

## The United States and Asia in 2009

### *Public Diplomacy and Strategic Continuity*

#### ABSTRACT

In crafting an Asia policy during the first year of his presidency, Obama has faced the dilemma of continuing much of his predecessor's policies while answering public expectations for change. A military surge in Afghanistan after a long debate, an attempt to enhance strategic cooperation with China, a disappointing result for climate change policies, a better disposition toward regional organizations, and a growing concern with the course of Japan's alliance policy have been the main threads of a deeply pragmatic approach.

**KEYWORDS:** Obama's foreign policy, Asian public opinion, G-2, nuclear proliferation, climate change

“WHATEVER WORKS”: THIS MIGHT well be the cardinal principle of the Obama administration's Asia policy during its first year. Admittedly, any grand design that the administration may have had in Asia is overshadowed by two major and non-traditional issues. One is managing the fallout from the 2008 financial crisis, which requires Washington to cooperate with major capital exporting countries. This means first and foremost China, which is again the biggest international buyer of U.S. Treasury bonds in 2009. Broader Sino-American relations have in fact been dubbed a potential G-2, as if the two countries as a group mattered more than the G-8 or G-20 summits and groups of nations.<sup>1</sup>

But action against the financial crisis also implies involving other Asian central banks, which in fact were directly called upon to cooperate during the transition period from one U.S. administration to another. The height of

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1. Zbigniew Brzezinski, “The Group of Two That Could Change the World,” *Financial Times*, January 13, 2009.

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*Asian Survey*, Vol. 50, Number 1, pp. 8–24. ISSN 0004-4687, electronic ISSN 1533-838X. © 2010 by the Regents of the University of California. All rights reserved. Please direct all requests for permission to photocopy or reproduce article content through the University of California Press's Rights and Permissions website, <http://www.ucpressjournals.com/reprintInfo.asp>. DOI: AS.2010.50.1.8.

the rescue operation for the global financial system was reached before the inauguration of the new Obama administration, with swap agreements signed in Asia with Japan, Korea, New Zealand, and Singapore. Meant to provide U.S. dollar funding for countries facing an exchange crisis, these agreements were extended in early 2009 to October. Yet in April, the U.S. Federal Reserve also signed another swap agreement with several major central banks—with Japan pledging to eventually provide 1 trillion yen (close to US\$100 billion) to the Fed for U.S. financial institutions.<sup>2</sup> In January, Treasury Secretary Timothy Geithner at his Senate confirmation hearing asserted in his written testimony that China was manipulating its currency. The statement created a stir, and was not repeated later in the year. Chinese purchases of U.S. public bonds have kept growing, and China's domestic stimulus plan lifts demand in neighboring Asian economies. Clearly, the global financial crisis has been the elephant in the room.

The other issue is Afghanistan, on its way to replacing Iraq as a “long war” without an exit strategy. No other crisis reaches the same level of concern, particularly when one considers the linkage with a deteriorating situation in Pakistan, and the regional power balance between India and China. Even North Korea, which has provocatively demonstrated its possession of nuclear weapons and intermediate-range ballistic missiles, threatening the credibility of the Non-Proliferation Treaty, is not treated as such an urgent issue, because its course of action does not really change the regional balance of power. Nor is there as much political attention as previously to the long arm that China's People's Liberation Army (PLA) is acquiring,<sup>3</sup> which was recently recognized by an alarming Rand study, or to the needle pricks at the U.S. naval presence in China's Exclusive Economic Zone (EEZ) and surrounding areas.<sup>4</sup> These incidents are seen as a long-term and realist game that mixes competition and mutual restraint.

Among transnational threats, climate change issues, although they are looming over the horizon, do not seem to register as much concern either. The choices made by large Asian emerging economies such as China or India

2. Board of Governors of the Federal Reserve System, press release, April 26, 2009, <<http://www.federalreserve.gov/newsevents/press/monetary/20090406a.htm>>.

3. Cortez A. Cooper, *The PLA Navy's "New Historic Missions" Expanding Capabilities for a Re-emergent Maritime Power*, Rand Corporation, June 11, 2009, <[http://www.rand.org/pubs/testimonies/2009/RAND\\_CT332.pdf](http://www.rand.org/pubs/testimonies/2009/RAND_CT332.pdf)>.

4. The most prominent incident has involved the USS *Impeccable*, a submarine surveillance ship, in China's EEZ off the coast of Hainan on March 9, 2009.

may be very important to the global future, yet environmental and climate issues remain incremental and long-term. It is unlikely that any present government figure will be in office in 2020, not to mention 2030 or 2050, which are the most-often mentioned datelines in climate change politics.

