

AMERICA AND ASIA IN A CHANGING WORLD

HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

COMMITTEE ON

INTERNATIONAL RELATIONS

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ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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THURSDAY, SEPTEMBER 21, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:08 a.m. in room 2200, Rayburn House Office Building, Hon. James A. Leach (Chairman of the Subcommittee) presiding.

Mr. LEACH. The Committee will come to order. On behalf of the Subcommittee, I would like to extend a warm welcome to our exceptionally distinguished panel of witnesses. We appreciate your appearance before us and look forward to your remarks and the dialogue to follow.

I should note that Chairman Hyde had planned to be with us this morning to offer his insights and perspective on several of the key issues facing the United States and Asia, but scheduling conflicts prevented his appearance. We regret not being able to gain from his wisdom and experience in these matters, but we understand the demands of his schedule.

The purpose of today's hearing is to review the main strands of United States policy in Asia and the Pacific with a goal of seeking something in the nature of a net assessment of our current and future strategic prospects in this vast and dynamic region.

Before turning to our witnesses, I would like to make a few brief comments. Despite the urgency of multiple crises confronting America in the Middle East, it is my belief that it is Asia where the United States will face its largest challenges in the years ahead.

It is in this context that the most important bilateral relationship of the 21st century will be between China and the United States and that the most important regional relationship will be between America, China, a hopefully unified Korea, and Japan.

Attentive American concern, continued engagement and steady U.S. leadership are vital to peace and prosperity to be preserved in this historic cockpit of great power conflict.

With respect to North Korea, there are few parallels in history in which the United States has found itself with a less appealing menu of options than with the DPRK. Pyongyang's ongoing nuclear program, its missile test and illicit exports have profound implications for regional stability, the international nonproliferation regime and the national security of the United States.

As perplexing as our options are, it is increasingly difficult to resist the conclusion that our approach toward North Korea during

the past few years has been marked by a lack of strategic imagination, most acutely reflected in a stubborn aversion to bilateral diplomacy.

I agree with those voices who insist that the United States should be principled and consistent in its approach to North Korea, but ours should be a consistency in pragmatism, not dogmatism.

In this regard, deterrents and engagement are not mutually exclusive. Even in the face of DPRK provocations, the United States can afford to be bold in its diplomacy with North Korea. The Six-Party process is a good framework, but it is likely to be bolstered rather than undercut if we augment it with bilateral initiatives.

In South Asia it strikes me that this is an extraordinary time of opportunity for the United States. Never before have we been so positively engaged in the region on such a wide variety of important economic, political and people-to-people initiatives.

The most difficult long-term challenge will be to maintain constructive relations with the two most populous states in the region, India and Pakistan. There is virtually no dissent in Washington from the precept that a rising India and the United States are natural partners with compelling incentives over time and to cooperate closely on a host of regional and global concerns.

With respect to Pakistan, it is likely self-evident that our relationship must be based on more than cooperation in the campaign against terrorism and that our objective is the establishment of a lasting economic and strategic partnership.

President Musharraf will be meeting with the Committee later this afternoon, and we look forward to hearing in detail his plans for combating the resurgent Taliban and other extremist groups, as well as in the political realm, the outlook for what we hope will be a credible democratic election in 2007.

Finally, southeast Asia has been thrust back into the headlines with the deeply distressing news this week of a military led coup in Thailand. My sense is that Washington and the world were genuinely shocked by the stunning development, and based on the assumption that political differences, however stark, would ultimately be resolved by the Thai people in a peaceful and democratic way.

Thailand is a close friend and ally of the United States and a region which remains integral to United States interests. For the sake of our bilateral relations, as well as the aspirations of the Thai people, I would urge the coup leaders to restore constitutional democratic rule as swiftly as possible.

Mr. Crowley?

[The prepared statement of Mr. Leach follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA, AND CHAIRMAN, SUBCOMMITTEE ON ASIA AND THE PACIFIC

On behalf of the Subcommittee, I would like to extend a warm welcome to our exceptionally distinguished panel of witnesses. We sincerely appreciate your appearance before us and look forward to your remarks and the dialogue to follow.

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Before turning to our witnesses, I would like to make a few brief comments.

Despite the urgency of multiple crises confronting America in the Middle East, it is my belief that it is in Asia where the United States will face its largest geopolitical challenges in the years ahead. It is in this context that the most important bilateral relationship of the 21st Century will be between China and the United States; and that the most important regional relationship will be between America, China, a hopefully unified Korea, and Japan. Attentive American concern, continued engagement, and steady U.S. leadership are vital if peace and prosperity are to be preserved in this historic cockpit of great power conflict.

With respect to North Korea, there are few parallels in history in which the U.S. has found itself with a less appealing menu of options than with the DPRK. Pyongyang's ongoing nuclear program, its missile tests and illicit exports have profound implications for regional stability, the international nonproliferation regime, and the national security of the United States. But as perplexing as our options are, it is increasingly difficult to resist the conclusion that our approach toward North Korea during the past few years has been marked by a lack of strategic imagination, most acutely reflected in a stubborn aversion to bilateral diplomacy.

I agree with those voices who insist that the United States should be principled and consistent in its approach to North Korea. But ours should be a consistency of pragmatism, not dogmatism. In this regard, deterrence and engagement are not mutually exclusive. Even in the face of DPRK provocations, the U.S. can afford to be bold in its diplomacy with North Korea. The Six Party process is a good framework, but it is likely to be bolstered rather than undercut if we augment it with bilateral initiatives.

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Thailand is a close friend and ally of the United States in a region which remains integral to United States interests, and for the sake of our bilateral relations, as well as for the aspirations of the Thai people, I would urge the coup leaders to restore constitutional democratic rule as swiftly as possible.

Mr. CROWLEY. Thank you, Chairman Leach. First let me thank you for your continued cooperation with all the Members of this Committee and in particular with Ranking Member Faleomavaega, who unfortunately could not be here this morning. He is on his way back from a funeral of the King of Tonga, and I am honored to fill in for him to discuss the relationship between the United States and Asia.

I have had the incredible opportunity to travel throughout Asia over my 8 years in Congress and have seen dramatic changes throughout Asia. Most of my travel has been focused on south Asia, but I have traveled to China and several of the ASEAN nations.

We can't talk about a relationship with Asia without first talking about the two major players in the region, India and China. Our relationship with India, while it is not yet where I would like it to be, has taken tremendous steps forward during both the Clinton and Bush Administrations. The July 18 joint statement signed in 2005 is moving our two nations closer together on such issues as economics, environment, democracy, and building nuclear power.

While we are defining our relationship with the world's second most populous country, the United States continues to struggle with our foreign policy goals for China. The Asia we thought we knew and interacted with has dramatically and drastically changed as China continues to grow their economy and seek out natural resources and trade agreements around the globe.

We have options on how to deal with China, and I hope the witnesses will go into their thoughts on what the United States' policy toward China ought to be. I believe we must continue to engage China to bring them into the international system. When China sees that their economic and national security lies in a strong international system, the more positively engaged they will hopefully be within that system.

China must come to understand that they are linked with the rest of the world, and being a responsible citizen will benefit them. That means tackling issues like enforcing global trade rules to pushing for reform in nations like Burma, Iran and North Korea.

Instability in China's backyard in the Middle East will not benefit anyone's economic growth. We would continue to engage in strengthening our business interests in China, but it has to be balanced with our support for global human rights. The lack of human rights and stability in Asia is still a threat as we saw on Tuesday during the coup in Thailand.

How should we react to this? I have seen tepid responses from our State Department in reviewing our relationship with Thailand, but these are not the statements I expected coming from President who spoke of spreading democracy around the world at the UN just this week.

Another nation in Asia that is a struggling, but stable, democracy is Bangladesh. Bangladesh has an incredible opportunity to show the world that they are the moderate Muslim nation they claim to be by holding free and fair elections this January.

An NDI mission just came back from Bangladesh, and their report raised concerns on the state of affairs in the run-up to those elections. Thankfully the situation is not dire and can be worked out if the parties put the people of Bangladesh before themselves.

I could go on about other trouble spots in Asia like North Korea, Sri Lanka, Taiwan, the Taiwan Straits, Pakistan, but I am interested to hear the testimony of our distinguished witnesses here today. I hope our witnesses will be able to touch on the issues that I have raised here this morning.

Once again, Mr. Chairman, I thank you for this opportunity.

[The prepared statement of Mr. Crowley follows:]

PREPARED STATEMENT OF THE HONORABLE JOSEPH CROWLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Chairman Leach, I would like to thank you for working with Ranking Member Faleomavaega to organize this mornings hearing.

Unfortunately, Mr. Faleomavaega is unable to be here today but I am honored to fill in for him to discuss the relationship between America and Asia.

I have had the incredible opportunity to travel throughout Asia over my eight years in Congress and have seen dramatic changes throughout Asia.

Most of my travel has been focused on South Asia but I have traveled to China and several of the ASEAN nations.

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I hope our witnesses will be able to touch on the issues that I have raised.

Thank you Mr. Chairman.

Mr. LEACH. If I could ask the panel to come forth? Let me just by background provide a little background for the Committee and the audience.

Dr. Aaron Friedberg holds degrees from Harvard. He is Professor of Politics and International Relations at the number one ranked university in the United States of America according to *U.S. News and World Reports*, and he is a former Deputy Assistant for National Security Affairs and Director of Policy Planning in the Office of the Vice President when he was on leave from Princeton.

Dr. Jonathan D. Pollack is a Professor of Asian and Pacific Studies and Chairman of the Asia Pacific Studies Group at the United States Naval War College. His major research interests relate

heavily to China, and fortunately Dr. Pollack has some midwestern education at the University of Michigan. I appreciate that.

Ambassador Teresita Schaffer is the Director of the South Asia Program at CSIS. She is a former Ambassador to Sri Lanka, former Deputy Secretary of State for South Asia and a long friend of the Committee and this Member in particular. Welcome, Teresita.

Catharin Dalpino is Director of Thai Studies and Visiting Associate Professor at the Edmund A. Walsh School of Foreign Service at Georgetown. She is the former Deputy Assistant Secretary of State during the Clinton Administration, and we welcome you, ma'am.

Why do we not begin in the order I have introduced unless you by arrangement have made a different decision. By unanimous consent, all statements will be placed fully in the record for each of you. You may proceed as you sit fit.

Dr. Friedberg?

STATEMENT OF AARON L. FRIEDBERG, PH.D., PROFESSOR OF POLITICS AND INTERNATIONAL AFFAIRS, WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS

Mr. FRIEDBERG. Thank you very much. I appreciate the opportunity to testify before this Committee. I am honored to be here.

I have been asked to offer an assessment of the broad strategic environment in northeast Asia and to comment on the issues that I think should receive priority attention from United States policymakers.

I would like to respond by focusing on what seems to me to be the most essential piece of that large, complex and critically important region, namely the relationship between the United States and the People's Republic of China.

I believe that over the course of the next several decades the state of our relations with China will go a long way to determining not only the peace and stability of northeast Asia, but of the entire planet.

The United States-China relationship is clearly mixed. It contains elements of competition, as well as cooperation. On the other hand, the two Pacific powers have entered into an increasingly deep and on balance mutually beneficial economic relationship. The overall diplomatic climate is generally warm with frequent high level visits by top officials and ongoing discussions about how best to deal with a variety of issues. The links between our two societies are denser and more varied than they have ever been.

At the same time, however, there obviously are elements of contention and friction, for example, over trade and human rights. Albeit still in a comparatively low key way, the United States and China are also I believe already engaged in a military rivalry with one another in the sense that both are beginning to shape their forces and strategies with an eye toward possible future conflict.

Tensions over Taiwan are lower than they were a few years ago, but the issue remains unresolved and potentially dangerous. Despite all the talk about converging interests and good relations, Washington and Beijing are involved in an increasingly far-flung

competition for diplomatic leverage and political influence both in Asia and beyond.

United States policy for dealing with China has been a subject of debate and disagreement over the past 15 years, but since the early 1990s I think it has actually been fairly consistent. Current strategy consists of two essential components. This Administration, like its predecessors, is deeply committed to a policy of engaging China economically, diplomatically and in expanding contacts between the two societies.

At the same time, the United States remains determined to maintain what this Administration has labeled a balance of power that favors freedom in Asia, as in other parts of the world. What this means in practice is that the United States has sought to preserve and where possible to strengthen its traditional alliances to develop new cooperative relationships with other strategic partners and to enhance our capacity to project and sustain military power into the region through a variety of measures.

In the near to medium term, the goal of American strategy is to create conditions that will encourage China to become what former Deputy Secretary of State Robert Zoellick referred to last year as a responsible stakeholder in the current international system. As they become ever more deeply enmeshed in trade, international institutions and cooperative relations with others, China's current leaders should see that they have much more to gain by upholding the status quo than by attempting to overturn it.

In the longer run, United States leaders clearly hope that engagement will help to promote a fundamental change in the character of the current Chinese regime away from one party authoritarian rule and toward liberal democracy. As China grows richer, the hope is that it will also become more open politically, and this is a goal that Americans sometimes tend to regard as benign and uncontroversial, even though its achievement would clearly threaten the power and privileges of the unelected Communist Party elite that still rules China.

We don't know clearly enough about Chinese strategy, nor about the country's current leaders' definition of their own objectives, especially in the long run. My own view, and it is only an opinion, not something I think I could prove, is that current Chinese strategy can be summed up in three axioms.

