Atlantic Council

Cross-Straits Series: The Coming Asian Arms Race?

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BARRY PAVEL: (In progress) – started. Even though it's August, we'll try to stay on time here at the Atlantic Council.

Thanks for coming to the Loews Madison Hotel for this Atlantic Council event on whether there will be – whether we're seeing an Asian arms race or not. It's a very big frame, so we really look forward to discussing some of the specific issues that this engenders. I myself just came from an Atlantic Council event with the Danish minister of defense, so I excused myself and said, pardon me for pivoting to an Asian event – (laughter) – down the street.

But that is one of the issues where that undoubtedly will come up is the U.S. role, how does the U.S. respond. There's a U.S. Defense Department strategic review underway right now. Will it stick with the January 2012 defense strategy, or partly due to fiscal constraints, partly due to some of the developments we're talking about today, will it adjust it somehow, a deeper investment in Asia or a different set of global priorities? These are really big questions. There's a lot of flux. And we're really looking forward to engaging our panel and engaging you on all of these.

As you might expect, we at the council and in particular at the Brent Scowcroft Center, which I run, are paying a lot of attention to these developments, including what's going on in the Asia-Pacific. We've been looking at the rise in Asian defense budgets, and hence the reason for today's event, and what it all means for U.S. strategy in what undoubtedly is the Pacific century that we're already into. The Scowcroft Center would like to thank the Taipei Economic and Cultural Representative office in the United States for generously supporting this cross-strait series where we examine these types of issues.

Ever since the pivot was announced, there's been a lot of discussion about how much investment, what type, how broad, what are the implications, what are the strategic motivations, is this containing China, is this a broader engagement, what does it mean for the rest of the world. The Middle East, I hear, is still a little bit unstable. So how will the U.S. manage all of this, in particular if there's $500 billion in defense cuts? Or as the secretary of defense recently said, if that scenario developed, it would break the U.S. defense strategy, and they'd have to look at an entirely different strategic construct.

The statistics that we're discussing today are quite stark, and that is the defense budgets in Asia are looking – are forecast to top North America's by 2021. We're talking eight years. It's a pretty big deal, rising 35 percent from 2013 levels to that – in that year according to Jane's. Back in March, IISS reported that Asia's defense spending overtook Europe's, including NATO and non-NATO states. It's a lot of implications of this. There's a lot of motivations.

I think the real issue is China's role in all of this. I think that's a driver, but there are other – many other factors we'll discuss. China's defense budget continues apace, and more importantly, that's an input, but the outputs, the capabilities that China's military is developing are very – are getting more significant, I'd say by the – by the week. We'll hear quite a bit about that.

In the meantime, we had the Chinese military leadership at the Pentagon, I believe it was last week or early this week, Secretary Hagel and Chairman of the Joint Chiefs Dempsey, in very interesting discussions with the head of the Chinese military, a lot of discussion of sort of the new great power construct that President Xi discussed at Sunnylands and in other places. We have Secretary of Defense Hagel going to Southeast Asia today, I believe, making a number of stops, Malaysia, Indonesia, the Philippines, other places. So this is a really timely topic.

I think instead of me meandering more in terms of introducing the grist for this, I'm going to turn to our panel. But I think we really want to highlight some of the key issues that will – that these trends engender, and I will push the panelists hard if they don't.

Let me introduce them. At the far – at the far left from your vantage point is Dr. Ely Ratner. He is the deputy director of the Asia-Pacific Security Program at the Center for New American Security. He previously served in the State Department in the Office of Chinese and Mongolian Affairs as the leading political officer covering China's external relations in Asia. So I'm really looking forward to his remarks. He was also an international affairs fellow at the Council on Foreign Relations, where he looked a lot at China's activities in and relations with a lot of other countries in the Asia-Pacific region.

To his left is Randy Schriver. He's the president and CEO of the Project 2049 Institute. He's also a partner of Armitage International LLC and a senior associate at the Center for Strategic and International Studies. He served previously as deputy assistant secretary of state for East Asian and Pacific affairs from 2003 to 2005 and as chief of staff and senior policy adviser to the then-deputy secretary of state, Richard Armitage, who, incidentally, Mr. Armitage is chairing a project for the Atlantic Council that's just starting right now, based on a grant from the MacArthur Foundation, relooking at U.S. extended deterrence in Asia, what are the new challenges, what are the new tools that are available. So stay tuned more – for more on that.

And then to my immediate right is Mr. Kurt Amend, who I knew from when we were both in the government? Kurt now is the director of international business development for Raytheon International. Before that he served for 23 years in the U.S. Department of State, retiring as a senior member of the foreign service in July of 2011. Just prior to that, he was the principal deputy assistant secretary in the Bureau of Political-Military Affairs, which has the – a very broad security portfolio, as you may know, in the U.S. State Department.

So we will hear from each of our panelists for some initial remarks, then I'll ask them a couple of questions to keep them honest and then would love to start engaging you, so please at that point let me know if you have questions, and I'll turn to as many of you as possible. But please make them questions and not statements as much as you can.

So without further ado, Ely, can we hear – what are your thoughts on these questions?

ELY RATNER: Great. Nice to be here. This is – this is a great topic, and looking forward to the discussion.

I was asked to talk about the effects of increasing defense spending on regional security dynamics broadly, so I'm going to try to give an overview picture, and then I think my fellow panelists are going to drill in on some more specific issues.

So let me just start at the outset by saying obviously, it's true that defense budgets are increasing in Asia, militaries are acquiring more advanced capabilities, and a number of countries are also increasingly looking outward in their security orientation. And I think these trends are likely to continue in the years ahead as these countries become increasingly wealthy and the regional security environment and the regional threat environment continues to evolve in the direction that it's moving right now.

But defense spending on its own tells us relatively little about the direction of regional security in Asia. So what I want to do is talk about three macro trends or critical characteristics of the regional security environment that I think are ultimately going to interact with increased defense spending and determine whether more capable militaries ultimately undermine or contribute to continued regional peace and prosperity. And I'm going to truncate my remarks a little bit to move through them quickly so we can get to the questions a little more quickly, so we can come back to detail if necessary.

So the first characteristic of the regional security environment that I would highlight is that it's becoming increasingly networked, that we're not just seeing increased spending as a whole but also increasing connectivity on security issues among Asian states, and as a result, the region is moving, albeit slowly, away from being solely defined by the hub-and-spoke U.S.-led alliance system. This was the subject of a recent CNAS research project. And having had the opportunity to travel throughout Asian capitals, to Hanoi, Manila, Canberra, Tokyo, Singapore and elsewhere, it's clear that this is a robust phenomenon and also that it's very much on the – on the tips of the minds of policymakers and strategists in the region as Chinese power increases and there continue to be questions about the staying power of the United States in the region.

So in terms of the implications of a more networked security environment, clearly, there – a potential – it harbors the potential for greater security competition with more adventurous allies and partners, with less experienced operators, with more crowded airspace and waters. This all adds up to a greater likelihood of accidents, incidents and miscalculation in the region. And of course these are – these are all threats that we should take seriously and much more needs to be done to address. At the same time, though, there are a lot of new opportunities for the United States and others in this more networked security environment, and let me just briefly mention a few.

With regards to the U.S.-China security competition or security relationship, which a lot consider to be the dominant feature of the Asian security environment, we saw the potential for a more networked regional security environment to have dual positive effects of both augmenting deterrence against Chinese aggression and coercion while also diminishing the intensity of the U.S.-China competition itself. A second possible positive opportunity out of this is this more networked environment creates great opportunities for the United States to build capacity in the region more effectively and more robustly and to develop deeper ties – security ties with countries in the region. And finally, a more networked and more capable security environment

creates opportunities to augment regionwide security cooperation and to support more effective and more capable regional institutions. So it's a mixed picture in terms of what interconnectivity and greater capability means for the region, but we should exclude the possibility that these will not just be destabilizing and lead to competition but also have sources of cooperation and stability in them as well.

The second point I wanted to make is that as we think about increasing defense spending, military modernization, always keep in mind that the diplomatic and political context is absolutely vital. This isn't exclusive to Asia. It's not exclusive to the current period. But it's important to underscore that we can't just look at defense spending in and of itself and that it's the combination of defense spending with behavior, with rhetoric, with perceptions of intentions that ultimately determines the destabilizing or stabilizing effect of military modernization.

