A Strategy for the Trans-Pacific Century:
Final Report of the Atlantic Council’s
Asia-Pacific Strategy Task Force

Matthew Kroenig and Miyeon Oh
A Strategy for the Trans-Pacific Century:
Final Report of the Atlantic Council’s Asia-Pacific Strategy Task Force

Atlantic Council Strategy Paper No. 12

Atlantic Council
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Atlantic Council
1030 15th Street, NW, 12th Floor
Washington, DC 20005

ISBN: 978-1-61977-074-4


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October 2017
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The days when Atlantic policymakers and strategists could ignore major developments in Asia, and vice-versa, are long gone. North America, Europe, and Asia are increasingly tied together by growing economic, military, political, and people-to-people ties. Moreover, US allies and partners in Asia and Europe are facing similar challenges from changing power configurations, gray-zone revisions to contested borders and increased risks of interstate conflict, to new threats from disruptive technologies, nuclear proliferation, nationalism and extremism, and food, water, and energy security. Policymakers in these regions share a strong interest in maintaining and strengthening a rules-based order, and they will be most effective at reaching solutions if they can bring their combined geopolitical weight to bear. Fostering improved Trans-Atlantic-Pacific partnerships, therefore, is critical, not just for US interests, but for the future of the globe. That is why we, under the auspices of the Atlantic Council, have decided to build on our traditional strengths in Trans-Atlantic relations to launch a future Asia-Pacific Center. It is also why we convened the Asia-Pacific Strategy Task Force in late 2016.

This Atlantic Council Strategy Paper does not delve deeply into current events, but rather aims to take a big-picture look at the structural trends and forces reshaping the region and to identify the key elements of a broader strategy that the United States and its international and regional allies and partners can follow in order to advance peace, prosperity, and freedom in the region over the long term.

At the very outset, we quickly recognized that the US-led, rules-based order in Asia has redounded to the region’s and the globe’s benefit over the past half century, but the underlying conditions have shifted drastically since that order was created. Rather than cling to a dated system, or scrap it altogether, this report recommends that the United States and its Asian and European allies and partners work to adapt, revitalize, and defend an updated rules-based order in Asia.

For this approach to work, Asian nations themselves must be invested. This report, therefore, does not present a Washington-centric strategy for the region, as if the United States had the ability to solve Asia’s problems. Rather, it is an Asia-Pacific strategy that is developed from the preferences of nations in the region and that relies on major contributions from regional powers. At the same time, the report
recognizes that the United States remains the only country with the capacity to organize a broad coalition of nations in the region toward a commonly shared vision.

To glean the insights of our task force members, we held a series of task force meetings in Washington, DC in the second half of 2016 and early 2017. Due to our belief in the importance of building a strategy around the goals and interests of key US allies and partners in the region, we made a dedicated effort to solicit leading regional voices. This began with the selection of a cross-national group of co-chairs, one each from Europe, Asia, and the United States. The task force also included other representatives from Asia and Europe. It continued with a series of meetings in Washington, DC with regional ambassadors. We also embarked on several missions to the region to solicit new ideas and to seek comments on our emerging framework. We met not only with heads of state, cabinet ministers, and other officials, but also with representatives from business, academia, and civil society to ensure that we heard a wide range of views.

This report drew heavily on the insights and experience of our task force members and the many experts we consulted in Washington and in our trips to Asia. The conclusions and recommendations were heavily shaped by their valuable inputs. The final report, however, does not necessarily represent the views of any of the task force members or interlocutors. It is not a consensus document.

Rather, the report represents the best judgment of the co-chairs. We believe we have put forward a document that outlines the many challenges and opportunities the Asia-Pacific region faces as well as a practical, solutions-oriented approach for addressing them.

In the end, we hope that this task force can help to contribute to a future in Asia that is more secure, prosperous, and free than it has ever been. This report will be used to engage governments (both US and foreign), media, thought leaders, and the public to help ensure task force strategy and policy recommendations are enacted. Importantly, this Task Force report will set the analytic agenda for the Atlantic Council’s future Asia-Pacific Center.

Carl Bildt
Co-Chair

Victor Chu
Co-Chair

Jon Huntsman
Co-Chair
The open, rules-based international order in Asia is under threat. The set of post-World War II arrangements designed by the United States and its allies and partners provided an unprecedented degree of stability, security, prosperity, and freedom globally and in the region but the continuation of this system under US leadership is no longer guaranteed. As the United States and its Asian and European allies and partners face a diverse array of new challenges in the Asia-Pacific and at home, Washington must reassess its goals, strategy, policies, and its very commitment to leadership in the region. At a time when the United States promotes “America First,” to what extent does a dated order in Asia continue to serve US and allied interests? Will the United States be willing to sustain its long-standing security-provider role in the region, and do its allies find preexisting US commitments credible? How can the United States, and like-minded Asian and European states, best contribute to security, prosperity, and democratic values in the region?1 Does China’s rise permit the possibility of great-power cooperation, or is some level of competition—and even outright conflict—inevitable? To what extent, in the changing regional economic architecture, are the United States and its partners willing to make alterations in governance structure in order to adapt to the new economic weight of emerging economies? How do issues that are likely to be high-priority agenda items in the near future (e.g., food, water, and energy security; the environment; urbanization; demographic change; and disruptive technologies) challenge existing frameworks that have shaped regional affairs and societies? These are among the questions that must be addressed as the United States seeks to secure its interests in Asia, and as Asian partners look to the United States for leadership. The Asia-Pacific may be the world’s most dynamic geopolitical region. According to some projections, the majority of all global economic activity could take place within Asia by 2050.2 Military might often follows economic power, and Asian countries are already spending more than European states on defense. Both of these developments reflect a broader shift in global power from West to East. If the twentieth century could be characterized as the “Trans-Atlantic Century,” the twenty-first century may well become known as the “Trans-Pacific Century.”
The United States will remain a Pacific power, but its interests and values are increasingly under pressure, in the region and at home. At the end of World War II, Washington and its allies established an open, rules-based international order that has governed the international system ever since. This order helped to create a world that is more peaceful, wealthy, and free than at any point in human history. In Asia, however, the foundation of that order has been creaking under the weight of: shifting power balances; questions about whether existing power structures serve broad-based popular interests beyond a narrow globalized elite; a fracturing consensus on some key global and regional values; disruptive technological change; and other major, emerging trends. In the face of these challenges, one could be tempted to stubbornly cling to a rigid system in the face of changing underlying conditions. On the other hand, one could reduce the post-World War II order to its lowest common denominator, or abandon it altogether. However, there is also a third way.