First, avoid conflict, especially with the United States. Many in the Chinese leadership are deeply suspicious of American intentions. They believe that behind the friendly smiles, the upbeat rhetoric, the United States is in fact out to contain China and ultimately either to transform its system of government or to undermine its stability.

They believe that if China is to continue to rise, its leaders will have to navigate through a period of comparative weakness and vulnerability that could last for several more decades. A sharp worsening relations with the United States, to say nothing of open conflict, would be extremely dangerous for China. It would disrupt plans for continued development and even risk a humiliating defeat.

Second, build comprehensive national power. This is the aggregate measure of economic, technological, military, diplomatic and

so-called soft power that Chinese strategists use to assess the relative strength of nations. China's current emphasis on promoting economic development is aimed, it is true, at improving the welfare of its citizens, but also at enhancing the nation's strength and its ability to defend and advance its interests in Asia and beyond.

Third, advance incrementally. Chinese strategists don't appear to believe that they can simply sit back and wait while they pursue domestic development. While seeking to avoid any moves that might provoke dangerous responses from the United States or from Chinese neighbors, Beijing is nevertheless attempting to expand its influence and strengthen its position while simultaneously weakening that of the United States.

China's current rulers aim to preserve and protect the leading role of the Communist Party. This requires avoiding or suppressing domestic upheavals, while at the same time fending off potential external threats that might encourage internal unrest, including a Taiwanese declaration of independence, the establishment of a radical Islamic republic across China's western frontiers or I believe the creation of a United States-oriented unified democratic state on the Korean peninsula.

In the long run, China's leaders likely hope to establish their country as the preponderant power in east Asia, and this will involve continuing to increase their own capabilities and influence, even as they seek to constrict America's presence and to weaken its longstanding alliances.

In recent years, Beijing has clearly made significant progress on at least two parts of its three-prong strategy. Regarding the accumulation of comprehensive national power, China's economic growth continues at an impressive rate as it has done now for over two decades. The development of its military capabilities has in many respects been faster than most observers anticipated only a few years ago, and China's international prestige is probably higher than that it has ever been in large part because of its economic success.

Especially since September 11, 2001, China has also been extremely successful in cultivating good relations with the United States. Beijing has managed to win what I would describe as hopeful appreciation from Washington for its expressed willingness to help confront the dangers of terrorism and nuclear proliferation, but to date it has actually not done very much to deal with the most urgent aspects of either problem on the North Korean issue, for example.

Most notably, China has hosted talks and it has applied periodic mild pressure to Pyongyang, but it has been unwilling to use more than a fraction of its potential leverage to bring the crisis to a successful resolution. I would argue that Beijing has thus far also been rather unhelpful regarding Iran.

China's efforts to expand its influence in east Asia while constraining that of the United States have met with mixed results. On the plus side, from Beijing's perspective the U.S.-ROK alliance has grown weaker under the strains of the nuclear crisis, while China's economic and diplomatic links with Seoul have grown stronger.

For a variety of reasons, the United States-Taiwan relationship has also deteriorated in recent years, while China has gained ground in its attempts to arrive at an eventual settlement through a mix of threats and inducements. Somewhat further afield, Beijing has used a combination of its growing market power and deft diplomacy to raise its profile in southeast Asia.

Finally, with the launch of the so-called East Asia Summit, China has taken the first significant step toward building an alternative regional institutional structure, one from which the United States is conspicuously excluded.

Offsetting and to a certain extent overshadowing all of this is the marked deterioration in relations between China and Japan that has taken place in the past 5 years. Thanks in no small part to Beijing's bullying and its continuing military buildup, Japan has taken significant steps toward beginning a so-called normal nation, increasing its own defensive capabilities and bolstering its alliance with the United States.

If you look at the balance sheet from the U.S. side, you also see a mix of pluses and minuses. As seen from Washington, Japan's new assertiveness represents an important contribution to long-term United States efforts to preserve a favorable balance of power in east Asia.

The ongoing repositioning of United States forces to increase their flexibility while decreasing friction with host nations, the forward deployment of more air and naval assets to Guam, enhancements in strategic cooperation with Australia and Singapore and outside the region the development of a new and promising relationship with India are all positive developments.

While the task will likely become more difficult as China's power grows, for the moment at least the United States is doing well at maintaining a satisfactory balance of power.

The success of the engagement half of American strategy is I think more open to question. Trade and talk are good things to be sure, but in the case of relations between the United States and China they cannot be regarded merely as ends in themselves.

While it is too early to reach any definitive judgment, there are, as I have already suggested, reasons to question the extent to which China has truly become a responsible stakeholder in the contemporary international system. Certainly if Beijing fails to do all it can to stop the spread of nuclear weapons to regimes as dangerous as those in Pyongyang and Tehran, this characterization will be increasingly difficult to sustain.

As to the current character of China's political regime, I think there is little good news to report. China's current rulers face a multitude of domestic challenges, but they have thus far shown no inclination to loosen their grip on political power.

Indeed, to the contrary, in recent years the Communist Party leadership has redoubled its efforts to control the internet and the foreign press, crack down on dissidents, to regulate non-governmental organizations and to prevent the emergence of any group or movement that could challenge its authority.

Economic growth has raised the living standards on average of Chinese people, but it does not appear yet to have created an irresistible upsurge in demand for political rights. The PRC is getting

richer and stronger and more powerful in every respect, but it shows few signs of becoming freer. The gamble that is at the heart of American strategy for dealing with China has yet to pay off.

In closing, let me just briefly note two sets of issues that I think require particular attention from policy makers. On the balancing side of United States policy, despite all the progress that has been made in strengthening the United States-Japan alliance it certainly cannot be taken for granted and will require continual tending, especially as Prime Minister Koizumi leaves office and his successor comes to power.

In my view, worries about resurgent Japanese nationalism are greatly overstated. Nevertheless, the fact remains that Tokyo's failure to deal adequately with the history issue has made it easier for China to keep Japan isolated and off balance.

Finding ways to repair and strengthen the U.S.-ROK alliance and to rebuild relations between Tokyo and Seoul have become I think matters of considerable urgency. More broadly, the United States should be seeking to encourage greater strategic cooperation among all of Asia's democracies.

On the engagement side of the equation, finally, I think we have to ask the question what are the indicators that we might set of success or failure? How should we measure the extent to which China has in fact or is in fact becoming a responsible stakeholder, whereas moving toward meaningful political reform?

If we don't talk about what those indicators are ahead of time, we are at risk of constantly accepting some downgrading in our expectations and moving the markers further and further out into the future.

Last, what, if anything, can we do to ensure that our policies encourage rather than impede this kind of progress?

[The prepared statement of Mr. Friedberg follows:]

PREPARED STATEMENT OF AARON L. FRIEDBERG, PH.D., PROFESSOR OF POLITICS AND INTERNATIONAL AFFAIRS, WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS

Introduction

Thank you for giving me the opportunity to testify before this Subcommittee. I am delighted and honored to be here.

I have been asked to offer my assessment of the broad strategic environment in Northeast Asia and to comment on the issues that should receive priority attention from U.S. policymakers.

I would like to respond by focusing on what seems to me to be the most essential piece of that large, complex, and critically important region, namely the relationship between the United States and the People's Republic of China. I believe that, over the course of the next several decades, the state of our relations with China will go a long way to determining, not only the peace and stability of Northeast Asia, but of the entire planet.

A mixed relationship

The U.S.-China relationship is clearly mixed. As has been true since the end of the Cold war, the relationship contains elements of competition as well as cooperation.

On the one hand, the two Pacific powers have entered into an increasingly deep and, on balance, mutually beneficial economic relationship. The overall diplomatic climate is generally warm, with frequent high level visits by top officials, and ongoing discussions about how best to deal with a variety of issues, from currency valuation and intellectual property rights, to terrorism, proliferation, and the continuing nuclear standoffs with North Korea and Iran. The links between our two societies—

the two-way flows of students, scientists, business-people and tourists—are also denser and more varied than they have ever been.

At the same time, however, there are obviously elements of contention and friction. As recent disputes over trade issues remind us, increasing economic interdependence between two countries does not always lead to higher levels of amity and trust but can instead be a cause of controversy and resentment. The U.S. government remains troubled by what it perceives to be abuses of human rights in China, including denial of freedom of political expression and religious practice. (The Chinese government, of course, regards expressions of American concern on these issues as cynical ploys designed to embarrass and weaken it.) Albeit still in a comparatively low key way, the United States and China are already engaged in a military rivalry with one another, in the sense that both are beginning to shape their forces and strategies with an eye towards possible future conflict. Tensions over Taiwan are lower than they were a few years ago, but the issue remains unresolved and potentially dangerous. And, despite all the talk about converging interests and good relations, the Washington and Beijing are involved in an increasingly far-flung competition for diplomatic leverage and political influence, both in Asia and beyond, as China begins to use its growing economic weight to try to win friends and shape events in the Middle East, Africa, Latin America and Europe.

U.S. strategy

U.S. policy for dealing with China has been a subject of debate and disagreement over the past fifteen years, but since the early 1990s it has actually been fairly consistent.

Current strategy consists of two essential components:

This administration, like its predecessors, is deeply committed to a policy of engaging China, economically, diplomatically, and in expanding contacts between the two societies.

At the same time, the United States remains determined to maintain what this administration has labeled “a balance of power that favors freedom” in Asia, as in other parts of the world. What this means in practice is that the U.S. has sought to preserve, and where possible to strengthen its traditional alliances in Asia (most notably those with its long-standing allies: Japan, South Korea, and Australia); to develop new cooperative relationships with other strategic partners (including Singapore and, most recently, India); and to enhance our capability to project and sustain military power into the region through a variety of measures, including the consolidation and repositioning of forces based on allied soil, and the expansion of bases and facilities on U.S.-controlled territory. These measures are intended to leave the U.S. military better prepared to deal with a variety of contingencies, including a possible deterioration in relations with an increasingly powerful and ambitious China.

In the near to medium term, the goal of U.S. strategy is to create conditions that will encourage China to become what former Deputy Secretary of State Robert Zoellick referred to last year as “a responsible stakeholder” in the current international system. As they become ever more deeply enmeshed in trade, international institutions, and cooperative relations with others, China’s current leaders should see that they have much more to gain by upholding the status quo than by attempting to overturn it through force or coercion.

In the longer run, U.S. leaders clearly hope that engagement will help promote a fundamental change in the character of the current Chinese regime: away from one-party authoritarian rule and towards liberal democracy. As China grows richer the hope is that it will also become more open politically. This is a goal that Americans sometimes tend to regard as benign and uncontroversial, even though its achievement would clearly threaten the power and privileges of the unelected Communist Party elite that still rules China.

Chinese strategy

We do not know nearly enough about Chinese strategy, nor about how the country’s current leaders define their objectives, especially in the long term.

My own view is that current Chinese strategy can be summed up in three axioms:

First, *avoid conflict*, especially with the United States. Many in the Chinese leadership are deeply suspicious of American intentions. They believe that, behind the friendly smiles and upbeat rhetoric, the United States is out to contain China and ultimately either to transform its system of government or to undermine its stability. The collapse of the Soviet Union left the United States as the world’s most powerful nation, a position it is likely to hold for some time to come. If China is to continue to rise, its leaders will have to navigate through a period of comparative weakness and vulnerability that could last for several more decades. A sharp wors-

ening of relations with the United States, to say nothing of open conflict, would be extremely dangerous for China, disrupting plans for continued development and even risking a humiliating defeat. For this reason it is essential to maintain strong ties and good relations with Washington.

Second, *build 'comprehensive national power.'* This is the aggregate measure of economic, technological, military, diplomatic and "soft" power that Chinese strategists use to assess the relative strengths of nations. China's current emphasis on promoting economic development is aimed at improving the welfare of its citizens, but also at enhancing the nation's strength and its ability to defend and advance its interests in Asia and beyond.

Third, *advance incrementally.* In part because of their assessment of American power and intentions, Chinese strategists do not appear to believe that they can simply sit back and wait while they pursue domestic development. While seeking to avoid any moves that would provoke dangerous responses from the U.S. or China's neighbors, Beijing is nevertheless attempting to expand its influence and strengthen its position, while simultaneously weakening that of the United States. The recent shift in American attention away from Asia and the prospects of a "peer competitor" and towards the challenges of terror and Middle East turmoil, has proved new opportunities in this regard.

China's current rulers aim to preserve and protect the leading role of the Communist Party. This requires avoiding (or suppressing) domestic upheavals while at the same time fending off potential external threats. Included here are developments that might challenge the legitimacy of CCP rule (such as a Taiwanese declaration of independence) or increase the danger of outside support for internal subversion (such as the establishment of a radical Islamic republic in Central Asia, or a unified, U.S.-oriented democracy on the Korean peninsula).

In the long run, China's leaders likely hope to establish their country as the preponderant power in East Asia. This will involve continuing to increase their own capabilities and influence, even as they seek to constrict America's presence and weaken its long-standing alliances.

Net assessment

In recent years, Beijing has clearly made significant progress on at least two parts of its three-pronged strategy.

Regarding the accumulation of comprehensive national power: China's economic growth continues at an impressive pace, the development of its military capabilities has, in many respects, been faster than most observers anticipated only a few years ago, and its international prestige is probably higher today than it has ever been.