And we've seen this throughout the last decade. We saw China with a very robust military modernization program without – through the 2000s, and scholars here in the United States in the mid-2000s were writing books about China's charm offensive. And it was only once China's behavior became – perceptions of Chinese behavior became more assertive toward the end of the decade that there was much more considerable alarm rather than that being just the result of the People's Liberation Army developing or deploying specific capabilities. And I think you could say the same about the modernization of Japanese Self-Defense Forces, that it's often the political-diplomatic context, not the actual planning or operations or capabilities that are being deployed, that's determinative of how these are being received in the region. And the same goes for the U.S. rebalancing to Asia, which we can talk about in more detail.

But I think what we've learned over the last several years as we've seen a number of countries, China and Japan, Vietnam, Singapore, to a certain degree the United States, all thinking about starting to be greater contributors to regional security in the region, is that there are lessons learned about how to create a more positive, diplomatic environment that's conducive to military modernization in a more stabilizing context. Again, we can come back in more detail, but I would – pieces of that which I would include would be the need for an engagement strategy with multilateral institutions; the need to garner political support from key regional and outside powers, or at least be seen as trying to do so, the need for more capable militaries to be engaging on the right issues; to be seen as working on politically viable regionwide security efforts related to humanitarian assistance and disaster relief, military medicine, peacekeeping and these types of activities; and finally, balancing security initiatives with regional engagement strategies that include economic, social and developmental components, that having a multifaceted strategy means that the military components of foreign policy are less prominent and less threatening even if they're increasingly robust.

The final point I'll make in terms of the key features of the regional security environment is that there's different levels of security competition in Asia right now – I think this is a fundamentally important point – even between the same sets of countries, and this is due largely to the imbalances of power in the region between key countries. So let me just talk about three of these. There's others that we could – that we could think about.

I mean, first, clearly, as we traditionally understand it, there are – there is, to a degree, high-end arms racing for major power war and deterrence. And we're seeing countries developing or acquiring advanced fighters, ballistic missiles, missile defenses, some thinking or modernizing nuclear weapons, et cetera. That's largely familiar. It does have new dimensions. But some of the others are perhaps more interesting.

A second type of security competition that's emerging in the region derives from efforts of relatively weaker states to deter stronger adversaries through asymmetric means. The most commonly cited version of this is the PLA's anti-access/area denial or counterintervention strategy, about which volumes and volumes have been written. But what's interesting is that what we're starting to see now in the region is that weaker regional states are beginning to employ precisely this strategy against Chinese power projection capabilities as states who can't match China's military advantage are thinking about how to deter China through asymmetric means, and I would suggest this is likely to be a key feature of the next era of military modernization in Asia, so that rather than aiming to defeat the PLA, which isn't possible for most of these militaries, countries are looking to deter aggression by developing capabilities – as one strategist in Southeast Asia told me recently, to give China a bloody nose rather than thinking about how to defeat China.

So this means how to find indirect means to impose costs on China without needing to wage all-out war against the PLA. And a concrete example of this, to just give a little granularity, would be thinking about how Vietnam might use its submarines to hold Chinese economic interests at risk in the South China Sea. That would be an example of some asymmetric means to do this.

The third type of security competition, which is – which is in some ways the most interesting and most pertinent in day-to-day security matters in the region, is not, again, the high-end deterrence, advanced capabilities, very expensive systems, but rather a security competition that's occurring now in the region, largely in the maritime domain, of law enforcement in government vessels, that's occurring in what the Japanese have called a gray zone between competition and war. The Chinese have largely perfected this strategy in recent years, using what amounts to physical intimidation with coast guard vessels that seeks to coerce without escalation and without drawing in the United States military.

But again, what's happening in reaction is that the rest of the region is realizing the importance of this set of capabilities, thinking about the importance of maintaining security in nearby territorial waters and beginning to pour resources into building up maritime domain awareness and civilian maritime capabilities.

Now, the reason why this is such a big issue is because we really don't have good concepts for how deterrence or coercion or escalation works at these lower levels of competition, particularly when we start mixing in X factors of alliances and new technologies.

So just threw a lot on the table, but as a bottom line, I'd say military spending is likely to continue increasing, but with key dimensions that could push the region toward greater

cooperation or greater competition, and all of which is calling for new strategies, concepts and doctrines to manage an increasingly complex security environment. And I'll end there.

MR. PAVEL: Thanks very much, Dr. Ratner. Very interesting.

Randy, what would you like to add?

RANDALL SCHRIVER: Well, thanks. Thanks for the invitation. Thanks, Barry, and thanks to the Atlantic Council for putting this together.

I was asked to talk about Chinese military modernization, and in the particular context of the cross-strait environment and what we might guess are some of the projections and the trajectories that we're on. And of course, the topic, although more narrow than the larger topic of Asia, just the topic of Chinese military modernization alone is pretty large, and need to take pieces of this. After all, about 15 or 16 years of double-digit growth in the official defense budgets would suggest that there's a lot going on that we could talk about, and it's true that the modernization efforts have been extremely comprehensive. You can look across the board: fighter aircraft, submarine, surface warfare capabilities, missile space.

But I think it's more interesting to talk about what the key drivers are and what some of the military objectives associated with those drivers may be and then what the acquisition strategy and approach we're seeing, because that helps us, I think, define the trajectory a little bit better.

And here's where I want to come to Taiwan specifically. There's a bit of a narrative that I think is growing here that the dynamic is changing and that Taiwan is less a focal point for Chinese military modernization and less a focal point of driving security dynamics in the region, and I want to offer a bit of a counternarrative based on what I think are the facts on the ground and what's actually happening.

Of course, Taiwan, going back to '95-'96, was unquestionably the main driver of Chinese military modernization. After the '95-'96 Taiwan Strait missile crisis, this is when we first started to see the huge spikes in Chinese official defense spending, and this is where we saw very robust efforts to acquire certain capabilities, namely ballistic and cruise missiles, which are really still the mainstay of the Chinese military power projection capabilities to this day. And so Taiwan was really at the center of things and has been for the past 15 to 18 years or so.

And Taiwan served a very important purpose for the PLA. We did – we did kind of an interesting thing when I was in government and something that not all governments like to do. We tried to grade ourselves on how well we did in terms of projecting Chinese military modernization. And what we discovered in – I think it was about 2004 – is that at every juncture, in virtually every category of description, we were underestimating the success that the PLA would have in their modernization efforts.

And there are a number of theories about why we may have gotten it wrong, but I think the most compelling was Taiwan serving as a single focal point allowed all the various

constituencies and communities, those involved in planning and doctrine and acquisition and training, focusing singularly on that mission, allowed the PLA to get very good very quickly. And there are other parallels in history where militaries that had that single mission to focus on were able to get very good very quickly.

So this is the history, but the question is, is this changing now? A lot of people point to the improved environment in the cross-strait area, note the 18 or so cross-strait agreements, the important economic agreements that have been reached between the two sides.

But a very curious thing has happened or, I should say, hasn't happened. While all this political and diplomatic improvement and economic improvement has taken place between the two sides, the PLA hasn't removed a single missile, a single military unit. They have done nothing to reduce the posture opposite Taiwan in a way that reduces their military capability or presence. In fact, the growth has continued apace.

So as we try to think where the trajectories are headed, we might want to ask: Why is this? Why, despite all the breakthroughs in the other areas, does the security situation lag behind, and why does the PLA buildup continue while Taiwan's defense budgets, by the way, talking about arms race, potential for arms race, have been decreasing and have been decreasing since 2007?

So the one theory might be that security issues already – always sort of lag behind and they're waiting for an opportunity to go to the table and talk about these things, but there's a few other possibilities that I – that I want to introduce and I would suggest would help inform where the trajectory is headed.

One would be a bureaucratic sort of theory that civilian leaders have been unwilling to challenge the PLA in terms of their budgetary gross (sic), their acquisition plans and strategies, and there's a lot of inertia around this Taiwan mission and this focal point driving military modernization. And I think a lot of people looked at the previous government and previous party leadership, Hu Jintao and Wen Jiabao, and said they didn't have really the strength or the ties with the military to take them on directly even when the cross-strait environment started to improve. Perhaps Xi Jinping will be in a different position.

