toward eventual domestic political liberalization. At the same time, together with its allies, the United States seeks to maintain sufficient strength to deter coercion or aggression.

Far from loosening its grip, the Communist Party has in recent years redoubled its efforts to control information and crush dissent. These tactics may ultimately fail, but for the moment seem to be working all too well. It no longer seems fanciful to suggest that in the coming decades the United States and its allies will confront a China that is increasingly wealthy, technologically dynamic, and militarily powerful, but whose government remains authoritarian.

Coping with this prospect does not require the United States to abandon current strategy but rather to adjust the mix of elements it contains. While they continue to pursue engagement, U.S. policymakers will need to devote more attention and resources in the years ahead to the task of balancing.

Washington's most important business in Asia will continue to be transacted on a bilateral basis, and its most reliable partners will remain those nations with which the United States shares political principles as well as interests. In addition to bolstering existing bilateral relationships, Washington should seek to add a new layer of connectivity linking Asia's democracies to one another and to the United States. The democracies have much to discuss candidly among themselves, including both how to coordinate their diplomatic, investment, and foreign aid policies so as to encourage the spread of liberal democracy throughout the region and how to pool their resources to balance against China's growing power.

Resisting protectionism is essential to maintaining the best possible relationship with China, but it is also vital to countering the growing gravitational pull of China's economy. U.S. openness will undercut Beijing's efforts to put itself at the center of an exclusive regional economic bloc.

For more than a decade, China has been engaged in a sustained, broad-based military build-up, and its investments have begun to yield tangible results. The overwhelming advantage in military power that has long underwritten U.S. commitments in East Asia is fast disappearing. If Washington does not begin to respond more vigorously than it has to date, the United States may find its alliances frayed and its options in any future crisis dangerously constricted. In an age when theorists and diplomats are greatly enamored of "soft power," the balance of hard power still matters. The new administration must take care to attend to it.

“It is not useful to speak of ‘American leadership’ in Asia. Asians do not wish to be ‘led’ by the United States, and it is paternalistic to assume so. It is better to pursue egalitarian ‘partnerships,’ both rhetorical and real.”



Recognize New Realities

David Shambaugh

When contrasted with strained or neglected U.S. relations with Europe, the Middle East, Africa, Latin America, and Russia, Asia policy during the Bush years was a relative success story. The new administration’s Asia team has inherited a region where several things are going right—particularly the amelioration of tensions across the Taiwan Strait and between China and Japan. U.S.-China relations are also on generally sound footing, while relations with India have never been better and ties with Southeast Asia are improving. The United States’ five alliances in the region have also been strengthened during the Bush years. The region is at peace and economic growth remains robust.

Inheriting such a good situation, should the new administration then formulate its policy toward Asia around a reiteration of the standard “four pillars” heard from all incoming administrations: strengthen alliances, promote free trade, enhance democracy and human rights, and control WMD? Remaining on autopilot, even with minor adjustments, would be a mistake. I would counsel that there have been a number of important changes across the region in recent years that the new administration needs to understand and use as a basis for making, as necessary, more than minor adjustments to U.S. policy.

The first new reality is that the most important actor in Asia today is China. This is not to suggest that the United States should abandon its alliance with Japan, nor that there exists a complete commonality of interests between Washington and Beijing as there is between Washington and Tokyo. But on a variety of levels and by a number of indicators, China now matters more to the United States and should be elevated to the top position among U.S. regional priorities.

Second, and concomitantly, the considerable improvement in China-Japan relations over the past two years offers twin opportunities. First, it

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offers an opportunity for Japan to play an increased regional role in concert with China, as envisioned in the joint communiqué of April 2008. This would be good for Japan, for Asia, and for the United States: a Japan that remains hesitant and uncertain of its regional role while tethered solely to the United States is not conducive to regional stability. Second, the Sino-Japanese rapprochement illustrates the new importance of triangular ties among Beijing, Tokyo, and Washington. The new administration should give serious consideration to holding a summit of the three leaders every year or two.

The third reality is that the region is so important and so complex that it needs a full-time assistant secretary of state for Asia, while the State Department needs to reorganize itself into a single broad Bureau of Asian Affairs, encompassing East, Southeast, South, and Central Asia as well as the Pacific. Thus, in the new administration this assistant secretary position needs to be decoupled from the North Korean issue—where a full-time special emissary should be appointed. Relatedly, senior U.S. officials need to visit the region, and regularly. This includes the president, whose annual trip to APEC (Asia-Pacific Economic Cooperation) while piggybacking on a couple of bilateral state visits is far from adequate. The new president also should host several Asian heads of state at the White House every year.

The fourth new reality is the emerging multilateral architecture in the region. Other than APEC, the United States has largely stood on the sidelines and absented itself from many of the newly emerging institutions, which it has dismissed as being too process-oriented and lacking substance and enforcement mechanisms. The new administration should sign the Treaty of Amity and Cooperation, thus qualifying the United States for membership in the East Asia Summit; work to strengthen the ASEAN Regional Forum (ARF) as the key pan-regional security organization; carefully consider joining the Shanghai Cooperation Organisation (SCO); and become much more proactive in shaping a new Northeast Asia Peace and Security Mechanism (NEAPSM) growing out of the six-party talks.

Fifth, the United States needs to rebuild its “soft power” in Asia. As elsewhere around the world, U.S. influence has declined in Asia—particularly in South and Southeast Asia. Fortunately, as a recent multinational survey on soft power in Asia conducted by the Chicago Council on Global Affairs revealed, there remains a reservoir of respect on which the new administration can build. Substantially enhanced resources should be devoted to public diplomacy in the region, and U.S. society and educational

institutions need to remain wide open for Asian visitors and students (for example, U.S. visa regulations need to be relaxed).

Sixth, the new administration must do a much better job of publicly articulating its views of regional trends and policies than did the Bush administration. It would be useful to reinstate the *East Asian Strategy Report* or similar public documents.

Finally, there needs to be a change in much of the language and underlying conceptualization used by the U.S. government when discussing Asia. Language matters in diplomacy, and the new administration needs to scrub much of the long-used rhetoric, which is out of date and sends hegemonic and condescending signals to Asian societies. Many words and concepts are offensive and should be deleted from the official lexicon. For example, it is not useful to speak of “American leadership” in Asia. Asians do not wish to be “led” by the United States, and it is paternalistic to assume so. It is better to pursue egalitarian “partnerships,” both rhetorical and real. Sustaining “American primacy” also sends a negative signal, as does the phrase “the U.S. will tolerate no ‘peer competitor’ in Asia.” Talk of strategic “hedging” against China is also unhelpful. This language indicates a certain degree of hostility toward Beijing while placing many of our regional allies and partners in an awkward position, as many do not wish to join in such a “soft containment” cabal. If one wishes to hedge, one does not advertise it. Saying “China is at a strategic crossroads” is similarly unclear and unhelpful. The “war on terror” also falls on deaf ears in most of Asia.

The new administration would be well-advised to take a fresh look at the Asia-Pacific, recognize some of the changes and new realities, and perhaps adjust U.S. policies and language toward the region in some of these directions. In doing so, the starting place is to understand both the region’s aspirations and its views of the United States rather than imposing U.S. perceptions and preferences not in tune with new Asian realities.

“Despite the rise of China, the United States has consolidated a strategic presence in East Asia while maintaining regional stability and U.S.-China cooperation on Korea and Taiwan.”



Promote Domestic Consensus to Enable Policy Continuity

Robert Ross

There are three elements of U.S. policy in East Asia that will command the attention of the new president: the Korea issue, the Taiwan issue, and the U.S. forward strategic presence in East Asia. In each case the new administration is inheriting policies that promote U.S. interests and long-term stability. The challenge is to sustain a domestic consensus that enables policy continuity.

In the first term of the George W. Bush administration, the United States wielded economic and military coercion to try to roll-back North Korea’s nuclear program. But North Korea’s nuclear capability only expanded. The administration then turned to the six-party talks and reached agreement for North Korea to disable its nuclear facilities. But it is highly unlikely that the United States will be able to persuade North Korea to give up the nuclear capability Pyongyang already possesses. In these circumstances, U.S. policy has amounted to an “exit strategy” from Washington’s commitment to North Korean nuclear nonproliferation. The United States has abandoned coercive diplomacy and has increasingly ceded to China the burden of dealing with a nuclear North Korea. Rather than expend U.S. prestige and diplomatic capital on what is likely an unobtainable objective, the new president should maintain his predecessor’s low-profile negotiating strategy and prepare for a stalemate in the negotiations. The ongoing leadership succession in North Korea will make a stalemate even more likely.

The challenge for the new administration will be to deflect domestic criticism of the very same policy pursued by its predecessor. A policy that disengages the United States from a responsibility for nonproliferation in North Korea could well be a lightning rod for criticism from Republican hawks. Having constituted a major obstacle to policy reform in the Bush administration, this group will strive in opposition to mobilize congressional and public opinion against the new administration. Policy continuity will

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thus require marginalizing this group through cooperation with moderate Republicans.