Especially since 9/11, China has been extremely successful in cultivating good relations with the United States. Beijing has managed to win hopeful appreciation from Washington for its expressed willingness to help confront the dangers of terrorism and nuclear proliferation. To date, however, it has not actually done very much to deal with the most urgent aspects of either problem. On the North Korean nuclear issue, most notably, China has hosted talks and applied periodic, mild pressure to Pyongyang, but it has been unwilling to use more than a fraction of its potential leverage to bring the crisis to a successful resolution. (Beijing has thus far been even less helpful regarding Iran.)

China's efforts to expand its influence in East Asia while constraining that of the United States have met with mixed results. On the plus side (from Beijing's perspective) the U.S.-ROK alliance has grown weaker under the strains of the nuclear crisis, while China's economic and diplomatic links with Seoul have grown stronger. For a variety of reasons, the U.S.-Taiwan relationship has also deteriorated in recent years, while China has gained ground in its attempts to shape an eventual settlement through a mix of threats and inducements. Somewhat further afield, Beijing has used a combination of market power and deft diplomacy to raise its profile in Southeast Asia. Finally, with the launch of the so-called East Asia Summit, China has taken the first significant steps towards building an alternative regional institutional structure, one from which the U.S. is conspicuously excluded. Offsetting and to a certain extent overshadowing all of this is the marked deterioration in relations between China and Japan that has taken place in the past five years. Thanks in no small part to Beijing's bullying, and its continuing military buildup, Japan has taken significant steps towards becoming a "normal nation," increasing its own defensive capabilities and bolstering its alliance with the United States.

The balance sheet for American strategy is also mixed. As seen from Washington, Japan's new assertiveness represents an important contribution to long-term U.S. efforts to preserve a favorable balance of power in East Asia. The ongoing repositioning of U.S. forces to increase their flexibility while decreasing friction with host nations, the forward deployment of more air and naval assets to Guam, en-

hancements in strategic cooperation with Australia and Singapore stimulated in the first instance by the war on terror and, outside the region, the development of a new and promising relationship with India, are all positive developments. While the task will become more difficult as China's power grows, for the moment, at least, the United States is doing well at maintaining a satisfactory regional military balance.

The success of the engagement half of American strategy for dealing with a rising China is more open to question. Trade and talk are good things, to be sure, but in the case of relations between the U.S. and China they cannot be regarded merely as ends in themselves. While it is too early to reach any definitive judgment, there are, as I have already suggested, reasons to question the extent to which China has truly become a "responsible stakeholder" in the contemporary international system. Certainly if Beijing fails to do all it can to stop the spread of nuclear weapons to regimes as dangerous as those in Pyongyang and Tehran, this characterization will be increasingly difficult to sustain.

As to the character of China's political regime, there is little good news to report. China's current rulers face a multitude of domestic challenges, but they have thus far shown no inclination to loosen their grip on political power. Indeed, to the contrary, in recent years the Communist Party leadership has redoubled its efforts to control the internet and the foreign press, crack down on dissidents, regulate non-governmental organizations, and prevent the emergence of any group or movement that could challenge its authority. Economic growth has raised the living standards of China's people, but it does not appear yet to have created an irresistible upsurge in demand for political rights. The PRC is getting richer and stronger, but it shows few signs of becoming freer. The gamble that is at the heart of America's China strategy has yet to pay off.

Critical issues

In closing let me note two issues that require particular attention from policy-makers:

Despite all the progress that has been made in strengthening the U.S.-Japan alliance, it cannot be taken for granted and will require continual tending, especially as Prime Minister Koizumi leaves office and his successor comes to power. Worries about resurgent Japanese nationalism are, in my view, greatly overstated. Still, the fact remains that Tokyo's failure to deal adequately with the history issue has made it easier for China to keep Japan isolated and off-balance.

Finding ways to repair the U.S.-ROK alliance, and to rebuild relations between Tokyo and Seoul, have become matters of considerable urgency. More broadly, the U.S. should seek to encourage greater strategic cooperation among all of Asia's democracies.

Mr. LEACH. Thank you, Dr. Friedberg.
Dr. Pollack?

STATEMENT OF JONATHAN D. POLLACK, PH.D., PROFESSOR OF ASIAN AND PACIFIC STUDIES, STRATEGIC RESEARCH DEPARTMENT, CENTER FOR NAVAL WARFARE STUDIES, NAVAL WAR COLLEGE

Mr. POLLACK. Thank you very much. I want to thank the Subcommittee for the opportunity to share my views on U.S. regional strategy this morning, which I have spelled out more fully in the written statement that I provided.

Let me emphasize that these are my personal views. They are not the views or should not be attributed to the U.S. Government, the Department of Defense or the Naval War College.

The Asia-Pacific region has entered a period of transition and potentially lasting transformation with northeast Asia at the epicenter of these changes. The stakes for the United States could hardly be higher. When we include the United States as part of the regional equation, northeast Asia encompasses four of the world's 10 largest economies and three of the top four.

Three of the world's established nuclear weapons states interact here, and a fourth state, North Korea, now also claims nuclear

weapons status. Others, most notably Japan, are clearly capable of undertaking a nuclear program as well, and some prominent Japanese, most notably and recently former Prime Minister Nakasone, are now urging that this possibility be “studied.”

The conventional capabilities of nearly all regional actors continue to be enhanced with many now able to extend their military power beyond the simple defense of the homeland. There are, moreover, inherent risks, ongoing risks of highly destructive conflicts on the Korean peninsula and across the Taiwan Strait and an incipient maritime rivalry between China and Japan. Any armed conflict or severe crisis could have devastating effects on the global economy, including the disruption of commerce and potentially of energy flows.

We should not lose sight of this region’s extraordinary economic and political successes, ones that have greatly benefitted the United States. Where the region was once vulnerable and hugely dependent on American power, we now see growing stability, confidence and capability with states increasingly able to articulate and pursue their own interests. There has not been an acute military crisis in the region for decades.

The region’s economic success, though at times engendering complex disputes between the United States and its major trading partners, has enabled extraordinary transitions within various societies, including prosperity and stability where both were previously lacking.

This is all the good news. Where does northeast Asia go from here, and what is the role of American power in a transformed region? As I see it, underlying the changes that we observe here across all states is heightened national identity and growing expectations of citizens that their country’s leaders will defend their interests and protect their security and well-being.

The challenge, however, is that northeast Asia traditionally relied on a United States-dominated so-called hub and spokes security system. This system is largely a legacy of the Cold War and needs to be rethought. If the system is to be supplanted, however, what will replace it, and how does the United States ensure that its interests are protected in this context?

On these questions I am less confident of the answers. The United States, as we all know, has been hugely preoccupied in Iraq and Afghanistan and elsewhere in the Islamic world. As a consequence, there has been a very episodic, even distracted quality to much of America’s regional strategy and diplomacy. This has not escaped the region’s notice.

Though all are mindful of American power and though no one doubts the United States’ capability to amass extraordinary military capabilities in the event of an acute crisis, this capability does not guarantee subordination or deference to American policy preferences. All regional actors, including our allies, are intent one way or another on enhancing their autonomy and redefining their strategic identities, including their relationship with the United States.

It is therefore incumbent on the United States to devise a larger regional strategy that can harness disparate national identities to shared purpose or at least move toward complementary reinforcing political, economic and security goals.

This process must begin with China and Japan. China's political, economic and military ascendance of the past several decades and Japan's economic recovery and increased political self-confidence of the past few years constitute the largest changes in northeast Asia.

Both are major powers. Though Japan is clearly closely linked to the United States by treaty and by history and by the character of its political system, both seek more equitable long-term relationships with the United States. Both want seats at the great power table.

Amidst their respective strivings, there is a growing risk of an incipient power rivalry between China and Japan that could increasingly dominate regional politics and security. The United States, to be sure, has explicitly encouraged Japan's pursuit of normal power status, including revisions or reinterpretations of the U.S. written post war constitution that long precluded Tokyo from assuming a security role beyond the defense of the home islands.

By contrast, the United States voices continued wariness at what it sees as China's military modernization and larger strategic goals, even as China deems these pursuits entirely commensurate with its increased international role and its economic advancement.

The United States therefore finds itself uneasily positioned between two major powers in east Asia. It must seek I think as a long-term goal the simultaneous legitimation of the role of both states at the great power table, which will ultimately entail not only seats at the table, but a capacity for both to shape global politics, economics and security in the 21st century.

It is true that we have this notion of the responsible stakeholder, the presumption that China in particular has been a major beneficiary of the international system. No dispute there, but it does seem to me that these issues of transition go to the core of how much the United States is prepared to share international responsibilities at that notional table.

A China-Japan rivalry for regional dominance would be a disaster for American interests, and the United States, despite its close alliance ties with Japan, must actively seek to discourage any such possibility.

At the same time, the United States faces enormous challenges on the Korean peninsula, combining North Korea's nuclear weapons development and an increasing estrangement in the U.S.-ROK alliance. There is plenty of blame to be shared on both fronts for how these circumstances have come to pass, but there are shared incentives to mitigate the potential dangers and to avoid triggering a much larger crisis that could engulf the region.

Despite the enormous stakes involved for both regional security and for the nonproliferation regime and despite the explicit identification of the risks of nuclear proliferation as the preeminent danger to United States' national security strategy, our behavior in recent years has not matched our words. This, in my view, finds the situation much worse today than it was 5 years ago when a renewed nuclear weapons crisis first began to bubble up.

The United States, as all of us know, has been otherwise engaged. It is time, even amidst the upheaval that we still confront in the Islamic world, for a recalibration of American attention and

policy purpose to east Asia and to northeast Asia and not simply for the extreme crisis-driven scenarios.

The United States should not presume that northeast Asia will otherwise take care of itself, nor does the United States want to find itself on the outside looking in. The U.S. must therefore re-dedicate itself to patient and determined efforts to shape a more collaborative regional order where competition and rivalry can be kept bounded and where regional states move toward a more mature and stable order in which the United States constitutes a full and effective presence.

Without such efforts, we may well look back at this period of transition where we were not present at the creation of changes potentially as consequential as those that marked the emergence of containment in the Cold War.

Thank you for your time and attention. I look forward to your questions.

[The prepared statement of Mr. Pollack follows:]

PREPARED STATEMENT OF JONATHAN D. POLLACK, PH.D., PROFESSOR OF ASIAN AND PACIFIC STUDIES, STRATEGIC RESEARCH DEPARTMENT, CENTER FOR NAVAL WARFARE STUDIES, NAVAL WAR COLLEGE

(The views in this testimony are entirely my own, and should not be attributed to the U.S. Government, the Department of Defense, or the Naval War College.)

Northeast Asia is undergoing a major strategic realignment. The sources of change vary from system to system, but heightened nationalism within each country's internal politics is consistent across all of them. A fundamental challenge confronting US policy makers is to understand the sources of national identity and cohesion, even as they differ from case to case. Nationalism often gets a bad press, but it need not, especially if it can be harnessed to credible policy goals. But it is critically important that the United States grasp how US strategies filter through the prism of different national identities, thereby affecting whether leaders actively collaborate with the US, pursue more measured, conditional engagement, or overtly oppose American policy. Such understanding seems essential if the United States, already hugely burdened by its involvements in the Islamic world, is not to run afoul of potentially volatile internal forces within various regional states.

The evidence of heightened national identities is incontestable. China, Japan, both Koreas, and Russia (some more seriously than others) are all seeking to redefine their roles in regional politics, economics, and security. Though the contours of a new regional order remain subject to major uncertainties and risks, Northeast Asia over the longer term seems likely to assume a more regional flavor than was evident during the Cold War. The US will still be deeply enmeshed in regional politics, economics, security, and technological development, but in a geographic sense it will remain an outsider. When Northeast Asia was far weaker and more vulnerable, the American presence (especially the US military presence) was not open to serious question. This era is passing, but this attests to American policy success, not to failure. As indigenous identities, self confidence, capabilities, and competence grow, it begs an obvious question: how does the United States reconfigure its regional role to ensure that American strategic interests are protected, and that US influence does not diminish as Northeast Asia increasingly comes of age?

This challenge will not be met by reinventing past policies. The Cold War may have ended a decade and a half ago, but many of its vestiges have persisted in Northeast Asia, even when they have long outlived their utility. An American-designed "hub and spokes" system long defined regional security, but these bilateral arrangements are demonstrably insufficient to address the transition and transformation under way in Northeast Asia, including the potential for a larger crisis related to North Korea's pursuit of nuclear weapons. With the United States still deeply preoccupied by events in Iraq, Afghanistan, and elsewhere in the Islamic world, American attention to the region seems episodic and distracted, and hardly commensurate with the strategic stakes for US interests. For example, the heated debate in South Korea over return of operational control of the ROK's armed forces from Washington to Seoul, though unhelpfully embroiled in Korean internal politics, reflects a long-deferred issue that touches on deeply held beliefs about sovereignty

and national autonomy. Past policies cannot simply be jettisoned; they need to be supplanted by approaches that are viable in a domestic context within various societies, and provide clear incentives for regional actors to sustain collaboration with the United States, rather than pursue alternatives to close ties with the United States.