But nonetheless, consider the risks for the PLA. If they all of a sudden say Taiwan is much improved, much better, how do they then go and argue for resources? Well, you can – you can see that a case could be developed with all the various other sovereignty disputes and issues that they have an interest in, but nonetheless there are risks for the PLA if they pivot away to different missions. So that's one.

But number two, perhaps the PLA and the PRC leadership is not as confident as some of us might be in the ultimate trajectory of Taiwan. Perhaps they understand some things that a lot of Americans miss. We're – we've sort of become complacent about the direction of things based on the 18 agreements and based on a lot of the improvements, but in fact if you look at the PRC's objective, their true strategic political objective, you could argue they're actually further away, not closer, to achieving that objective, even after a term and a half of Ma Ying-jeo.

And why would I say that? If you look at polling in Taiwan, people overwhelmingly support the so-called status quo. I think the number is now approaching almost 90 percent say, we want the status quo, however ill-defined or loosely defined that might be.

But if you ask the question, status quo now, what later, the number of people in Taiwan who say, status quo now, independence later, is growing, even under Ma Ying-jeo. The people who say, status quo now, unification later, is shrinking, even under Ma Ying-jeo.

So having that deterrent capability to prevent steps towards independence that might take place if the opposition party is to return to power or having the capability to actually use military options against Taiwan at some point in the future, particularly if Taiwan's defenses continue to atrophy or the defense spending doesn't somewhat keep pace, you can understand why this buildup may continue opposite Taiwan, despite what we're seeing on the ground.

There's a third notion that I want to introduce, or theory, which is, Taiwan serving as a focal point has also allowed the PLA to develop certain capabilities that you might say are, if I can use an economic term, fungible. So if you look at the mission vis-à-vis Taiwan, an island 80 or so nautical miles off the coast of China, it starts to look a little bit like some of the other missions in which they have an interest – island disputes, perhaps a little bit further from China. East China Sea is a bit further. South China Sea is a bit further. But nonetheless, this mission area starts to look kind of familiar.

And so if you look at the missile buildup, it's not only been short-range ballistic missiles, which are the primary missile aimed at Taiwan. There's been development of a whole range of medium-range ballistic missiles, which arguably have less use on Taiwan and much more for the other areas where they may have an interest.

If you look at the architecture they're developing, the C4ISR architecture, arguably it's helpful for Taiwan scenarios, but it's also fungible, right? If you develop a fleet of UAVs – and if you read the PLA writings, they're talking about 11 coastal bases for UAVs by 2015 – if you're looking at anti-ship ballistic missile capabilities of the DF-21 Delta, yes, applicable to a Taiwan scenario – after all, we deployed two carriers to the region in '95, '96, March '96 – but also applicable to a(n) other range of possible contingencies going forward. So if you believe that – and by the way, these three theories I just put forward are in no way mutually exclusive – if you're persuaded by any of this, it would suggest the buildup in the immediate area opposite Taiwan is going to continue, and that buildup is going to have to – will ultimately have implications for not only the Taiwan mission but missions beyond Taiwan.

So let me wrap up by talking a little bit about Taiwan and U.S. policy, because if you are at all persuaded that this is the trajectory we're on, you might then start to question why there's a growing voice to maybe change the TRA or maybe reduce U.S. arms sales to Taiwan, given that the threat may be expected to grow, not shrink.

And I wouldn't say there's an emerging consensus, I wouldn't say that political leaders are inclined to go in this direction, but there are voices that you would have to say, based on their

previous positions in government and based on their expertise, are credible, who are arguing for this. People like Admiral Owens and Joe Prueher have openly talked about changing the TRA, reducing arms sales.

I think it would be a huge mistake, and I think it would be naïve, for a number of reasons – first of all, the reasons just stated, related to where we expect the PLA to go. I don't think the diplomatic breakthroughs, economic breakthroughs are going to lead to a major reduction in the posture opposite Taiwan, and therefore I think Taiwan still needs some deterrent capability that not only helps protect themselves but helps us fulfill our Taiwan Relations Act obligations, which are to be prepared to come to the defense of Taiwan, should we need to.

But also consider the actual impact and the record of arms sales over time. You know, there's a – there's a narrative that I think is just not supported by the facts, which are U.S. arms sales to Taiwan have historically been disruptive or problematic in the cross-strait relationship. The actual data, interestingly, is just the opposite. If you look at the points in time when we've had major U.S. arms sales to Taiwan, more often than not they're actually followed by breakthroughs in the cross-strait relationship. You could go back to 1992 and look at the 150 F-16 sale we put forward. That was followed by – a couple short months later by the so-called '92 consensus and the major breakthrough in the cross-strait dialogue. Even in the Obama administration, look at the $6.4 billion arms sales package approved in February 2010, followed a couple months later by ECFA.

So I think our arms sales program has actually been supportive of the cross-strait developments that have been positive, and we shouldn't cast that aside so easily, and we should think not only about the threat, but we should think about the historic role we've played in promoting an improvement in the cross-strait relationship.

So that's just the Taiwan and the cross-strait piece. There's a lot more to be said about Chinese military modernization and regional implications. So I look forward to participating in that discussion as well.

MR. PAVEL: Right. Thanks very much, Randy. It was very interesting, and I'm going to come back to you on one of those issues.

Kurt, let's hear from you.

KURT AMEND: Sure. A quick word of thanks, Barry and the Atlantic Council, for having me here today.

What I thought I would do is hit three discrete issues raised in the course of today's discussion from the perspective of industry, U.S. defense industry, and then move quickly to the questions, which I think are always more interesting from our perspective as well.

And the first is really to peel away a layer or two on the question of an increase in defense spending in the region, what that means for U.S. industry. If I have it right, the various reports – most recently, I think, Jane's in June of this year – of the balance of trade alluded to or

concluded that the rise in defense exports from the Asia-Pacific region and the amount of spending is either directly or indirectly a threat – represents a kind of threat to the U.S. defense industry. In looking at that, I would ask that you really need to better understand what the – what – the nature of the spending and is it on procurement or on personnel, and even within that, there are various divisions.

And so obviously, for the U.S. defense industry, the focus would be on how much are people spending and on what. Is it new kit as they increase the size of their land armies, or is it – is it on more high-end capabilities, integrated air and missile defense, ballistic missile defense, sensing, because there are various – there are various markets, and U.S. companies are stronger in some than in others. That needs to be better understood.

The second issue really relates to – it's really sort of the implications, the broader implications of this for the defense industry. And here, I think, the uptick in spending clearly represents a range of opportunities for industry. And one way to look at it is to see it in the context of sequestration and increasing stress on the U.S. defense budget and the fact that U.S. technology – high technology – and defense firms like my company will have to create new efficiencies and force multipliers for the Department of Defense.

At the same time, U.S. defense firm capabilities and technologies can help fill gaps in the U.S. posture in the Asia-Pacific region through defense sales to friends and allies and partners in the region.

The U.S. continues to lead the world in various capabilities and – of importance in Asia, ballistic missile defense in North Asia and maritime domain awareness and security in Southeast Asia, and there are other opportunities, clearly – cyber, C4I – command, control, communications, computers and intelligence – and then ISR as well.

The challenge here, I think, will be twofold. One is to – is to develop systems and capabilities that can be exported, design them for exportability because the U.S. government has a vote, and not everything can be sold overseas. Part of our export control regime and the conventional arms transfer policy, which is looked at very closely by the secretary of state, is to – is whether or not a technology, if sold overseas, will disadvantage the U.S. war fighter. And for those technologies that could, then there might – there would be reservations about allowing those sales to go forward.

So designing for exportability and then secondly to make them affordable, always an issue, because as the – as defense industries around the world mature, become more competitive, more efficient, certainly cost is always an issue.

Let's shift now to the technological edge and issue, and I think that's – if I have it right, my understanding is that part of what is inferred in all of this is that the U.S. stands to lose ground in the technological edge that it has, clearly – that it has currently in parts of the world.

I think there's reason for concern here, although I – though it may have less to do with Asian defense spending and defense exports than is typically thought. I gravitated immediately

to a recent report by the U.S. Department of Defense Security Service which documents very clearly the threat – the fact that there are various collection efforts underway now aimed at acquiring U.S. technology, intellectual property, trade secrets and proprietary information to our disadvantage. And part of that report, the 2012 report, describes how in the Asia-Pacific region – if the Asian-Pacific is dominant – and I think there are individuals, companies and governments – I think probably China pops up more often than not – where people are actively, aggressively looking for what the U.S. have – has – knows and has. That's a concern.