On the other hand, completing the rescue of the American and global financial system and turning around the situation in AfPak<sup>5</sup>—the newly coined strategic hydra—are urgent issues with large political consequences at home and abroad. Indeed, it is America's strategic priorities that now dictate pragmatism, and the widest possible search with all involved for bases of agreement and problem solving. To cite but one example, on Burma, new concerns about possible nuclear proliferation have been added to older concerns about human rights. The Obama administration has consequently signaled that “a policy of pragmatic engagement with the Burmese authorities holds the best hope for advancing our goals,” while conceding that “achieving meaningful change in Burma will take time.”<sup>6</sup>

It may also be the present moment in America's domestic political cycle that shapes pragmatic, even-handed, but eventually ambiguous or even indecisive policies toward Asia. For the first time since 1979 and the Taiwan Relations Act, China policy went almost unmentioned in the 2008 U.S. presidential campaign. Only one aspect of the familiar election cycle has remained valid: Chinese leaders, who had initially seen the incoming Bush presidency as a major political liability in Sino-U.S. relations, saw him leave office with considerable sorrow. The “best-ever relationship since 1972,” as then-Secretary of State Colin Powell termed it in September 2003, had probably improved as America's strategic need of Chinese support on a broad list of issues only kept growing. North Korea, Taiwan, Iran, Iraq, Afghanistan, Central Asia, and Africa all required attention and suggested or demanded a degree of strategic cooperation between Washington and Beijing.

Contenders for the 2008 presidential elections hardly disputed the Bush administration's Asia policy. The Republican candidate, John McCain, probably came closest to challenging it: on dealing with North Korea, on the U.S.-India civilian nuclear energy agreement, and also by meeting with the

5. This term has gained currency in U.S. foreign policy circles to refer to the issues of Afghanistan-Pakistan.

6. Assistant Secretary of State Kurt Campbell's testimony to the Senate Subcommittee on East Asian and Pacific Affairs, September 30, 2009, <<http://www.state.gov/p/eap/rls/rm/2009/09/130064.htm>>, accessed December 17, 2009.

Dalai Lama in the year of the Beijing Olympics. (Meanwhile, George W. Bush immediately affirmed his disposition to attend the games.) Hillary Clinton as a candidate was also expected to be tougher on China, especially on trade and human rights issues, but the impact was very limited in the end. Barack Obama and his team did not strongly take issue with China's trade surplus with the U.S., and did not meet with the Dalai Lama, an issue that resurfaced in September 2009 when the Dalai Lama came to Washington before President Obama's first trip to China. After the inauguration, foreign policy officials have been at pains to point out that they saw nothing wrong with their predecessors' Asia policy and would continue on the same course.

#### NO RESET BUTTON FOR AFPAK

On Afghanistan, in fact, Obama had promised during his campaign a stronger push with more troops. This choice was sometimes seen as electoral positioning to balance his promise to withdraw the military from Iraq, but sometimes as a defining axis for his presidency. Faced with the unexpected award of the Nobel Peace Prize in September 2009, President Obama reminded all that he was "responsible . . . for confronting a ruthless enemy that directly threatens the American people and our allies,"<sup>7</sup> in other words, that he was managing a war. It remained unclear whether that enemy was only al-Qaeda, or the Afghan and perhaps the Pakistani Taliban as well. Were they to be fought with military means, or were these challenges to be answered by a shift to political means? After an initial dispatch of some additional troops, the U.S. and NATO commander in Afghanistan, General Stanley McChrystal, publicly requested a surge of at least 40,000 fresh troops, without pointing to alternative solutions. On December 1, President Obama announced the dispatch of 30,000 additional troops, while denying any "blank check" to the Afghan government and mentioning a withdrawal to begin in mid-2011.

Doubts about the credibility of the Afghan presidential election in August merely fueled the bad press concerning the overall effort. Some observers consider the situation as a Vietnam in the making, and recommend focusing instead on support for Pakistan's legitimate government and its own fight

7. Remarks by the president on winning the Nobel Peace Prize, October 9, 2009, <[http://www.whitehouse.gov/the\\_press\\_office/Remarks-by-the-President-on-Winning-the-Nobel-Peace-Prize](http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-on-Winning-the-Nobel-Peace-Prize)>, accessed December 17, 2009.

against the Taliban. Others hold that the front line against terrorism is still located inside Afghanistan, and argue that winning this war remains a question of confidence in the staying power of the U.S. and NATO military presence. Understandably, U.S. allies and political leaders tread carefully in the vicinity of what may be a quicksand area. Perhaps the single most successful military aspect of the war involves the use of drones against al-Qaeda and Taliban leaders inside Pakistan, and it is waged only by the U.S. Army.