The strategic stakes for the United States across Northeast Asia could hardly be higher. According to OECD data, four of the world's ten largest economies (the US, Japan, China, and South Korea) are present in Northeast Asia, including those ranking first, second, and fourth in aggregate national power. Moreover, these societies constitute some of the principal engines of growth in the global economy. The immediate security implications are at least as pronounced. Three of the world's long established nuclear powers (the US, Russia, and China) interact here. North Korea also claims standing as a nuclear weapons state, potentially triggering reassessment of the non-nuclear policies of other states, most notably Japan. The strategic reach and conventional military capacities of various regional actors continue to grow, all largely in the absence of discernible arrangements to inhibit power rivalries or limit the potential risks of armed conflict. The consequences of a major political-military crisis or of renewed warfare in the region for the global economy would be unimaginable.

The states of Northeast Asia, moreover, are no longer passive or compliant, simply waiting for America to decide and to act. China's quest for wealth and power and Japan's more assertive international role are at the center of such change, but all regional states are seeking to enhance their autonomy and assert their political and strategic identities. There is undoubted respect for American power (especially American military power), but this does not imply automatic subordination or deference to American policy preferences. Though none dispute the singularity of America's global reach, US military power cannot stand alone as an instrument of American influence. The United States still looms very large in regional policy calculations, but all regional states seem intent on redefining their relationship with American power. The United States must therefore devise a larger regional strategy that can harness disparate national identities and capabilities to shared or complementary ends. It is easier said than done.

The ascendance of China and the recovery of Japan constitute the largest changes in Northeast Asia. Beijing's development-oriented policies now span almost three decades, which constitutes nearly half the political life of the People's Republic of China. Various US officials characterize China as a state facing a "strategic crossroads," but this label must seem oddly quaint to China's citizens and leadership and to the region as a whole. China's leaders long ago decided to pursue the comprehensive enhancement of national power and market-oriented development; this is not a decision that still hangs in the balance, as implied by the above label. China has not employed military force on a significant scale since its attack on northern Vietnam in the spring of 1979, and its leaders seem increasingly mindful of the risks and liabilities that would be entailed in resuming coercive strategies. Beijing enjoys ever more enhanced ties with every state of consequence in the international system. It has resolved or amply diminished border disputes with nearly all its continental neighbors, though maritime rivalries persist, especially with Japan. China's economic, political, and military centrality is acknowledged and accepted virtually without exception. Moreover, China continues to pursue national development without a declared major threat, and with no evident interest in acquiring one, even as it steadily builds a more credible, modernized military capability. Pronounced unease about "China's rise" is limited principally to the US and Japan (with Taiwan as a special case), even as all three largely exempt economic ties from these expressed concerns.

Following a decade and a half of stagnation and contraction, Japan is experiencing an economic recovery and is vigorously pursuing a more meaningful political identity. Renewed growth is attributable in part to privatization and enhanced economic efficiency, but even more to greatly expanded economic links with China. Japan, first under Prime Minister Junichiro Koizumi and very shortly under his presumptive successor, Shinzo Abe, is assuming a much more engaged international role, with this activism explicitly endorsed and encouraged by the United States. The US-Japan alliance may be achieving new heights, but there has been no commensurate rise in Japan's influence in East Asia. Tokyo voices increasing anxiety about developments in both Korea and in China, and all three states exhibit comparable wariness or outright animosity toward Tokyo. This creates a growing possibility of an imbalanced Japanese strategy—i.e., one that draws Tokyo ever closer to the United States while being explicitly or potentially alienated from its neighbors. This is not a formula for longer-term regional stability, nor is it one that advances longer-term US or Japanese interests.

The United States therefore finds itself uneasily positioned between East Asia's two major powers. Though America's natural affinities align with a democratic Japan that is emerging as a "normal power," the appeal of relying on Japan as a presumptive balancer of an ascendant China is more illusory than real. Washington cannot expect to effect longer term regional stability without a durable accommodation with China as a fully legitimated major power. Though characterizing China (in the words of former Deputy Secretary of State Robert Zoellick) as a "responsible stakeholder" would seem to move US policy in such a direction, the United States in a longer run sense will not be able to pick and choose which dimensions of China's pursuit of major power status are acceptable or unacceptable. Beijing seeks an unquestioned seat at the table, not simply a notional one, and Tokyo's goal seems much the same. Indeed, despite prevailing Sino-Japanese animosities, the only realistic alternative is for both countries to seek a tolerable equilibrium in bilateral relations, on the assumption that neither opts for an adversarial strategy toward the other. Though some US strategists anticipate and almost seem to welcome a contest between China and Japan for regional dominance, this would be a disaster for American interests, and the United States should actively seek to discourage these possibilities.

China is ever more an arrived power, and it is not realistic to assume that the US will somehow be able to deny China such status. The Bush Administration increasingly recognizes that as China's economic and political reach continue to grow and diversify, there is an ever larger need for multiple channels for high level policy interaction and coordination. These extend to a growing web of consultative arrangements on economics, science and technology, energy development, and (to a lesser but growing degree) military to military relations. These mechanisms include the establishment of a semi-annual US-China Strategic Economic Dialogue, announced on September 20 during Treasury Secretary Paulson's visit to Beijing. But there is an incompleteness and tentativeness to this accommodation. The Bush Administration and the Congress continue to voice major dissatisfaction about many areas of Chinese policy, at least as they are perceived by the United States. In the prevailing critique, the United States claims that China's long-term "strategic intentions" remain unknown; that China lacks transparency in its defense goals and programs; that its military build-up is "outsized" and therefore disproportionate to the presumed challenges to Chinese security; that China is pursuing a neomercantilist strategy, especially with respect to energy resources; that China's economy (despite its membership in the World Trade Organization) is insufficiently rule-based and skewed in Beijing's favor by an undervalued currency; and that China continues to deny its citizens their legitimate rights, open access to information, and unhampered pursuit of their political aspirations. As a consequence, the United States continues to pursue an engagement strategy with China, but with a declared hedge as a strategic alternative should more optimistic renderings of China's longer-term relations with the United States not materialize.

Time does not permit a detailed rendering of the Chinese rebuttal to these criticisms; suffice it to say that many Chinese (and not simply government officials) would object to most of them. Indeed, Chinese strategic observers offer a parallel critique focused on American strategies toward China. There is an abiding Chinese wariness about US strategic intentions that resonates with American unease about China's rapid development. At bottom, most politically attentive Chinese believe that the US is not prepared to accord China full legitimacy and acceptance as a major power. As a consequence, even as China seems intent on keeping its powder dry, the leadership has concluded that it must have the capability to protect Chinese vital interests in the face of either benign or malign possibilities, including the appreciable enhancement of Chinese military capabilities. A darker view is that the United States actively conspires to keep China divided and weak. But this argument seems forced in the context of a US \$200 billion bilateral trade deficit (though much of this deficit is attributable to exports of US multinationals based in China), burgeoning US foreign direct investment in China, and the major role of American universities in educating Chinese students, both in China and in the US.

The mainstream view in China continues to favor cooperation and enhanced ties with the United States, irrespective of underlying suspicions about longer-term US intentions. Beijing continues to pursue a "walking on two legs" strategy—i.e., keeping off America's strategic radar screen and fostering collaborative ties wherever possible, while diversifying China's political and economic options and developing sufficient military capabilities to inhibit any use of US power against China's vital interests. In essence, Beijing is pursuing an "engagement and hedging" strategy of its own. This encompasses "market tests" of Beijing's indigenously-developed political and security concepts, premised on efforts to diminish regional tensions wherever feasible, and avoiding any test of wills with the United States. In addition,

China now regularly asserts that it has no intention to undermine US military deployments or alliance strategies in East Asia, provided that US strategies are not directed against China. At the same time, Beijing has steadily but unmistakably redefined its strategy toward Taiwan, insisting that it seeks to forestall permanent separation between Taiwan and the mainland, not compel national unification. In their totality, these policies comprise China's alternative to threat-based planning, even as this alternative does not place any limitations on China's pursuit of longer-term military development.

As seen from Beijing, this strategy has enabled China to successfully manage but not fully inhibit the exercise of American power in the West Pacific. However, the threat of Taiwan independence has been reduced; the role of Taiwan's president Chen Shui-bian has been marginalized; and the Chinese Communist Party (through its normalized ties with Taiwan's leading opposition parties) has been able to insert itself into the island's domestic politics. At the same time, China has made steady inroads with key long-term US allies (most notably, South Korea and Australia), both of whom view ever larger political and economic ties with Beijing as integral to their future national strategies. Thus, an ascendant Japan (encouraged and abetted by Washington) looms as China's primary external political and security challenge.

Despite the clear US focus on China's international behavior, internal challenges and uncertainties weigh much heavier on Chinese leadership calculations. Senior leaders, beginning with President Hu Jintao, explicitly recognize that a host of internal problems—encompassing income inequality, corruption, societal alienation, environmental degradation, and latent instability within the population—constitute far more pressing threats to their hold on power than any prospective external challenges. China is governed by a technically competent but largely risk-averse leadership that seeks above all to avoid abrupt surprises or shocks to the Chinese system, thereby endeavoring to keep a lid on the possibility of “bottom up” pressures for change. The leadership therefore faces two simultaneous challenges: can the Chinese Communist Party deflect heightened pressures for internal change and manage a restive society? And can the leadership cope with unforeseen events and the loss of information control without undermining China's continued economic success?

But leaders in Beijing understand keenly that external uncertainties and risks could also impinge in a major way on internal stability and development. Four major questions loom. Can China avoid renewed regional polarization that would limit its modernization prospects? Can China (in conjunction with the US and Japan) devise “rules of engagement” in areas of potential conflict? Can China move toward durable security understandings (i.e., mutually agreed restraints on the exercise of military power) with both its continental and maritime neighbors? And can China prevent or avert a strategic breakdown or major crisis that destabilizes the region and undermines the prospects for national development?

The latent possibilities of an acute crisis related to Taiwan or to North Korea's nuclear weapons development loom as the largest concerns. Both cases highlight the inherent limits and potential liabilities of the United States and China proceeding in largely autonomous fashion, without developing mechanisms for addressing and managing the risks that a major crisis would pose to both states. For example, if it ultimately proves impossible to prevent North Korea from more fully pursuing a nuclear weapons capability, an additional risk is that the “blame game” will begin in earnest, when the US and China should be far more perturbed by the North's overt nuclearization and focused on mitigating the potential consequences. Moreover, there would be ample collective responsibility for failing to prevent nuclear weapons development in the North. Finger pointing will do no good, and could well deflect attention away from Pyongyang's actions and the acute risks they would pose to the region as a whole.

Though the Bush Administration has undertaken significant steps to stabilize and advance Sino-American political, economic, and security relations, far larger efforts have focused on reconfiguring the US-Japan alliance. The United States has explicitly encouraged Japan's pursuit of “normal power” status, thereby seeking to directly influence Japanese internal debate. Washington deems such changes wholly inappropriate and long overdue. Tokyo therefore remains America's unquestioned “partner of choice.” By contrast, the US alliance with the South Korea continues to experience acute strain and its future prospects seem increasingly uncertain. Heightened Korean nationalism is therefore viewed as undermining political and security collaboration with the United States, whereas heightened Japanese nationalism is viewed as advancing the possibilities for alliance cohesion. Enhanced alliance bonds with Washington provide Tokyo ample political cover for an enhanced, more outwardly oriented defense capability, even as they also advance the administration's policy goals. The Bush Administration clearly seeks Japan's operational

enmeshment in US global defense planning, beginning with much augmented US access to Japanese facilities and bases. North Korea's July 2006 ballistic missile tests have made this transition "easier," providing Tokyo with additional running room in pursuit of more assertive policies and more autonomous capabilities.

When weighed against the DoD's declared need to deploy American air and naval power in and through the West Pacific, the gains for US military strategy are self evident. But there are clear political liabilities and costs in a regional context. Japan's internal political realignment has not garnered acceptance or enhanced legitimacy for Tokyo within East Asia; if anything, it has undermined it. A Japan that remains alienated from its neighbors will not be able to assume a regional role commensurate with its national power and aspirations, and that the United States clearly seeks to advance. A major looming test of the post-Koizumi era is whether Japan will be able to reestablish its legitimacy in regional politics and security, either by its own efforts or with the encouragement of the United States. Does the US urge a larger Japanese effort at regional reconciliation as Tokyo advances toward more "normal nation" status, or does the US (perceiving clear benefits to US interests) continue to opt for a Japan-dominated US regional strategy, no matter what the potential liabilities and limitations these entail elsewhere in Northeast Asia?

In recent years, with the United States preoccupied by crises in the Islamic world, Northeast Asia has not received the sustained focus it unquestionably warrants. Yet the policy record of recent years suggests that the US lacks a larger regional strategy that would entail the ample commitment of the time and attention of senior policy makers. The explicit outsourcing of the North Korean nuclear issue to China, the degrading of the US-Korea alliance (no doubt in part given US unhappiness over President Roh Moo-hyun's open-ended accommodation with North Korea, despite Pyongyang's nuclear defiance), the singular attention to enhancing the alliance with Tokyo irrespective of regional reactions beg a larger issue: beyond immediate US defense planning requirements, is there an underlying concept that animates and integrates American regional strategy? Or is the United States largely content to let the political-security identities of China and Japan increasingly define Northeast Asia's future, with the US role characterized primarily by its proven capability to amass military power for a major regional contingency?

America's fundamental long-term interests would be ill served by a strategy skewed disproportionately to crisis planning, presuming that the region will somehow otherwise take care of itself. The United States does not want to find itself on the outside looking in. It needs to devote continued, diligent efforts to shaping the incentives of all regional states to move toward more mature, collaborative relations with one another, and in which the United States also constitutes a full and effective presence. Without such a US role, the states of Northeast Asia could well pursue unilateral advantage both in national strategies and in longer-term weapons development, thereby rendering the region as a whole far less predictable or stable. Avoiding such an outcome must remain a central US policy objective in a region of paramount importance to American political, economic, and security interests, which will only be realized through continued US engagement in all its forms.

