

Achieving Strategic and Economic Balance in the Japan-US-China Triangle

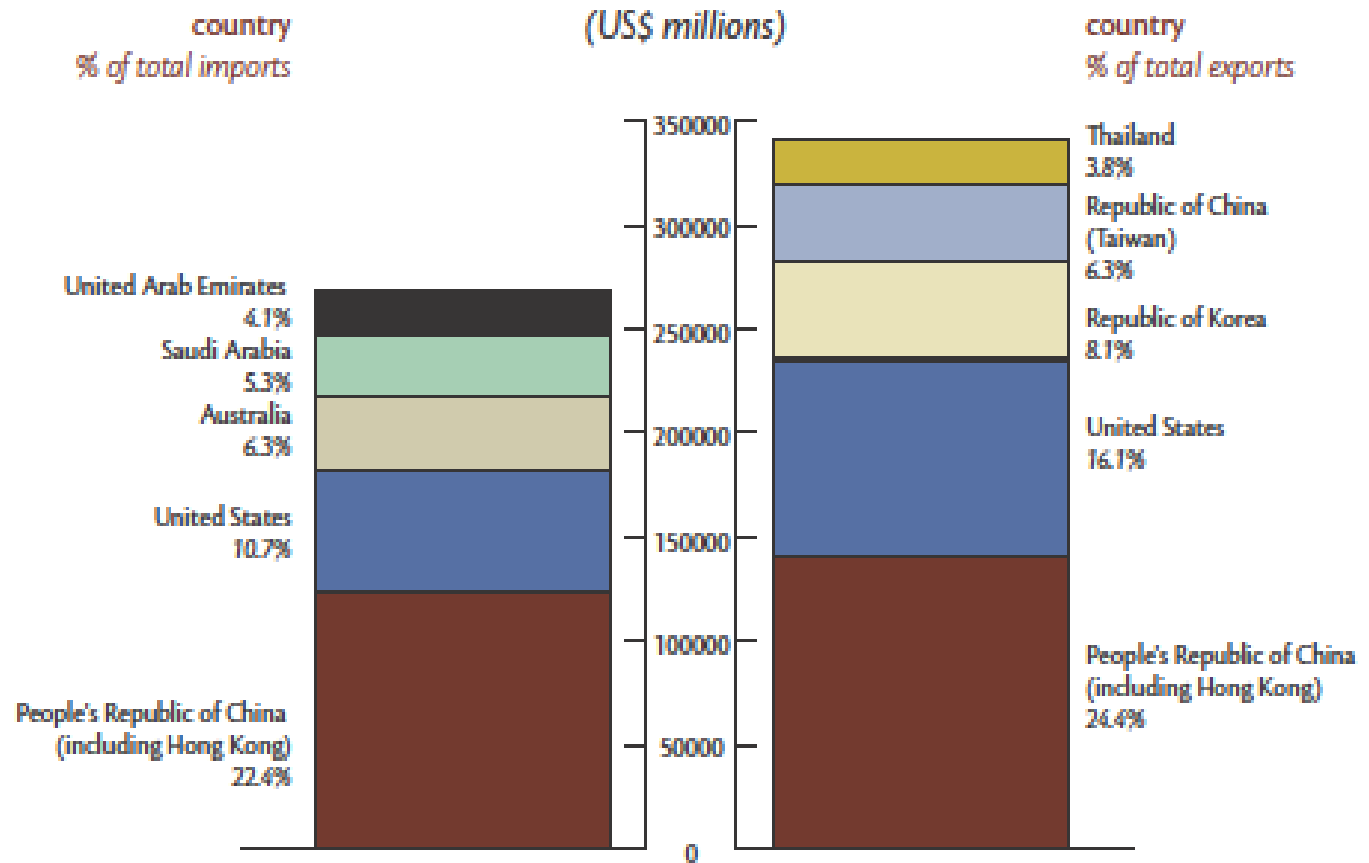
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The Canon Institute for Global Studies (CIGS)
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Balancing the Japan-US- China Triangle

Japan's top five trading partners in 2009



- 60%+ reliant on imports for calorie intake
- 90%+ reliant on energy imports

Balancing the Japan-US- China Triangle

Overview

- “Smart Power” from a U.S. perspective
- Consider grand strategies, macro trends, and behavioral economics
- Emphasize the “anchor” more than the “cornerstone” or the “triangle”
- Functional engagement, institution building, and patience



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“Smart Power” from U.S. Perspective

- It is a strategy...rooted in a philosophy
- A reaction (or “alternative”) to Bush’s foreign policy post-9/11
- Neither “hard” nor “soft,” but both (Nye)
- Utilize “allies, institutions, norms” (Nossel)
- Use the “full range of tools at our disposal” tailored to each situation (H. Clinton)
- Like Goldwater/Nichols, DIME (diplomatic, informational, military, and economic), or the “whole of government” approach