A second issue that will require attention is Taiwan. Taiwan's independence diplomacy has been the most sensitive and potentially destabilizing issue in U.S.-China relations since the end of the Cold War. But in the island's 2008 presidential election, voters elected a pragmatic leader who has abandoned Taiwan independence and has focused on cross-Strait political and economic cooperation. The United States has long resisted Taiwan independence and the new administration should continue this general policy. But the administration will also need to address how the United States can express support for Taiwan's democracy and security. Given the constructive turn in Taiwan's mainland policy, the United States can loosen restrictions on Taiwan leaders' travel in the United States, with the understanding that such travel be "unofficial" and that all activities refrain from any suggestion of political or diplomatic purpose.

The most pressing issue in U.S. policy toward Taiwan is the pending sale of F-16s. U.S. arms sales to Taiwan make at best only a minimal contribution to Taiwan's defense; the island's security against a rising China is, for the most part, a function of the commitment of U.S. military power. Arms sales do signal U.S. support for Taiwan and do bolster Taipei's confidence and negotiating strength in dealing with Beijing. Nonetheless, arms sales—if not prudently dispensed—can also inflame Chinese policy, disrupting both cross-Strait cooperation and U.S.-China relations. An F-16 sale has this disruptive potential. As Taiwan's leaders understand this danger, Washington can consult with Taipei on the timing of arms sales to Taiwan. It may well be that F-16 sales to Taiwan can be deferred indefinitely—although this would require that China acknowledge Taiwan's interest in security and cease its diplomatic isolation of Taiwan. U.S. policy should encourage Chinese flexibility on these issues.

This prudent approach to arms sales has been the Bush administration's policy. Having served the United States well, policy continuity on this issue is thus in the U.S. interest. Yet, a cautious arms sales policy will elicit domestic political opposition. Conservative Republicans that advocate a more forceful China policy have been critical of the Bush administration's deferral of the F-16 sale. Though they have gained little traction to date, they may succeed in mobilizing partisan criticism of a Democratic administration. Once again, cooperation with moderate Republicans can marginalize such opposition.

While managing conflict in both the Taiwan Strait and the Korean Peninsula, the new administration will contend with the impact of a rising

China on regional security. U.S. allies in the region will closely watch the new administration's policy, assessing Washington's commitment to maintaining a regional balance of power that protects their security and enables them to maintain defense cooperation with United States. Both the Clinton and Bush administrations pursued this policy, expanding alliance cooperation with Japan; enhancing naval cooperation with Singapore, Malaysia, and the Philippines; and consolidating military cooperation with Australia. Both administrations also carried out extensive deployments of U.S. air and naval capabilities in East Asia, particularly in developing Guam as a major U.S. military operations center. These trends have all served the United States well. Despite the rise of China, the United States has consolidated a strategic presence in East Asia while maintaining regional stability and U.S.-China cooperation on Korea and Taiwan.

U.S. security in East Asia is assured. Chinese capabilities cannot pose a threat to U.S. interests. But should contrary trends in U.S. and Chinese economic trajectories combine with reduced U.S. expenditures for defense deployments in East Asia, the region may well conclude that the United States is reducing its commitment to regional security. This could undermine the willingness of East Asian states to cooperate with the United States, while simultaneously encouraging Chinese activism. U.S. economic circumstances may well necessitate a reduced defense budget. Nonetheless, the new administration should seek to protect those defense expenditures that have contributed to East Asian stability and should develop diplomatic initiatives that offset expectations of U.S. strategic retrenchment.

“Washington can...play the role of a balancer and stabilizer in Asia where the interests of several rising great powers could easily clash with one another. Although the United States cannot be the predominant great power in Asia, it can work with different Asian nations to make sure that no other nation does so either.”



Maintain Stability

Mark N. Katz

The outgoing Bush administration made the war on terrorism the centerpiece of its foreign policy. The incoming administration, however, would do well to remember that terrorism is not the only—and perhaps not even the most important—challenge that the United States faces. Maintaining stability in Asia in an era of tremendous change there may be even more important.

There are several rising great powers in Asia. The August 2008 conflict between Russia and Georgia showed that Russia has become increasingly willing to assert itself as a great power. Despite the recent worldwide economic turmoil, China and India—the world’s two most populous countries—are likely to continue developing both their economies and their militaries. Although not usually discussed as such, an increasingly populous and developing Indonesia may also be on this trajectory as well. Nor should Japan—with its enormous wealth—be counted out, especially as an economic great power. Finally, Pakistan—with both a population larger than Russia’s and a nuclear arsenal—is certainly a potential great power.

The United States obviously remains a great power in Asia. However, the continued concentration of U.S. resources on Iraq, Afghanistan, and the war on terrorism—combined with the rise of Asian great powers—may reduce the ability of the United States to assert its will, not just in Asia but also in other regions where Asia’s rising great powers are active, such as Africa and even Latin America. The fact that the United States has not yet been able to pacify either Iraq or Afghanistan—countries with populations in the range of 30 million people each—suggests that the United States would find it extremely difficult to intervene successfully in more populous countries or in wars between them.

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But while the United States' post-Cold War predominance may now be over (if it ever really existed), what Washington can do is play the role of a balancer and stabilizer in Asia where the interests of several rising great powers could easily clash with one another. Although the United States cannot be the predominant great power in Asia, it can work with different Asian nations to make sure that no other nation does so either.

This is important because the new administration can play a crucial role in hopefully preventing or deterring—or if that is not possible, containing and resolving—several events that could significantly alter the balance of power in Asia, including the outbreak of three possible wars: between North and South Korea, between China and Taiwan, and between India and Pakistan. These, of course, would be major wars even if they remained limited to two hostile parties. And there is always the possibility that they might draw in others.

A more likely contingency is the possible breakdown of order in North Korea, Myanmar, or Pakistan. Not only would state breakdown lead to chaos and conflict within the country where it occurred but it might tempt one or more of the great powers to assert influence there, even if only to prevent rivals from doing so.

Maintaining stability in Asia at a time when great powers are rising and both major interstate conflict and state breakdown are possible will pose a serious challenge for the new U.S. president. What the United States should do in the event of any of these potential crises in the region cannot be predicted or recommended since much will depend on circumstances—should they arise—that are impossible to foretell. There are, however, some general foreign policy approaches that could help avoid or mitigate these crises.

First, the United States should engage in active diplomacy to prevent the outbreak of war between the two Koreas, between China and Taiwan, and between India and Pakistan.

Second, the new administration should recognize that the possibility of state breakdown presents a very different challenge, given that neither diplomacy nor deterrence may be able to prevent it. Where the threat of state breakdown exists, the United States needs to work closely with neighboring states—especially India, with regard to Pakistan; South Korea and China, with regard to North Korea; and India, China, and Thailand, with regard to Myanmar—in order to contain the damage and prevent wider conflict.

Third, though Washington does not want to be seen as overly interfering in Asia, the new administration must also recognize that the perception of the United States as unable or unwilling to involve itself in the continent

could lead to two deleterious consequences. One is to encourage aggressive actions on the part of those who do not think the United States will act to stop them. The other is to encourage those countries that want U.S. help but do not think they will get it to instead seek security through appeasement of countries that they fear. This, of course, will only serve to encourage aggressive behavior.

What is especially remarkable about the balance of power in Asia is that while there are many rivalries, there are very few meaningful alliances among Asian nations. Few nations would make any meaningful effort to help one of their neighbors facing serious internal or external threats unless the United States also did—if even then. Thus, despite the rise of several great powers in Asia, the United States still will need to play a vital role in maintaining stability in Asia. Indeed, such a task is far too important to neglect.

“The new administration should...jettison the global war on terror (GWOT) moniker and develop a new approach to terrorism—one that educates Americans about what needs to be done in response to the scourge of terrorism, why it needs to be done, and what constitutes a realistic definition of success. This task will not be an easy one because fear, passion, and demagoguery pervade our discussions of terrorism.”



Restratgeize Policies on Nuclear Proliferation, Failing States, and Terrorism

Rajan Menon

The new president will face his most daunting foreign policy challenges in Asia—a vast region where nuclear proliferation, failing states, and terrorism constitute dangerous, interconnected problems. For example, with respect to the problem of nuclear proliferation, unstable states that possess nuclear weapons pose far trickier challenges than do nuclear states that are stable. An example of the latter would be a nuclearized Iran. Though a weaponized Iran would present a threat, this threat would—Tehran’s radical rhetoric notwithstanding—be one that in principle could be deterred by U.S. nuclear weapons. Furthermore, despite the differences of opinion on whether a grand bargain (a carrot) or stiffer sanctions (a stick) would induce Iran to abandon its nuclear weapons program, there is general agreement that these are the tools available to us. Not only would military action against Iran not work, such action would feed anti-Americanism across the Islamic world. Though many Arab states are terrified by the possibility of a nuclear-armed Iran, these states would not stand together with the United States were it to attack Iran’s nuclear installations.