Mr. LEACH. Thank you, Dr. Pollack.
Ambassador Schaffer?

STATEMENT OF THE HONORABLE TERESITA C. SCHAFFER, DIRECTOR, SOUTH ASIA PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Ambassador SCHAFFER. Mr. Chairman, I am delighted to share some thoughts on the strategic environment in Asia and the Pacific and the implications of key regional trends for U.S. policy toward the region, but may I start by thanking you for the warm welcome and for the recollection of our having worked together in one of my previous incarnations. It is good to see you sitting in the Chairman's seat.

While most of my remarks will address southern Asia, I think it is essential to look at this region in a larger Asian context. South Asia today is shaped, I would argue, by three principal trends. First, the rise of India and China, Asia's two giant powers; second,

the continuing danger of violent extremism; and, third, the rather mixed track record of the India-Pakistan dialogue.

I believe United States policy has been reasonably effective in addressing the rising of the two Asian giants. On the India-Pakistan relationship, United States impact has been modest, but positive. U.S. policy I think has been much less successful in dealing with violent extremism in the region.

On this last subject, our task is made much harder by the news that the U.S. Administration is looking for ways to continue abusive interrogations of detainees and by the perception that U.S. calls for democracy are highly selective.

Let me look at each of the big themes I have outlined in turn. The most important United States policy addressing India's rise to greater global prominence is the development of a strategic partnership with India. This is still a work in progress, but I think its chances of success are excellent.

The Administration describes the partnership as a long overdue understanding between two democracies. I agree, but I think it has a hard strategic justification as well. With China on the rise, as my two colleagues have eloquently outlined, Japan in some economic difficulty, the Korean peninsula volatile and uncharacteristically difficult relations between Seoul and Washington, the United States cannot afford to treat the other Asian giant as a secondary player.

Moreover, India has a new strategic convergence with the United States. Both countries have a strong interest in the security of the Indian Ocean, from the Straits of Hormuz to the Straits of Malacca. Some 65 percent of the world's oil supply goes through this area.

Nothing in this idea of a partnership with India implies hostility to China. Indeed, India is currently expanding its political and economic ties with China at an unprecedented rate, a development that can only contribute to the United States goal of a peaceful Asia, but it does make the idea of a serious relationship with India in an effort to bring our strategic views into alignment where that is possible, it makes this more important.

The United States and Indian Governments have built much of the bilateral infrastructure they need. Their security relationship has grown in ways I could not imagine during the earlier incarnation when I testified before this Subcommittee from a government perch.

The two navies, which had been the services most suspicious of one another 15 years ago, now have the closest strategic outlook. This reflects both countries' interest in protecting the oil lanes, but it also reflects a very effective expansion of military interaction.

Economic ties have grown as well. Two-way trade has risen by a factor of almost five since India introduced market-oriented economic policies in 1990. United States exports to India went up by over 20 percent last year.

The best and best known current illustration of the partnership the U.S. is trying to develop is the proposed United States-India agreement on civil nuclear cooperation. I am pleased that the enabling legislation passed the House with such a large bipartisan majority and hope it will soon pass the Senate as well. I know you

and I have disagreements on this, Mr. Chairman, but that is my view.

There is still work to do. New Delhi and Washington have barely begun to develop elements of a common vision of the world. This will involve tough discussions not just on the easy ones like the Indian Ocean, but also on issues where we differ, notably Iran. While democracy is a bond between us, democratic politics are going to be a complication in managing the relationship.

Our partnership has, in my view, two key strengths. First, it is based on common strategic interests, especially those touching Indian Ocean and Asian security. Second, it has been developed and supported by both major parties in both countries. This makes me optimistic about its prospects.

Moving to the second trend I raised, dealing with violent extremism is at the top of the Administration's foreign policy agenda, but U.S. policies in the region have been, in my view, less successful. Sadly, there are at least half a dozen relevant examples in the region, from the growing violence and danger of state failure in Afghanistan to the renewed war in Sri Lanka.

If you want to talk about Bangladesh, Mr. Crowley, I would be delighted to talk about that with you. I very much share the concerns you have expressed.

I would like to focus primarily on Pakistan. Our partnership with Pakistan is important, and President Musharraf has provided very important support for the vital United States antiterrorism effort. However, I believe we have not succeeded in getting all Pakistan's policy instruments lined up behind this effort. Antiterrorism runs into powerful resistance even among some of Musharraf's political allies, and we have not given support to the rebuilding of Pakistan's battered political institutions.

The tangled relationship between Pakistan's Afghan policy and its domestic politics illustrates the first two problems I just mentioned. President Musharraf wants Hamid Karzai's Government in Kabul to succeed. This is one of the highest priorities for the United States. However, Pakistani intelligence sources continue to maintain links with the Taliban insurgents who today represent the greatest threat to Karzai's Government.

Ending this involvement has now been complicated by the recent eruption of two longstanding problems. The first of these is the agreement ending the Pakistan army's effort, under United States pressure, to take control of the tribal area in Waziristan. That agreement leaves our adversaries with considerable freedom of action. It makes the government and the army look weak, and it fuels domestic political opposition to antiterrorism policies that are truly critical to U.S. interests.

The second recent crisis stems from the death of the Baloch leader, Akbar Bugti, apparently killed by the army, and from the government's decision to keep his family at arm's length during the funeral. These actions have added to the existing alienation in that troubled but resource-rich province.

A political reconciliation, coupled with improved mechanisms for giving Balochistan a higher share of revenues from the province's gas, would be the best possible backdrop for increasing the effectiveness of Pakistan's antiterrorism efforts. That, alas, seems far-

ther away than ever. I hope that the planned meeting among Presidents Bush, Musharraf and Karzai will address these issues with candor, as well as determination.

To make things worse, United States actions in the region and worldwide have led both supporters and opponents of the Pakistan Government to conclude that United States calls for democracy in the Muslim world are cynical and do not apply to Pakistan. I am sure this is not the message the Administration wanted to convey, but I think it is the message it has conveyed.

The United States has lost important opportunities to help Pakistan strengthen the institutions on which decent government depends. We looked the other way as Musharraf rode roughshod over his country's established political institutions. Pakistanis of all political stripes drew their own conclusions. Will next year's elections reverse this trend? The U.S. should be insisting on much better performance than we saw in last year's local election.

Anti-American sentiment is also at an all-time high, even among those who have traditionally been friends with the United States. The current debate in the United States on detainee legislation in which the United States Administration is working hard to retain the flexibility to conduct abusive interrogations is doing terrible damage. It leaves Pakistanis, and I would suspect many others, with the impression that our calls for human rights are hypocritical and that our adversaries' commendations of the United States may have a point.

The final trend I would like to address is the India-Pakistan relationship. The two countries have kept a ceasefire in Kashmir for nearly 3 years. Very good news. For over 2½ years they have kept a peace dialogue alive, but in recent months it has been far from healthy, and it badly needed an infusion of energy from the two leaders.

The joint announcement of President Musharraf and Prime Minister Manmohan Singh following their meeting in Harvara was certainly welcome news. The specific steps the two leaders pledged to take would all be valuable steps forward.

I am optimistic that some form of dialogue will survive, and United States diplomacy has been effective in reinforcing the two countries' determination to keep it going, but I unfortunately do not expect dramatic results. Both India and Pakistan would face domestic opposition if they made any significant policy changes, and without significant policy changes I fear there won't be significant results.

The United States, in summing up, is the most influential outside country in Asia. That comes through from both of my colleagues' testimony, and I will be very surprised if Catharin Dalpino disputes that. Our influence isn't infinite, and it differs from one issue to another, but I think we can influence how the balance of power develops in Asia. We can and should use that influence to secure Asian peace and prosperity.

The fight against extremism needs to be carried on chiefly by the governments and societies of the region, but the United States needs to support the development of stronger political institutions and to be much more sensitive to the widespread perception of U.S. hypocrisy.

A breakdown in India-Pakistan relations has greater potential for harm than any of the other contingencies I have mentioned. The United States has been very effective in crisis management in the past, but should not assume that what worked in the past will always work in the future. This is the hardest trend to influence. It will need more sustained attention from the United States than it has received in the recent past.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Schaffer follows:]

PREPARED STATEMENT OF THE HONORABLE TERESITA C. SCHAFFER, DIRECTOR,
SOUTH ASIA PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. Chairman, members of the Subcommittee, I am delighted to share some thoughts on the strategic environment in Asia and the Pacific and the implications of key regional trends for United States policy toward the region.

While most of my remarks will address southern Asia, I think it is essential to look at this region in a larger Asian context. South Asia today is shaped by three principal trends: first, the rise of India and China, Asia's two giant powers; second, the continuing danger of violent extremism; and third, the rather mixed track record of the India-Pakistan peace dialogue.

I believe U.S. policy has been reasonably effective in addressing the rise of the two Asian giants. On the India-Pakistan relationship, U.S. impact has been modest but positive. U.S. policy has been much less successful in dealing with violent extremism in the region. On this last subject, our task is made much harder by the news that the U.S. administration is looking for ways to continue abusive interrogations of detainees, and by the perception that U.S. calls for democracy are highly selective. Let me look at each of these areas in turn.

The most important U.S. policy addressing India's rise to greater global prominence is the development of a strategic partnership with India. This is still a work in progress, but its chances of success are excellent.

The Administration describes the partnership as a long-overdue understanding between two democracies. I agree, but it has a hard strategic justification as well. With China on the rise, Japan in economic trouble, the Korean peninsula volatile, and difficult relations between Seoul and Washington, the United States cannot afford to treat the other Asian giant as a secondary player. Moreover, India has a new strategic convergence with the United States. Both countries have a strong interest in the security of the Indian Ocean, from the straits of Hormuz to the straits of Malacca. Some 65 percent of the world's oil supply goes through this area. Nothing in this partnership implies hostility to China; indeed, India is currently expanding its political and economic ties with China at an unprecedented rate, a development that can only contribute to the U.S. goal of a peaceful Asia.

The U.S. and Indian governments have built much of the bilateral infrastructure they need. Their security relationship has grown in ways I could not imagine during my government career. The two navies, which were the services most suspicious of one another fifteen years ago, now have the closest strategic outlook. This reflects the strategic interest both countries have in protecting the oil lanes; it also reflects a very effective expansion of military interaction. Economic ties have grown as well. Two-way trade has risen by a factor of almost five since India introduced market-oriented economic policies in 1990; U.S. exports were up by over 20 percent last year.

The best current illustration of the partnership the U.S. is trying to develop is the proposed U.S.-India agreement on civil nuclear cooperation. I am delighted that the enabling legislation passed the House with such a large bipartisan majority, and hope it will soon pass the Senate.

There is still work to do. New Delhi and Washington have barely begun to develop some elements of a common vision of the world. This will involve tough discussions on some issues on which we differ, notably Iran. And while democracy is a bond, democratic politics can be a complication. But our partnership has two key strengths: first, it is based on common strategic interests, especially those touching Indian Ocean and Asian security; second, it has been developed and supported by both major parties in both countries. That makes me very optimistic about its prospects.

Moving to the second trend, dealing with violent extremism is at the top of the Administration's foreign policy agenda, but U.S. policies have been less successful. Sadly, there are at least half a dozen relevant examples in the region, from the

growing violence and danger of state failure in Afghanistan to the renewed war in Sri Lanka. But I will focus on Pakistan.

Our partnership with Pakistan is important, and President Musharraf has provided very important support for the vital U.S. anti-terrorism effort. However, I believe we have not succeeded in getting all of Pakistan's policy instruments lined up behind this effort; anti-terrorism runs into powerful resistance even among some of Musharraf's political allies; and we have not given enough support to the rebuilding of Pakistan's battered political institutions.

The tangled relationship between Pakistan's Afghan policy and its domestic politics illustrates the first two problems. President Musharraf wants Hamid Karzai's government to succeed, and this is one of the highest priorities for the United States. However, Pakistan intelligence sources continue to maintain links with the Taliban insurgents who today represent the greatest threat to Karzai's government.

Ending this involvement has now been complicated by the recent eruption of two longstanding problems. The first is the agreement ending the Pakistan army's effort, under U.S. pressure, to move into the tribal area in Waziristan. The agreement leaves our adversaries with considerable freedom of action. It makes the government and the army look weak, and it fuels domestic political opposition to critical anti-terrorism policies. The second recent crisis stems from the death of the Baloch leader Akbar Bugti, apparently killed by the army, and the government's decision to keep his family at arms length during the funeral. These actions have added to the existing alienation in that troubled but resource-rich province. A political reconciliation, coupled with improved mechanisms for giving Balochistan a higher share of revenues from the province's gas, would be the best backdrop for increasing the effectiveness of Pakistan's anti-terrorism efforts. That seems farther away than ever. I hope that the planned meeting among Presidents Bush, Musharraf and Karzai will address these issues with candor and determination.

To make things worse, U.S. actions in the region and worldwide have led both supporters and opponents of the Pakistan government to conclude that U.S. calls for democracy in the Muslim world are cynical—and that they don't apply to Pakistan. The United States has lost important opportunities to help Pakistan strengthen the institutions on which decent government depends. We looked the other way as Musharraf rode roughshod over his country's established political institutions. Pakistanis of all political stripes drew their own conclusions. Will next year's elections reverse this trend? The U.S. should insist on much better performance than we saw in the local elections.