At the same time, when you look at the differences in technological capabilities, I think one indicator – not a – not a – not necessarily dispositive, but it's the amount of spending on research and development. And here, I think – and I don't want to – shouldn't come off as overly confident, but the U.S. continues to maintain a very clear edge. Certain countries are spending healthy proportions of their defense budget on R&D – India, 19 percent; South Korea, 13 percent; Japan, 11 percent. I think the U.S. percentage is somewhere around 10 percent, but that's 10 percent of much larger defense budget, so roughly 72 billion (dollars) spent in 2012 by the U.S. government. To put this in perspective, China, which I believe has the largest share in the Asia region, is spending somewhere around 10 percent or 10 to 12 billion (dollars) of its budget.

To me, this suggests that the U.S. government and companies like mine are not about to cede any technological edge any time soon. But we're aware of it, it's a potentially worrisome trend, and we have to stay focused on it.

Let me stop there –

MR. PAVEL: Sure.

MR. AMEND: – and then hand the gavel back to you.

MR. PAVEL: Great. Well, this was a perfect panel, a very wide range and a very sort of a depth of different issues.

Let me sort of just ask the hardest question first, which is so all of these dynamics going on – do any of you have sort of clear views, if you could project where this is all headed – you know, do you – do you have thoughts on – do we need to get a handle on this? Are we headed for danger? I've heard and seen in many different writings and articles that there's a – there's a strong concern about China and Japan being one of the most dangerous near-term potential flash points in the world right now.

So have any of you thought about sort of where's this headed and what might we best do about it to try to avoid a very disastrous set of potential consequences?

MR. RATNER: Well, I'm happy to take a crack at that.

MR. PAVEL: Sure.

MR. RATNER: I think the "Where is this headed?" – obviously a difficult question. I think what it does do is, it lends urgency to a particular set of tasks for the United States as part of the rebalancing to Asia. And I think, in terms of, you know, preventing the types of accidents and incidents and miscalculation – I mean, I think that's the near-term area to focus right now, that – I don't think we're worried about tomorrow waking up and hearing about a bolt-from-the-blue invasion of Taiwan or even parts of the South China Sea. I think what we're most worried about is a surveillance vessel flying from China and going bump in the night with a Japanese vessel, and then who knows what happens from there? So I think we need to really be thinking about how do we deal with that set of dangers and escalation and that, you know, increases the urgency of thinking about – really about confidence-building measures, maritime security measures, incidents at sea agreements and these types of issues.

And I'll just say, you know, the principal vehicle in the South China Sea – that the code of conduct, the U.S. – the ASEAN-China code of conduct has been the centerpiece of discussions for this type of activity, thinking about how do we create at least a nominal rules-based system so that when these things occur, they get handled diplomatically and not through the military.

My own view on that is that the United States and countries in ASEAN have overinvested in that process, and it's – it has been used as a political football. It's been used as an opportunity for countries to drag their feet. And I think, you know, my recommendations to U.S. policymakers, you know, again, coming back from the region recently and having had discussions on this set of issues is that even as we move forward on the code of conduct process, it's probably time now to start thinking about a parallel set of processes where we're going to start thinking about these confidence-building measures independently of that process, and it's going to take leadership in the region because the United States can't do this alone. Countries are going to have to lead. But it's – going to have to be thinking about picking off these issues one at a time, so that these types of incidents don't escalate into what could be a major conflict.

MR. SCHRIVER: Well, despite the name of the institute that I founded, Project 2049, we didn't – we actually don't predict the future. We do look at alternate scenarios and alternate futures.

And I think one of the things we've always come back to is the variable that is most important and probably where there's the most uncertainty is not China. It's the United States. And it's – I don't see anything that China's doing, even with their most robust ambitions, that can't be met satisfactorily by the United States in cooperation with our friends and allies. But if the United States is not up to the task for one reason or another, I think that throws a lot of uncertainty into the region and our traditional allies will start to ask questions about what they need to do separate and apart from the alliance system to meet the threat of – the threat of China. And then I think we go down a path that's potentially very unstable. But if the United States, despite budget cuts – and look, you can cut a defense budget that started at near 700 billion (dollars) plus, with all the additions during wartime, you can cut that defense budget, but you better do it in a way that protects your strategic interests in the region that I think is already and will increasingly be the most important region to the United States.

So we have to have a posture that makes sense. We have to have allies that are confident in our staying power. And we have to be involved in other aspects of the region. I think TPP is absolutely critical. If we fail there, I think we're sort of going down a path where we will continue to be the security guarantor for many in the region, and China's going to swoop in and take all the economic benefits of that. And that's not a satisfactory future.

So I think it's very important for the United States to continue to implement this policy, which I think has broad bipartisan support. Most Republicans, being one myself, were very supportive of the rebalance and the pivot. The question now is, is there any there there? And defense budget is only one part of that.

If you look at a lineup now, where I can't – I'd be hard-pressed to say who's the go-to person in Asia right now in the Obama administration. This is the first time in 20 years – I can now claim two decades of doing this in Washington – first time in 20 years where I can't say there's a secretary or a deputy who's the go-to person on Asia. We have a secretary of state who seems very intent on spending most of his time in the Middle East. There are important issues there, to be sure, but do we have the same enthusiasm and the same energy behind this pivot? So again, I think that's the key and probably most uncertain variable going forward, and if we're not up to the task, that's where I see a lot of potential for instability.

MR. PAVEL: Randy, let me just push you on that because I do think – even though I'm a moderator, I do agree with you that the U.S. is the biggest variable, but sort of underlying your comment is, the U.S. should be doing something differently. So what's not happening that you think should be happening to deal with the trends that we discussed today?

MR. SCHRIVER: I might not say it quite that way. I would say what the second term has introduced for me is a question of whether the same energy and enthusiasm and commitment is there for the pivot and the rebalance. I can't say right now this is where they're failing, but clearly we're looking at a resource-constrained environment. And when you say 60 percent of your naval forces will be in the Asia-Pacific, you can get to 60 percent a lot of different ways. It doesn't mean you're necessarily increasing in Asia. You could be just cutting elsewhere. So I think having a force posture and an alliance strategy, we're going to go through defense guidelines with Japan. They may have an interest in developing a strike capability. All these things have to be managed very carefully.

And again the other aspects. I would just underscore again how important I think TPP is. If RCEP goes forward and TPP stalls, we're well behind the curve again.

MR. PAVEL: Ely raised the question of confidence-building measures, and I was going to raise the issue of institutions here. There have been many commentators that have suggested this is a little bit of a dangerous mix, where we have a lot of very variable and dynamic security trends and there's no sort of machinery – at least there's no machinery that's worked or that's been invested in with effective outcomes in Asia for a long time. You look at Europe, and when these dynamics were going on, or at least after them, you know, all of this machinery was built up. There was a political-military alliance.

And so Ely, I wanted to ask you about this increased networking among the relationships. Is there space for some sort of alliance that hasn't heretofore been possible? But even beyond that, in Europe you've also had the Organization for Security and Cooperation in Europe, OSCE; you've had the EU; and Randy, you've been referencing the TPP. But sort of are there some institutions that should be considered more forcefully and dynamically with – presumably underwritten by U.S. leadership, that haven't been developed yet but now is the time because of these new dynamics? I mean, is this the time for innovation in terms of international leadership? And if so, what should we be thinking about?

MR. RATNER: It's a great question. I think on the direct question, is there an alliance we should be – multilateral alliance we should be constructing in the region, the answer to that is no, there is not. We should not be looking to construct a multilateral alliance in Asia that's somehow akin to NATO and somehow targeted toward China. Some leaders have floated this idea. The Japanese have talked about a democratic diamond between the United States and Japan and India and Australia.

Almost anything that has this sort of multilateral appearance of balancing against China is likely to exacerbate security tensions in the region. And the fact is that with the rare exception of a few countries, there aren't that many countries in the region that right now, given the current security environment, would be willing to sign up for something that looked like a counterbalancing coalition against China. It's just not a political reality today, even for those who in the United States would wish that we could construct something like that.