This Atlantic Council Strategy Paper posits that the foremost goal of strategy in Asia should be to continue pursuing the objectives of security, prosperity, and freedom through the adaptation, revitalization, and defense of an updated rules-based international order in Asia. To achieve this goal, the United States and its partners should reject the bookend dangers of excessive accommodation of rising powers on the one hand, and aggressive containment on the other. No other system has proven as adept as the existing order at advancing American and global security, prosperity, and freedom. At the same time, the order cannot remain static, but must evolve to fit the realities of changing domestic politics and a dynamic region. This does not mean compromising on key principles in search of a regional consensus, but rather, updating key pillars and integrating rising powers into an expanded order with high standards, while making adjustments in governance structure. The United States and its allies should articulate a strategy for the region, largely built upon the preferences of states from the region, rather than impose a strategy from the outside designed to fix the region’s challenges.
The United States remains, however, the only country with a vision for the region’s future that is widely shared by Asian states. It is also the only country that has the diplomatic, economic, and military capacity to organize other nations to work toward that common vision. Therefore, Washington must continue to lead in Asia, and also support, enable, and facilitate the efforts of regional states.

Pursuing this objective will require a reassertion of US engagement in the region—and a more activist, agile, and committed style of leadership—across five major elements. First, the United States and its allies must update and strengthen their security alliances. For decades, order in Asia has been supported by US military predominance, but the United States and its allies face a deteriorating security environment, including: a stronger and more assertive China; a more capable and dangerous North Korea; increased terrorism and extremism in the region; new, unpredictable threats from disruptive technologies; and increased societal instability due to these and other factors. For an updated order in Asia to function, Washington’s allies must feel secure in the face of these new threats. Therefore, Washington and its allies must work together to prevent the region from being dominated by any single power that might be hostile to a rules-based order. They also must strengthen the norm that disputes in Asia will be settled without the use or threat of military force, and work with like-minded states to maintain the capacity to impose costs and resist states that violate these norms. This means Washington must enhance its defense strategy and posture in the region, working with its closest allies. It also should encourage other powers in the region—including India, Japan, South Korea, Singapore, Indonesia, and Australia—to continue bolstering security cooperation among themselves to reinforce Washington’s efforts. The United States should maintain consensus among friends and allies about the desirability of security guarantees by the United States, as well as the involvement of allies and partners in maintaining global security.

Second, the United States must practice hard-headed engagement with China, in ways that benefit the United States and its allies. An international order in Asia cannot function if it is actively resisted by the second-most powerful state in the region; securing China’s participation will be vital to its success. Containment is inconsistent with the strategic objective outlined above. At the same time, naïve notions that Washington should seek cooperation for cooperation’s sake, as part of a long-term strategy to shape China’s rise in a benign direction, have proven unsuccessful. China has risen, and the United States must engage with China as it is, not as it wishes it to be. This begins with the United States clearly defining its interests in Asia. Where these interests conflict with Beijing’s, Washington and its partners must be prepared to firmly defend their position. On the other hand,
when there are overlapping interests, Washington and its partners can work with Beijing to advance their objectives. Potential areas of engagement begin with updating and reforming the security architecture in the region, including the possible establishment of a multilateral mechanism for consultations based on the Six Party Talks model, and working together on areas of common interest, such as nuclear security. In addition, Washington and Beijing can build on already high levels of economic exchange to work with other major economies—such as Japan, South Korea, India, Australia, and the members of the Association of Southeast Asian Nations (ASEAN)—to further advance and deepen an inclusive and open rules-based economic order. Emerging issues, such as advanced technologies and clean energy, also present new areas for potential bilateral engagement. The call to cooperate more with China is not based on a naïve notion that Beijing will be eager to work with the United States across the board. Rather, the more modest goal is to incentivize China by demonstrating that there are benefits to being a keystone stakeholder in an Asian rules-based order, and that there are concrete costs to challenging it.

Third, the United States and its allies and partners must adapt and update the regional economic architecture, in order to preserve and strengthen an open, rules-based order. An updated order will recalibrate the costs and benefits of US economic engagement in Asia. It will also better reflect the economic weight of rising states, as well as the global power shift from West to East, while maintaining high macroeconomic standards and making corresponding alterations in governance structure. An open trading system can place “America First,” because the United States is well suited to compete on a level global playing field. However, the United States must work to prevent trading partners from gaming the system against it. As President Donald Trump explained, Washington will pursue economic relations that are “free, fair, and reciprocal.” The Trump administration has withdrawn from the Trans-Pacific Partnership (TPP), creating an opening for China. However, regional players are searching for alternatives to the TPP, and the administration has stated that it is open to bilateral trade deals that ensure reciprocity with major trading partners. An adjusted order must demand a robust commitment from the United States and its like-minded partners to enhance and reform existing arrangements, and to work constructively with new institutional frameworks. The United States and its partners must view this changing economic landscape as an opportunity to expand trade and investment through new and updated free-trade agreements (FTAs). Now is the time to think seriously and innovatively about how the United States and its partners can update and modernize existing trade agreements—both bilateral and multilateral—in order to enhance economic growth on reciprocal terms.
Fourth, the United States and like-minded friends must now forge new partnerships to address over-the-horizon developments. A multilateral strategy for Asia must be flexible enough to identify and incorporate the new issues that are emerging quickly. While traditional security and economic concerns will not vanish, the agenda is expanding to include: new concerns about food, water, and energy security; management of natural resources and climate change; a suite of disruptive technologies, including cyber and space; urbanization; and demographic change. New relationships among states, intergovernmental organizations, and the private sector will be necessary to seize the vast opportunities attendant to these developments, and to mitigate the risks in a dynamic strategic environment.

Fifth, the United States must promote the fundamental values it shares with many countries in the region of good governance, rule of law, democracy, human rights, and transparency, without proselytizing. The rules-based order promoted by the United States since World War II has a liberal character, and this has been central to its success and legitimacy. After all, it is debatable whether a nondemocratic state would have attempted to establish and maintain a rules-based international system in the first place. Many states in the region, however—including China—are governed domestically by political systems other than liberal democracies, and these political differences have proven to be a constant source of tension. The United States, and its allies and partners, should avoid lecturing authoritarian governments on the value of democracy, and must be willing to cooperate closely with autocratic states on areas of common interest. At the same time, they must have confidence in the universal appeal of democratic values, and must handle short-term challenges—such as Internet governance and human-rights cases—in ways that strengthen democratic ideals. In difficult cases, they can first find common ground on norms and principles, such as transparency and accountability, universal human rights, the rule of law, and due process. The best way for the United States, and its allies and partners, to promote their domestic political values is by providing an example that people around the world admire and want to emulate.