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“Smart Power” from U.S. Perspective

- Smart power means different things to different people
 - Share burdens (abandonment or entrapment?)
 - Neutralize enemies (appeasement?)
 - Shift funding (lower defense spending?)
 - Build new capabilities (domestic and int'l)
- It is a useful concept to explain “why,” but it cannot explain “how”



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Grand Strategy Considerations

- In East Asia the US and its allies seek:
 - Stability
 - Openness
 - Access (i.e., ability to preserve first two objectives)
- Strategy is proactive and rests on U.S. engagement and forward deployment
- Three broad areas of interaction:
 - Diplomatic / Political
 - Economic / Trade
 - Military / Security
- Tactics involve unilateral, bilateral, and multilateral tools



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China and Regional Trends

- The China Factor:
 - Mixed messages on China's grand strategy
 - Stronger but uncertain China (e.g, tech transfer, currency, and the PLA)
 - Global / regional China offers promise (Haiti, Gulf of Aden, Afghanistan, Six-Party Talks)
- Macro Trends
 - US at war, G7 in debt, and declining US power in relative terms
 - Growth in regional military spending
 - Less poverty, but increased reliance on global trade and finance flows (with both positive and negative implications)



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Influencing Behavior

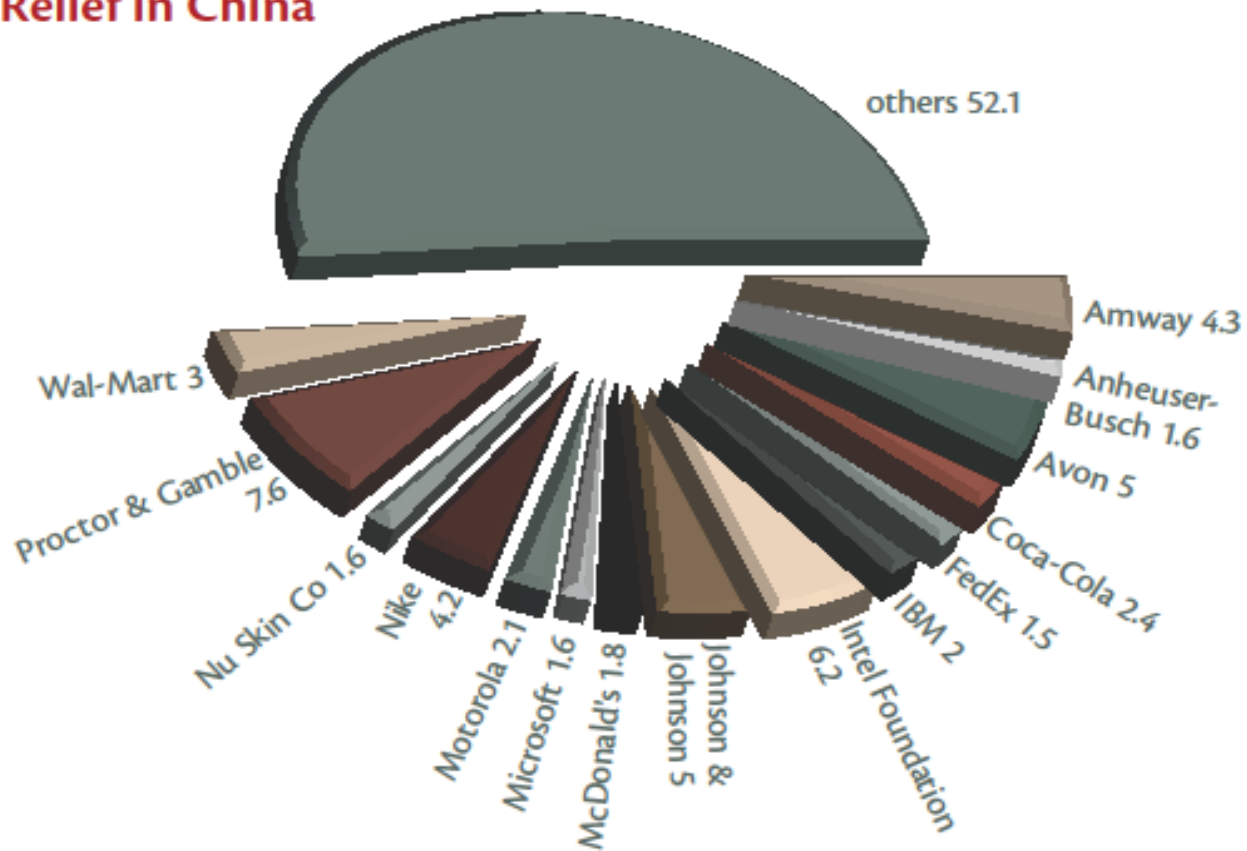
Some behavioral economics theories might apply to the triangle