So countries – I think almost every country in Asia now, their leading trade partner is China, they don't want to have to choose between the security provision of the United States and the economic interdependence with China, so that's not really on the table. So I think what we're thinking about are sort of smaller, cooperative activities, bilateral alliances, some trilateral activity but not alliances. And then the real promise, I think, for institution building in the region is at the multilateral – at the open – at the level at which, you know, not only the ASEAN countries but also outside powers are able to participate.

And there's a lot of griping in the United States about ASEAN and it drags its feet and it's slow and it's consensus based, doesn't do anything. I think what we've seen over the last several years is that actually the pace at which ASEAN has entered some of these security discussions has been pretty remarkable in terms of being willing to tackle critical issues like the South China Sea but actually moving from tabletop to now real military exercises, still related to humanitarian assistance and military medicine and some of these softer issues, but that's what the political waters will bear right now. But I think, you know, we are seeing a maturation. It's important that that continues. We should continue investing in these institutions.

Related to the question of Secretary Kerry's commitment, there was a lot of concern about his relatively brief participation in the ASEAN Regional Forum in Brunei, where he cancelled trips in the region to go back to the Middle East and spent – cancelled bilaterals with countries in the region to spend more time, and missed out on an opportunity there.

And I think going forward, it needs to be clear that the high-level officials from the State Department, Department of Defense, the president have to absolutely bracket out participation in these institutions, whether it's the secretary of defense going to the ASEAN Defense Minister meeting, plus institutions where Hagel is heading just now, the East Asia summit, where the president will be in the fall, and the ASEAN Regional Forum, where the secretary of state absolutely has to be an annual attendee.

I think, you know, there is a question of will these institutions ever begin to tackle the harder, harder security issues. That's yet unknown. But I think we are moving in the right direction. And given the rise of China, I think there's no doubt that the region as a whole has an interest in seeing conflicts and disputes mediated through diplomatic and legal means and not through military means, and these institutions are absolutely central to seeing that occur. So I think the question is yes, on the multilateral front we're seeing progress and we should continue investing in that.

MR. PAVEL: Thank you very much.

Any other thoughts on that?

MR. SCHRIVER: I might just add briefly I agree completely the likelihood of a NATO-like alliance system is almost nil. But I do think in certain mission areas, there's a very compelling rationale and a shared interest in networking the existing alliance system a little more. If you look at the challenges of maritime domain awareness and wanting an operational picture that is sustained and consistent and in which you can have high fidelity, you need more than one country involved in that. So that has all kinds of implications for acquisition and how you network among our allies. And I think everyone has that compelling rationale and interest. Anti-submarine warfare has a lot of the same characteristics, where you're going to want a sustained picture of the operational environment, and one country alone can't do that. And so I think there could be some opportunities for networking.

When you look at the confidence-building measures and the possibility of creating mechanisms to make the operating environment safer, I think it's essential, but I also have lived through a few failed attempts, to maybe be a little bit jaded. We need to have an infrastructure of confidence-building measures that actually work in the event of a crisis and in the event of an accident. I had a very unique experience in government where I was at one agency and helped negotiate an agreement, the Military Maritime Consultative Agreement, and then found myself at another agency, at State Department in 2001, trying to implement that agreement. And I was so convinced, since I'd helped put that agreement together, that here's the paragraph, when you have a military maritime air accident, here's what you do, search and rescue, call for an emergency meeting, investigate the accident, develop rules of the road so it never happens again. And our Chinese counterparts said, no, we're not interested in that agreement; we want you to stop flying those flights. So so much for the MMCA when it was actually tested.

So we need to develop mechanisms that we can have more confidence in. Hotlines are great; sometimes they don't get answered. So we need to have higher confidence, and you can only do that through relationship-building, testing those in noncrisis environments and having

some belief that the phone's going to get answered or the agreement's going to be implemented when you actually need it.

MR. PAVEL: OK, thanks, Randy.

Let me ask two specific questions of Randy and Kurt, and then we'll go to the audience for questions.

Randy, your sort of just detailed exposition of what's going on in the Chinese military was really interesting to me, and it struck me that, you know, there's a lot of interdependence between China and the U.S. and other countries in the regional economically, despite all the security concerns. And so it raises to me the central question of the status of civilian control of the military in China, and for obvious reasons. I think that's one of the – that's one of the core variables going forward, not just for a crisis, where you want to make sure that the political and military communities in both countries are connected in healthy and effective ways, but also steady state. I mean, is what's going on with Chinese military investments, including relative to the proportion of investment in other Chinese assets and resources – is that what President Xi wants? But – so do you have any thoughts on the status of this critical linkage? I think if that linkage can be made as strong as possible – maybe I'm naïve -- then I think we're in better shape. But what do you think about that?

MR. SCHRIVER: Well, it's one of the – we used to say $64,000 questions. I think you can say a couple of things with very high confidence. It ain't what it once was. I mean, when you had Mao Zedong and Deng Xiaoping being PLA themselves, the party and the army being so integrated literally in the people, and having the Long March veterans helping integrate civilian control, it ain't that. And it's never going to be that again. I think also you see that the PLA, as they develop contingencies for a range of interest areas and they look much further beyond their own shores, they're going to have a voice at the table when it comes to national security decision-making on a lot of things – South China Sea, Taiwan, Korea. So they have a seat at the table, and I think it's an increasingly important one.

I don't buy into the notion that this is somehow a rogue PLA and the civilians have no ability to control it. I think there's a level of technical expertise that's required on the part of civilians to exercise that control, which is probably, again, not what it once was, because very few of these guys have military experience and background.

And then you've got to look at certain operating environments, and we're very interested, of course, in the East China Sea right now. And when a surface warship uses its fire control radar to paint the Japanese aircraft, where does civilian control fall in that? I mean, I think you could make a good argument that the civilians are behind decisions such as introducing aircraft into the situation, but there are decisions that are made by operators on the ground that probably call into question whether they can really manage a very dangerous operating environment. So you got to look at those kind of things.

Just one last point. I mean, one thing that I'm increasingly worried about is something I don't see many people discussing, but that's the level of corruption within the PLA. An

interesting thing happened when the PLA got out of business and started shutting down their small enterprises. You know, they used to run hotels and farms and bars, and everybody said, well, isn't this a horrible thing, the PLA's involved in running businesses. I thought it was actually not a bad thing because it's hard to run a bar and a hotel AND do military training. And the senior leaders of the PLA actually agreed with that view and decided that they wanted to be a more professional military.

But this also coincided – coincided coincidentally – coincided in time with the great Russian fire sale of military hardware becoming available for the Chinese and development of indigenous defense capacities in China. And so to replace the small businesses and private enterprises they were running, they started to look at the General Logistics Department as a giant piggybank, and a lot of senior PLA officers are getting very wealthy. And I'm not saying that that is necessarily going to make them more hawkish or lead to certain types of behavior, but corrupt institutions can do strange things and it can pervert a lot of the incentives. So that's something that I think is understudied and we need to take a closer look at. And when you become that wealthy and that powerful, you do develop a little more autonomy from civilian political leaders who may want you to do X, Y or Z.

MR. PAVEL: Thanks very much. And last question and then we'll go to the audience.

This is for Kurt. You talked a lot about the technical edge that the United States and some of its allies bring to these military equations. And we're doing a lot more work at the Atlantic Council on some of the coming technological revolutions in biotech and robotics and algorithms, 3D printing and a range of other technologies, and the sort of overall theme we're seeing is one of individual empowerment, where these technologies are spreading and there's no way to stop it because the centers of expertise are proliferating worldwide. And I know a lot of countries in Asia are investing heavily in these technologies. The Chinese are investing heavily in biotech in a number of its forms. The Singaporeans are investing heavily and laying their money down on some of these key technologies.

So I mean I – you're someone – you come from a technology company. Are you seeing these same dynamics, where in my view it's not a question of sort of holding our edge, it's a question of going faster than others as these things are just developing so rapidly? How are you seeing this?

MR. AMEND: Right. A great question. The rate of progress and advancement is at warp speed now compared with 10, 20, 30 years ago.

I mean, I would just say – I would take as an example my own company, Raytheon, where of an organization of 68,000 individuals, 40,000 are engineers. And so, I mean, what that tells me – and I think it's probably reflective of other companies – is that we – you know, Raytheon has – U.S. companies have enormous horsepower to do all that they can to keep it – and they will, and I'm confident they will, and so when problems arise, when they anticipate requirements, when they see new potential – new capabilities on the horizon, I think they are working very aggressively to keep up. Yeah. I mean that's – (chuckles) – that's the best –

MR. PAVEL: See what happens.