The five elements of this strategy each contain many broad lines of effort, and will share cross-cutting themes. Perhaps most importantly, all of these efforts will be strengthened by increasing Trans-Atlantic-Pacific (TAP) partnerships. Pundits often talk of a rules-based international order, but, to date, that order has been most deeply entrenched in Europe and Asia, with the United States serving as a linchpin between the regions. US allies and partners in Europe and Asia are increasingly bound together by growing economic, political, military, and cultural ties. For example, European Union (EU) trade with China is $600 billion annually, equivalent to US-China trade ties. And, in an increasingly globalized and interconnected world.
US allies and partners in Asia face the same challenges from gray-zone revisions to contested borders, to nuclear security and weapons proliferation, and to China's mercantilist economic policies. Moreover, each of these states have a strong interest in maintaining and strengthening a rules-based system rooted in the sanctity of borders, access to the global commons, and agreed guidelines for the movement of capital, people, ideas, and goods across borders. To date, however, they have had insufficient direct contact and coordination of their foreign and defense policies. By bringing the weight of major partners in Europe and Asia together to solve common challenges, the United States can strengthen the liberal international order globally. The Iranian nuclear negotiations serve as a prime example: Washington was only able to bring serious economic pressure to bear on Tehran by persuading the European Union, South Korea, Japan, and India to reduce purchases of Iranian oil. On their own, any of these efforts would have been insufficient. A similar coordinated model should be applied to address other common and pressing challenges, with the ultimate goal of strengthening the norms, rules, and institutions of an updated global order.

This *Atlantic Council Strategy Paper* makes several concrete policy recommendations to move from broad principles to practical steps. By following these steps, the United States and its Asian and European partners can begin to work together to revitalize the rules-based order in Asia and better secure their interests in the “Trans-Pacific Century.”
The strategic landscape in Asia is undergoing rapid changes. The emergence of several key trends and uncertainties may drive future political and economic outcomes in the region, and policymakers must anticipate these developments and position themselves appropriately in order to effectively advance their interests. These trends include, most notably: the dramatic, ongoing shift of relative global power from West to East; the future roles and trajectories of the two largest powers in the region—China and the United States; North Korea’s growing nuclear-weapons capabilities; increasing risks of interstate conflict; the rise of nationalism; and a host of new regional agenda items, including disruptive technologies, extremism and terrorism, and food, water, climate, and energy security—all of which look likely to grow substantially in importance over the next five to ten years.
Shifting Power from West to East

The Asia-Pacific may already be the most dynamic geopolitical region on the planet. The region was the center of geopolitical and economic activity for hundreds of years prior to the Industrial Revolution, and it is now returning to what many in the region see as its rightful position. According to the Economist, the Asian share of global gross domestic product (GDP) will increase from 32 percent at present to 53 percent in 2050, meaning that, by that time, the majority of all economic activity on Earth will occur in Asia.  

The Rise of Asia Continues

Over the next twenty years, the Asia-Pacific will grow to account for 53 percent of Global GDP, double its share at the turn of the century (26 percent).

Source: The Economist Intelligence Unit
Shifts in military power are also evident and growing. According to *IHS Jane’s Intelligence Review*, Asian nations could collectively overtake the United States in defense spending by around 2021. The United States will remain the world’s preeminent military power for decades to come, but Asia will become the center of great power political rivalry in the twenty-first century—if it has not already.5

**The Future of China**

A major driving force behind these power shifts has been China’s remarkable economic growth since the early 1980s. In addition, Beijing has been translating its economic power into technological and military might, which may threaten to unsettle the balance of power in Asia. In recent years, China’s neighbors have become more fearful of Beijing, even as the economic webs connecting them to China have grown stronger and tighter. There are real questions, however, about China’s future trajectory. Its rates of economic growth are slowing, and it is also beset by severe governance, demographic, economic, and environmental challenges.

There are real questions, however, about China’s future trajectory. Its rates of economic growth are slowing, and it is also beset by severe governance, demographic, economic, and environmental challenges.

The evidence is mixed as to whether President Xi is succeeding in the transformations set forth at the Third Party Plenum in 2012. Foreign policy often emanates from domestic politics, and success in moving the Chinese economy to a new model based on consumption, service, and innovation could also make Beijing a more cooperative international economic partner. Therefore, China’s own choices about its foreign policy disposition and role in the region are central to its strategy in Asia. For decades, US strategy focused on incorporating China into the existing rules-based international order, but, in recent years, China has become more as-
assertive, which has led some observers to call into question the wisdom of past US strategy. To what degree will China seek cooperation over conflict in its interactions with the United States and other regional states? In short, the nature of Chinese power and policy will greatly shape the future of Asia, and the United States and its Asian and European allies have a major role to play in influencing the choices Beijing makes.

The Rise of Asia Continues
Geography: how the United States and China stack up against each other.

Source: World Bank

United States China

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<th></th>
<th>United States</th>
<th>China</th>
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<tbody>
<tr>
<td>Land Area</td>
<td>9,147 km²</td>
<td>9,388 km²</td>
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<tr>
<td>Forest Coverage</td>
<td>33.9%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Agricultural Land</td>
<td>44.6%</td>
<td>54.8%</td>
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<tr>
<td>Agriculture (% of GDP)</td>
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A Tale of Two Economies

Economy: while the United States and China are nearly equal in gross national income per person, the United States leads with $17.42 trillion GDP. However, China holds significantly more cash in reserves, with $3.1 trillion as of 2016.

Source: World Bank
A Tale of Two Economies (continued)
Population: the United States’ growing elderly population contrasts with China’s percentage of working age persons, with 72.7 percent between the ages of 15 and 64 as of 2016.
Source: World Bank
Changing Economic Architecture

A global diffusion of relative wealth and power from West to East is posing profound challenges to the rules-based global order under which the world economy has flourished since 1945. US leadership and the institutional arrangements under the Bretton Woods system have been vitally important contributors to prosperity in the Asia-Pacific region. However, the underlying premise that rising powers would seek to advance their economic and geopolitical interests within established institutional arrangements, rather than challenge the existing structures, is now being called into question. China is taking a more assertive posture in regional and global affairs, creating new and more Sino-centric parallel institutions, such as the Asian Infrastructure Investment Bank (AIIB).