The Obama administration at the end of 2009 was still following in Asia, and particularly on Afghanistan and Pakistan issues, a course of action inherited from its predecessors. The same applied to East Asia. In general, some personnel choices have helped to make a point of strategic continuity—Robert Gates staying on at the Pentagon; General James Jones as National Security Adviser; as well as David Sedney for the Defense Department's East Asia slot and Kurt Campbell, a Democrat with strong Asian security credentials, for East Asia at State. The president picked Jon Huntsman, a top Republican governor with family business interests in China, as the envoy to Beijing, and John Roos, a business lawyer, for Tokyo, although there had been speculation about a higher strategic profile choice for Japan, such as Joseph Nye. Jeffrey Bader, the Asia point man at the National Security Council, has long academic and consulting experience in China, to the point of having participated in a local Olympic torch-bearing ceremony in Sichuan Province in August 2008.

Overall, the process of nominations and confirmations has been excruciatingly slow, both for regional appointments and for transnational issues directly affecting America's relations with Asia. This was true, for example, of the higher echelons at Treasury and the Interior (which oversees environmental issues) until at least June 2009. In some cases, there are dual appointments that have the potential to interfere with one another. For example, Stephen Bosworth was nominated in February as special representative for North Korea, but the president also appointed in September a special envoy for human rights in North Korea. But the new administration has also recruited officials with a strong Asian background for major appointments not directly linked to Asia. Such is the case with Treasury Secretary Timothy Geithner, who lived in China, India, Japan, and Thailand. Three prominent Asian-Americans were also appointed to cabinet posts: Energy Secretary Steven Chu; former Governor Gary Locke, the new Commerce secretary; and former General Eric Shinseki for Veterans Affairs.

## AMERICA'S DUAL FOCUS: SECURITY AND PUBLIC DIPLOMACY

The administration's emphasis is on two points: preserving security and, to put it simply, getting along. The first aspect implies continuity with the Bush years. The second implies a new degree of openness and engagement, and this may have gained unexpected prominence with Secretary of State Hillary Clinton's first trip to East Asia in February 2009. On the eve of visiting Beijing, she declared that pressing China on Taiwan, Tibet, and human rights "can't interfere on the global economic crisis, the global climate change crisis, and the security crisis."<sup>8</sup> Many of the administration's subsequent stands on basic issues toward Asia—whether human rights or nuclear proliferation—have been marked by oscillation between principled reminders and pragmatic adaptation.

From the region's point of view, preference for continuity with the Bush Asia policy has by no means been confined to Chinese leaders and geopolitical experts. Indians, Japanese, and more discreetly, Singaporeans have expressed the same judgements, coupled with apprehension over what his successor might bring. This was directly tied to major policy concerns. Japan's Liberal Democratic Party (LDP) leaders, on the eve of their fall from power in August, feared a return of the strategic neglect they resented under the Clinton administration. India's strategic community, which rejoiced over the U.S.-India civilian nuclear deal finally sealed in October 2008, frets over the Obama administration's expressed goal of a "global zero" for nuclear weapons. India also worries about an excessive U.S. tilt toward Pakistan dictated by the Afghan war. New Delhi's worries are twofold: (1) that U.S. bolstering of the Pakistan government implies ever-increasing aid, including military grants; and (2) more specifically, that Washington may recognize a linkage between Pakistan's cooperation against the Taliban and U.S. pressure on India about the Kashmir issue.<sup>9</sup>

More broadly, while generalists and some China experts debated the wisdom and realism of a Sino-American G-2, specialists of India and Japan probably echoed official sentiment in the two countries when they outlined, in identical terms, the risk of "inattention and complacency"<sup>10</sup>

8. Roundtable with Traveling Press, Seoul, February 20, 2009, State Department, <<http://www.state.gov/secretary/rm/2009a/02/119430.htm>>, accessed December 17, 2009.

9. C. Raja Mohan, "How Obama Can Get South Asia Right," *Washington Quarterly* 32:2 (April 2009), pp. 173–89.

10. Sumit Ganguly and S. Paul Kapur, "The End of the Affair? Washington's Cooling Passion on New Delhi," *Foreign Affairs*, June 15, 2009, <<http://www.foreignaffairs.com/articles/65141/sumit-ganguly-and-s-paul-kapur/the-end-of-the-affair>>, accessed October 29, 2009.

toward India, or “lack of attention” and “neglect” of East Asia by the Obama administration.<sup>11</sup>

Only months before, the Bush administration had been excoriated by its critics, who charged that it had “asset-stripped half a century of respect for, goodwill toward, and trust in U.S. leadership” in Asia.<sup>12</sup> Indeed, on a visit to Southeast Asia to attend the Association of Southeast Asian Nations (ASEAN) Regional Forum, Clinton declared her hope that “the Obama administration will demonstrate that America is back.”<sup>13</sup> But Asian dislike or skepticism for what many saw as failed or biased U.S. Middle East policies do not imply that America’s Asia policy was equally flawed.