Wobbly states with nuclear weapons, such as Pakistan and North Korea, present a deeper challenge, involving many more unknown variables. If, for example, Pakistan were to collapse, it would be very difficult for the United States to know who is controlling Pakistan’s nuclear weapons, let alone whether the armaments or fissile material could be pilfered by radical groups. Even if our intelligence agencies were at their best, keeping WMD and the ingredients needed to make them out of the hands of extremists would be a Herculean task. Assuming we had the forces capable of achieving this goal, inserting these forces into a country of 164 million people—a

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place where U.S. forces would be decidedly unwelcome—would aggravate the situation and generate an anti-American backlash that would be a boon to extremists. Admittedly this is a worst-case scenario, but we should have learned during the last twenty years that unexpected things happen. Although the specific circumstances would be different, the United States would face similar strategic and operational conundrums in locating and securing “loose nukes” in North Korea were that country to collapse.

Terrorism is another problem that presents a more serious challenge in unstable states. In Afghanistan, for instance, Washington supports a feeble central government against a mounting insurgency. Simply ramping up the U.S. military role, however, could weaken Afghan support both for the United States and for the government in Kabul that is aligned with us. Most Afghans do not oppose the U.S. military presence; they understand what it is like to be ruled by fanatics who want to turn the clock back to the seventh century BCE and who have no qualms about brutalizing people to achieve their millenarian agenda. Yet military strikes that inadvertently kill innocents infuriate Afghans, and without popular Afghan support the counterinsurgency is doomed to fail.

In Pakistan the United States has not deployed combat troops but instead has limited itself to Special Forces operations and air strikes against al Qaeda and the Taliban. This lower profile strategy, however, has not made Pakistanis any more supportive of U.S. policies: Osama bin Laden still trounces George W. Bush in public opinion polls there.

The wars in Iraq and Afghanistan underscore that there are no quick fixes for failing states. Attempts to stabilize such states by using ground troops—assuming that local governments permit this—will be prolonged, costly, and messy, as all so-called stabilization operations are. Moreover, such ventures will consume high levels of blood and treasure. After Iraq and Afghanistan—and given that we face mounting problems at home, including the biggest economic crisis since the Great Depression—the administration should not count on much public patience. In a democracy no war can be won at the front if it lacks support in the rear. The bottom line is that in rickety states such as Pakistan we cannot do what the local government is incapable of doing; it is neither feasible nor desirable to stabilize such countries by deploying U.S. forces. As in Iraq and Afghanistan, the price of peace may involve cutting deals with the least unsavory elements within the ranks of an unsavory adversary.

The new president will have an opportunity to face these sobering realities by refashioning our anti-terrorism strategy. The place to start is

by dropping the metaphor of war. Terrorism cannot be vanquished; it must instead be managed. A new anti-terrorism strategy will likely meet with various degrees of success and entail a multitude of measures, including multilateral intelligence cooperation, effective police work, and measures to safeguard the United States from attacks. Multifaceted and sensible efforts—and not such gimmicks as the distribution overseas of poorly disguised propaganda videos featuring smiling American Muslims—are what are required to rebuild our depleted political capital abroad, especially in the Islamic world. The new administration should thus jettison the global war on terror (GWOT) moniker and develop a new approach to terrorism—one that educates Americans about what needs to be done in response to the scourge of terrorism, why it needs to be done, and what constitutes a realistic definition of success. This task will not be an easy one because fear, passion, and demagoguery pervade our discussions of terrorism. Yet continuing to liken the anti-terrorism effort to war will create false expectations among Americans—and eventually demoralize them.

“Asian governments have taken a variety of positive steps to foster national technological capabilities...at a time when alarm is increasing regarding the readiness of the United States to face an innovation-driven economic future.”



Strengthen Science and Technology

Richard P. Suttmeier

Observers of global trends have called attention to what Dieter Ernst has called a “new geography of knowledge” in which capabilities in scientific research and technological innovation have diffused beyond the traditional centers of excellence in North America and Europe, with Asia becoming especially important. Asian governments have taken a variety of positive steps to foster national technological capabilities, and Asian students are demonstrating an aptitude and desire for studying science and engineering. The trend lines of R&D expenditures, numbers of scientists and engineers, patents, and professional publications are rising rapidly in Asia, with the rate of change in China being especially notable.

These developments come at a time when alarm is increasing regarding the readiness of the United States to face an innovation-driven economic future. Despite many signs that U.S. superiority in research and innovation continues, the native-born science and engineering workforce is aging, math and science education is in crisis, and American students seem uninterested in pursuing careers in science and engineering.

Although the United States continues to be the world leader in spending on R&D, patterns of expenditure in both business and government have become uncertain. Innovation-based competitiveness lies at the heart of economic revitalization, yet the crushing new budget burdens imposed by the financial crisis will severely constrain the discretionary spending needed to realize this revitalization. Thus, a new “geography of finance” (in Ernst’s terms) complicates responses to the new geography of knowledge, reminding us of the inseparability of Asia policy and economic revitalization.

As the United States considers how to deal with rising Asian technopower, a number of interrelated issues must be considered.

Competition for talent ≈ Due to the relative underdevelopment of research and education conditions in Asia, and the superiority of those

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conditions in the United States, the United States has long been a magnet for science and engineering talent from Asia. But, as a result of policies promoting research and education being pursued by Asian governments, the advantage once possessed by the United States is less clear. As Asian students seek advanced degrees in their own countries; as generous research support from Asian governments makes the salaries, equipment, and facilities in Asia competitive with those in the United States; and as economic conditions lure Asian technical entrepreneurs to invest their energies in home markets with remarkable growth opportunities, the trans-Pacific competition for talent will intensify.

Immigration \approx Competition for talent moves immigration policy to the center of the economic revitalization agenda, as illustrated by the concerns of U.S. high technology companies in their efforts to recruit highly skilled Asian immigrants. Although some progress has been made in reconciling the U.S. tradition of the free movement of people with the security concerns expressed in tightened visa policies post-September 11, problems remain. Asian scientists are often unable to get visas in time for important professional meetings, for instance, and this has not only produced considerable antipathy towards the United States in foreign technical communities but has also led U.S. companies and professional societies to convene their activities outside of the United States. Less than welcoming immigration policy has not helped in the competition for talent.

Export controls \approx The new administration will want to reassess whether controls over high technology exports hit the right balance between the promotion of trade in industries where the United States enjoys comparative advantage and the protection of strategic technologies in the face of Asian security challenges. Special attention should be given to “deemed exports,” or the movement of technology acquired by foreign researchers who participate in the work of U.S. companies, universities, and government laboratories, an area of policy that generated much controversy during the Bush administration. The recently released report from the National Research Council, *Beyond Fortress America: National Security Controls on Science and Technology in a Globalized World*, provides important discussion points for new initiatives.

Foreign investment \approx The growing wealth and technological sophistication of Asian, and especially Chinese, companies is likely to lead to an increased interest in acquiring stakes in U.S. high technology firms. Interest in such investment is symptomatic of the interrelated nature of

competitiveness and Asia policy. Hostility toward prospective Chinese investments in U.S. firms over the past eight years was often economically irrational, of dubious security value, and created negative feelings toward the United States, which has long preached to others the virtues of free and open foreign investment policies.

Standards and intellectual property \approx The United States continues to lead in setting technical standards and creating intellectual property, but there is little doubt that Asia seeks to challenge that leadership for economic, national security, and prestige reasons. With enhanced national science and technology capabilities, distinctive market conditions, and government policies in support of standard setting and intellectual property development, competition over standards and intellectual property is sure to increase.

Energy and public goods \approx The convergence of interests between the United States and Asia in science and technology is especially well illustrated in common concerns over energy, public health, agriculture, environmental quality, climate stability, and disaster management. The United States is especially well positioned to use its capabilities in these areas to productively engage Asian concerns.

The emergence of the new geography of knowledge, the new geography of finance, and the complexities of the energy-climate nexus have combined to create a new international reality, in which Asia figures prominently. For the new administration, successful engagement with rising Asian techno-power requires that the health of the U.S. ecosystem for research and innovation be ensured. Thus, the White House can no longer relegate science to an ancillary position. The president's science advisor must be given real stature and the Office of Science and Technology Policy should be strengthened, and competence in understanding Asian science and technology trends should be deepened. Because the stakeholders in U.S. relations with Asia on science and technology issues extend well beyond the government, there is also a need for a high-level government and private sector council on U.S.-Asia science and technology relations that would include representatives from industry, universities, and NGOs, as well as from government, to share information and coordinate activities. Finally, the United States must recommit to the idea of maintaining scientific and technological excellence throughout its public and private institutions and ensure that the nation remains a magnet for technical talent from around the world. This cannot be done without the revival of science as a U.S. cultural value and the rebuilding of an effective system of science and engineering

education. There is no greater long-term threat to the U.S. ability to engage Asian techno-power than having a scientifically illiterate American population interacting with technically sophisticated Asian populations on matters of science and technology.

“The Chinese leadership’s ability to utilize economic crisis, to experiment, and to learn through policy innovation...can serve as a model for the new administration to transform the United States.”



Experiment with Change, Chinese-style

Lawrence C. Reardon

With the sharp decline in consumer spending and the continued unwillingness of commercial banks to provide liquidity, the United States is entering a period of recession. Though an unavoidable fact of market economies, this U.S. recession will be complicated by the global financial crisis, which was instigated by the international trade of mortgage-backed securities originally issued by U.S. banking and mortgage institutions. Should the U.S. recession deepen, unemployment will grow exponentially, undoubtedly increasing default rates on real estate and other consumer loans. This in turn will endanger the current coordinated efforts to stabilize the U.S. and global economies as well as threaten the global financial and trade regimes first established in Bretton Woods in 1944.