Xi Jinping appears to understand that China must provide international public goods, as the United States did after World War II, in order for China to assert any claim on regional or global leadership. Indeed, President Xi gave what was perhaps the most prominent recent defense of economic globalization at the 2017 meetings in Davos. The AIIB is, therefore, but one component of a much larger set of economic, financial, and political/security initiatives—including the New Development Bank established by the BRICS (Brazil, Russia, India, China, and South Africa), the Silk Road Fund, and “One Belt, One Road (OBOR),” also known as the Belt and Road Initiative (BRI). BRI is a massive, multitrillion-dollar initiative, consisting of the Silk Road Economic Belt and the Maritime Silk Road, through which China articulates a vision of integrating Asia and the Eurasian continent through overland infrastructure development (e.g., railways, roads, pipelines, airports, and electricity grids) and the linking of the Pacific and Indian Oceans through the building of ports and facilities to increase maritime traffic. These initiatives are reshaping the economic landscape in Eurasia and the Asia-Pacific (and also serve to reinforce the central importance of European-Asian-American cooperation). These realities make it imperative that the United States and like-minded partners bolster the capacity of existing financial institutions, such as the World Bank and the Asian Development Bank (ADB), for infrastructure and other lending. At the same time, the United States should establish mechanisms to engage with BRI, and identify areas in which the United States can play a role in protecting critical infrastructure along the BRI corridors.
The Changing US Role in Asia and Erosion of US Regional Military Predominance

The United States is a Pacific power, and has been for more than two hundred years, since the Empress of China sailed into the Canton (now Guangzhou) harbor in 1784. Since the end of World War II, Washington has played a predominant role in the economic, political, and military affairs of the region. New American President Donald Trump has articulated foreign policy positions that have occasionally been at odds with longstanding US policy in the region. As former US Secretary of State Henry Kissinger has argued, Trump’s new approach may offer an “extraordinary opportunity,” but it also comes with increased uncertainty for many states in the region. It is a central premise of this strategy that US, regional, and global interests are best served by an engaged and internationalist US foreign policy in Asia.

For decades, order in the Asia-Pacific has rested, in no small part, on US military predominance. In recent years, however, US military superiority has eroded, due primarily to China’s military modernization and its Anti-Access/Area Denial (A2AD) strategy, which aims to push back the effective operating ranges of American military power to the periphery of Asia. The United States has responded with a counterstrategy formerly known as Air-Sea Battle, and the balance of power has not changed to the point that China has confidence in its ability to take either Taiwan or the disputed Senkaku/Daioyu Islands by force. Still, there is a growing perception in some quarters that the balance of power is shifting, and this is causing some US allies and partners to doubt the durability of US commitments and worry about their security. It may also be encouraging rash behavior by some regional actors, such as China’s island-building campaign in the South China Sea. If left unattended, these perceptions could create much greater instability and disorder in a region already facing a number of security challenges.

Increasingly, Asian nations are seeking to build military capabilities domestically or in cooperation with regional partners, though these are often based on legacy European or American designs.
Expanding North Korean Nuclear-Weapons Capabilities

The growth of North Korean nuclear-weapons capabilities portends a much more dangerous region in the coming years. The best analysis estimates that Pyongyang currently possesses sufficient fissile material for up to twenty-one nuclear weapons, with the ability to produce six more every year. In addition, North Korea is making progress on its means of delivery, including submarine-launched ballistic missiles (SLBMs) and intercontinental ballistic missiles (ICBMs). Unless this trend is reversed, North Korea may soon become a pariah state armed with dozens of nuclear weapons, capable of holding at risk the populations of its Asian neighbors and the US homeland with the threat of nuclear attack. The dangers of such an unfolding scenario to the United States and its allies could be severe.

Increasing Risk of Interstate Conflict

The possibility of interstate conflict in Asia has not disappeared; indeed, there are signs that the risks may be growing. Longstanding disputes, such as over the status of Taiwan, are simmering, and once-dormant conflicts, such as the Senkaku/Daiyo Islands and the South China Sea, have been reactivated. These are relatively minor territorial and maritime disputes and, combined with other sources of stability in the region, such as nuclear deterrence and economic interdependence, the risk of great-power war, while possible, remains unlikely. At the same time, there are also serious sources of structural instability in the region, including rapid shifts in the balance of power and conflicts of interest between democratic and authoritarian states, all of which increase the possibility for strategic misjudgment. It is important to remember that past conflagrations, including World War I, erupted from what began as seemingly minor incidents. International conflict, including the possibility of great-power war, cannot be ruled out for Asia’s future.

Competing Claims in the South China Sea

Competing maritime and territorial claims in the South China Sea, and increasing clashes and militarization between the claimants, have heightened geopolitical tensions. China’s ongoing efforts since 2014 to erect and militarize artificial islands in the Spratly archipelago belie Beijing’s promises to pursue a “peaceful rise.” Moreover, China’s steps risk setting off an action-reaction spiral as other states, such as Vietnam, attempt to counter this strategy. In mid-2016, the Permanent Court of Arbitration at The Hague ruled that China has “no historical rights” based on the “nine-dash line” map. This ruling is not enforceable, but the future outcome of this dispute will be significant, not only because the South China Sea is the main
economic artery of the world’s most dynamic and populous region—constituting one-third of the world’s shipping passing through its sea lanes—but because it is a specific manifestation of a threat to the rules-based international order, including freedom of navigation and peaceful settlement of disputes, that has given Asia decades of prosperity.

**Changing Power Configurations**

While China’s dramatic, sustained growth has been the region’s most notable geopolitical feature, there are other important, changing, geopolitical configurations. India is also a rising great power, and will become an increasingly important force in the region and the globe. India and the United States have continued to strengthen their relationship, including with increased cooperation in the energy sphere. India is in a pivotal position, playing an increasingly important role in both Southeast and Central Asia and strengthening ties with China, Iran, Saudi Arabia, the Gulf Cooperation Council, and Japan. It plays an important role in the Indian Ocean, the Gulf of Aden, and many parts of the Middle East and East Africa. The United States and India share common views on many core values and issues, including democracy, pluralism, religious diversity, entrepreneurialism and innovation, the value of a thriving information-technology industry, the vital role of maritime security, and counterterrorism. The United States and India have not, however, benefited from the full extent of possible mutual cooperation. Delhi is fiercely proud of its independent foreign policy, and is also seeking a range of partnerships—including with states traditionally antagonistic to Washington—as a means of checking China’s growing strength and bolstering its own influence. Delhi seeks to establish closer economic relations with Russia and its neighbors in Central Asia through increased trade links. Moreover, it is aiming to build new transportation and energy infrastructure connections with Iran, India’s neighbor across the Arabian Sea.