#### ASIAN PUBLIC OPINION EXPECTS CHANGE

Overall, opinion polls do indicate that the Bush administration’s approach prompted a heavy drop of general support for the U.S. in Muslim Asia: Pakistan hit a regional low of 19% in 2008, while Indonesia’s public opinion support declined from 75% to 37% between 2000 and 2008. Meanwhile, in Japan and Korea, public approval for their respective governments’ intervention efforts abroad plummeted. The rising tide of the Democratic Party of Japan (DPJ) brought with it a noticeable coolness toward joint intervention abroad, as well as warming desires for a more equal alliance with the U.S. Hatoyama Yukio, the new prime minister since September 15, 2009, described in August Japan’s predicament as “caught between an America struggling to remain a hegemon and a China wanting to be and planning to be a hegemon.”<sup>14</sup> The DPJ in late 2008 had filibustered Diet proceedings aimed at renewing the mandate of Japanese Self-Defense Forces to operate in the Indian Ocean. The party, having toppled the LDP, pledged with two junior coalition parties in September 2009 to reconsider an earlier agreement to move the U.S. airbase of Futenma inside Okinawa Island. In December 2009, Hatoyama asked for more time to reach a decision, angering the

11. Gerald Curtis, “Obama and East Asia: No Room for Complacency,” *Issues and Insights* 9:15 (August 2009), p. 2.

12. In the words of Barry Buzan, cited by T. J. Pempel, “How Bush Bungled Asia: Militarism, Economic Indifference, and Unilateralism Have Weakened the United States across Asia,” *Pacific Review* 21:5 (December 2008), p. 558.

13. Interview in *The Nation* (Bangkok), July 23, 2009.

14. Hatoyama’s original article in the *Japanese Language Voice* was abridged, doing so tilted it more directly in defiance of the United States. See *New York Times*, August 26, 2009.

Obama administration, which has repeatedly called for a swift resolution of the issue. Much of the new government's foreign and defense policy is expected to remain on hold until the upper house elections in the summer of 2010. Whether the DPJ then does away with its junior coalition partners on the left, or even considers an alliance with some LDP members, may of course affect its policy choices.

Yet even in 2008, the five major Asia-Pacific countries surveyed by Pew—India, Japan, China, South Korea, and Australia—maintained a higher opinion of the U.S. than, for example, Germany, France, or Spain, or even to some extent the United Kingdom. Regard for the U.S. had in fact increased in China and South Korea. Other sources such as the Chicago Council on Global Affairs 2008 study of soft power in Asia indicated that if China's footprint was indeed spreading, it was not at the expense of America's own standing and influence throughout the region. Not only is the U.S. still perceived as a balancer and a hedge against a rising China, but in four major countries surveyed by the Council—China, Japan, South Korea, and Indonesia—many saw U.S. influence as rising, not declining.<sup>15</sup> Only in Indonesia, in fact, did the combination of both polls cited above indicate that just 1% of Indonesians thought China was a threat to the environment, while 83% worried that the U.S. was a source of military conflict. In the wake of President Obama's election, his background, including a youthful period in Indonesia, has done wonders to turn Indonesian public opinion around: 71% now think he will “do the right thing in world affairs,” as opposed to 23% in 2008 for President Bush.<sup>16</sup>

The Obama factor has clearly tilted the scale of Asian public opinion. In all Asian countries, and to a lesser degree even in Pakistan, the balance of opinion is favorable to President Obama, and in most cases he is cited as the most popular world leader.<sup>17</sup> Except in Pakistan and to some extent in China, these numbers spill over into a more favorable view of the U.S. in general.

15. Chicago Council on Global Affairs, *Soft Power in Asia: Results of a 2008 Multinational Survey of Public Opinion*, p. 4, <[http://www.thechicagocouncil.org/UserFiles/File/POS\\_Topline%20Reports/Asia%20Soft%20Power%202008/Chicago%20Council%20Soft%20Power%20Report-%20Final%206-11-08.pdf](http://www.thechicagocouncil.org/UserFiles/File/POS_Topline%20Reports/Asia%20Soft%20Power%202008/Chicago%20Council%20Soft%20Power%20Report-%20Final%206-11-08.pdf)>, accessed December 17, 2009.

16. Pew Global Attitudes Project, “Confidence in Obama Lifts U.S. Image around the World,” July 23, 2009, <<http://pewglobal.org/reports/display.php?ReportID=264>>, accessed December 17, 2009.