The new U.S. president must continue to lead a coordinated effort to stabilize the global economy in order to avoid the ominous prospect of a global economic meltdown. While increasing state intervention in the economy, measures to date essentially have been adaptations of market-based economics; should these adaptations continue to fail, the president must consider more innovative change that goes beyond orthodox approaches.

Economic crisis is actually an excellent opportunity to enact fundamental change. In 1978 the Chinese leadership used an equally daunting crisis to reject 30 years of inwardly oriented development strategies based on self-reliance. Leaders gradually embraced the international market economy, resulting in unprecedented long-term economic growth. The Chinese leadership’s ability to utilize economic crisis, to experiment, and to learn through policy innovation thus can serve as a model for the new administration to transform the United States.

Timing is important ≈ All newly elected democratic leaders are faced with the transition from campaign to governing mode. Given that public opinion is largely formed during the first “hundred days” in office, since the

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election of Franklin D. Roosevelt in 1932 a smooth transition has largely determined the success of the new president's policy agenda. During this initial period, the newly elected leader enjoys a high degree of legitimacy to promote change or continuity based on the election results. Most importantly, the president can issue executive orders, providing him with a high degree of autonomy in formulating and implementing new policies without undue interference from Congress, interest groups, or public opinion. When coupled with the current domestic and global financial crisis, the beginning of this new presidency represents a unique window in which to enact fundamental financial policy change that will establish the domestic and international agenda for the presidential term in office.

Though enjoying a greater degree of autonomy and capacity than their democratic counterparts, Chinese elites also contend with various obstacles to policy innovation. In the pre-1978 period, Mao Zedong and Zhou Enlai promoted an inwardly oriented development strategy, the long-term goal of which was to promote strength, prosperity, and self-reliance. Whether implementing extensive import substitution or semi-autarchic strategies, elites considered the international market to be a hostile, exploitative environment harmful to China's economic growth. Yet over a period of three decades, other key Chinese elites, such as Deng Xiaoping and Chen Yun, gradually learned the limitations of inwardly oriented strategies. Faced with huge financial deficits resulting from Premier Hua Guofeng's accelerated ten-year development program, Deng and Chen utilized this crisis to radically alter the state's long-term goal of self-reliance beginning in 1978. Along with like-minded colleagues, Deng and Chen began experimenting with outwardly oriented development that welcomed foreign investment and export-generated growth.

Reject the past and embrace the risk of unorthodox experimentation  Just as the newly elected president would not know the long-term implications of fundamental financial reforms, he must be prepared to reject past practices and dare to experiment with unorthodox approaches. In 1979 the new Chinese leadership devised a series of readjustments of economic policy that reduced or eliminated many of the large-scale import substitution projects the state had already concluded. The leadership also approved Central Committee document 79.50, which provided greater autonomy in financial and foreign trade authority to Guangdong and Fujian provincial authorities, including the establishment of special economic zones (SEZ), the largest of which was in Shenzhen across the Hong Kong border. These four export processing

zones were localized laboratories of economic reforms that experimented with foreign-invested enterprises, innovations in property rights, Western managerial techniques, and other innovations, which in turn brought about greater political, social, and cultural freedoms. Despite critics who believed the zones to be a complete anathema to the self-reliance credo of orthodox communist ideology, Deng continued to defend and promote the zonal experiment as key to discovering a new Chinese path of economic development.

Review, adjust, and expand unorthodox approaches ∼ The newly elected president should understand that any experimentation with financial reforms must be carried out over a period of time, monitored closely, and adjusted whenever necessary. In China the experiment with foreign trade decentralization and the SEZs resulted in tremendous economic growth in the south. Yet it also resulted in various problems, including an increase in smuggling and other economic crimes, some of which involved important party, military, and government personnel. The central government thus increased its oversight of policy implementation and altered existing policies. Though such implementation problems can sometimes be expected, it was important that Deng continued to promote the zones publically and privately, which reinforced the legitimacy of the overall decentralization experiment.

After eight years of experimenting with decentralization, Deng and the Chinese elites finally embraced outwardly oriented development. The Chinese elites began the application process to the GATT (General Agreement on Tariffs and Trade), established the fifth and largest SEZ encompassing the entire island of Hainan, and formally proclaimed the coastal development strategy that sought to integrate China's coastal areas into the global economy.

During the next few months, the newly elected president has a unique window of opportunity to enact fundamental change of the domestic and global financial system. He and his close advisors must dare to experiment with new ways of global and domestic financial management. If they do, the world economy just might survive this current crisis and emerge stronger and more economically vibrant.

“The new president must take the initiative on economic relations with China before economic nationalists set the agenda. He can do so by stressing to the American public that the road to recovery begins with a rebalancing of the consumption and saving patterns between the United States and China.”



In Relations with China, Beware Economic Nationalism

Mark Frazier

New administrations inevitably face a difficult learning curve when it comes to China policy, and this time the new president will be consumed by the global financial crisis (GFC) and a likely global recession. While there are good reasons for assuming that the GFC will compel the new administration to work closely with China and other major economies, there are also grounds for concern. The GFC is likely to intensify a relatively new and intractable problem in U.S.-China relations. Economic nationalism—the sense that foreign goods and investment do harm to one’s economy—is deepening in both the U.S. and Chinese political landscapes (and in many other parts of the world). This sentiment will intensify in the coming years as politicians mobilize disaffected citizens who have seen their incomes and livelihoods threatened by the spillover effects of the GFC.

According to the 2008 Pew Global Attitudes Survey, the percentage of Americans who think that trade is good for the United States has fallen from 78% in 2002 to 53% today. In contrast, 87% of Chinese surveyed said that trade was good for their country. Americans, in this survey at least, were among the weakest supporters of trade. The new administration will face a more assertive, Democrat-controlled Congress with potentially a veto-proof majority. On Capitol Hill, China will continue to be a lightning rod for legislation on trade, investment, and other foreign economic policy measures. Chinese officials and scholars are rightly concerned about the threat of expanded protectionist sentiment in the United States, as are many other leading U.S. trade partners.

In addition to fueling anxiety over trade, the GFC will also deepen Americans’ skepticism over economic engagement with China. U.S. politicians will be tempted to address the sources of the GFC by drawing

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upon the mistaken notion that “we’re in debt to the Chinese” and the more legitimate suspicion of Chinese investment bearing the stamp of government ownership, such as China’s state-managed energy and natural resource corporations and China’s sovereign wealth fund.

In China, a different but no less potent economic nationalism will grow stronger as China faces inevitably slower growth and challenges posed to a successful growth model based on exports and other international linkages. Certain Chinese politicians and bureaucracies already having successfully pursued nationalist economic policies will grow emboldened as they frame the GFC as a “lesson” in the excessive liberalization of crucial sectors.

While economic nationalists in the United States may never assemble a majority coalition on key legislation, their enhanced power will be sufficient to threaten the tenor and substance of economic relations between the two countries. The new president must ensure that already-simmering economic tensions between the United States and China do not trigger a conflict that would, at best, reimpose trade and investment barriers that the two sides have worked so hard to dismantle in the past two decades, and at worst, lead the world toward a reprise of the 1930s, when the major economies effectively brought about the collapse of world trade and triggered a global depression.

Economic nationalism has its opponents in both countries. A majority of citizens benefit from the status quo of robust trade and other economic ties between the two countries. However, the law of weak beneficiaries is applicable here—consumers and other large groups are far less likely to mobilize politically than are concentrated groups who face economic losses from trade and foreign competition. On top of this, the latter groups also wield disproportionate influence in the political systems of both countries. The textile sector in the United States, for example, has long enjoyed power within Congress far beyond its actual presence in the U.S. economy. In China the channels of influence are far more complex, but in general Chinese officials regulate leading firms in core sectors such as energy, finance, and telecommunications by in part promoting standards and investment rules that leave foreign competitors minimal, if any, market share.

The new administration should take concrete steps to prevent economic nationalism from seizing the political agenda in U.S.-China relations. The president must assemble a bipartisan centrist coalition early in the new Congress—when calls for bipartisanship are always made but never heeded. This coalition must neutralize long-standing opponents of trade with China and of trade liberalization more generally by pointing out the tremendous

costs that higher priced consumer goods would impose on U.S. households at a time when many are facing unprecedented strains. This coalition must also ensure that crucial dialogue with China continues in areas such as currency manipulation, intellectual property rights protection, and energy cooperation.

The new administration should also make a strong commitment to the continuation of the Strategic Economic Dialogue (SED), which was initiated at the behest of the Bush administration and President Hu Jintao in 2006. It is too early to assess the effectiveness of the SED, but the discussions over a U.S.-China bilateral investment treaty, whose goal is to promote fair treatment and transparency for foreign investors in both countries, provide a good example of the broad agreements that might be accomplished within the SED. Under the direction of Treasury Secretary Henry Paulson, the SED has produced few “deliverables,” but one of its best qualities is that it is not encumbered by having always to produce painstakingly negotiated agreements.