MR. AMEND: Exactly.

MR. PAVEL: Great. Well, now it's time to engage you. I think we set the stage with a number of issues. The gentleman in the back, in the green. And if you could identify yourselves, that would be helpful.

Q: Ken Myer – (inaudible). Following up on your question as to where this is all headed, is our implicit guarantee to the Japanese over the Senkaku Islands comparable to the British guarantee to Poland in the lead-up to World War II? In other words, is it fair, to replace a World War II line, "to die for Danzig," with the line "to die for Diaoyu"?

MR. SCHRIVER: I think not. I think actually were we to take the alternate approach, you'd be inviting a lot of trouble, and not just in the Senkakus. I think you'd be inviting trouble elsewhere if the U.S. was not seen as standing up to its alliance commitments.

And I don't think we've been overly provocative. We've been engaged in diplomacy to talk to both sides, to include the Japanese, about things to keep the operating environment safer, appropriate diplomatic steps. The Japanese have sent envoys to Beijing recently. Yachi's been there twice. So I don't see that taking a position that we're going to honor our alliance commitment – in this case – has added to the instability or the uncertainty. I think it's helped calm things down.

You know, historical analogies are interesting. I could say that there were statements that left uncertain whether we were going to come to Kuwait's defense or statements that we were uncertain did the Korean Peninsula fall within our core interests. So, you know, you can find historical analogies to support a particular point of view.

My view is that, starting with the Bush administration and what the Obama administration has continued has only helped to underscore stability and tried to ratchet things down with respect to the Senkaku/Diaoyutai area.

MR. RATNER: I mean, I would just add to that sort of implicit in this question is a criticism of the U.S. rebalancing to Asia, which is that it's emboldened allies or partners to challenge China in ways they wouldn't have done otherwise. I think on balance that's actually not true, empirically, for reasons Randy said, that when crises have arisen, the level of U.S. diplomacy and the degree to which U.S. engagement has led to reduced tensions occurs over and over and over again. I think that's what the record of the last couple years has shown. So I don't – you know, there are criticisms to be had. I don't necessarily buy that one.

And then just the other point I would make, again, maybe building off of Randy's comments about the effects of U.S. arms sales to Taiwan, I think in the broader sense – again, related to this question – the more secure countries in the region feel in terms of their ability to deter Chinese aggression, the more stable the region's going to be, that it's weakness, not

strength, I think, that's going to invite instability. And so, again, standing up to our commitments is important in that regard with Japan as it is with Taiwan.

MR. PAVEL: Great. Thanks very much.

Yes, right over here. We can bring a mic.

Q: Thank you for doing this. My name is Donghui Yu with China's Review News Agency of Hong Kong, and when meeting with President Obama in California, the Chinese president, Xi Jinping, suggested that if the United States stopped arms sale to Taiwan, China could consider adjusting its military deployment in Taiwan Strait, and this time the Chinese defense minister, Chang Wanquan, also make this proposal in the Pentagon a couple days ago. And he also suggested that the – both sides should establish the working groups to discussing detail(s) about a so-called major obstacles between the two militaries, such as arms sale to Taiwan and the reconnaissance in the EEZ of China. What's your view about that? Do you think it's a viable proposal? Thank you.

MR. PAVEL: Thanks very much for the question.

MR. SCHRIVER: Well, you might not be surprised that I would be opposed to this. I'm not opposed to talking. It's interesting that you want to – that they're discussing a potential working group of obstacles that are entirely defined by China arm sales or reconnaissance flights. I wouldn't start with a dialogue about U.S. arms sales to Taiwan. I would start with a dialogue about the security environment in the Taiwan Strait, because I think what the dynamic is, a huge buildup on the part of China and decreasing defense budget in Taiwan, very few U.S. arms sales to Taiwan. And so to say that the issue or the problem is U.S. arms to Taiwan I think is way off the point, not to mention the previous point I made that U.S. arms sales to Taiwan, that the track record is actually quite good in promoting positive developments in the cross-strait relationship. So I think it's a little bit misguided, but I think having some kind of dialogue to talk about improving the mil-to-mil relationship is fine. I just think we have to be careful about what topics are on the table and how we frame issues. You know, the ending of arms sales to Taiwan, I've always said, look, that's not a discussion necessarily that can be exclusive to Washington and Beijing. If Beijing has a proposal to enhance the security of Taiwan and bring them to a point where they feel they don't need the arms sales, take it to Taipei. If you want to reduce the posture opposite Taiwan, convince Taipei that they no longer need the support of U.S. arms sales. That's where that dialogue needs to take place, not Beijing and Washington exclusively.

And I think, again, you know, there's – it's sort of like the end of "The Wizard of Oz," where, Dorothy, you had the power all along, just click your heels. China has so much ability to affect the environment in the cross-strait situation and impact our own decision making on arms sales if they just reduce the buildup, unilaterally. Why do we need a dialogue to say we've had 18 cross-strait agreements, we've had all this improvement and the buildup continues? Why does that require a dialogue? Why doesn't China recognize the situation is changing and the political and security dynamic is different, and reduce the unilateral buildup?

MR. PAVEL: A question in the back.

Q: Hi. Victoria Samson, Secure World Foundation. I'd like to thank the panel so far. This has been a really fascinating discussion. One issue that I haven't heard discussed and I'd be curious of your take on is there's something that's affecting the political and strategic environment of Asia, and that's Asian space spending, both on programs increasing militarization, broadening and such. I'd be curious of your take about how you see that affecting the regional security dynamics, as well as how you see that coloring the U.S. relationship. Thank you.

MR. PAVEL: The question really is, what role does the particular spending on space play in this broader set of defense and security spending, if any? I mean, I do know that Chinese military doctrine is at the outset of any conflict to attack and disable U.S. access to space and cyber, in effect, to blind and take out all of the capabilities that space is so critical for U.S. operations in the Pacific. So I think this does have a big – play a big role. And then there's also the more positive space capabilities – in other words, not anti-space but space satellites which provide a lot of capabilities also for defense establishments.

MR. RATNER: I guess I'll say – I don't know if Randy had sort of specifics on the question – the broader point that I would make, I was just going to mention earlier, in terms of thinking about security competition and sort of that higher level arms racing that we're seeing is that one of the interesting dynamics of it is that if conflict were to occur, we would likely see what folks talk about as horizontal or cross-domain escalation in ways that we haven't really experienced before. So that if, for instance, the United States and China had a conflict as Barry suggested, it wouldn't just be traditional conventional militaries fighting against each other, that there would be activities in space, in cyber, even in the economic realm the likes of which we haven't really seen. So there are a lot of different combinations here, again, when we think about deterrence and escalation, that we – that we need to do new thinking on as we have these new domains in which conflict is going to occur, and space is one of those.

MR. SCHRIVER: I'd just add, it's a bit of – it's the Wild West feel to it right now with everybody expanding their space program – all the major powers expanding space programs. And in addition to the military dimension, we should also consider the opportunities that maybe presented to have cooperative approaches to the management of space, look at issues like space debris and how you manage and share that kind of information. So I think it's probably an area where we need not only closer communication with our allies about the military dimensions, but it's one that actually could prove to be positive in the U.S.-China and multilateral context if we kind of frame it the right way.

MR. PAVEL: And there's also a lot of potential, I would add, for cooperation on nonmilitary space issues between – among the different nations, many of whom we've discussed today.

So another question? Yes, right over here.

Q: (Off mic) – with SEAPOWER Magazine. You know, one of our U.S. responses to, you know, rebalancing the Pacific and other things, you know, the concern about the area of denial – anti-access/area denial thing, and we've come up with the AirSea Battle concept, supposedly not aimed at anybody particular, but everybody knows it's pretty much aimed at China – argument that that is actually counterproductive, that it more likely acerbate the tensions rather than resolve it. Anyone in their attitudes towards our AirSea Battle idea?