The most notable change, however, is the unprecedented level of intra-Asian security cooperation. This includes the emerging relationships between Japan and the Philippines, Japan and Vietnam, India and Vietnam, and trilateral cooperation among India, Australia, and Japan. Increasingly, Asian nations are seeking to build military capabilities domestically or in cooperation with regional partners, though these are often based on legacy European or American designs. The recent building of French-derived submarines for the Indonesian military in South Korea is a prime example. This has a variety of implications for logistics support, interoperability between regional countries, and alignment of security partnerships. Interoperability is further enhanced with joint operations, such as counterpiracy patrols through the Malacca Straits and regional multilateral exercises. The United States,
Australia, and European partners have a key supporting role to play in these activities. Many states in the region, including South Korea, are deepening economic interdependence with China, but at the same time continuing to rely on the United States to meet their foremost security needs. Another notable trend is China’s attempt to forge new strategic ties, including with the Philippines and Russia.

The Rise of Nationalism

Nationalist sentiments are on the rise in Asia, complicating regional relationships. Many historical controversies remain unresolved. Japan’s neighbors continue to seek formal apologies and compensation for Tokyo’s World War II-era actions, including the taking of comfort women, honoring of alleged war criminals, and how these events are portrayed in textbooks. In addition, some governments use the intentional stoking of nationalist sentiment as a means of increasing domestic political support. It is notable, however, that the nations of Southeast Asia do not espouse similar anti-Japanese rhetoric, despite similar WWII experiences. There is also newfound nationalism in the United States—evident in the campaign and election that swept Donald Trump to power on a pledge to “make American great again”—and across Europe.

The Spread of Extremism and Terrorist Attacks

The threat of terrorism in Asia could grow significantly between now and into the 2020s. Southeast Asia has long suffered from the threat of terrorism from groups motivated by religious extremism or the desire for political independence. This has subsided over time as political grievances have been addressed, regional police forces have improved in capability and civil society has strengthened. In key regions, however, the threat has continued unabated. Some groups continue to seek autonomy, have rebuilt their capability, or have found sufficient profits in criminal actions that they will not willingly give up their fight. Moreover, the rise of ISIS and the prospect of returned foreign fighters to the region has echoes of the previous development of sophisticated regional terrorist groups, such as Jemaah Islamiyah. Worrying trends of increased religious radicalism in mainstream populations, continued poor governance in remote areas, economic stagnation, the persecution of minority communities and the increased capability of modern technology creates an increased terrorist risk that must be addressed seriously. As the seizure of Marawi in the Philippines and the Rohingya crisis in Myanmar demonstrates, failure to address these issues will create conditions that can be exploited by terrorist groups to threaten regional security.
Moreover, the threat of terrorism is not contained to Southeast Asia. Terrorism remains a great concern across the Indo-Pacific region, and areas such as Central Asia also must be closely monitored for signs of an increased terrorist threat. Asia contains ingredients that could allow for increased terror footholds, including: poor governance, rugged terrain, political alienation, and the persecution of minority groups. Further, terrorism is a global phenomenon, and terrorism in the Asia-Pacific can be motivated or abetted by external sources.

Many attacks in the region lack sophistication (e.g., ISIS’s first attack in Southeast Asia in Jakarta in January 2016), but they reflect growing networks and the opening of new fronts. With sufficient support and resources, the threat to the region will become more significant and suggest the need for an urgent rethink of ASEAN’s counterterrorism strategies. Washington and its allies should reinforce their commitment to helping the region address the challenge. Beijing is also increasing its focus on terrorism, due to regular attacks by Uighur separatists. The United States and its regional partners could even consider working with China to develop a regional counterterrorism strategy.

**Increasing Importance of Food, Water, and Energy Security, and Climate Change**

How Asia responds to energy and environmental challenges has important policy implications for Washington, as does the way in which energy, security, and climate mitigation can become a focus for regional cooperation. The landscape of global energy markets and geopolitics is changing, due to the shift of global energy demand from West to East, the rise of hydrocarbon production in countries outside the Organization of the Petroleum Exporting Countries (OPEC), and the US shale revolution. The growing role of the United States as a major oil and gas exporter to Asia, due to this shale revolution, is a major US asset that could deepen US involvement in the region and contribute to enhanced energy security by diversifying energy suppliers.

Energy supplies constitute one-third of imports to Asia, and the region accounts for almost half of the world’s carbon dioxide ($CO_2$) emissions. The region has the world’s leading consumers and importers of fossil fuels, such as China, Japan, and South Korea. The region not only relies heavily on the volatile Middle East for crude imports, but also must transport oil and gas across the world’s most challenging sea lines of communications (SLOCs)—such as the Malacca Strait and the South China Sea—to import energy resources from the Persian Gulf, Africa, and...
Latin America. The United States could become more deeply integrated into the Asian-Pacific economy as it enhances its role as a provider of energy security.

Asia has fueled its rapid urbanization and large investments in infrastructure with a heavy reliance on fossil fuel. Moreover, developing countries in the region are experiencing rapid growth in water demand, from industry and urban-household sectors, at the same time that they face multiple water-related challenges of access, depletion, pollution, and disaster. Further, many countries in the region are especially vulnerable to environmental degradation. Rising sea levels increase the risk of flooding in India and Bangladesh, and put the very existence of some island nations at risk. Indonesia suffers from pollution, resulting from fires and poor land-management practices. There may be opportunities for the United States to gain goodwill by better engaging with key Asian nations to address their concerns about climate-change impacts and securing sustainable water and food. There is also great untapped potential in region-wide environmental initiatives, such as regional cooperation on water-basin management and the development of a regional power grid.

Unavoidably, there are structural obstacles to regional energy cooperation, given that in this space states tend to prefer bilateral relations to multilateral relations. Energy is strategically important for national economies and security, and actual implementation of energy cooperation has faced strong competition—especially among the key consuming nations in Asia. Energy relations among nations tend to be competitive when national interests clash or diverge. Under these conditions, energy issues are susceptible to conflicts over political and national security issues, such as territorial disputes. In contrast, energy cooperation can occur when mutual benefits are visualized through joint projects, as well as when a sense of urgency facilitates regional energy cooperation. Although there have been many efforts to improve regional energy cooperation in the Asia-Pacific, they have not achieved satisfactory progress, and remain in their infancy in terms of institutional development. The institutional basis for multilateral cooperation has not been solidified in Asia, where historical grievances, a sense of security dilemma, and the lack of mutual trust are still pervasive. Regardless of whether such cooperation occurs, this set of issues is likely to become more prominent on the regional agenda than it has been to date.