The bigger point is that the SED brings together half a dozen or more U.S. cabinet secretaries and their Chinese counterparts on a semi-annual basis. No other institution or organization can assemble so many decisionmakers in the same room to work on difficult issues. Some have suggested that the SED be taken from Treasury and housed within the vice president’s office, but the organizational home of the SED matters less than commitment of the official in whose charge the SED is placed. The SED would not have made the progress it has to date under any of Paulson’s predecessors at Treasury, nor would putting the SED within the vice president’s office *ipso facto* lend greater authority to the SED.

The new president must take the initiative on economic relations with China before economic nationalists set the agenda. He can do so by stressing to the American public that the road to recovery begins with a rebalancing of the consumption and saving patterns between the United States and China that had grown so imbalanced during the boom years. The means to such rebalancing lies in close cooperation with Chinese leaders through a reinvigorated SED.

“The new U.S. president needs to lay the foundation for a new type of international energy public diplomacy, one that mobilizes consumers in China and the United States for consumption that is truly sustainable.”



Deepen Sino-American Cooperation on Energy

Steven W. Lewis

China is an increasingly important partner in solving the United States' own energy and environmental problems. The new president should build upon notable recent achievements in Sino-U.S. energy cooperation, mainly those directed toward stabilizing energy supplies and promoting energy efficiency in manufacturing. But he must also start the more difficult and more long-term task of mobilizing and incentivizing local governments and individual consumers to work together to solve shared energy problems.

China and the United States have much freedom to cooperate. Contrary to the sensationalistic and nationalistic rhetoric heard in U.S. and Chinese news media, the two nations are not major competitors for global energy supplies. Both economies are mainly powered by domestic coal—constituting more than 70% of primary energy—and both are making significant investments in such alternative and renewable energy sources as hydroelectric, solar, wind, and nuclear power. It is only the transportation sectors in the United States and China that remain dependent on global oil markets.

In recent years the United States and its Organisation for Economic Co-operation and Development (OECD) partners have been discussing how to bring the future large consumers—China and India—into the oil supply stabilization arrangements of the International Energy Agency (IEA). The new U.S. administration should continue to support these multilateral negotiations. China and other Asian countries need to have market access to diverse supplies of oil and gas—Asian countries currently receive relatively little oil and gas from Latin America, Russia, and Africa. They also need to build adequate strategic petroleum and product reserves and need to participate in international emergency release arrangements. In recent years China has experienced gasoline shortages in the economically vibrant and

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yet resource-poor southern regions because the country has not yet built stockpiles sufficient to see it through short-term disruptions in supply. The United States and other IEA nations must continue to work with the Chinese government to make sure China does not become an aggressive seeker of overseas oil supplies or even a panic buyer in world energy markets.

At the fourth meeting of the U.S.-China Strategic Economic Dialogue in June 2008, officials from both countries created the U.S.-China Ten Year Energy and Environment Cooperation Framework. Five task forces were formed to develop (1) clean, efficient, and secure electricity production and transmission, (2) clean water, (3) clean air, (4) clean and efficient transportation, and (5) conservation of forest and wetland systems. The recent placement of U.S. Department of Energy officials in Beijing and of Chinese National Development and Reform Commission officials in Washington means that the annual meetings of U.S. and Chinese officials initiated during the Clinton administration have been replaced by daily, personal contact between the two large central bureaucracies.

The inclusion of energy and environmental issues in the Strategic Economic Dialogue should continue so long as these issues do not become subordinated to other economic interests. And if these task forces do not produce concrete, measurable progress according to the goals outlined in the energy and environment cooperation framework, both governments should consider a higher level of formal interaction on energy issues. As the United States and other countries have done in the past, each government could task key central leaders with handling energy cooperation. The U.S. vice president and his Chinese counterpart (Xi Jinping is a Politburo member being groomed to replace President and Communist Party General Secretary Hu Jintao) could establish close ties in order to more effectively spur on the cooperation of both bureaucracies.

But we also have to ask whether or not existing governmental ties can themselves produce the type of long-term cooperation necessary for sustainable economic growth, especially growth that would reduce demand for energy. The current era of globalization is one marked by the increasing economic power of both local governments and individual consumers (i.e., the U.S. model). China's central government directly controls nuclear energy and, through the three major national oil companies, guides investment in oil and gas: most of China's power is, however, produced by its 31 provincial and municipal governments. In 2005 Beijing made only 10% of the investment in fixed assets in the coal industry and only some 36% in power

generation. China's most advanced export manufacturing provinces alone spend three to four billion dollars each year on new power generation.

Washington has thus far largely worked with Beijing, but the new administration must find new ways to include these powerful local actors in official negotiations. China's central government is considering experimenting with carbon emissions trading among provinces and is also allowing localities to experiment with municipal bonds. The United States should tie in with these initiatives in order to steer capital and technology toward localities that are pursuing clean power generation and environmentally friendly development. Both countries will benefit from policies to reduce energy demand that more fully utilize the competition that drives Chinese and U.S. localities in responding to the challenges of the global economy.

The individual consumer today has unprecedented access to energy resources. The global climate clearly cannot survive the addition of hundreds of millions of new Chinese middle class consumers who use energy as freely and wastefully as their U.S. counterparts. The new U.S. president needs to lay the foundation for a new type of international energy public diplomacy, one that mobilizes consumers in China and the United States for consumption that is truly sustainable. Both nations should dedicate significant portions of fiscal revenue from energy consumption toward international public education and media awareness campaigns. Surveys show that both the Chinese and the American public are concerned about global warming, and that both populations value clean urban environments over unfettered industrial development. Neither population, however, sees its energy consumption and conservation as related to the energy consumption of the other. Furthermore, Chinese and Americans do not realize that their shared need for more reduced energy demand creates a vast potential marketplace for the low-cost adoption of clean energy technology and the training of conservation techniques. The new U.S. president thus faces the critical long-term task of making American and Chinese consumers realize that, being part of the same problem, they need to collaborate on the adoption of lasting solutions to shared energy and environmental problems.

“To the extent that the United States gives up its claim to be working for universal values, it becomes what its enemies already see.”



Incorporate Human Rights Concerns into China Policy

Barrett McCormick

One of the pressing foreign policy problems for the new president will be to incorporate human rights concerns into China policy. At this moment in history, any U.S. president would be tempted to avoid pressing human rights issues with the Chinese government. The Bush administration’s forceful campaign to spread democracy in the Middle East has failed so badly as to discredit democratic ideals. In China both the government and public opinion are hypersensitive to the appearance of foreign meddling in domestic affairs. And decades of rapid economic growth have so strengthened the Chinese state as to have changed the balance of power: the Chinese government now has the ability to reject international pressure and even reorganize the international human rights regime. This makes a seemingly strong case for accepting cultural relativism and adopting a realist foreign policy. But while seemly pragmatic, that policy actually undermines Washington’s most fundamental interests.

China’s nationalists will not welcome a renewed U.S. commitment to human rights. Many in China are keen to see their country’s economic success as removing doubts they have long had about the moral worth of their civilization, and they view any mention of problems as a last attempt to deny their rightful dignity. Indeed, China’s rapid economic growth does mark a profound improvement in human rights and human dignity. In a transformation that will surely be long remembered as one of the two or three most important events of our time, hundreds of millions of people have been lifted out of subsistence level poverty. Hundreds of millions of Chinese now have a reasonable expectation that entrepreneurial energy will be rewarded. China is now the “can do” country that the United States once was.

But China’s human rights problems are real. Minorities, especially Tibetans and Uighurs, live under the heavy hand of police and military. They and others face severe constraints in practicing their religion. Rural

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people who move to cities in search of economic opportunity are treated like second-class citizens. Pervasive censorship means that for the most part Chinese officials are only accountable when higher levels permit. Vital information about disease, product and food safety, and many other issues is suppressed in the interests of avoiding negative publicity and maintaining profitability regardless of the cost to public welfare. Whole industries, notably coal, maintain abysmally low safety standards. China's environment is severely strained. Citizens caught on the receiving end of environmental abuse often have little recourse. Government officials and corporate leaders may dispose of land, pensions, and even wage claims with little regard for the rights of workers and farmers. Abuse by police and prison officials is widespread. Those who criticize official misconduct risk incarceration and conviction on trumped up charges.

Despite the claims of cultural relativists and Chinese nationalists, such abuses insult the human dignity of Asians just like anyone else. Other East Asian countries whose dictatorships once claimed to exemplify unique East Asian cultural traditions—including Japan, South Korea, and Taiwan—have since democratized and are no less East Asian or Confucian for having done so. Nor is there any need for citizens to suffer outrageous abuses to maintain rapid growth. But nationalists do have a point: China, like every other state, has a reasonable right to sovereignty. While we might agree that abuses of human rights on the scale of genocide call for prompt and forceful international intervention, few see that level of abuse in China.

Conversely, the United States has a pressing interest in carefully working for the universal advancement of human rights. True, maintaining U.S. power requires Washington to engage, at least to some degree, in amoral power politics. However, critics, such as China's hypernationalists, discredit the United States with the claim that power politics is the sole driver of U.S. foreign policy and that discussions of human rights are only a ruse meant to sabotage China's rise. To the extent that the United States gives up its claim to be working for universal values, it becomes what its enemies already see.