Anti-American sentiment is also at an all-time high, even among those who have traditionally been our friends. The current debate on detainee legislation, in which the U.S. administration is working hard to retain the flexibility to conduct abusive interrogations, is doing terrible damage. It leaves Pakistanis (and many others) with the impression that our calls for human rights are hypocritical, and that our adversaries' condemnations of the U.S. have a point.

The final trend I'd like to address is the India-Pakistan relationship. The two countries have kept a ceasefire in Kashmir for nearly three years. For over 2 1/2 years, they have kept a peace dialogue alive, but in recent months it has been far from healthy, and it badly needed an infusion of energy from the two leaders. The joint announcement of President Musharraf and Prime Minister Manmohan Singh following their meeting in Havana could not have come at a better time. The specific steps the two leaders have pledged to take would all be valuable steps forward. I am optimistic that some form of dialogue will survive. U.S. diplomacy has been effective in reinforcing the two countries' determination to keep it going. But I do not expect dramatic results. Both India and Pakistan would face domestic opposition if they made any significant policy changes; and without significant policy changes, there will be no significant results.

The U.S. is the most influential outside country in Asia. I believe we can influence how the balance of power develops in that region. We can and should use that influence to make Asia a more peaceful and prosperous region. The fight against extremism needs to be carried on by the governments and the societies of the region. The U.S. needs to support the development of stronger political institutions in the region, and to be much more sensitive to the widespread perception of U.S. hypocrisy. A breakdown in India-Pakistan relations has greater potential for harm than almost any other contingency. The U.S. has been effective in crisis management in the past, but should not assume that the techniques of the past will work in the future. This is the hardest trend to influence, and will need more sustained attention in the future.

Mr. LEACH. Thank you very much, Ambassador.
Ms. Dalpino?

STATEMENT OF MS. CATHARIN E. DALPINO, VISITING ASSOCIATE PROFESSOR OF SOUTHEAST ASIAN STUDIES, EDMUND A. WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Ms. DALPINO. Thank you, Mr. Chairman. I appreciate the invitation to speak, and I appreciate your including southeast Asia in this important discussion.

I would like to talk about new power dynamics in the region, which largely converge around China's new role in southeast Asia, the role of other rising powers, a couple of bilateral challenges the United States has and U.S. policy toward ASEAN.

I would very much like to discuss the present Thai situation perhaps in a question and answer period. It is a very complicated one and a challenge to United States policy.

It is obvious that in the past 15 years China has forged a new relationship with southeast Asia in every possible direction, and they were aided in great part in that by the Asian economic crisis in 1997–1998. They appear to have a complex set of policy goals in the region. Much of their trade and assistance is intended to increase access to the region's natural resources and to fuel domestic Chinese development, primarily in the southern province of Yunnan, which abuts southeast Asia.

Although China's intentions appear to be primarily commercial at this time, there are clear security implications even to these. For example, China's close political relationship with Burma has helped it develop overlap pipelines for the transport of oil and gas for an eventual alternative to shipping vital resources through the Straits of Malacca. This is beginning to alarm Japan that China can have this alternative guarantee for its energy.

Recently China has been a little more active at conventional security in the region, very cautiously and remaining below the United States radar. It did sign a memorandum in 2002 with ASEAN on the South China Sea which helped to start a new positive momentum after the 1990s and particularly after tensions over the Spratly Islands.

More recently China's role has been to spark a defense ministers meeting, an annual meeting in the ASEAN regional forum that is clearly seen as a China initiative. What we have to counter that is Cobra Gold exercises with Thailand, Singapore and Japan, which have become increasingly multilateral, but China is subtly setting up security competition there.

The United States—I do agree with Ambassador Schaffer—still has tremendous influence in the region. It is still unquestionably the security guarantor. It is also a major economic power, and our markets are not going to be minimized by southeast Asians as they expand their trade relations with China.

Nevertheless, the attractions of China to southeast Asia are unmistakable. The size of their market, their large aid packages for the poor countries of the region which come with apparently few strings, joint development efforts for the Spratlys, which have helped to lower tensions, frequent diplomatic missions from Beijing's A team to the region and also a potential counter rate to western backed institutions such as the World Bank and the IMF.

When Laos was seeking funding for the Nam Theun II dam and it looked as though the World Bank would not give guarantees for the financing, China stepped in and said we will finance it if the Bank won't. The Bank eventually did come around.

Beijing also appears to embrace southeast Asia more as a group than the United States does. We are perceived as being primarily bilateral. Also, southeast Asians see their new relationship with China as an insurance policy against a distracted superpower that has historically at some times in the past occasionally been less than attentive in their view.

Beyond these narrow advantages, the real pull of this new relationship with China is that southeast Asia is on that country's southern shores, and a peaceful China is irresistible. Certainly southeast Asians will do anything they can to maintain that relationship.

I think it is inaccurate, however, to assume as some people in the Washington policy community do that southeast Asia is on the verge of moving "into the China camp" and away from Washington. For most of the nations of ASEAN, particularly the larger, more developed ones, they see no contradiction in a strong relationship with Washington and one with Beijing. They don't want a zero-sum equation here. If we insist on one, it will be a self-fulfilling prophecy, but most of these countries have built in brakes. Many of them have close security relations with the United States.

I think the cause for concern are the poor countries of mainland southeast Asia, specifically Burma, Laos and Cambodia, which have received inordinate attention from China in terms of aid and diplomatic and political attention and which get very little attention from us or get narrow attention from us.

This is not to make judgments on our specific bilateral policies, but in the aggregate we isolate Burma, we ignore Laos, and we give Cambodia fitful attention whenever there is a political or human rights crisis. Taken together, this gives China an advantage to develop a geographic sphere of influence in mainland southeast Asia, and it is certainly doing so.

There are several other contenders who are trying to increase their role in the region. Japan, ever since the crisis, has tried to play more of a regional role. It tried after the crisis to spark an Asian currency regime. They were not successful, but a successor model, the Chiang Mai initiative, is now in progress.

More recently Japan was in back of the antipiracy agreement for Asia that just got into effect this month with the eleventh country that has signed it. That in turn was sparked by us with our regional security initiative, which did not succeed in that form, but I think has had a good effect on the region.

India is a relatively new entrant into the southeast Asia power dynamic. It takes a strategic approach. It is focused on Burma, quite understandably, and on Vietnam. I think it has less power obviously. It could rival China at some point in the future, but is not likely to in the near future.

Australia and Russia are also increasing activities in the region. Both have joined the East Asian Summit and in doing so had to sign the treaty of amity and cooperation with ASEAN. Russia's political role is not really clear. Its main role is to provide arms, mid-

level arms that are less expensive than American arms. Even Thailand, which has almost exclusively bought United States weapons, is starting to purchase Russian arms.

Much of this activity by the external powers is focused on southeast Asia itself for its strategic position, its natural resources, its aggregate market, but it is also focused because ASEAN is the bedrock of all of the new regional regimes, and in order to get to ASEAN+3 or the East Asian Summit you have to go through ASEAN, and you have to sign on to the ASEAN way, which has become the *modus operandi* for all of these.

The United States since September 11 has given greater attention to southeast Asia, but that has had a concentration on radical Islam and on counterterrorism. Some southeast Asians believe that United States policy is too myopic as a result. We have recently taken note of that and begun some modest initiatives with ASEAN that I will mention in a minute.

We have a couple of bilateral policy challenges in the next few months. One, as you said, Mr. Chairman, and as Congressman Crowley spoke of, is trying to craft an appropriate response to the coup in Thailand this week. It is not easy, given the circumstances. We obviously want to maintain the fundamentals of our relationship with Thailand—it is a treaty ally—but we also want to make sure that we appropriately encourage its democratic development.

This is a good time for us to review and update some of our other democracy promotion policies in southeast Asia. Cambodia is moving toward election in 2008, and the coalition politics are beginning to change. I think we want to rethink some of our past affiliations or support.

Burma is the greatest challenge in democracy promotion in the region and possibly the world. Many people believe that reversing our policy of sanctions would promote liberalization. I certainly don't, but I do think it is time to consider a cautious civil society approach to supplement and support that decree and some democratic space for democratic politics eventually. That doesn't mean necessarily supporting the regime, but there are some particular angles that we can apply.

The second major task is consolidating and solidifying some of the positive momentum in United States-Vietnamese relations in recent months through President Bush's visit to Hanoi in November. Much of that momentum is because of increased cooperation from the Vietnamese side, and I think the most important deliverable in President Bush's briefcase has to be permanent normal trade relations for Vietnam. If that is not accomplished by the time he comes to Hanoi, there will be a serious break in momentum, and that would be a shame.

Some other deliverables include agreeing finally on the introduction of the Peace Corps to Vietnam. The two governments have agreed in principle, but still have to work out the details.

Lastly, I do think that we do need to show appropriate and official concern for the continuing impact of Agent Orange in Vietnam. It continues to be a very sensitive issue in the relationship.

There is one thing the American Government can do that American civil society and veterans groups can't do, which is to help with base cleanup, to ameliorate some of the continuing impact of

the hot spots where dioxin is still reaching into the soil and into the water. I would suggest that is a good place to start.

As we said, we have recently put forward a couple of modest initiatives to increase our relationship, to strengthen our relationship with ASEAN, primarily the ASEAN-U.S. enhanced partnership and the new U.S.-ASEAN TIFA that the USTR signed last month. Both of these are hindered by the fact that we still have not been able to forge a policy with ASEAN that also is consonant with our policy with Burma. That is not an easy thing. I don't have a solution for that. We just have to be cognizant that there is a real trade-off there.

My advice on ASEAN is to not worry about trying to match or outdistance China, but to make our own policies work with that organization, to fill in the blanks that we have already laid out rather than trying to launch new initiatives there.

[The prepared statement of Ms. Dalpino follows:]

PREPARED STATEMENT OF MS. CATHARIN E. DALPINO, VISITING ASSOCIATE PROFESSOR OF SOUTHEAST ASIAN STUDIES, EDMUND A. WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Thank you for this invitation to appear before the Subcommittee to discuss US policy in Southeast Asia in light of changing dynamics in the Asia-Pacific region. My views on this subject are informed by my work as Visiting Associate Professor in the Asian Studies Program and Director of Thai Studies at the Edmund A. Walsh School of Foreign Service, and as director of the Stanley Foundation's project on "New Power Dynamics in Southeast Asia." The opinions expressed in this statement are my own, and not those of the School of Foreign Service or The Stanley Foundation.

Power dynamics in the Asia-Pacific region are changing rapidly and Southeast Asia, as a crossroads region, is affected by these changes in every sector: political, economic, security, and social. Asians are attempting to capture and regulate these shifts in new regional groups, some of which do not have an explicit role for the United States. At the same time, there is considerable continuity and many of the fundamentals in US relations with Southeast Asia are undisturbed. The United States continues to play a critical role as guarantor of the region's security, and as a major economic market.

Equally important, Southeast Asians still look to the United States to play a leadership role, albeit one that recognizes other regional powers and acknowledges that Southeast Asians are moving toward more omni-directional foreign policies. The challenge for the United States is not to try to resurrect the *status quo ante* but to make adjustments in our own policies that incorporate, and even capitalize, on these changes. Put another way, we need to do a better job of going with the flow.

RISING POWERS

China

The obvious (but not only) catalyst in this new dynamic for Southeast Asia is China's growing presence—in diplomatic, economic, cultural, educational and even demographic terms—in the region. There is little doubt that China has increased its influence in Southeast Asia in the past fifteen years, aided in no small part by the 1997-98 Asian economic crisis and persistent perceptions that the United States did not come to Southeast Asia's assistance at the time.

China appears to have a complex set of policy goals in Southeast Asia. Much of its trade and assistance is intended to increase access to the region's natural resources and markets to fuel domestic Chinese development, especially in the southern province of Yunnan, which borders Southeast Asia. But although China's intentions seem to be primarily commercial at this time, there are strong implications for security in its new economic push into Southeast Asia. For example, China's close political and economic relationship with Burma enables it to develop overland pipelines to transport oil and natural gas. This expanding pipeline system may in time offer China a serious alternative to volatile sea lanes for transportation of vital natural resources.

Recently, however, China has been more active in conventional regional security. The 2002 Memorandum with ASEAN on the South China Sea has helped to de-

crease tensions that arose in the mid-1990's over the Spratleys. A bolder move was China's role in adding the Defense Ministers Meeting to the annual ARF agenda. In these initiatives, China has taken care to stay below the US radar, but Beijing seems to envision a new, if restrained, security role for itself in Southeast Asia.

The attractions of a benign China for Southeast Asia are unmistakable: the size of the Chinese market; large aid packages for the poorer countries that come with few, if any strings; joint development efforts in contested islands of the Spratleys; frequent diplomatic missions from Beijing's "A Team"; and a potential counterweight to the demands of the West and institutions perceived to be in the Western camp (the IMF, the World Bank). At present, Beijing appears to be more willing to embrace Southeast Asia as a whole group—evidenced by the China-ASEAN Free Trade framework and the proliferation of looser arrangements in the works—than is the United States. Moreover, a closer relationship with China is seen as insurance against the policy swings and other distractions of the world's sole superpower. Beyond these narrow advantages, to the subregion that lies on its southern shores, the prospect of China as a peaceful partner is the greatest inducement of all for a closer relationship.