17. Ibid.; and World Public Opinion.org, June 29, 2009, <[http://www.worldpublicopinion.org/pipa/pdf/jun09/WPO\\_Leaders\\_Jun09\\_longart\\_emb.pdf](http://www.worldpublicopinion.org/pipa/pdf/jun09/WPO_Leaders_Jun09_longart_emb.pdf)>, accessed December 17, 2009.

## ASIAN LEADERS AND CONTINUITY

In sum, the Obama administration is greeted with considerable ambivalence in Asia. Public opinion expects change, but political leaders often crave continuity. This creates the risk that a crisis of expectations may arise. Asia's strategic establishments, from New Delhi to Beijing, Tokyo, and Seoul, indeed seek strategic stability, however much they may disagree among themselves on its actual content. China hopes to retain strategic understanding from Washington on the Taiwan issue, and probably realizes that the U.S.-India nuclear agreement cannot be rolled back. New Delhi enjoys the strategic partnership it earned with the Bush administration and loathes any policy turn that might be influenced by a need to win hearts and minds in Pakistan. Tokyo's defense establishment needs continued American support and fears a "China first" policy by the new administration. As for Seoul, where populist former President Roh Moo-hyun often clashed with the Bush administration's attempts at sanctioning North Korea, elections in December 2008 brought in a conservative successor. Indeed, President Lee Myung-bak's public diplomacy for a Korean-led "Marshall Plan" for the North does not prevent him from taking a much harder line on Pyongyang's antics.

Overall, apprehension throughout Asia about some of the consequences of a rising China for the Asian regional balance of power has helped Washington retain its traditional security ties, even in the face of a major loss of economic influence. But this is not enough to regain the initiative in soft power diplomacy, which targets opinion groups, not official circles. Indeed, popular approval for Barack Obama, and by extension for U.S. policy, is based on expectations of change above continuity. In Japan, for example, "change" was the keyword of the successful DPJ campaign—and the source of many domestic and foreign policy promises that will be hard to keep. Among these changes, there may well be Asian expectations of U.S. support for multilateralism and regional construction. By quickly signing on to ASEAN's Treaty of Amity and Cooperation, the Obama administration gave an early sign that it is attuned to regional sensitivities.

Obama's stated long-term goal of aiming for the elimination of nuclear weapons, and an early decision to stop the deployment of ground-based anti-missile radars in Eastern and Southern Europe, will be hotly debated in Asia for their potential impact. At his second meeting with Lee Myung-bak in Washington, Obama pledged the "continuing commitment of extended

deterrence, including the U.S. nuclear umbrella” to defend South Korea.<sup>18</sup> Meant to be reassuring after North Korea’s second nuclear test in May and several missile launches, the president’s statement also gives solace to Japan’s defense establishment, which has been fretting about the increasing risks of decoupling American and Japanese security. Yet, it may also be read as an acknowledgement that North Korea’s accession to nuclear weapons cannot be undone in the foreseeable future. At the same time, retreat on the issue of anti-missile defense in Europe is seen in the same quarters as heralding a similar policy elsewhere.

The issue is also crucial because China, in spite of the political warming of relations with Taiwan’s President Ma Ying-jeou and his Kuomintang (Nationalist Party) majority, has kept deploying missiles on its side of the Taiwan Strait. Beijing also paraded some of its more advanced specimens for the People’s Republic of China’s 60th anniversary in October 2009. Taipei, for its part, tested for the first time its Hsiung-Feng 2A surface-to-surface missile the same month.<sup>19</sup> That move deeply contradicted apparent friendlier political cross-strait trends. But it highlights the deep uncertainties lurking under the surface of Chinese Communist Party-Kuomintang diplomacy.

Meanwhile, local margins of maneuver are disappearing. In Japan, the DPJ has seized on revelations that officials kept some of their political masters in the dark about a secret arrangement with Washington to station nuclear weapons on board ships stopping in Japanese harbors. Some Japanese diplomats are enthusiastic about the “target zero” set by Obama for nuclear weapons.<sup>20</sup> At the same time, the news that even Burma is actively considering—with probable North Korean assistance—going the nuclear route demonstrates that the proliferation clock has suddenly accelerated beyond any previous belief. The U.S. administration will need to balance carefully its broad-based and well-meaning, if not utopian, initiatives with hard-nosed security reassurances—and to avoid the eventuality that these two different courses of action only serve to delegitimize each other.

18. “Joint Vision for the Alliance of the Republic of Korea and the United States of America,” White House, Washington, D.C., June 17, 2009, <[http://www.whitehouse.gov/the\\_press\\_office/Joint-vision-for-the-alliance-of-the-United-States-of-America-and-the-Republic-of-Korea/](http://www.whitehouse.gov/the_press_office/Joint-vision-for-the-alliance-of-the-United-States-of-America-and-the-Republic-of-Korea/)>, accessed December 17, 2009.