The United States is by no means assured of winning a contest based on power alone. Many countries whose economies were once dependent on the United States now trade comparatively more with China. The Chinese government and Chinese firms offer lucrative contracts for raw materials and make major investments in infrastructure in Southeast Asia, Africa, Latin America, and Iran. The competition among would-be business partners has created a new race to the bottom, with the Chinese government able to win concessions on human rights issues from everyone from European

governments to U.S. high tech firms. The United States cannot reverse this course of events on its own.

The lesson to draw from President Bush's failures is not that a foreign policy based on human rights cannot succeed but rather that the means he used were self-defeating. His endorsement of practices that many consider torture and his disregard for American civil liberties made it easy for others to construe human rights as hypocrisy. His disregard of international law and international organization and resultant willingness to go to war left the United States isolated and unable to resist the race to the bottom.

The new president now has the opportunity to strengthen U.S. China policy. This has to start with a determined campaign to get the United States' house in order. Just as the new administration will have to work for years to restore Wall Street, it will also have to work to not just close Guantanamo but also to devise a new security system that does not depend on torture or violating civil liberties. The new president will find broad support for replacing unilateral belligerence with working through international organizations to promote universal human rights, but will have to struggle long and hard to strengthen those organizations. The United States must work to create broad coalitions of agreement on best practices for firms working in the Chinese markets; in that way firms that refuse to be complicit in human rights violations will not fear being undercut by their competitors—but they will face determined resistance from Chinese officials. Similarly, Washington can blunt Beijing's criticism of U.S. human rights policy by working to create broad agreement among U.S. allies and partners—but will nonetheless find building unity difficult. As hard as working for human rights may be, the alternative is to become the self-centered cynical power that the enemies of the United States say it already is.

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Respond to China’s Rise and Engage Taiwan

Vincent Wei-cheng Wang

Barack Obama’s election as president of the United States is not only a watershed event in U.S. history but also a fresh start for the country’s relationship with Asian nations. Contested against the backdrop of financial turmoil, military imbroglio, and personality clashes, the 2008 presidential election failed to rigorously debate one important foreign policy issue that will undoubtedly demand the new president’s attention—U.S. policy toward China.

Since September 11 the United States has focused strategic policy on the Middle East. Seven years and two wars (Afghanistan and Iraq) later, Washington’s preoccupation with the war on terrorism and the Bush administration’s unilateralist style have seriously eroded America’s international prestige and “soft power.”

Meanwhile, an overextended and distracted United States fails to appreciate the seismic strategic shift in the Asia-Pacific caused by the rise of China as an economic, military, and diplomatic power. If the current strategic priority of the United States is to defeat jihadist extremists, the long-term challenge is to cope with a powerful China exhibiting rapidly expanding capabilities but uncertain intentions.

During the election, both Democrats and Republicans articulated optimistic expectations for U.S.-China relations. “We will encourage China to play a responsible role as a growing power—to help lead in addressing the common problems of the 21st century,” vowed the Democrats. “We will welcome the emergence of a peaceful and prosperous China, and we will welcome even more the development of a democratic China,” proclaimed the GOP. But what if actual trajectories differ from these scenarios?

During the campaigning, both Barack Obama and John McCain apparently accepted certain truisms of the mainstream view on China policy since 1972: (1) comprehensive engagement with China is better

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than confrontational alternatives (although China's human rights record remains poor), (2) facilitating China's integration into the global community gives China incentives to act as a "responsible stakeholder" (a term coined by Robert Zoellick, former deputy secretary of state), and (3) a "one China" policy under which the United States maintains official ties with the mainland and unofficial relations with Taiwan serves U.S. national interests (notwithstanding the reality that this outdated policy is unfair and demeaning to democratic Taiwan).

Yet the end of the Cold War eliminated the strategic rationale for a U.S.-China entente, and China's 1989 Tiananmen crackdown and continued political repression undermined the popular support for a relationship cultivated by Kissingerian elites in backroom deals.

In previous elections, China policy often became a campaign issue, with challengers often attacking the China policy of the incumbent. In 1980 Ronald Reagan criticized President Carter's derecognition of Taiwan and vowed to reestablish official ties with Taiwan. In 1992 Bill Clinton chastised "tyrants from Baghdad to Beijing" and vowed to link China's then annual renewal of MFN (most favored nation) status with improvement in human rights. In 2000 George W. Bush criticized Clinton's pursuit of a "strategic partnership" with China and called China a "strategic competitor." Pundits point out, however, that once these candidates were in power, they all reverted to mainstream policy. This must mean that mainstream policy has stood the test of time. Some might even argue that the absence of debates over China in this election suggests that all is well.

Yet complacency is perilous. First, owing to annual growth rates of 10% over the past three decades, China now has the resources to compete with the United States. If current trends in growth differentials continue (China's economic growth rate in 2007 was 11.9%, and the U.S. rate was 2%), China's economy is projected to overtake the U.S. economy by 2023 (in official exchange rates terms) or 2015 (in purchasing power parity terms). China has now amassed the world's largest foreign exchange reserves (\$1.809 trillion in June 2008), enabling the PRC to modernize its military, bankroll U.S. debt, compete for oil and resources, and buy diplomatic recognition (e.g., from Costa Rica). With the world's second largest military expenditure (growing by double-digits for each of the past eighteen years by official figures, though the real figures may be two or three times higher), China is improving its military capabilities for offshore naval and ballistic missile operations aimed at preparing a military solution to the Taiwan "problem" and denying possible U.S. intervention. Since 1898, U.S. strategy in Asia has

been to keep the Asian region from being dominated by a hostile power. That China is entering the maritime sphere traditionally overseen by both the United States and its allies is beginning to upset the balance of power between continental and maritime powers that has so far kept the peace.

Second, while most Asian countries still want the United States to remain in Asia, China has so charmed its neighbors that the United States' Asian allies now tell Washington that they prefer not to choose between China and the United States. As of 2006 China has overtaken the United States as top trading partner of Japan, South Korea, Taiwan, and several Southeast Asian nations. China avidly promotes Asian regionalism (e.g., the East Asia Summit, the Shanghai Cooperation Organisation, and both ASEAN +1 and ASEAN +3) that excludes the United States. In the developing world, the "Beijing Consensus" (or developmental authoritarianism) is emerging as an attractive alternative to the Washington Consensus (neo-liberal reform).

While China has professed a policy of "peaceful rise," its ultimate intention after the country ascends remains unclear. Consequently, the U.S. administration should focus on the strategic implications of a rising China, adopt a hedging strategy, rejuvenate the U.S. economy, and revitalize the Asian alliance. Although some fear that the new president might challenge China on its currency and thereby trigger a trade war, the strategic challenge of China's economic rise is what the administration should focus on.

The new president should also engage Taiwan. Cross-Strait relations have improved appreciably since President Ma Ying-jeou's inauguration. Oddly, U.S. engagement with Taiwan has not kept pace. President Bush's eleventh-hour notification of Congress regarding sales of arms to Taiwan (a package that he had originally approved in 2001) has helped Taiwan's self-defense, but China continues to build more missiles and put pressure on Taiwan. The new president should faithfully implement the Taiwan Relations Act by deciding on arms sales based on Taiwan's defense needs, not China's reactions. The new administration can also go beyond the past administration's rhetorical praise of Taiwan's democracy by taking more concrete steps. Actions such as signing a free-trade agreement with Taipei or providing stronger support of Taiwan's international space would speak louder than words and strengthen U.S. credibility among Asian nations.

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Hit the Ground Running on Korea and Know Your Taiwan Talking Points

Andrew Scobell

The new administration will face a multitude of challenges from the economy to Iraq. Among these are a series of challenges in policy toward Asia that include, in particular, dealing with the North Korean nuclear issue and managing the Taiwan issue. The inevitable change of personnel and attendant acclimatization of new line-ups in the White House, Foggy Bottom, the Pentagon, and elsewhere will be time consuming, but the United States can ill afford lost time and policy drift. There are important reasons for the new administration to hit the ground running on North Korea and to know its talking points on Taiwan.

The six-party talks on the North Korean nuclear issue have entered a critical stage, and the United States cannot afford to lose this opportunity. Dealing with North Korea is difficult even under the best of circumstances so it is essential not to lose continuity or momentum in the six-party talks. One must recall that the Bush administration wasted valuable time in the early years of the president's first term by not talking to Pyongyang—initially equating dialogue with appeasement—and it was not until 2002 that Washington concluded there was no alternative to talking with Pyongyang. When the United States became serious about talking with North Korea, it took about a year of bilateral conversations prior to switching to a multilateral format before progress could slowly be made. Yet even these few years of talks did not prevent Pyongyang from going nuclear in October 2006.

The six-party talks are the last best hope for addressing the North Korean nuclear issue. Of course there are no guarantees. Washington cannot afford to waste time by selecting a new chief negotiator and spinning up a new team. Members of the U.S. team will need to become acquainted not just with their counterparts from Pyongyang but also from Seoul, Tokyo, Moscow, and of course Beijing. The new president should therefore

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ask Ambassador Christopher Hill to stay on as the Department of State's special envoy to the six-party talks. Moreover, this position should be made separate from the post of assistant secretary for East Asia and Pacific affairs; otherwise, the rest of the region will receive short shrift from the State Department.