MR. RATNER: Maybe a couple comments. I mean, important to remember it's a concept of operations, it's not a strategic strategy. It's meant to deal with a particular set of challenges. I think, you know, in this regard it's – how to say this politely – I think it's an unfair criticism in so far as we ask our militaries to plan against possible contingencies, and as the regional security environment evolves, they're responding to how they might deal with more difficult operating environments that they haven't confronted in the past. And frankly, what do you think Chinese planners are doing? They're planning against possible contingencies against the U.S. military, Taiwan contingencies. So I think we need to maybe understand that that's what militaries do, that's what military planners do, and not over-imply that the – that attempts to prepare for possible contingencies is directly connected to particular intentions, because I think it's an unfair criticism and the Chinese are doing the same thing.

MR. PAVEL: Just to sort of reinforce the question, I mean, I agree with your answer on a technical basis, but you have to say that the way it's been – you know, the way that the various levels of strategy from the United States government have been rolled out, you know, I think there is – there is some sense of at least the packaging could have been done better. If there was a broader defense strategy, then I think it probably should have been elucidated and sort of packaged in a way that makes it clear what you just said, because I think you – (inaudible).

MR. RATNER: Yeah, I think a broader defense strategy and a broader defense strategy nested in a – in a White House-directed strategy about what the rebalance is all about. I think there's – you know, we can talk all day about why that's important. But the lack of that – the lack of transparency on AirSea Battle, I would totally agree, has been a big mistake. The fact that we didn't see an official document out of the AirSea Battle office until a couple of months ago was a mistake, and people were (imbuing ?) all sorts of meaning from various think tank and research organization reports about what were the intentions of the United States. And this is an example, I think, where – and there were voices saying, look, transparency, in this case, is not to the advantage of the United States. It assists our potential adversaries. I don't really buy that argument. I think being more clear about our intentions and what we're doing and trying to explain it a little more simply, being a little less cute about it is to our advantage.

MR. SCHRIVER: I agree with all that. The only thing I would add is that, you know, ultimately we're going to harvest some of these concepts. There's no question. I mean, the idea that we need more survivorable platforms, sustainability in this environment, it's irrefutable.

But the other thing is, you know, this isn't entirely new, this – it's an – old wine, new bottle? Is that the expression when you say A2AD and AirSea Battle? I mean, we've seen areas in the past where our forward-deployed forces were highly vulnerable and targeted with short-range, intermediate-range missiles, and I'm of course thinking of Europe. And what did we do

in Europe? We actually doubled down with our presence and we said, this is an important enough area where we're not going to completely cede the territory and to do some sort of offshore balancing and some sort of concept of operation that keeps us out of harm's way. And I think, ultimately, what you'll see in Asia is that these alliance relationships are important enough that we'll continue to have a very robust forward presence and operate in these areas despite the fact that they're targeted by ballistic and cruise missiles in large numbers. So I think ultimately what you'll see is harvesting of some of the concepts, but a force posture that may be a little bit more diverse than we currently have but will evolve, forward-deployed forces that are targeted by these missiles, and, you know, ultimately that's, I think, to the benefit of the region's peace and stability.

MR. RATNER: And I would just add to that. I mean, I think one of the maybe positive signs in terms of the maturation of the U.S. and China security relationship is the ability to recognize the potential for – the reality of the competition and what – you know, the new type of great power relations, at least from the American perspective, I think, is valuable insofar as it is a recognition that the two countries need to work together to avoid real sources of competition and disagreement from devolving into an intense security competition. So rather than blaming each other for who's to blame for tensions across the Taiwan Straits, or pretending that we can have win-win relations that are – that are going to be rosy, I think at least what we've seen out of Xi's government has been a more proactive desire to engage in military-to-military relations and to actually try to tackle some of these more sensitive issues and try to work them out rather than – rather than pointing fingers.

MR. PAVEL: Yes. Here comes the microphone.

Q: Thanks. Peter Pereni (ph), Center for National Policy. We heard a very interesting discussion of the – about the possible use of confidence-building measures to build a safer operational environment. Maybe I'm misinterpreting this, but it sounds as though it's implicit that there's not much room for more fundamental efforts to address territorial disputes, given domestic political pressures and so on. So I wonder what efforts may have been made to use existing mechanisms or develop new mechanisms for political or legal efforts to settle territorial disputes. Is this totally unrealistic, or is it worth a quiet long-term effort perhaps involving the United States?

MR. SCHRIVER: I can take a crack at it. I mean, I think that has to be part of the overall strategy, but we also have to be careful how we inject ourselves in these different disputes. And they're all slightly different. I mean, I think we probably have a unique role to play with respect to the sovereignty dispute between Korea and Japan because they're both treaty allies of ours, and we have bigger fish to fry. But I wouldn't suggest you can solve the Takashima/Tokto Island dispute at the same time Japan is involved in a hot dispute with China over the Senkaku/Diaoyu.

But I think, ultimately, the U.S. can play a special role where the dispute involves two of our close treaty allies. I think in other situations maybe we are a participant, one of many at the table, when we talk about South China Sea, where we continue to underscore certain principles

that are important, freedom of navigation, the ability to extract out resources in a way that there's a shared benefit and so forth.

But I agree, if you're just kicking the can down the road on the source of the problem and dealing with sort of the symptoms, you're ultimately bound to face these bubbling up time and again, and you're no further along in making yourself more safe and secure. But I just think, you know, Americans, we have a habit of thinking we've got to get in and solve everything and we've got to be in the middle of everything, and sometimes we've got to remember just the Hippocratic Oath: Do no harm first and be careful how we do these things.

MR. RATNER: And just in terms of particular initiatives, there are a number of efforts. I think there's broad recognition that resolving these disputes is highly unlikely in the near term for a variety of reasons related to resources and nationalism and politics and balances of power and otherwise. But there are a variety of efforts to talk about how do we start managing these issues, and some of those are occurring at an international level. The Philippines has brought a case to the International Tribunal of the Law of the Sea against Chinese claims in the South China Sea. This is going to be the first big test in the region in recent times, at least in the current spat of South China Sea disputes, to see how the international community, how China and how ASEAN are going to react to a ruling by an international body on the nine-dash line that China has claimed, and others. China has chosen not to participate in this process, that's – which is under its right, under the U.N. Convention and the Law of the Sea. But nevertheless, this, in my view – we're still maybe one to two to three years away from a decision, but this will be a foundational test in the ability of the international community and international law to manage these disputes. And as far as I can tell, the entire region is holding its breath because folks really aren't sure how they're going to respond if the court comes out as it's likely to ruling – at least against – in part against certain Chinese claims. So that's one area to watch.

And then bilaterally, there are a lot of interesting initiatives going on. The Japanese and the Taiwanese have a recently signed fisheries agreement, which we'll see where that goes. The Vietnamese and the Philippines have an MOU that involves a hot line in case there are incidents there. And there are even really nascent but undeveloped maritime mechanisms between China and Japan to deal with some of these initiatives. So the efforts are out there. Is the political will out there when the balloon goes up? Very uncertain. But I think this notion of we need to find ways to manage these issues, we're not going to come up with a solution to solve them in the near term is the direction we're heading. You know, keep your eyes out: In the next couple of years that's going to be the focus of a lot of efforts.

MR. PAVEL: Additional questions?

Yes, the gentleman in the third row.

Q: Thank you. My name's Stephen Taft (ph). I'm a recent Georgetown graduate. I wanted to ask you all what you all think China's game is with Taiwan, ultimately. I mean, are they kind of trying to be like Khrushchev and banking on us withdrawing if they make it too hot for us, or where's that going to go?

MR. SCHRIVER: Well, there's no question what their aim is. They've been saying it consistently and emphatically for a long time. They want unification, or what they would call reunification. And I think what they discovered post-'96 when Taiwan democratized was that an overly aggressive approach, finger wagging, threatening, was going to be counterproductive, and that occurred in each election with the missile exercises putting Lee Teng-hui over the top at over 50 percent in 2000. Zhu Rongji's threats helped, perhaps, Chen Shui-bian and the DPP come to power. And so I think what they discovered is the road to Taipei goes through Washington, and in many ways they want Washington to impact Taiwan and try to thwart so-called moves towards independence, and that's a dynamic that I think we've seen develop. And I see no reason why that won't continue. I think they will continue the military buildup as a deterrent against political steps they don't want to see Taiwan take, but they're going to continue to try to make Washington the vehicle for putting pressure on Taiwan.