- Emulation and Herd Behavior (what example do we set by action?)
- Communal Reinforcement (e.g. recycling)
- Inequity Aversion (in humans and monkeys)
- Focusing Effect (China thinks power all good)
- Loss Aversion and Endowment Effect (we will give up power reluctantly)
- Be wary of “market inefficiencies”



- It can be public and/or private

U.S. Corporate Donations to Earthquake Relief in China



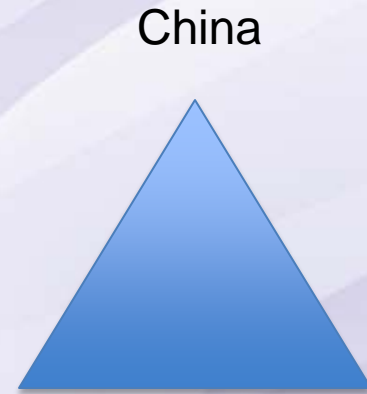
\$102 million total

Figures in millions of \$US. Contributions over \$1.5m broken out.



Instead of Triangles and Cornerstones...

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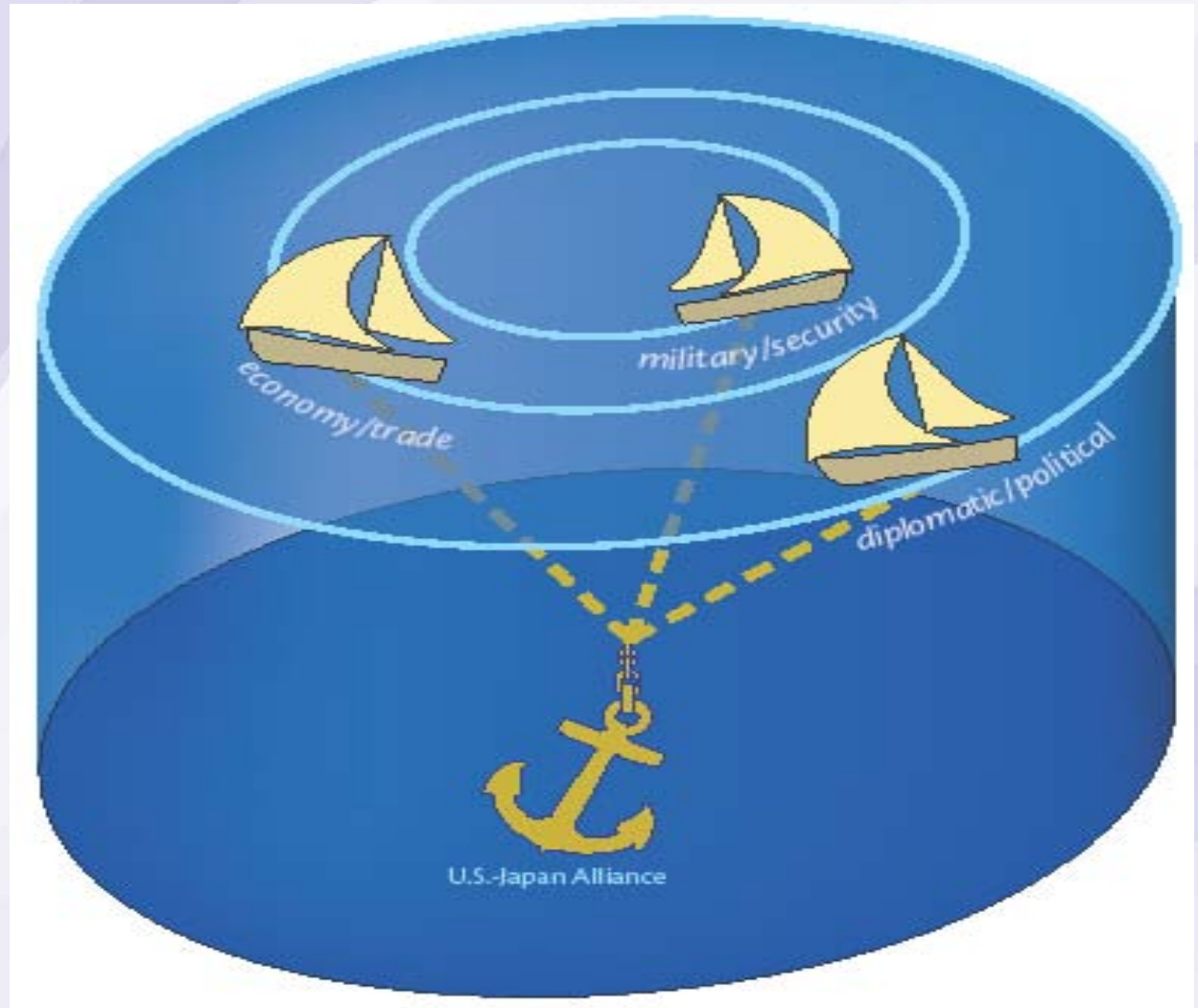


- Which triangle is better?