It would be inaccurate, however, to assume that Southeast Asians have entered this new era of relations with China without reservations or limits. The larger and more developed states, particularly those with close security ties to the United States, have built-in brakes. At bottom, analysts who maintain or fear that these states are willing to abandon a relationship with Washington for one with Beijing are missing the point. Many Southeast Asians do not view their relations with China and the United States as a zero-sum game.

However, there is some cause for concern with the poorer Southeast Asian countries—particularly Laos, Cambodia and Burma—that do not have the options the richer states do to balance regional powers. China gives these states special attention in the form of large-scale aid packages that focus on building infrastructure. This assistance is largely unconditional and contrasts favorably to US aid, which is smaller in scale and often encumbered (or withheld) by sanctions. China's growing dominance in these countries is exacerbated by US policy: Washington isolates Burma, ignores Laos and deals fitfully with Cambodia when political crises or human rights issues erupt. On a bilateral basis there may be justification for some of these policies; taken together, however, they help China to carve out a geographic sphere of influence on mainland Southeast Asia.

Other Contenders

Several other external powers seek to strengthen or reinvent their roles in Southeast Asia at this time. Japan, valued for decades for its large-scale aid and investment and more recently for its "checkbook diplomacy," has intermittently attempted to spearhead regional initiatives since the 1997 crisis. These have met with varying degrees of success. Japan's proposal to form a common Asian currency stabilization fund in the wake of the 1997 crisis was not adopted, but a successor model—the Chiang Mai Initiative—was. The activation this month of the Asian agreement to combat maritime piracy, another Tokyo initiative, is a positive chapter in this new policy. Early indications from the Abe administration are that Japan will pay greater attention to its Asian friends and allies.

Indian is a relatively new entrant in the Southeast Asian power dynamic and popular estimations of its impact in the region are probably over-estimated at this time. New Delhi has taken a targeted approach to the region, concentrating on Burma (where Chinese influence in Southeast Asia is arguably greatest) and Vietnam, whose brisk economic growth rates make it an attractive trade partner. But although India shares a cultural heritage with much of Southeast Asia the historical pathways still run to China. Moreover, the assumption in some quarters of the American policy community that India will join the Western democracies in pressuring Asian authoritarian regimes, most notably Burma, to liberalize are unrealistic.

Australia and Russia are also tailoring their Asian policies to gain greater profile and leverage. Like Beijing, Tokyo and New Delhi, Canberra and Moscow were represented at the first East Asia Summit (EAS) meeting last December in Kuala Lumpur. Although the Howard government is close to the US administration, Canberra did sign the ASEAN Treaty of Amity and Cooperation (TAC), an EAS prerequisite, despite reservations over its implied nuclear clause. Russia's political role in Southeast Asia is unclear at this time, but it is carving a niche for itself by offering mid-level arms that are less expensive than American military equipment to the region's defense establishments.

Much of this new activity by external powers is focused on Southeast Asia itself, because of its strategic position (particularly with the Straits of Malacca); its nat-

ural resources; and its aggregate market. As well, Asian leaders are aware that ASEAN is the gateway to the expansion of many regional frameworks in Asia. The ASEAN Regional Forum (ARF); ASEAN-Plus-Three (APT); and the East Asia Summit itself have ASEAN as their organizational center and all follow “The ASEAN Way” as a *modus operandi*.

THE US RESPONSE

For most of this decade US policy in Southeast Asia has had a strong focus on counter-terrorism, with both positive and negative factors. An Al-Qaeda presence in the region for two decades has helped to foster such affiliates as the Jemmah Islamiyah. The 1997 crisis, and the resulting political, economic and social instability, also provided Islamic extremists with new openings. On the positive side, Indonesia offers the example of a Muslim-majority democracy, and Malaysia has crafted a modern and moderate Muslim state. The US was quick to declare Southeast Asia a “second front” against terrorism quickly after September 11, 2001.

While many Southeast Asian leaders and diplomats express approval that the region has returned to the US policy screen, they also maintain that an intense focus on Islamic radicalism and terrorism makes US policy in Southeast Asia myopic. Counter-terrorism has strengthened some bilateral Southeast Asian relations with the US and increased intra-regional cooperation in selected areas of law enforcement, but US policies after September 11 have also created problems for Southeast Asian leaders with their domestic populations. The war in Iraq caused a sharp downturn in public approval of the United States in Southeast Asia, tracked by numerous opinion surveys.

Ironically, at a time when the United States is paying greater attention to the region, it has encountered a serious problem with its image or, to use a popular term, “soft power.” Reversing this trend requires balancing a focus on counter-terrorism with greater attention to other Southeast Asian concerns. It also requires acknowledging the growing global Muslim consciousness in Southeast Asia that makes US policy in other regions, particularly the Middle East, an immediate concern to Southeast Asians.

In this regard, the US concept of public diplomacy should be redirected, away from whirlwind trips by US officials and toward regular, long-term dialogues and public statements indicating that Southeast Asian views on US policy in the Muslim world are taken seriously. Investing in educational infrastructure in Southeast Asian Muslim communities will also provide exponential benefits, to the host community and to US relations with the host country. A solid educational assistance program in Indonesia, for example, is a far better public diplomacy tool than packaged public relations campaigns.

Bilateral Policy Challenges

Although many Southeast Asians complain that the United States prefers a bilateral policy approach to a multilateral one, this too is not a zero-sum matter. Strengthening US relations in the region will require both bilateral and multilateral efforts.

On the bilateral side, the United States must address two tasks in particular in the next few months: crafting a response to the dramatic political events in Thailand this week, and preparing for President Bush’s trip to Vietnam in November. The first involves maintaining the fundamentals in a longstanding relationship with a treaty ally while also supporting its democratic development. The latter is a particular challenge, because the protracted political crisis that has played out in Thailand over much of this year does not lend itself to the Manichean, black-and-white interpretations that are often typical of US democracy promotion policies.

Arriving at an appropriate policy toward Thailand at this time provides an opportunity to examine, and update, US democracy promotion policy in other Southeast Asian countries. It is important that we do so, to counter a growing perception that US policy seeks to impose a cookie cutter formula on other countries regardless of local history or conditions—an image of the United States that China implicitly nurtures in the region.

As Cambodia prepares for national elections in 2008, old coalitions are breaking down and new political alliances are forming. We cannot advocate for democracy effectively if we take an overly partisan approach to these changes, or the election in general.

Burma is without doubt the greatest challenge for democracy promotion in Southeast Asia, and possibly in the world. While there is little reason to believe that lifting sanctions on the regime would promote political liberalization at present, it is time to consider adding a cautious civil society approach to our policy. We might begin by removing some of the currency and licensing restrictions placed upon inter-

national non-governmental organizations providing humanitarian relief in the country. These INGO's are showcases for civil society, without which democratic space in Burma cannot develop. By hampering them, we are pushing our own goals farther from our grasp.

A second major task is that of advancing US-Vietnam relations, using the occasion of President Bush's visit to Hanoi. Some of this can be achieved simply by solidifying recent positive trends. We have seen tangible indications that Vietnam is prepared to address longstanding and sensitive issues in ways that are both practical and prompt. I participated in the first US-Vietnam track two dialogue on religious freedom earlier this year and was impressed by the openness with which our Vietnamese interlocutors approached the issue. A refugee relief organization in the United States recently asked the President of the US-ASEAN Business Council, a former US official involved in refugee policy, to help secure exit permits for a group of Montagnards. The Vietnamese central government moved quickly and approvals were granted in as little as ten days.

Reciprocating cooperation from Vietnam will yield policy dividends for the United States for years to come. The most important "deliverable" in the President's briefcase when he goes to Hanoi should obviously be Permanent Normal Trade Relations (PNTR) status for Vietnam. Hanoi is poised to enter the WTO and, technically, does not need PNTR to do that, but US-Vietnamese economic relations will suffer if PNTR is withheld after Vietnam's accession. Another tangible but far-reaching policy initiative is the introduction of the Peace Corps to Vietnam. The two governments have agreed on this in principle but still need to work out the modalities and the details of the first Peace Corps programs.

Last but by no means least, the United States needs to develop an appropriate and official response to the continuing impact of Agent Orange in Vietnam. US veterans organizations have built "Friendship Villages" to provide treatment to individuals, especially children, with disorders believed to be linked to dioxin exposure but much more needs to be done, and some tasks can more easily be accomplished by the US Government than by American civil society. A logical first step in this process would be to offer technical and financial assistance to clean up "hot spots," areas around former US bases where Agent Orange was stored and where it continues to contaminate the soil and water.

Strengthening US-ASEAN Relations

In the past year, US policymakers have begun to respond to the need for a stronger multilateral approach to Southeast Asia through a series of modest initiatives, primarily with ASEAN. However, it is well-worn principle of government that initiatives are easier to launch than to see through to fulfillment. In this respect, the US should first focus on implementing these plans on the table—filling in the lines—before considering new policies. Failure to do so will risk criticism that the United States is interested only in "talk shops," a description that some US officials and analysts have used to describe ASEAN. The focus should not be on attempting to "catch up" with or overtake another power's policies in the region, but on fully realizing our own.

Some specific measures include:

1. *Operationalize the ASEAN-US Enhanced Partnership.* Getting the partnership out of the "vision" stage is critical. Educational exchange, technology transfer and cooperation in the energy sector are all good starting points.
2. *Similarly, move quickly on the US-ASEAN Trade and Investment Agreement (TIFA) signed by the USTR last month.* A US-ASEAN Free Trade Agreement, along the lines of the one signed by China and ASEAN, is not likely to be on the immediate horizon but the regional TIFA should push the edge of the envelope as much as possible. Two important features are the ASEAN Single Window, which will provide a common system for the entry of goods into the United States, and harmonized standards for pharmaceutical registrations and approvals.
3. *Advance bilateral Free Trade Agreement negotiations in Southeast Asia to the extent possible in the next several months.* In practical terms, since the political situation makes the fate of US-Thai FTA negotiations unclear, this boils down to negotiations with Malaysia.
4. *Give Laos an extra assist in its quest to join the World Trade Organization.*
5. *Support the entry of the remaining Southeast Asian economies into APEC when the moratorium on membership is lifted next year.* A larger issue is the need to reinvigorate APEC as a regional institution. Many Southeast Asians believe that APEC's original agenda of economic liberalization has been over-

taken by other regional institutions, but they still value APEC as a mechanism for regular engagement with the United States.

The policy measures above might be viewed as low-hanging fruit, easily within reach. Even so, pursuing them will be neither automatic nor easy. For example, in any attempt to strengthen relations with ASEAN, the United States will soon be on a collision course with itself, since a complete and genuine ASEAN initiative will by definition include Burma. There is no easy way out of that box, and the United States must weigh the costs and benefits of bilateral versus multilateral policy, and the value of democracy promotion versus regional relations.

Parallel to this first set of policy measures, US policymakers should open a dialogue within the broader US foreign policy community on signing the Treaty of Amity and Cooperation. For the past year, this has been a submarine issue, surfacing occasionally, only to sink out of sight. A decision on this issue will not come quickly, but frank and open discussion on it is appropriate at this stage in US relations with Southeast Asia.

Mr. LEACH. Thank you very much.

We will proceed under the 5-minute rule. Let me first ask the panel. In many ways the most immediate pressing issue relates to North Korea. We all recognize it has been a year now—in fact, a year as of yesterday or the day before—that the Six-Party Talks have not reached any fruition on a statement of principles that have been signed.

Do any of you have any suggestions on how to give more meaning to a diplomatic approach? Where do you see this going? Dr. Pollack?

Mr. POLLACK. To say that this issue is intractable is a big understatement. I do think that what has happened, however, has led at least to an extent to some rethinking on the part of China. I don't want to overstate it, but—

Mr. LEACH. On the part of? Excuse me.

Mr. POLLACK. On the part of China. I am persuaded that China was not informed in advance of the impending missile tests.

Whether or not there have been consultations or discussions about the possibility of an actual nuclear weapons test, the Chinese are clearly on record and in their body language are very strongly opposed. There seems to be some erosion in the bilateral relationship for these and related reasons, a feeling that some recent Chinese visitors have been to some extent stiffed by the North Koreans and so forth.

Now, the flip side of that, and Aaron Friedberg alluded to that, is that the Chinese involvement or presence in the north has grown significantly. This of course is more in the economic arena. The question is whether or not that gives China any conceivable leverage that it simply has chosen not to employ.

Here again despite China's disaffection, what the Chinese are indicating is that they do not see it advisable under prevailing circumstances to push North Korea even more into a corner. They are on record as opposed to any additional financial sanctions and the like, whereas the United States and Japan seem to be moving and pressing more in that direction.

You know, I don't know whether we are all just whistling past the graveyard here. Clearly a test, an outright nuclear weapons test, would be an unmitigated disaster, and it is my own view that the Chinese have been very, very clear with the North Koreans about that.

The problem is even if they don't test they continue to pursue, and so state, the accumulation of fissile material and the advancement of their missile program. Whether those missiles could be nuclear armed or not though, is a debatable proposition.

We are kind of stuck. The Administration clearly despite occasionally some signs of a degree of flexibility and some efforts by Assistant Secretary of State Hill to open the door just a crack even to have some consultations with North Korean officials, has not been able to make any headway. Of course, the North Koreans insist that unless the "sanctions" are removed they are not coming back to the Six-Party Talks.