Disruptive Technologies

Disruptive technologies will have structural, but uncertain, impacts on the near- and long-term future of Asia. While not an exhaustive list, potentially transforma-
tive technologies include: big data, the Internet of Things (IoT), artificial intelligence (AI), additive manufacturing, robotics, and biotechnology. Connected technology holds both great peril and promise for international security, prosperity, and stability. Increasing integration of technological and social systems unlocks new capabilities for prosperity, growth, health, safety, and resilience. However, dependence on connected technology is increasing faster than the ability to build defensive capabilities and resilience against accidents and adversaries. These disruptive technologies could have broad social and economic impacts: robotics, AI, and the IoT have the potential to upend both skilled and unskilled occupations; terrorists move into higher technology, with devastating effects; technology increases inequalities within and between nations; the United States will remain the overall tech leader, together with countries such as Japan and South Korea, with China meanwhile making inroads. These emerging technologies bring life-changing capabilities to more people, faster and cheaper, than would otherwise be possible. Public safety and human lives are improved by automotive safety features, medical therapies, logistics revolutions, utility services, and other advances. At the same time, national security depends on reliable transportation, energy, and military capabilities, all of which are rapidly adopting advanced technologies and the associated problem set.

Peter Levine, a partner at the venture-capital firm Andreessen Horowitz, observed that nearly all the data in the world today have been created just in the last few years. The costs of generating, storing, and accessing data have fallen to almost zero, with major implications for all aspects of human life. Additive manufacturing, better known as three-dimensional (3-D) printing, is ushering in a manufacturing revolution, which, in the words of Neil Gerhsefnd, will allow producers to “make (almost) anything, anywhere.” 3-D printing could have a wide variety of transformative effects on international politics, including: reducing defense budgets; enabling the proliferation of advanced military technology, including weapons of mass destruction, to less capable states and nonstate actors; improving the material quality of life for billions of people; and upending the global balance of power over decades as the economic position of manufacturing powerhouses is undermined. Robotics are becoming mainstream in every domain, giving individuals access to technologies that were previously possessed only by large states and corporations. Robotics increase productivity and efficiency, and reduce human exposure in risky environments, including war zones. This changes the strategic calculus for conflict, possibly increasing the risk of violent confrontation. They also portend significant dislocations ranging from loss of employment to military applications, such as unmanned military platforms, which are already transforming the nature of warfare. Robotics offer huge opportunities for cooperation between the
United States and Asian partners, such as Japan and South Korea, countries that are world leaders in the industry.

Biotechnology may turn out to have the greatest impact of all. Molecular diagnostics, human augmentation, and other biotechnologies should lead to an improved quality of life and increased lifespans for millions, if not billions, of people. Like many technological breakthroughs, however, there is also a dark side. Developments in biotechnology could lead to large numbers of human deaths through an inadvertent biocatastrophe, or through purposeful acts of bioterror. In addition, difficult ethical issues must be addressed, and there is a significant possibility of international disputes over appropriate guidelines, as some countries may be less willing to constrain research due to ethical concerns.

In short, new technologies are already altering job patterns and traditional trade and employment structures, generating domestic instability—and can also shift international balances of power, contributing to international conflict.
Paraphrasing former US National Security Advisor Brent Scowcroft, a strategy is an articulation of one’s objectives and a story about how one achieves them. The starting point of any good strategy, therefore, must be to clearly define desired goals. And, to chart one’s future course, it is essential to review from whence one has come.

At the end of World War II, the United States was left standing as the world’s most dominant economic and military power. Working closely with its allies and partners, it used that position to establish the rules-based international order that has structured international politics in the West for the past seventy years, and globally since the end of the Cold War. Over this period, this order has helped to create a world that is more secure, prosperous, and free than at any time in human history. This set of institutional and political arrangements has benefited billions of people around the globe, and Asia has arguably advanced more under this system than any other region on the planet. There is also no doubt that this order has simultaneously promoted American interests and greatly benefited the American people.
At present, however, there are signs this order may be fraying around the edges, including from the developments in Asia noted above. There are legitimate questions about the future sustainability of this post-World War II order. While the United States continues to seek the security, prosperity, and values that this order has proven so effective at providing, it is unrealistic to expect that an order established decades ago can continue to thrive in a dynamic and shifting strategic landscape. The challenge, therefore, is how to maintain the most important elements of this order, while adapting it to this century’s realities.

The foremost goal of US strategy in Asia should be to continue pursuing the objectives of security, prosperity, and freedom through the adaptation, revitalization, and defense of an updated rules-based international order in Asia. To achieve this goal, the United States and its Asian and European allies should reject the bookend dangers of excessive accommodation of rising powers on the one hand, and aggressive containment on the other. Accommodation toward a least-common-denominator approach to international governance is a slippery slope to weakened or violated values, diminished prosperity, and insecurity. Full-fledged containment is, at best, a gradual slide to fragmentation, discriminatory political and economic blocs, security crises, and—more practically—diminished prosperity for global actors. This report recommends a third way. The preferred approach is integrating rising powers into an existing and expanded order with high standards, while adjusting governance structure to reflect their legitimate weight. This will be possible only with a more robust commitment of capacity and resources by the United States and its like-minded allies and partners.

The rules-based international system has proven effective at providing the geopolitical stability and predictability that has allowed humanity to thrive. By working with Asian and European allies and partners to strengthen this system, and to build in the necessary flexibility to allow it to adapt to changing realities in a dynamic environment, the United States can once again contribute to an order that simultane-
ously advances American, regional, and global interests. The United States should pursue this adapted rules-based order with several concrete goals in mind, namely, shared values, prosperity, and security.

US values, and the values of many Asian and European nations, are deeply intertwined with an open, rules-based global order. This order has not only benefited billions of people around the globe, but has also created a context in which liberal constitutional orders can flourish domestically. However, as noted above, the post-World War II international order today faces an array of daunting challenges. The first step to promoting its values in Asia, therefore, is to strengthen the rules-based international order. The United States would also like to see the expansion of good governance, strengthened rule of law, democracy, and universal human rights in the domestic politics of Asia. In pursuing these objectives, however, the United States must be pragmatic. In difficult cases, the best way to pursue its core values may be to first find common ground on norms and principles, such as transparency and accountability, human rights, the rule of law, and due process.

