



Dr. Anthony Saich
**Herding Cats: Developing a Common
Purpose in Asia without Leadership**
(Summary)

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Dr. Anthony Saich, Distinguished Visiting Scholar, CIGS; Professor, Harvard Kennedy School: I will present today a framework for trying to think about ways in which the United States, China, Japan and the region may be able to cooperate on common problems. I will concentrate more on the US-China aspect, and then open up the forum for discussion.

Disruptions in Trade with the Trump Presidency

Prior to the US election, the ideal situation for trade today would have been the development of a commonality between the economic, security, and trade interests of each country. A starting point for that could have been the Trans-Pacific Partnership (TPP). Mr. Trump's hostility to the TPP and his reassertion that it is dead severs that potential for a strong link between trade and security for the countries within the region.

There is a popular view being expressed that China will help to fill the void left by the demise of the TPP through its own regional comprehensive economic partnership, which will include 16 countries and exclude the United States. That seems to be underlined by the comments of the Australian Trade Minister that Australia would conclude the Regional Comprehensive Economic Partnership (RCEP) as soon as it was feasible and support the Free Trade Area of the Asia-Pacific.

Prime Minister Abe has suggested that it is meaningless to move ahead with the TPP without US involvement. I think the absence of the United States heralds a decline of US influence in Asia. At the same time, China is not yet ready to fill the gap left by the United States.

Is it worth pursuing the TPP without the United States? In purely financial terms, it is probably meaningless. That said, it may still be interesting to move ahead with the TPP without the United States being involved. This will require considerable leadership from Japan. One could always imagine a situation in which the United States becomes a member in the future.

A Power Vacuum in Asia

If the Asia-Pacific Region goes ahead with RCEP but not the TPP, there will be a power vacuum. Will China fill that vacuum? Can other countries step up to fill that vacuum instead, particularly when they are being confronted with the new, unpredictable US President?

The ability of the United States to exert influence in the Asia-Pacific Region is weakening. Trust in the United States is weakening. The moral authority of the United States has weakened. There are many factors that are undermining the US capacity to influence other countries.

But if the United States doesn't take the lead in Asia, will China? And does China have the attributes necessary to do so? It does not have the network of allies in the region that the United States has. It really only has North Korea as a solid ally, although it is improving ties with the Philippines and with Thailand. It dominates in the economies of Cambodia and Laos, and increasingly it's pushing into Myanmar. On the whole though, its soft power has not extended greatly.

Then again, it has the Asian Infrastructure Investment Bank (AIIB), it has the BRICS Bank, and it has the One Belt One Road policy. All of this can help it win support and trust from other countries.

There was an interesting piece in *East Asia Forum Quarterly*, in the October-December 2016 issue by Kishore Mahbubani, the Dean of the Lee Kuan Yew School of Public Policy. He warned that China was making some serious strategic mistakes in its dealings with ASEAN, that it was sacrificing its long-term interests for short-term objectives, and sacrificing its global interest in favor of regional concerns. He views China to be undermining the unity of ASEAN, and concluded that China's great reserves of goodwill are now drying up.

China will clearly benefit from a peaceful environment, but it also wants to be the top country in Asia, and accepted as such, not as an honorary member of the West.

Key Issues Facing the Asia-Pacific Region – North Korea

The Asia-Pacific Region currently faces four key issues. First, what should the Asia-Pacific Region do about North Korea? Second, how can territorial disputes with China be resolved? Third, how can Asia maintain economic growth and trade growth? Fourth, how will Asia deal with the development of China as a major power?

North Korea is a major issue. Every country in the region shares a clear and common goal of controlling the level of nuclear proliferation in the country. The most recent Six Party Talks gave China a leading role in dealing with North Korea, but they did not produce any other results. All the meetings seem to have done is bought time for North Korea to develop its nuclear capabilities further.

A core problem with the issue of North Korea is that ultimately the United States and China have divergent interests. For the United States, a nuclear free peninsula is the most important goal. The United States is not so concerned about a potential regime collapse in North Korea. China also wants a nuclear free peninsula, but it is most concerned about regime collapse and the consequences of that.

Some are suggesting that there should be increased economic pressure on China to force it to bring North Korea to heel, combined with tougher sanctions on North Korea itself. That seems to be wrong in two ways. The latter might have some effect, but I think economic pressure on China would have a more adverse effect on the United States than it would on China.

Dan Rosen and his Rhodium Group published a study recently that highlighted the problems of using economic punishment against China. Not only is the stock of the US investment in China far larger than the Chinese investment into the United States, but the structure of US investments in China also plays a factor. US investments in China are largely part of China's integration into the global economy. They are linked to global production changes. They are linked to the activities of US multinational corporations. On the other hand, Chinese investments to date in the United States have still for the most part been somewhat incidental to the Chinese economy. In that context, China's potential to inflict damage on the US is much greater than the other way around.

Key Issues Facing the Asia-Pacific Region – Dealing with China, and the Impact of Taiwan

The question of Taiwan and what the Trump administration will do could really complicate all other aspects of efforts to advance effective cooperation within East Asia.

Everyone is going to have to get used to the way Trump behaves. The media seems to keep saying that Trump will change. China always likes to test a new President in the United States. Trump will turn that on its head. China has got to work out how it will deal with a President-Elect like Mr. Trump.

Mr. Trump's phone call with Taiwan was not a naïve mistake. It was quite carefully planned. If we look at the advisors around Mr. Trump and the things they have been writing, many such as John Bolton have already said that the United States should play the Taiwan card to force concessions out of China. That said, several Republicans are

still quite critical of using Taiwan as a card to put pressure China. It doesn't do Taiwan any good. It doesn't do China any good. It also doesn't do the United States any good.