Unlike on the North Korean nuclear issue, the United States does not urgently need to be proactive on Taiwan. Indeed, the most urgent imperative for Taiwan policy is simply to know the issue. Senior officials in the new administration—including the president, vice president, secretaries of state and defense, and national security advisor, not to mention the chairman of the American Institute in Taiwan—all need to be conversant in the fundamentals of the existent U.S. policy toward Taiwan and familiar with the history of the issue's centrality in U.S.-China relations. They need to know the essence of the three communiqués (the 1972 Shanghai Communiqué, the 1978 Normalization Communiqué, and the 1982 Communiqué) and the Taiwan Relations Act. Rather than demonstrate policy initiative and activity, the new administration needs to avoid a diplomatic blunder or misstatement. But this is not as simple as it might seem. Both China and Taiwan pay extraordinarily close attention to the prepared statements as well as the off-the-cuff remarks of senior officials in a new administration in Washington for signs of change or consistency in policy, however slight.

With the election of Ma Ying-jeou as president of Taiwan in March 2008, a significant window of opportunity has emerged for progress in Taipei's relations with Beijing. The last nine months have witnessed a new climate of cooperation and goodwill across the strait—something not seen in some fifteen years. The greatest challenge for the United States is not to get in the way of the latest rapprochement between China and Taiwan. Of course, no matter how careful officials of the new administration are with their words and how well they are schooled in the key documents that provide the framework for dealing with China and Taiwan, certain interactions between Washington and Taipei will provoke Beijing. Prime examples include U.S. arms sales to the island and visits by Taiwan officials to the United States. Nevertheless, if senior U.S. officials have their Taiwan talking points down, much unnecessary turbulence can be avoided.

If the new administration can hit the ground running on North Korea and knows its talking points on Taiwan, Asia policy will get off to a solid start.

“Some believe that coercion will eventually cause North Korea to capitulate, and that ‘just a little more’ pressure on the regime will force it to submit. Unfortunately, past history reveals that this is unlikely.”



Give a Little to Get a Lot from North Korea

David C. Kang

There is one enduring truth regarding North Korea that any policymaker would be well advised to understand: North Korea will not give something for nothing. Pyongyang responds to external pressure with pressure of its own. Some believe that coercion will eventually cause North Korea to capitulate, and that “just a little more” pressure on the regime will force it to submit. Unfortunately, past history reveals that this is unlikely. There is little reason to think that applying even more pressure will finally result in North Korea meeting U.S. demands and a de-escalation of tension.

Understanding this truth is important because many policy advisors agree on the goal: a denuclearized North Korea that opens to the world, pursues economic and social reforms, and increasingly respects human rights. Disagreement only occurs over the tactics—what actions will best set us on the path toward this outcome.

To that end, the North Korean problem has been driven by intense U.S. and North Korean distrust of each other. Almost any aspect of the other side’s behavior that is even remotely suspicious is extrapolated to the “worst case” scenario and becomes further justification for caution. Perhaps even more importantly, while we in the United States focus intently on whether North Korea will live up to its side of the bargains that are struck, I am quite confident that in Pyongyang the leadership is just as skeptical that the United States will do what it says it will do.

The latest setback is just one of many examples of this pattern. By the spring of 2008, meetings both at the six-party level (at the working group stage) and between U.S. and DPRK representatives had made continued, albeit halting, progress. The DPRK nuclear program had been effectively capped, dismantlement of the Yongbyon reactor had begun, and North Korea had allowed multiple teams of inspectors back into the DPRK. North

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Korea had also produced eighteen thousand pages of operating documents regarding its plutonium program and allowed the United States to inspect aluminum tubes that were suspected of being intended for use in a uranium-based enrichment reactor. For its part, the United States had begun removing economic sanctions, provided fuel oil, and alluded to a possible political relationship in the future. Most significantly, on June 26 President Bush announced his intention to take the DPRK off the State Department's list of state sponsors of terrorism and lift the restrictions imposed by the Trading with the Enemy Act within 45 days.

Yet by August both sides had essentially returned to square one. The United States decided not to delist North Korea as a state sponsor of terrorism, mainly because the United States had added a stipulation that North Korea must provide a full explanation for its suspected nuclear cooperation with Syria. North Korea responded by saying that to unilaterally add other provisions to the agreement was "moving the goalposts," and privately some U.S. officials agreed. Thus, North Korea began rebuilding the nuclear reactor and expelled International Atomic Energy Agency (IAEA) inspectors from the country. Most of the attention in the United States focused on North Korea's actions, and few pointed out that it was the U.S. actions that had prompted North Korea's reaction.

When the United States finally did delist the DPRK in September 2008, North Korea also responded promptly, inviting back inspectors and agreeing to work with the United States on other outstanding issues.

There is more potential for negotiation with North Korea than is generally believed, if such negotiation is done with the realization that the United States will not obtain unilateral concessions from the DPRK. Indeed, it is worth remembering that for fifteen years both the United States and North Korea have continued to accept and support the basic outline of a resolution. In essence, this is because the deal—normalization for nukes, as it were—is in the direct interests of both states. Both sides see resolution of the nuclear issue and the normalization of U.S.-DPRK relations as in their national interests, and despite other unresolved issues, both sides see such a deal as a central step in their relationship.

Furthermore, the North Korean issue is different in one key aspect from many of the other major international crises facing the world today: in contrast to problems in Iran, Iraq, or even between Palestine and Israel, both the United States and North Korea have agreed—multiple times, explicitly and in writing—on the basic outline for the resolution of their differences. That basic agreement—first laid out in the 1994 Agreed Framework and

then reiterated both in the September 19, 2005, principles and once again on February 13, 2007—contains the core aspects of a deal: North Korea gives up its nuclear weapons programs, and the United States normalizes relations with North Korea, opening trade and other economic relations.

Thus, the North Korean issue is closer to resolution than is generally recognized. But the two sides have not realized this basic agreement in over a dozen years because they disagree about how to implement that agreement. The United States has generally wanted North Korea to move first by both completely dismantling its nuclear weapons programs and satisfying U.S. suspicions about its support for other nations before the United States formally recognizes North Korea. In contrast, the DPRK has generally refused to disarm until it has security guarantees in the form of normalization from the United States.

Although progress has been halting and frustrating and has required enormous patience on the part of the United States and other countries, the rewards of solving the North Korean nuclear issue are potentially enormous, including reduced security concerns for all states in the region, enhanced trade and investment on the peninsula, and the potential to bring North Korea back into the world community and thus prepare the way for a more “normal,” and perhaps even unified, Korean Peninsula. But to do so, the United States must realize that negotiation is a two-way street and that making progress will require giving as well as getting.

“Washington should raise the political, economic, and diplomatic profile of the United States in Southeast Asia while sustaining U.S. Pacific Command bilateral and multilateral exercises, training programs, and civic action cooperation with regional militaries and governments.”



Raise the U.S. Profile in Southeast Asia

Sheldon W. Simon

To a considerable degree, Southeast Asian concerns about the United States are both psychological and geostrategic. Psychologically, regional leaders complain that Washington has paid insufficient attention to Southeast Asia’s economic interests and has not adequately recognized the region’s relative political stability. Geostrategically, the region’s strategists are concerned that the U.S. obsession with the Middle East and South Asia has led the Bush administration both to approach Southeast Asia solely as the “second front” in the global war on radical Islamic extremism and to leave an open playing field for China, which has seized the initiative in diplomacy and trade, thus undermining Southeast Asia’s hedging strategy toward the two great powers. In short, Southeast Asian leaders believe that the new administration must be more fully engaged with the region along a variety of dimensions.

Though it is true that Washington provided counterterrorism assistance to the ASEAN (Association of Southeast Asian Nations) states and helped enhance their capacities to cope with regional terrorist threats, other U.S. policies dealing with trade, investment, and diplomacy received little public recognition in Southeast Asia. That said, however, this essay argues that the new administration should adopt a more proactive policy to help Southeast Asia pursue its hedging strategy more effectively. In effect, Washington should raise the political, economic, and diplomatic profile of the United States in Southeast Asia while sustaining U.S. Pacific Command bilateral and multilateral exercises, training programs, and civic action cooperation with regional militaries and governments.

In the political-psychological dimension, U.S. public diplomacy has been a dismal failure in Southeast Asian states with large Muslim populations—Malaysia and Indonesia. Positive attitudes toward the United

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States seldom exceed 30% when measured by such instruments as the Pew Global Attitudes Survey. In October 2008, at a conference in Kuala Lumpur, I spoke with a well-known Indonesian scholar from a prestigious Jakarta think-tank. He repeated the discredited and scurrilous charges that the CIA and the national intelligence agency of Israel, Mossad, perpetrated September 11, and that thousands of Jews who worked in the twin towers had been warned to stay away on that tragic day. If a highly educated political analyst still utters this nonsense, it is little wonder that the general Indonesian population has such a negative view of the United States.

