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

James L. Schoff
Institute for Foreign Policy Analysis

March 29, 2010
The Canon Institute for Global Studies (CIGS)
Tokyo, Japan
Balancing the Japan-US-China Triangle

- 60%+ reliant on imports for calorie intake
- 90%+ reliant on energy imports
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
“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
“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”
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
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)
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
Instead of Triangles and Cornerstones...

• Which triangle is better?
Balancing the Japan-US-China Triangle

...We Should Emphasize the Anchor
Balancing the Japan-US-China Triangle

Network of Chiang Mai Bilateral Swap Arrangements

- Total: US$120 billion

Source: Japan’s Ministry of Finance (as of June 2009)
* = ASEAN arrangement includes all ASEAN members
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-mined individuals, but eventually we should institutionalize
Balancing the Japan-US-China Triangle