The United States and its allies and partners also desire regional prosperity through continued economic growth and the avoidance of future economic crises. The United States should seek to strengthen the rules that enable free trade within the global, market-based system. The Trump administration has announced support for a free, fair, and reciprocal trading system, although it will be less keen to pursue that objective through large, multilateral trade agreements. The administration is reviewing its international economic policy, and possibly approaching it from a different perspective, but it is difficult to predict the results of these reviews. Regardless of the outcome, Washington should work with regional states—its close allies and partners, and others such as China—to adjust and strengthen the system to broaden and deepen commitment to a common set of economic rules. Establishing the basis for long-term economic cooperation will also occasionally require conflict in the form of hard bargaining over economic rules, and the imposition of penalties for states that fail to live up to their commitments. To enhance the long-term economic prosperity of the Asia-Pacific, the arrangements and institutions of the region must have broad support among the countries of the region, and not appear to be imposed from outside. The United States should find common ground with China, with its key allies Japan, South Korea, and Australia, with other major countries such as India, and with members of ASEAN, within an inclusive and open rules-based order.

In the realm of security, Washington should strive to strengthen its position as the leading Pacific power with a robust network of healthy alliances. It is unlikely that a liberal order in Asia will thrive without the engagement and support of the United
States—for decades, the world’s leading liberal great power. It should also prevent the region from being dominated by any single power that might be hostile to a rules-based order. Washington must strengthen the norm that disputes in Asia will be settled without the use of, or threats to use, military force, and must work with like-minded states to maintain the capacity to resist states that violate these norms. The United States must prevent the spread of weapons of mass destruction in the region. This includes capping, and eventually rolling back, North Korea’s nuclear and missile capabilities. Finally, the United States and its partners must counter the threat that global terrorism poses to the region. In sum, the United States should maintain consensus among friends and allies about both the desirability of security guarantees by the United States and involvement of allies and partners in maintaining global security.
In order to lead the revitalization of a rules-based international order in Asia, Washington must reassert US engagement through several steps grounded in the traditions of US foreign policy in the region. These steps form the key elements of the strategy and they include: updating and strengthening security cooperation with regional partners and allies; cooperating more with China in areas of common interest; adapting the regional economic architecture for an open, rules-based order; developing new partnerships to address the emerging issues of the 2020s; and promoting democracy, freedom, governance, and human rights.

Shogi, Go, and Ban-Sugorku
1. Updating and Strengthening Security Cooperation among Regional Allies and Partners

The first element of the strategy will be for the United States to work closely with its friends to strengthen and modernize its regional alliances and partnerships. For the rules-based order to be successful, there must be regional buy-in and support, but traditional US security partners may be hesitant to engage in an order if they fear that closer collaboration between Washington and Beijing risks having their own interests not taken into account. For the strategy to work, therefore, Washington must reinforce its regional alliances and partnerships to clearly demonstrate its commitment to a continued US role as a provider of security for a region undergoing significant changes.

For more than seventy years, order in Asia has been supported by US military predominance, but that position is being challenged as China continues to rapidly increase its military strength, as North Korea continues to dramatically expand its strategic capabilities, and as other threats, including extremism and the dark side of new technologies, rise in prominence. States in the region are rightly concerned about these new challenges. In the face of rising Chinese power, a balancing force must be present, in order to assure potential Chinese rivals that their security will be protected in Asia’s evolving institutional order. In addition, for a rules-based order to function, there must be a great power (or powers) willing and capable to deter—and, if necessary, defeat—acts of aggression from any source.

To ensure a stable future order in Asia, therefore, the United States must maintain a significant military presence in the region, and strengthen and adapt it to meet the coming security challenges in close collaboration with its allies. It must also ensure that it and its allies have the capability to defend themselves from possible aggression. Washington must strengthen its regional alliances, and regional powers, especially Japan and South Korea, should take independent steps, in close consultation with Washington, to enhance their security. For example, the United States and its East Asian allies can work together to develop their own A2AD capabilities to deter outside aggression. Moreover, Washington should encourage a deepening of intra-Asian security cooperation among allies, including the aforementioned Japan-India-Australia relationship. In addition, improved trilateral coordination between Washington, Tokyo, and Seoul will be necessary to strengthen extended nuclear deterrence against the growing North Korean nuclear threat. Indeed, perhaps the most urgent security threat to order in Asia is North Korea’s accelerating strategic capabilities (this issue is treated in detail in the text box on page 30).
In addition, growing extremism and terrorist threats will demand greater resources and attention. The United States and its partners have done much to contribute to counterterrorism operations and capabilities. For example, Indonesia has enhanced its counterterrorism operations with the help of the United States and Australia, but extremist threats are reemerging. Washington rightly has higher-priority concerns, but regional states view terrorism as a foremost threat, and an effective response will require coordinated regional action. Washington and its Asian and European partners must, therefore, take this reality into account in formulating regional strategy. Effective countering of terrorist threats will include a combination of supporting improved governance and economic opportunity throughout the region, as well as increased information sharing and capacity building.
The North Korean Threat

Perhaps the most urgent security threat to order in Asia is North Korea’s accelerating strategic capabilities. Expectations of success must be tempered given past diplomatic failures. Still, the danger is growing to an extent that it can no longer be ignored; “strategic patience” has played to Pyongyang’s advantage. A revitalized approach must contain two major elements: an active diplomatic effort to impose maximum pressure on North Korea, to build the leverage necessary to roll back its nuclear and missile program; and a military effort to deter and defend against the North Korean threat that exists until the first element is accomplished. The diplomatic element would aim to convince the North Korean leadership that its economic and political circumstances will continue to deteriorate, unless it halts its nuclear-weapon and missile program, and restarts diplomacy to eliminate them. This approach could include reopening a regular dialogue between the United States and North Korea, through cooperation with South Korea, but only at a time when the United States and its allies believe that preconditions for such engagement have been met.

The diplomatic approach should be led by the United States, which must work with China and its regional allies—particularly through close consultations with South Korea and Japan—to build maximum pressure in an attempt to roll back Pyongyang’s nuclear and missile capabilities. While no easy task, this goal can best be pursued through a strategy that, at the broadest levels, resembles the dual-track approach employed for the Iranian nuclear challenge. Washington can pursue a strategy of imposing pressure on Pyongyang so long as North Korea continues along its current path, while keeping open the door to diplomacy and the promise of significant benefits, should Pyongyang be willing to consider limits on its program and a path toward complete denuclearization. To be sure, these are different cases in ways germane to this approach; they inhabit different regions; Iran is more interested in global economic engagement; and, in the opinion of many, the international community settled for weaker terms than were desirable with Iran. Still, North Korea’s more fragile economy may render it even more vulnerable to genuine economic pressure, meaning that a similar approach has some chance of success.