19. *Taipei Times*, October 20, 2009, p. 8.

20. Yukio Satoh, vice-chairman of Japan’s Institute for International Affairs, *The “Global Zero” Campaign to Eliminate Nuclear Weapons*, July 28, 2009, at <[http://www2.jiia.or.jp/pdf/kouenkai/2009/090728e-satoh\\_yukio.pdf](http://www2.jiia.or.jp/pdf/kouenkai/2009/090728e-satoh_yukio.pdf)>, accessed on November 5, 2009.

Expectations for a new soft diplomacy may therefore be overblown. American public opinion itself is gripped by domestic priorities resulting from a once-in-a-century financial crisis and the budget woes it has created. There is not much to be gained by sophisticated political initiatives in Asia, especially while war goes on in South Asia and the Middle East. A key area for a major diplomatic initiative with Asia seems to lie with a policy to address emissions and climate change. China and India could be major game-changers, as the U.S. is. Japan's new administration under Prime Minister Hatoyama unexpectedly took the lead in September 2009, announcing that it would commit to a further 25% reduction in greenhouse gas emissions. That goal had been rejected previously by the LDP and industrialists because Japan had already boosted its energy efficiency so much that new efforts were seen as "wringing out water from an already dry towel." Hatoyama tied his pledge to corresponding action by other major economies, however, and he supports funding efforts to assist developing countries. The Obama administration has also broken with previous pronouncements by setting the goal of an 80% reduction in emissions before 2050. Secretary Clinton's first trip to China, and another visit by Speaker of the House Nancy Pelosi, were dedicated to advocating a reduction of emissions, expressed ahead of the Copenhagen conference on climate change. Shorter-term objectives were less grandiose, however: a reduction of 14% by 2020 from 2005 levels, still as difficult to reach as Europe's target of a 20% reduction from the 1990 baseline.

But in addition to a very slow decision process, major obstacles stood in the way, and they had to do with domestic U.S. economic priorities as well as with major disagreements with China and India. American firms didn't want to be saddled with the costs for adjustment, and Congress was correspondingly skeptical about a market for carbon-trading certificates. Public opinion has been more negative in the U.S. than in any other industrialized country about footing the bill for emission reductions in emerging economies.<sup>21</sup> Opponents of a carbon-trading scheme cite the necessity to include India and China.

#### CLIMATE CHANGE POLICIES STUMBLE OVER ASIA

The year ended with a disappointing U.N. climate change conference in Copenhagen. The reservations of major Asian countries China and India

21. Only 20% of U.S. citizens approve of granting aid to developing countries to fight climate change, as opposed to 50% in Italy, Spain, Germany, and the Netherlands (Harris poll for the *Financial Times*, October 18, 2009).

interplayed with U.S. domestic interests to produce only very limited and non-binding results. Both Asian countries, which teamed up in 2008 to oppose concessions in the World Trade Organization's Doha Round, had signed in October 2009 a five-year memorandum of agreement for climate change and officially coordinated their positions ahead of Copenhagen.<sup>22</sup> Apart from specific energy cooperation plans in both countries' interests, the agreement was a defense of developing countries, with a refusal to cap emissions and a call for already industrialized countries to foot the bill toward emissions reductions. At the Asia-Pacific Economic Cooperation meeting in November 2009, participating countries had already excluded a legally binding agreement. In Copenhagen, the EU and U.S. insisted on verifiable measurements for emission reduction, which China indignantly rejected. Although the Copenhagen conference produced an agreement for a 2°C limit to the rise of global temperature before 2050, binding commitments were almost non-existent. By teaming up with India, fronting for developing countries and resisting any collective commitment, China clearly produced the outcome it felt most comfortable with, and proved its clout over the U.N. system. It is against this ambiguous and difficult backdrop of needed strategic continuity and public expectations of change that current U.S. relations with Asia should be viewed. Trends in Asia in 2009 have been very diverse indeed, defying identification of a common thread.

### STRATEGIC CHALLENGES FROM ASIA

First, the global economic crisis is creating a historical shift of economic power toward Asia, and within Asia toward China, possibly joined by India, in a longer term perspective. The more-advanced industrial and/or trading nations—Japan, Korea, Taiwan, Singapore—have been hit particularly hard by the downturn in global demand for sophisticated and processed goods and by the slump in international shipping. Countries less dependent on their exports, such as Indonesia, and those specializing in low-end goods that can be flexible on price, such as China, have been hit last, and to a lesser extent. They now see their exports rebounding before their neighbors do. This is the so-called “Walmart effect,” which dictates that in a race to the bottom, price prevails over any other factor. China in the second quarter of

22. “China, India Sign Climate Pact,” *Times of India*, October 21, 2009.