My suggestion would be as follows. Though the Six-Party Talks as a venue are important, I don't think we should be overly beholden to them. They are an unwieldy endeavor to begin with from the point of view of it meeting very, very episodically at best and requiring multiple language translation.

Even if it does provide off-line opportunities for bilateral interaction, there are other ways to skin this cat. It is at least worth some exploration and testing so that the situation doesn't go even in a worse direction.

Again, I think here we just don't have closure on how to proceed, and frankly under those circumstances the North Koreans not sensing acute pressures on them so they don't see any particular reason to accommodate further either.

I guess my bottom line is that if Chinese disaffection were more compelling you might—might; I emphasize might—see some movement back to the talks, but under prevailing circumstances it hasn't happened. Kim Jong Il, so far as we know, has not traveled lately to China as many expected, so we continue to be stuck without any clear sense of initiative or momentum or alternative policies.

I wish I could be more encouraging, but I think the fundamental drift of policy is toward more of a constriction of North Korea, more efforts in the context of their missile tests to press ahead obviously with missile defense and so forth, but this isn't a solution.

It does manage and mitigate some of the more extreme potential consequences, but it doesn't really get to the nub of the issue, which is their continued pursuit of a nuclear weapons capability. I wish I had a magic answer, but I don't.

Mr. LEACH. Dr. Friedberg?

Mr. FRIEDBERG. It seems to me that the only way to reach a successful resolution to this stand-off, which from our point of view would be the complete verifiable, irreversible nuclear disarmament of North Korea, is to combine diplomacy with pressure.

We have had continued efforts at diplomacy, and we have had sporadic efforts at applying pressure. Part of the reason is we have gotten very good cooperation from Japan, but less cooperation from China and from South Korea, which for their own reasons have been very reluctant to do anything which might provoke the North or perhaps increase the risks of internal disorder and collapse.

Nevertheless, it does seem to me that the financial measures that the United States took a year ago had the effect of getting the attention of the North Korean regime. Despite the fact that they have used this as an excuse for not coming back from the table, it

is the one avenue that I see by which we might through our own actions and actions with other cooperative governments and preferably ultimately and I think necessarily if it is going to be successful with the cooperation of China, we could greatly increase pressure on the regime.

What was targeted were financial institutions that were involved in funneling money into North Korea directly more or less into Kim Jong Il's pocket where he uses it, as far as we know, to keep himself in whiskey and whatever it is that he consumes in large quantities these days, but also to keep the people around him happy and, in addition, use his hard currency that he earns through illicit activities—drug smuggling, counterfeiting and so on—in efforts to sustain and, if he can, to advance his special weapons programs.

It is really a jugular vein. Cutting off or constricting that flow of dollars back into North Korea wouldn't have the impact, the effect of making the lives of ordinary North Koreans any worse than they already are, unlike some kinds of overall economic sanctions, but they would impinge on the lifestyle of leadership.

They have shown I think by their behavior that this is what concerns them most, so although it is a longshot—we don't know whether it would succeed; it has some risks—it seems to me that that is the way to progress, and I think, in our discussions with the Chinese, we have to make clear that this is an issue to which we attach enormous importance.

I think if a year from now or 2 years from now we have clearly failed and North Korea has established itself once and for all as a nuclear weapons state and China has not or did not do all that it could to try to prevent that, the future of our relationship is going to be in some doubts.

Mr. LEACH. Ambassador Schaffer?

Ambassador SCHAFFER. I agree with that.

Mr. LEACH. Okay. Mr. Crowley?

Mr. CROWLEY. Thank you, Chairman Leach. Daunting is the word that comes to mind at the moment. Complex is another word in terms of our relationship with China.

It seems as though all of the panelists this morning in their testimony, whether they were talking about China directly or other countries, it all ties in to their relationship with China and our relationship with them and its meaning toward our relationship with China. It is interesting to hear your perspective.

I want to know because as we have this growing relationship with India—Ambassador Schaffer, you mentioned in terms of your support for the Indian civilian nuclear agreement, which I also am supportive of and supported in the House. One, I would like to know what your sense is if we fail to do that, if we fail to reach that agreement, what impact that will have on Indo-American relations in this century.

Also if I could from you as well, but also the other panelists, this sense of the Chinese reaction to this agreement as it moves forward, recognizing that the civilian nuclear aspect is the biggest part of that agreement. There are other agreements that were entered into on July 18 of last year as well.

Ambassador Schaffer?

Ambassador SCHAFFER. Well, as far as your first question goes, what if the nuclear deal fails to be implemented, if it looks like we are simply dealing with delay I think that both political systems can manage that.

If it is actually turned down in some process, first of all, I think that would come as a great surprise to a lot of people, including the Government of India, given that this legislation has received remarkable bipartisan support, much more so than a lot of other pieces of legislation that the Congress has had under consideration in the past couple of years.

By the same token, I think that such an outcome would be taken in India as an ominous expression of United States unwillingness or inability to follow through on an initiative that was taken at the highest level.

I am hopeful that that won't happen, but obviously I can't predict what is going to happen on the other side of this Hill. That kind of outcome, however, would clearly be a serious downer in United States-India relations and would raise questions about the ways in which we have started talking about working together on strategic issues.

You asked about the Chinese reaction. What I have seen, and I would defer to my colleagues who follow China much more closely than I do. What I have seen suggests a fairly cautious reaction. It doesn't sound at least to my ear as if China is trying to make the agreement crash in some sense.

China and India have an increasingly close relationship these days, and you can measure that politically, VIP visits, politically again by the fact that they are starting to talk seriously about their border dispute. You can measure it economically by the rise in trade. China is now India's second largest trading partner.

You can even measure it commercially by the growing number of tie-ups between India's world class information technology companies and business partners that they have developed in China so that while the China-India relationship has always been quite asymmetrical and has usually mattered a whole lot more to India than to China, I think the degree of that asymmetry is down. This is a process that is beginning to matter more to China. What exactly they want to do with it is a little bit less clear.

China of course always has a very important relationship with Pakistan. Is China working for ways to give Pakistan the same kind of benefits that India has received? An exactly parallel deal strikes me as a very long shot because I don't think that the international bodies that may be willing to consider making an exception for India, I don't think they would be willing to make the same exception for a country the head of whose nuclear program is known to have sold nuclear technology and stuffs to some of the worst customers in the globe.

There could well be some kind of bilateral understanding between China and Pakistan. Stranger things have happened before. My own view though is that whatever China does with Pakistan on the nuclear front, it is going to do so because it is useful in its own concept of how to manage the Pakistan relationship and not so much as a response to whatever is happening between the United States and India.

Mr. POLLACK. I would agree very much that there has been a qualitative change in the Sino-Indian relationship in recent years; some increased interest on the part of China and less of an asymmetrical relationship as noted before.

The Chinese of course in all of this still don't see contradiction between the kinds of relationships they have with India and their continued sustaining of relationship with Pakistan. It may be, however, that the United States-Indian agreement does give China a little more latitude in some of the reactor sales and the like that they have had under discussion with Pakistan, so they may feel that they have a little more running room there.

You know, I think after initial suspicions on the part of the Chinese that I interact with about the purposes that were underlying this effort to cultivate Indo-U.S. ties there is more of an acceptance, a relaxation if you will, a belief that given the advancement of this relationship, of the Indian-Chinese relationship, this need not be something that is going to be used in some kind of exploitative way against Chinese interests.

More to the point, it is very, very clear from some of my discussions with Indian specialists that given what they see as their breakthroughs on multiple fronts, their ability to have simultaneous advancing relationship with every other major power, the Indians don't want to blow it. They don't want to see themselves back in a situation where it looks as if they might be used for someone else's advantage.

They are very clear-eyed about this. They see these opportunities, and they are going to go to I think some significant length to try to make sure that they are able to realize them without some kind of major cost for their relationship with China.

Mr. LEACH. We have had a vote placed on, and I want to if possible turn to Congressman Paul before we leave, so if I could do that at this time?

Mr. PAUL. Okay. Thank you very much. I will try to keep it short. Thank you.

To me this is a very important subject that we are discussing, and you have made a lot of points about the political instabilities and military problems that this region of the world faces.

I think there was a lack of emphasis on trade. I think Ms. Dalpino did mention some international trade agreements. I happen to follow the old adage that when goods don't cross borders armies do. This certainly has been true. In the 1960s we weren't trading with Vietnam, and armies went across borders, as it was in the 1950s with China.

I am a real proponent of free and open trade. Iraq is a problem. We don't trade with them. Iran is a problem. We don't trade with them. Cuba we haven't traded with, and 4 years of sanctions haven't really done much good, so I really want to emphasize this trade.

At the same time I have reservations about international trade agreements because too often I think they are very complex. They are very political. They are driven by special interests. At the same time it offers an opportunity for retaliation. It is almost the concession that low tariffs are bad, and therefore you have to retaliate against them, so I am for low tariffs.

In the Congress right now I think the biggest concern is the anger of many Members toward China. They want to tax and put them on tariffs. It is not our responsibility. It is all their fault. The current account deficit is negative with China. Two hundred billion dollars was mentioned.

Yet we have some advantages by that by just demanding. See, the big demand here is currently right now the Administration is going over there and telling China you need a stronger yuan, and we need a weaker dollar. A weaker dollar just means higher prices for the United States and takes away the advantage.

If we print the money and spend it over there we have a tremendous advantage. I see all of this as negative for what we need to do. I want to argue for the trade, and of course a sound currency would help us.

There is a story out recently about a regional Asian currency led by China. What do you know? Does anybody know anything about it, and what do you think the significance of this move is?

Ms. DALPINO. Just briefly, this is the Chiang Mai initiative, which is the second generation attempt to have a regional currency stabilization scheme after the Asian economic crisis.

It was initiated by Japan. At the time the United States and China opposed it, and then China's agreement to it in Chiang Mai basically put it over the top. I am not sure I would characterize it as being led by China entirely.

Mr. PAUL. Is this a good move, or how do you interpret this?

Ms. DALPINO. Well, I think the central bankers in Asia realize they have a very uphill battle to have a viable stabilization scheme, but this is a lesson they learned from the 1997 crisis that if they don't take care of their own regional currency problems somebody else will do it for them, and they won't like it.

Mr. PAUL. Okay. I can yield back, Mr. Chairman.

Mr. LEACH. Does anybody else want to comment?

Mr. PAUL. Okay.

Ambassador SCHAFFER. Mr. Paul, I would only add that the expansion of United States relations with India really started with economics. Trade was increasing. India's growth was increasing. That has been in a very real sense the origin of all of the transformation that you have seen.

Trade has continued to grow since that time, so I would only reinforce your point that trade is a powerful transformer of the situation. Economists would stoutly support your view that open trade benefits consumers in the receiving country. Producers tend not to see it the same way, and I suspect that most of you hear more from producers than you do from consumers.

Mr. PAUL. Right.

Mr. POLLACK. If I could, Congressman Paul, although a lot of people emphasize these arcane issues of exchange rates and so forth, the dynamics of the trade relationship with China specifically cut at multiple levels.

First of all, a lot of that imbalance reflects really not Chinese business, but Taiwanese business, Hong Kong business, others that have sent their factories onto the mainland. Again, when we do the counting that comes across as goods coming from China.

Add to this, of course, a great deal of it is the production of American multinationals, WalMart and others, that are basically using Chinese factories for the production of their goods, which they then bring here.

The Chinese seem of a mind, as is so often the case in their initiatives, to very guardedly and carefully allow some modest changes in exchange rates, moving by the way, I might add, more to a basket of currencies over time, which may or may not really help us.

I mean, this resonates so much with our debates about Japan before the Plaza Accord, and the presumption was if you could get some kind of a recalibration, a significant recalibration of exchange rates, that the trade imbalance would go away.

Obviously that was clearly not the case, so there we are. We do like the goods. We buy them and use them. Of course, in return the Chinese hold onto a lot of our Treasury notes.

Maybe that is not optimal, but the sheer scale of it, some people are arguing that this is almost the new form of deterrence, if you will—not nuclear deterrence, but economic deterrence—given the scale and scope and implications of all of this.

Even yesterday in Beijing Secretary Paulson is trying to find again one more channel, one more high level mechanism that will be very, very high level to address these issues because these things don't admit to easy solution even if you take very, very abrupt actions like imposing of significant tariffs on Chinese goods.

Mr. LEACH. 1 minute for Dr. Friedberg.

Mr. FRIEDBERG. As a student of history, I feel compelled to make the point that I would sometimes make to my students, which is that although trade of course is a good thing and preferable to the absence of trade, it doesn't or hasn't always historically led to peace between nations.

Think of the relationship between Britain and Germany before the first world war. They were intense trading partners, as well as trade rivals.

Also, trade and economic development as we have seen in the case of China don't always lead or lead as quickly as one might hope to meaningful political reform, so it is conceivable, as I said, that we could trade with China, China could grow wealthier and more powerful, but that its political system might not change or might not change in ways that we would like for a long time.

That I think is going to present serious challenges to us, practical challenges as well as theoretical challenges.

Mr. LEACH. Let me thank you all very much. I apologize. I wanted to do a second round of questions, but we do not only have a vote; it is a series of votes, so I think it would be impractical.

Thank you. I appreciate your outstanding testimony. The Committee is adjourned.

[Whereupon, at 11:30 a.m. the Subcommittee was adjourned.]