Simply claiming that Muslims are free to worship in the United States, as the Bush administration emphasized, fails to address the real issue: Muslim attitudes toward U.S. policies. Though the underlying antipathy is a result of the presence of U.S. soldiers in the Muslim lands of Iraq and Afghanistan—as well as the intractable Palestinian-Israeli conflict—there are ways of ameliorating Southeast Asian Muslim attitudes toward the United States. In the past few years the Bush administration provided financial support for moderate, mainstream Islamic universities in Indonesia; supported activities promoting pluralism throughout the region; and invited the upcoming generation of Islamic community leaders to visit the United States and discuss U.S. foreign policies toward Southeast Asia and the Muslim world with government officials and experts. These policies should be enhanced by the new administration. In addition, the new administration should apply political pressure to Saudi Arabia, Yemen, and other sources of financial aid for *madaris* and *pondoks* (Islamic schools) in Southeast Asia that preach an intolerant Salafi form of Islam—a version of the faith that is alien to the dominant syncretic strain of Islam historically more characteristic of the region.

With respect to more traditional diplomacy, Washington has made some positive moves that the new administration should accelerate. After several years in which the secretary of state missed important annual ASEAN and ASEAN Regional Forum (ARF) meetings, the United States has made significant new diplomatic gestures. In April 2008 Washington appointed its first ambassador to ASEAN—a deputy assistant secretary of state who remains resident in the U.S. capital. The United States also proposed a summit with ASEAN, though this was subsequently cancelled to the notable disappointment of the region. The new administration should schedule regular summits with ASEAN and keep that commitment. So as not to add inordinately to the president's travel, such summits could be held on the sidelines of APEC gatherings, which all member heads of

state attend. With the ratification of the ASEAN charter in October 2008, three new ASEAN communities are supposed to be created: an economic, a socio-cultural, and a security community. The U.S. ambassador to ASEAN should meet with these community officials to determine how Washington might assist their endeavors through expertise and funding for worthy projects. The U.S. Agency for International Development (USAID) and the Departments of State and Defense could all be involved, as well as U.S. law enforcement agencies if their assistance is requested.

The United States is not yet a member in the East Asia Summit (EAS), which is the Asia-Pacific's newest regional organization. As the largest exclusively Asia-Pacific group (APEC includes Latin American countries), the EAS would provide a forum in which the United States could address policy concerns exclusively with Asian governments. To join, the new administration must sign ASEAN's Treaty of Amity and Cooperation (TAC) over which U.S. armed forces have expressed reservations. The TAC is a non-aggression pact, and some U.S. officials believe the treaty could interfere with the United States' Asian alliances. These fears are unfounded. The strongest U.S. allies in the Asia-Pacific—Japan, the Republic of Korea, Thailand, the Philippines, and Australia—have all joined the EAS and do not believe that membership in the organization has compromised their alliances with the United States. Moreover, Washington's signature on the TAC would strengthen U.S. *bona fides* with ASEAN as a regional player.

Finally, the new administration should continue to emphasize its most effective diplomatic instrument in Southeast Asia: the humanitarian and civic actions of U.S. Pacific Command. Through ARF, joint exercises can strengthen the regional capabilities of Southeast Asian armed forces to cope with natural disasters while simultaneously improving general interoperability. Both ASEAN and ARF can develop protocols that enable multilateral collaboration with the new administration when and where such collaboration is needed. For the new administration, implementing these recommendations will demonstrate to the ASEAN states that the United States remains a major participant in Southeast Asian security and political economy.

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Don’t Forsake Mongolia

Alan M. Wachman

Measured in terms of security, survival, or economic well-being, the United States has no vital interest in Mongolia. Yet it would be a colossal error to forsake Mongolia. The modest—but meaningful—mission of the United States in Mongolia should be maintained.

In Mongolia, the United States offers succor to an independent, democratic state that has emerged from decades of Soviet domination determined to help itself. Providing \$285 million through the Millennium Challenge Corporation, military training and assistance, USAID funding, Peace Corps volunteers, and other forms of political and economic support, Washington has underscored its commitment to Mongolia’s self-sufficiency, prosperity, democracy, and quality of life. Mongolia has been an appreciative and cooperative partner, sending troops to Iraq and to Afghanistan.

However, U.S. policy toward Mongolia is not so much about what the United States “gets” by assisting as about what the United States is. Washington’s credibility, relevance, and integrity are at stake.

In 1990, when Mongolia undertook the transition from authoritarianism to democracy, from planned to market economy, from dependence on Soviet assistance to independence and international citizenship, Washington may have imagined geopolitical advantage resulting from support of Mongolia. Although U.S. and Mongolian statesmen speak of common values, geopolitics has surely suffused Washington’s calculus. After all, Mongolia is landlocked, with Russia to the north and China to the south. Washington’s impulse to seek strategic advantage in that neighborhood must be compelling.

For two decades, Mongolia has been visited by a stream of high-ranking U.S. officials and dignitaries, including President George W. Bush in 2005. Washington’s fascination must stem not only from Mongolia’s determination to embrace democracy but also from its steely, yet tactful, determination to

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spurn dependence on either Moscow or Beijing. Mongolia is committed to balancing relations with Russia and China and to sustaining its autonomy by exploiting their mutual suspicions. Neither Russia nor China would wish Mongolia to be sucked entirely into the orbit of the other. So long as Sino-Russian relations are good enough for the two states to tolerate with equanimity the interests and influences of the other in Mongolia, Mongolia's independence can be sustained. At present, their interests are focused on Mongolia's abundance of subterranean resources—oil, coal, uranium, copper, gold, and other minerals—and an eagerness in Ulaanbaatar not only to “drill, baby, drill” but to “dig, baby, dig.” Should Sino-Russian relations deteriorate to naked competition or warm to collaboration in the dismemberment of Mongolia, independence could be history.

To enhance its precarious posture, Mongolia has cultivated relations with a roster of states beyond its two big neighbors—states Ulaanbaatar encourages to develop economic and other interests in Mongolia and thereby serve as external balancers, checking Russian and Chinese ambitions. Mongolia's geopolitical gambit flows from the expectation that neither of its two big neighbors would cavalierly “gore the ox”—or yak—of these “third neighbors.”

The United States is foremost among those states to which Ulaanbaatar has reached out. Yet the present reality is that Washington cannot expect great strategic advantages to flow from its close ties to Ulaanbaatar. First, everything and everybody going into Mongolia must pass through either Russian or Chinese territory or airspace, giving both Moscow and Beijing valves with which to regulate Mongolia's options. Second, in its “Concept of Foreign Policy,” Mongolia wisely asserts a determination to refrain from “joining any military alliance or grouping, allowing the use of its territory or air space against any other country, and the stationing of foreign troops or weapons...in its territory.” Third, even if Mongolia were to welcome U.S. forces or assets, both Moscow and Beijing have the means to undercut Mongolia's economic well-being and—in *extremis*—its very existence as an independent state. Of course, the United States has the capacity to pursue some objectives using covert operations, as it does elsewhere, with or without the acquiescence of the “host” government. Mongolia's location suggests strategic possibility, but Washington must tread delicately in its dealings with Ulaanbaatar to avoid exacerbating a security dilemma that has manifested itself already.

As it is, Beijing and Moscow look warily at Mongolia's ties to the United States. China is worried about encirclement by the United States and

scrutinizes the Pentagon's effort to develop the capacity of the Mongolian Armed Forces to participate in international peacekeeping as masking more insidious aims. Russia frets that Washington is engaged in sponsoring a "color revolution" in Ulaanbaatar. An intensification of U.S. political or military involvement with Mongolia may trigger an unwanted backlash from Mongolia's immediate neighbors that would put Washington in the unwelcome position of having to choose between shoring up support for Mongolia at the expense of relations with Beijing or Moscow or withdrawing with its tail between its legs. Such a choice is certainly not one a new administration should invite by incautious zealotry.

Thus, despite Mongolia's location—or perhaps because of it—it is not evident how warm ties to Ulaanbaatar advance Washington's long-term strategic goal of thwarting the emergence of a peer-competitor that might exclude the United States from the realm of Central Asia or the Pacific.

At a juncture when a new administration is poised for change, the global economy is in turmoil, and U.S. resources are stretched precariously in service to interests once viewed as critical, the inclination to curtail less-than-vital objectives may be irresistible. Having concluded its participation in the "coalition of the willing," Mongolia could watch Washington's ardor ebb.

Washington should resist both the temptation to seek more from Mongolia and the more enticing appeal to do less for Mongolia. For now, "stay the course" may be just the right mode for the U.S.-Mongolia relationship. To be sure, U.S. policy toward Mongolia could be better coordinated and more sensibly implemented, but such efforts would demand greater attention from senior officials taxed by more pressing imperatives.

Considering constraints that limit tangible benefits flowing from assistance to Mongolia, the assistance itself demonstrates a commitment to principles that Americans claim to value: support of civil liberties, human rights, representative government, and individuality. Moreover, some see Mongolia as a model for democratization and, given its contributions to peacekeeping operations, constructive international citizenship by a still-developing state.

Following a period when U.S. foreign policy impressed many observers as a perpetual campaign of the shocking and awful, a new administration will want to restore the standing of the United States in the international community and reassert U.S. supremacy as a nation guided by the consistency of its principles, not just the instrumentality of power.

For Mongolia, the United States is a beacon, not a crutch. Forsaking Mongolia, the United States would forsake a bit of itself. 