2009 became the world's top exporter, overtaking Germany. China's gross domestic product (GDP) would have passed Japan's in 2009 if underevaluation of the yuan against the yen did not distort the figures.

China's financial rise is even more spectacular, although the accumulation of foreign currency surpluses comes at the cost of the celebrated "dollar trap," with an unavoidable large proportion of China's \$2.2 trillion of reserves held in dollars. Their value is expected to diminish as the U.S. faces the consequences of a still growing public deficit. The power shift is also becoming evident inside international financial institutions, including regional organizations such as the Asian Development Bank, where China is asserting more influence and diminishing Japan's traditional control. The shift is also creating a form of monetary hedging among Asian creditors of the U.S. The 2000 Chiang Mai Initiative (CMI) has blossomed into a CMIM (where M stands for multilateralization), an incipient reserve fund where Japan and China (including Hong Kong) played out a beauty contest by bringing matching funds (\$38.2 billion each) in 2009. The two countries have also signed their own swap agreements with South Korea, finding common ground in the need to avoid a foreign-exchange and financing crisis in that country.

These moves have been paralleled by official Chinese statements favoring a shift to an international reserve currency made up of special drawing rights. There is much doubt about the viability as a reserve currency of a unit that is neither fungible nor centrally managed. Much more important is China's buying spree all over the world, from energy and raw materials to technology and common stocks. This policy contributes to reflating world prices, perhaps even creating another speculative bubble in some cases, but at the bottom it is a discreet attempt by China to exit the dollar trap indirectly, by purchasing tangible assets.

In practice, the high level strategic and economic dialogue amplified in June 2009 between the U.S. and China remains under the spell of these financial and monetary trends. This is what leads the rest of the world to speculate about a potential G-2, while American and Chinese officials see the situation as a perilous walk through the consequences of the global crisis. Inevitably, if the financial issues are solved within the U.S. system, questions about the imbalance and the revaluation of the yuan will reemerge. Predictions of a 1930s-style surge of protectionism and nationalism have proven ill-founded, yet signs of tension abound in international trade. India has

limited Chinese imports in several key sectors; the U.S. has started a dispute over tire manufacturing (with China retaliating on chicken meat and auto parts).

The other sign of a power shift is China's increasing disposition to stretch the envelope on military issues and to claim territorial rights against various countries. With Japan, in spite of a softer attitude by the Fukuda and Aso governments in 2008–09, talks about mutual claims to both countries' EEZs and the Chunxiao-Shirakaba gas field have not yielded tangible results. As mentioned, better Taiwan cross-strait relations have by no means resulted in a lower military profile.

It is with India that new developments have been spectacular in 2009. China is clearly requesting that India desist from giving support to the Dalai Lama, who has been hosted by India since 1959. Beijing has repeatedly challenged India's possession of its northeastern state of Arunachal Pradesh, requiring special visas for Indians originating from the area. The same requirement was started for Kashmir residents in October 2009, while Indian media bristled with reports of Chinese airfield construction near the Line of Control between the two countries.

Most significant for China-U.S. relations was a sea incident with the *Impeccable*, a U.S. surveillance vessel operating in the Chinese EEZ surrounding Hainan Island, where a new major submarine base is located. The harassment of the *Impeccable* ended without victims. But Chinese officials and media make no bones about their claim to supervise activities within its EEZ, and to prohibit activities that are not for peaceful purposes, while the U.S. maintains the doctrine of innocent passage in international waters. Thus, an uneasy but unavoidable financial and monetary symbiosis is still matched by what strategists in both countries tend to characterize soberly as a lack of mutual trust.

This was highlighted by the uneven results of President Obama's visit to China in November 2009. On the one hand, the visit ended with a detailed joint declaration citing issues for bilateral cooperation. Barack Obama had mentioned a China-U.S. strategic partnership before the visit. He recognized a Chinese role in South Asia, did not refer publicly to the Taiwan Relations Act before a press conference at the end of the visit, and signed on to a statement of respect for the "core interests" of the two countries. Yet, his public expression was kept off the Chinese media on two occasions, and the visit yielded no measurable new commitments by China. By contrast, India's

Prime Minister Manmohan Singh's visit to Washington a few days later led to much warmer statements about an India-U.S. strategic partnership and shared values.