And ultimately – you know, again, why would China be so concerned about U.S. arms sales to Taiwan when Taiwan's defense budgets have been decreasing since 2007, their military advantages are growing – ultimately, they're still concerned about the direction of Taiwan, and they want that military option, if only for coercion but perhaps for actual military operations at some point in the future if they think they need to do it. Because again, they read the polls probably more closely than Americans read them, and they see that their ultimate objective is not getting closer, it's getting farther, if you just look at the political environment and how the people express themselves in Taiwan.

MR. PAVEL: Let me ask a question, because I've been surprised the word "Korea" has not been mentioned in this discussion. And there have been a few developments over the last year with the new leader in North Korea, and so I want to throw to the panel this question of the other sort of major source of security challenge for all of the countries in the region. And we've sensed also a slight movement in China's approach to North Korea because of the somewhat aggressive actions and the various tests recently.

So does any of my panelists have thoughts on this really major source of instability, I think, besides the territorial disputes that we've been discussing?

MR. RATNER: I can – I can take the China question. I mean, one thing we always know about North Korea is that we have so little information, and the – what goes for evidence in the North Korea watcher community for changes in policy, or what does Kim Jong Un really want, and what's he really doing? Is he reforming? People have views on that. I think it's hard to say, but on the China question, Barry's absolutely right. There – again, in the Sunnylands context, in the Xi-Obama summit, and otherwise, there has been questions around whether China is rethinking its North Korea policy. Historically, the United States and China have shared goals of denuclearization and stability on the Korean peninsula. However, the United States has largely privileged denuclearization; the Chinese have largely privileged stability, not wanting to do things for the sake of denuclearization that might threaten stability.

Now there is some – through discussions with Chinese officials, Chinese rhetoric, some Chinese actions; there are folks who are starting to think, have the Chinese flipped their prioritization to look more like that of the United States? And I think – my own analysis on that

is that, perhaps in the short term, particularly in the context of concerns about North Korean provocations, which we thought were coming, or additional nuclear tests, which could invite – are likely to invite, at this point, a South Korean response that could set off escalatory dynamics again that are highly uncertain and particularly dangerous.

China was quite concerned about that, did what it needed to do to ensure those provocations didn't occur. The question now, was that a tactical shift by China or a long-term strategic shift? If I had to bet money, I would say tactical, not long-term strategic. China is still invested in a divided Korea, and if North Korea gets nuclear weapons, so be it. So I think we're unlikely to see China do something so dramatic – play bad cop, turn the screws on Pyongyang in a way that would force them to denuclearize – I would love to be proven wrong, but I don't think I will be.

MR. SCHRIVER: I think there's a whole set of questions related to South Korea that are very interesting that have very little to do with the Korean peninsula. You know, they've been sort of myopic in their security orientation for so long, but I also think, for a long time, we know how this is going to come out. We're – there will, at some point, be either unification or reconciliation on Seoul's terms, and that if you think about strategic planning and – in South Korea, and you think about the acquisition of an – of an advanced fighter – an F-35 or something else – is that really about North Korea? I suspect there are people thinking about broader security dynamics that may impact Seoul further down the line beyond just the North Korea challenge. Clearly, it's the immediate challenge and it's the focal point for most of their planning and acquisition, but I think they are looking at China's emergence. They're looking at Japan, and they're looking at having a regional and even global role that is driving some of their planning and acquisition in an entirely different way, away from the peninsula.

MR. PAVEL: Very interesting. Well, we only have a couple more minutes, literally, so if – I'll take two more questions. I'll grab these two; please be very brief, and then we'll ask the panelists what you can – what you – yes, please.

Q: Thank you very much. Yes, I write for Philippine News and also the Philippine Daily Inquirer in the Philippines. Along the lines of – if I – if I may return back to the Southeast Asia part of the equation – regarding alliances and the comments made regarding pursuing or strengthening alliances, would you be able to speculate about the school of thought that seems to be growing from both sides of the Pacific? I understand about reinvigorating U.S.-Philippine relations. Now, of course, there is the visiting forces there training the Philippine military to more modern kinds of levels, but considering the threat that the Philippines feel regarding China – regarding the South China Sea conflict, could you speculate as to whether this is true, that the United States is really going back to the Philippines? Not necessarily in the form of re-establishing bases, but in whatever form of defense-related mechanisms?

MR. PAVEL: Thanks. And then, before we answer, why don't we take this – one more question right here, and then we'll turn to the panel for their final answers on these questions.

Q: Thank you. I'm Matthew Robertson with the Epoch Times. My question is about the new model of great power relations. What – I mean, this is an idea brought up from the Chinese

side – I wonder if there's a difference in understanding what it means between the Chinese and the American side, and what specifically does it mean – do the Chinese want the U.S. to change about their posture or their activities in Asia? If it's not a request for a change from the status quo, what does it mean?

MR. PAVEL: Great. So where are we headed in the Philippines, and then what do we make of this new form of great power relationship?

MR. RATNER: I could take a really quick whack at both of those. In this latter issue, yes, there are different understandings on the new type of great power relations – very different. It's relatively clear what those understandings are – Cui Tiankai, the current Chinese ambassador to the United States, wrote a long article about this, which is easy to find. The Chinese notion of this idea is that the United States needs to accommodate China's rise. The American notion of this, which I alluded to earlier, is that the United States and China need to work together to prevent the relationship from devolving into a high-intensity security dilemma, as has happened in the past when there are rising and established powers. Very different ideas; they have not been met. I don't think they will be over time. I'm not a fan of this concept, but it has left the station. We'll see how it develops. I don't think we'll be talking about it 10 years from now. I don't think it's going to become the defining narrative of U.S.-China relations.

On the Philippines, there are negotiations going on now between Washington and Manila about increasing rotational forces – U.S. forces through Philippine facilities in the Philippines, not re-establishing U.S. bases. The one thing I would add is that rather than thinking about this as a return to an old – again, talking about new models of relationships – an old type of relationship, what we're seeing now is a confluence of a couple of factors. One is that the Philippines, for external and internal security reasons, is shifting from focusing primarily on insurgency issues to thinking about having to provide for external security. That's combining with the rebuilding of trust in the U.S.-Philippine relationship that was at its nadir in the early 1990s; it has been rebuilt over the last decade, and cooperation on counterinsurgency operations in particular.

I think we're likely to see a lot of cooperation in the maritime domain, but the Philippines is not a particularly capable partner right now, and so we're not talking about the level of cooperation that we might see between the United States and Singapore or the United States and Japan. We're talking about rudimentary efforts to establish maritime domain awareness, establish information security. And we're talking about getting towards things like interdiction or hard security issues – you know, a decade or longer from now. That's not on the immediate forefront, but this is happening. It's an important part of the region, and it's going to benefit both the United States and the Philippines and the region more broadly.

MR. SCHRIVER: I agree completely on the answer on the Philippines, and it's excellent. On new great – new type of great power relationship – as I said, I've been around for about 20 years doing Asia work in Washington, and I've lived through building toward a constructive strategic partnership, candid, cooperative, constructive, and strategic reassurance. So I've lived through several of these bumper stickers and slogans, and there's nothing wrong with it. And I think the fact that Xi Jinping says it – demands that we take it seriously and we try

to fill in what the specifics might be – but I've also participated in several track IIs where we spend an entire day trying to define new "great power relationship," and it's all over the place. There's not – there's no specificity whatsoever to it, other than a few asks on the part of the Chinese of the United States.

So I think we've got to be mindful of this history and what these slogans and bumper stickers might mean. I agree that in 10 years, we're probably not going to be talking about it, but I'd just close by saying that I think President Obama handled this quite well at Sunnylands when the topic came up, and at least as reported by people who were present, he said, look, it's fine to have this conversation, but when it comes to our foreign relations, we're not about slogans and bumper stickers, we're about behavior and actions and patterns of cooperation, and that's much more important to the United States.

So if we can manage to cooperate and problem-solve together, then, at the end of the day, we'll come out with a new type of great power relationship I think is kind of how he thinks of it and probably the proper way to think about it.

MR. PAVEL: Before thanking our panelists, the Atlantic Council will be having a major event – speaking of new type of great power relationship – a U.S.-China event September 17th – I'll just tease you a little bit with that, but sort of watch your calendars where you'll see some further details coming out of the Atlantic Council, but sort of mark your date. In the meantime, please join me in thanking our panelists for a wonderful discussion. (Applause.)

(END)