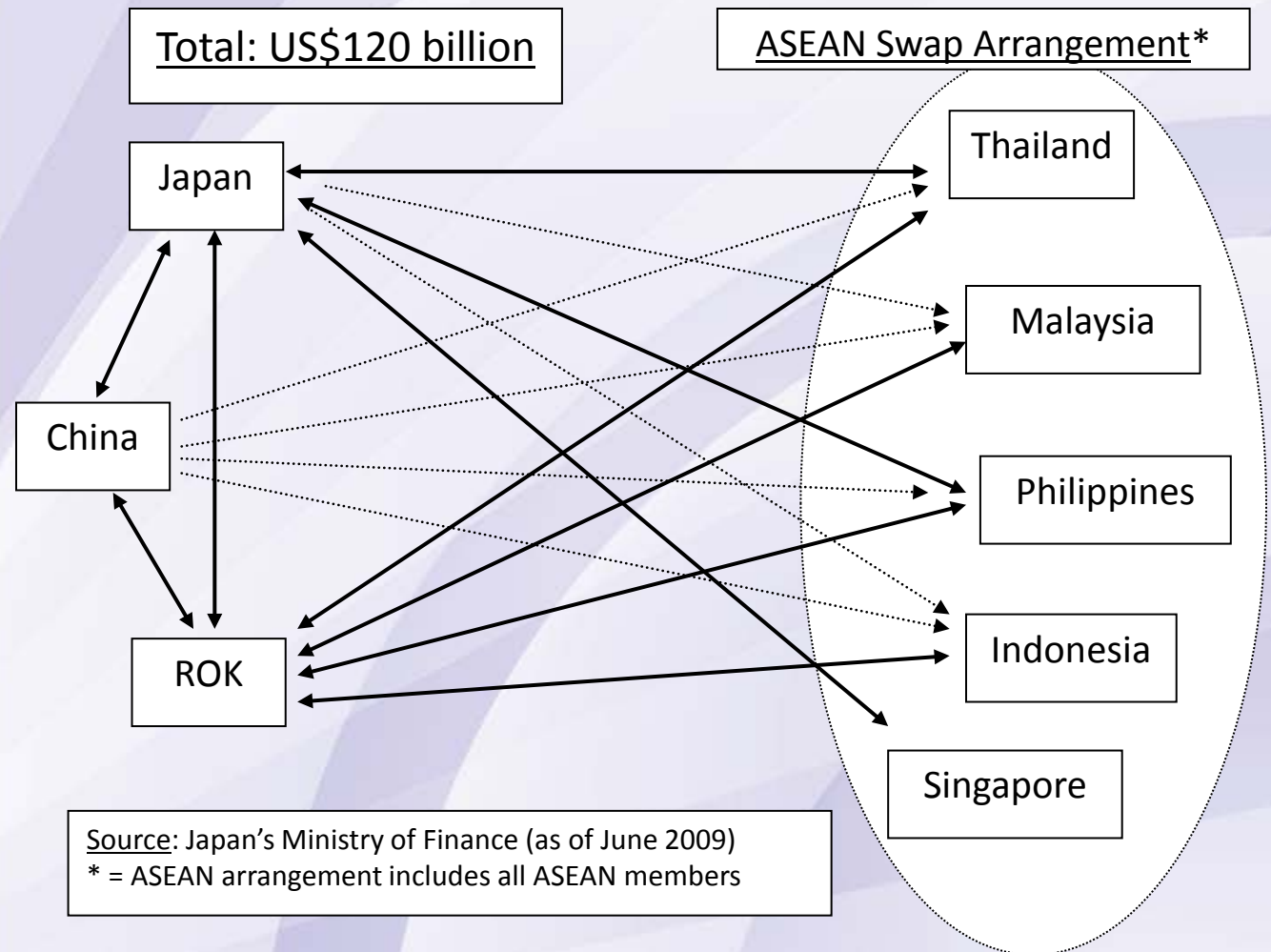
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...We Should Emphasize the Anchor



Network of Chiang Mai Bilateral Swap Arrangements

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Smart Power and the “Anchor”

- It begins with allies and institutions
- Two broad areas: policy and actions
 - Some compromise often needed for policy
 - Better integration needed for action (public/private)
- A long-term, bottom-up process of change: how we seek to shape our environment
- For now it is led by like-minded individuals, but eventually we should institutionalize



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