One thing worth mentioning is the way that Mr. Trump referred to Tsai Ing-wen, which was as the "President *of* Taiwan." That's significant, because previously, in English, the title has always been the "President *on* Taiwan." Using the phrase "the President of Taiwan," is a public acceptance of Taiwan as an independent entity.

In July 2016, Peter Navarro wrote a piece in *The National Interest* in which he outlined a few things that Trump could do with China, including getting rid of the One China Policy. Already, we are seeing Mr. Trump questioning whether a One China Policy is viable or not. That policy has allowed the United States to deal with Taiwan as a nation state and allowed China to turn a blind eye to that. US arms sales with Taiwan are made possible by the One China Policy. Efforts to get rid of the One China Policy risk the loss of that flexibility that has existed in the US-China relationship for a long period of time.

Key Issues Facing the Asia-Pacific Region – The Reordering of Power in the Asia-Pacific Region

Sooner or later China needs to be brought into a broader forum that includes ASEAN, Japan and the United States, to discuss its territorial conflicts. The United States should try to convince China to concentrate on the win-win aspects of its relationships with its neighbors. A problem regionally is the lack of effective pan-regional institutional architecture.

Kevin Rudd has suggested the construction of an Asia-Pacific community via the East Asian Summit (EAS). In 2011, EAS was expanded to include the United States and Russia. With the inclusion of Southeast Asia and South Asia, it could be a very viable forum.

EAS is a vehicle that could also be used to deepen the discussions about norms and frameworks for trade and investment. Japan has created the Economic Research Institute for ASEAN and East Asia (ERIA). That institution could provide good background research build up support for infrastructure needs within the region. It could also contribute positively to helping China engage through the BRICS Bank and AIIB.

China has been saying that it still sees the United States as the natural global leader on finance and trade, but some, such as the IMF Representative in China, feel that China is

working to co-opt other countries into a system of rules that it has dictated. The election of Mr. Trump and demise of the TPP make it difficult to deal with China on this topic.

This highlights the need to use the EAS as the foundation for discussions. Japanese economic research can help to build a community around investment and trade in Asia. These can be starting points for cooperation.

China clearly enjoys its role in the G-20 and the United Nations. However, organizations like these need to be reformed to enhance the influence of China and other emerging economies within the existing architecture. The US Congress has blocked this kind of reform in the past, which is partly what led China to set up the AIIB. The Bretton Woods institutions should be reformed to draw China and other emerging economies further in.

The UN Security Council as well should be expanded to offer permanent seats to more countries, although this will likely be blocked by the countries already on the Council.

It will be easiest for China to tackle the restructuring of responsibilities by dealing in areas around the provision and management of new public goods, as these goods will require new policies and structures and don't involve vested interests that are unlikely to be relinquished.

The United States and China could potentially take joint ownership on some of these issues. Japan-US-China collaboration will be increasingly crucial. India should play a key role as well. Hopefully that is what will happen, although it is unclear whether Mr. Trump will have an appetite for engagement around new areas of global public goods.

The Expected Roles of China and the United States around Public Goods

There are three main types of public goods. First, we have the 'global commons' – things like climate change, fisheries, and water shortages. In November 2014, there was the US-China Joint Announcement on Climate Change, through which both countries announced that they would cut greenhouse emissions. It was not hard for them to do so – they had both already said domestically that they were going to do that, and of course, President Xi Jinping was under great pressure from his own population to do something about pollution, particularly air pollution in China.

This agreement helped push the Paris Agreement forward. So far, 193 countries have signed and 114 have ratified the Paris Agreement. Perhaps Japan, the United States,

China, and India can look at this accord as a model for how international cooperation can be.

The second main type of public good is ‘global engagement.’ This refers to things like combating infectious diseases, dealing with natural disasters, and peacekeeping. There is already very good cooperation in this area between the United States and China via the CDCs and on issues such as piracy. Cooperative efforts have been less successful with Iran’s nuclear development and North Korean issues. If Mr. Trump rolls back the Iran agreement, it will open a lot of opportunities for China. I think that the two countries could feasibly strengthen cooperation around terrorism.

The third main type of public good is the category of ‘global regulation.’ In this area, it is possible that China and the United States could move ahead with a bilateral investment agreement. It doesn’t seem likely that this will happen under President Trump, but it is possible.

Greater cooperation on regulations, particularly in the finance sector, would be very beneficial, given the large role that both the United States and China play in this field. This would help us to reform organizations like the IMF, it would help to regulate global markets, and it would help to advance the internationalization of the renminbi.

There is also the potential in the future of a lot of progress on cooperation around cybersecurity. With the new President in the United States, it is unclear how this will play out right now. Progress still needs to be made in the US-China relationship. There are a lot of threats and counter-threats being made that are not very helpful.

Prerequisites for US-China Cooperation in the Future

Cooperative measures between the United States and China are going to require a couple of positive developments. First, the United States needs to recognize that it cannot dominate in all fields, and in fact, in fields such as finance, trade, investment, and the environment, it must rely on cooperation with others in order to get the best results for itself. At the same time, China must accept that it must adapt its outdated notions of sovereignty. To a large extent, China still thinks of itself as an empire that functions on an outdated notion of the Westphalian Model of the Nation State.

It will be difficult for both countries to make those concessions. Progress in cooperation between China and the United States won’t amount to a real Pacific community, but it

will help to increase trust and provide the building blocks for greater trilateral and multilateral relationships in the future.