Developments with North Korea have been more directly challenging. The Bush presidency ended without any result to show either for the U.N. sanctions policy established in 2006, nor for the fresh attitude of direct U.S. engagement since that November. In early 2009, North Korean leaders apparently chose to rise to the challenge of a new conservative administration in Seoul, rather than to the opportunity for a game-changer in Washington. After a second nuclear test and missile launches in May, the stage was set for another mutual freeze. A perhaps overconfident remark by Clinton that the North's leaders were behaving as "unruly children" provided the fuel for new tantrums. In September, North Korea openly admitted it had finished enriching fuel rods discharged in 1994 from the Yongbyon reactor, ending a 15-year international effort to get a full accounting.

After detaining two American journalists, reportedly on the frozen Tumen River border with China, Pyongyang sentenced and then released them with a flourish to former President Bill Clinton during his visit in August. North Korean leader Kim Jong-Il and his associates saw this release as a major concession, but probably only confirmed indirectly their fatal attraction to luring high-level visitors into their game. Meanwhile, neither Russia nor, more importantly, China has backed up international sanctions by exerting clear pressure on Pyongyang. A visit on October 4 by Chinese Prime Minister Wen Jiabao had an inconclusive outcome, since North Korea is clearly requiring new concessions by the U.S. before Pyongyang will resume participation in the Six-Party Talks. In no way did the Obama administration weaken from the position of its predecessors. Coordination with Seoul has become better, with little space for inter-Korean assistance by the South while the nuclear crisis endures. But results appeared no closer, and the nefarious precedent of North Korea's accession to nuclear power status may resonate internationally far more than pledges to eliminate nuclear weapons.

By contrast, the situation with America's best ally in Asia, Japan, is benign. Certainly, the first real peacetime change of ruling party since the 1920s Taisho democracy is an event that brings questions to the fore. Domestic reasons abounded for that change, given the internal weakness of the LDP, the erosion of trust with a sliding economy, and many political blunders.

The DPJ's economic program remains to be implemented. If it is, the world will see what a Keynesian policy of directly reflating consumer demand (by subsidizing childbirth and individual education) can achieve in a country wracked by demographic decline and inept support for the public sphere.

The ruling coalition's misgivings about some aspects of the U.S.-Japan alliance have to be seen in perspective. Difficulties with U.S. military basing are nothing new. Skepticism about joint international interventions has been rising among the Japanese, although this does little to enhance their role on the international scene. What's more, the new ruling party itself is evenly divided between self-avowed pacifists and staunch exponents of Japan as a normal state with a full-size military. Characteristically, Premier Hatoyama has extended a warm hand to China on the basis of regional cooperation, but this does not preclude Japan from moving closer to like-minded neighbors, such as Australia, India, or Singapore. China greeted the new government with detachment and certainly has not gone out of its way to make new policy overtures. Fundamentally, Chinese leaders can get along with a weak and shifting style of government in Northeast Asian democracies, and may be content to note that Beijing's own influence is steadily rising. By contrast, Obama extended a warm welcome in Washington to Hatoyama, noting that he too had known the anxiety of starting off in a new direction upon taking office.

Washington also faced a crisis in Burma, where a swim by a disturbed American visitor to Aung San Suu Kyi's house provided the regime with the opportunity for another term of forced residence, after a show trial in July. Insistent rumors and snippets of information have it that Burma may be embarking on its own process of nuclear enrichment, with North Korea's assistance in infrastructure. Perhaps from frustration at the previous sanction policy's ineffectiveness—and the region's collective inability to move beyond rhetoric in criticizing the Burmese junta—the Obama administration subsequently moved to a new policy combining sanctions with engagement. The visit of the State Department's Kurt Campbell on November 4, the first such high-level U.S. visit since Madeleine Albright's in 1995,<sup>23</sup> must be seen in that context. The assistant secretary was able to meet with Aung San Suu Kyi and to stress U.S. concerns about proliferation with government leaders.

23. She was then the U.S. ambassador to the U.N.

More generally, the Obama administration seems to be broadly reengaging Southeast Asia and its regional organizations, starting with the signing of the regional Treaty of Amity and Cooperation and including a visit by Secretary of State Clinton to Thailand, where political turmoil was continuing. There does not seem to be any return to the human rights priorities of the 1990s, when Bill Clinton and Al Gore antagonized conservative Southeast Asian allies with demands for better political governance. And Southeast Asia, one year after the global crisis hit, has fared better than predicted, in economic terms.

There were disturbing trends however, such as the coincidence in Thailand of political strife in mainstream politics and accelerated separatism moves and terrorist attacks in southern provinces, the latter often citing the Thai army's heavy-footed presence. Separatist attacks on Mindanao in the Philippines and bombings in Indonesia have resurged, and although America clearly enjoys a welcome lull in the region's public dispositions, security challenges have not disappeared.