Indeed, Kim Jong-Un almost certainly believes that his nuclear and missile programs bolster his regime’s survival, and he will be incredibly reluctant to negotiate them away. In order to be successful, therefore, the diplomatic track must bring enough pressure to bear that North Korea’s leader comes to assess that his hold on power may actually be at greater risk through the continued development of strategic capabilities. Economic pressure will be the most important aspect of this strategy. The next step could be to take away North Korean access to the international financial system, as was done with Iran, by targeting all sources of hard currency. Additional measures could include a full United Nations Security Council (UNSC) ban on coal exports, and pressure on China to significantly cut back oil shipments. The United States must move beyond the hope that other countries, including China, will be willing to enforce tough sanctions on their own accord. Rather, Washington must do more to incentivize Beijing to join in sanctions implementation and enforcement, because sanctions will only work effectively if China is willing to enforce them. This should include imposing new secondary sanctions on Chinese entities trading and investing with North Korea. This should begin with finely targeted sanctions against
the specific Chinese firms and financial institutions conducting business directly with the North Korean nuclear and missile programs, and can gradually expand out from this core set of sanctioned entities, as necessary and appropriate, to dial up the pressure. Such sanctions would, in effect, force Chinese entities to choose between doing business with North Korea or doing business with the United States. If these entities curtail trade with Pyongyang in order to avoid losing access to the US market and banking system, then this approach could begin to bring serious economic pressure to bear on North Korea. In addition, they could stimulate China to make more intensive efforts vis-à-vis North Korea, as President Xi Jinping has expressed a desire for more stable US-China relations, and increasingly sees North Korea more as a liability than an asset.

Of course, this approach also carries an inherent risk of confrontation with Beijing. Washington should, therefore, place this issue at the heart of US-China relations. Perhaps counterintuitively, this issue could present a major opportunity for US-China collaboration on the security front—but only if China sees greater costs to itself, and to the stability of the North Korean regime, if it does not cooperate.

In addition to working with China to increase economic sanctions on North Korea, the United States can apply pressure in other ways, including through “left of launch” cyber and electronic warfare designed to stymie North Korea’s missile development. In addition, carefully timed threats of force may be employed to deter North Korean nuclear and missile testing. Finally, the United States and its allies can employ information warfare, cyber campaigns, and other measures designed to destabilize the regime, and to force Kim to question his hold on power, if he continues along the current path.

In the meantime, until the effort to cap and roll back North Korean nuclear capabilities is successful, the United States and its allies must recognize the threat that exists today, and put in place measures to deter, defend, and, if necessary, defeat North Korea. To deter North Korean attack, the United States and its partners must be clear that any attack by North Korea will be met with overwhelming force, and would likely result in regime change in Pyongyang.

The United States cannot rely on deterrence alone, however, and must have the ability to defend against any North Korean attacks. This effort should include the transfer of missile-defense capabilities, such as Terminal High Altitude Area Defense (THAAD), to allies, including South Korea. In addition, Washington can facilitate cooperation with Israel to enable the procurement of a layered defense system—including Iron Dome, David’s Sling, and Arrow 3—to protect against North Korean artillery barrages. Moreover, the United States should take steps to strengthen its homeland defenses. The United States should make clear to China that these and other high-priority military enhancements will be undertaken with great speed and urgency, in response to the acceleration of the North Korean nuclear threat, and that they have no effect on China’s own security. If, however, China is displeased with these developments, then Washington can make clear that China can help forestall them by working with the United States to address the North Korean threat.
Moreover, the United States and its allies cannot accept vulnerability to North Korean nuclear attack or coercion, and they must ensure they have strike capabilities to blunt any planned North Korean nuclear attack. This will require the prioritization of significant intelligence, surveillance, and reconnaissance (ISR) to track North Korea’s mobile missiles and nuclear capabilities.

Washington must consider all options, from maximum engagement to maximum pressure. This includes the development and maintenance of a range of conventional and nuclear preemptive strike options in close consultation with regional allies, such as South Korea and Japan.

Finally, the United States and its allies and partners must be prepared in the event of North Korean regime collapse or extreme provocation for regime change. Despite slow progress in the past, the United States should continue to seek dialogue and cooperation with China on these issues. It can also expand these discussions into trilateral cooperation with South Korea, and into the broader five-party framework discussed below. More explicitly, the United States should engage China on crisis contingencies and post-unification scenarios, to dispel concerns about an extension of the US military presence to China’s borders.
As the United States and its allies address clear and legitimate security concerns in the region, they must be careful to avoid antagonizing other major powers. Indeed, the twin demands of hard-headed engagement with China and strengthening regional alliances and partnerships present inherent tensions, but it is necessary to navigate both demands in order to maintain a rules-based order in Asia. Managing these contravening pressures should be possible. The United States must clearly communicate its priorities to Beijing, and must be concrete about the consequences Beijing may incur if it violates US redlines. Beijing understands that other states in the region depend on the United States for their security, and it also acknowledges that China has benefited more than any other state from the security order that the United States has provided. Beijing, understandably, is demanding a greater role that matches its increasing strength. Therefore, the only equilibrium going forward may be a situation in which China continues to become more capable, even as the United States maintains overall military superiority in the region by strengthening capabilities that are core to the twenty-first century operating environment. Such an understanding can contribute to a new framework for strategic stability across various domains including: nuclear, cyber, space, missile-defense, and conventional-strike capabilities. At the end of the day, all states in the region, including US treaty allies, understand that the region operates more smoothly when the two largest powers, the United States and China, resolve their differences amicably.

2. Practice Hard-Headed Engagement with China

To revitalize the rules-based order in Asia, the United States will need a functioning relationship with China. Historically, from the Concert of Europe to the present, international orders function best when their formal elements (treaties, alliances, trade agreements, and consultative mechanisms) roughly reflect the underlying distribution of power. Other than the United States, China is the most powerful state in the Pacific; therefore, its participation and support are necessary for the effective operation of a rules-based order in Asia. The alternative, if China circumvents or openly resists the existing order, is a slide into possible containment, or the emergence of rival economic and security blocs. The United States can effectively deal with these scenarios if it must, but such outcomes would be less advantageous to US and allied interests, and to regional security and prosperity.

At the same time, policymakers in Washington must abandon the wishful notion that pursuing cooperation with China for its own sake can somehow shape China’s long-term rise in a more benign direction. China is already a major international player, and there are important issues being settled at present. The United States
should not sell out its short-term interests in search of an amorphous and long-term effort to tame China.

A new approach begins with Washington clearly defining its own interests in the region, and then engaging China from this starting point. When those interests collide with those held in Beijing, then the United States and its partners must be prepared to firmly defend their ground. When, on the other hand, there is a mutuality of interests, Washington should seek hard-headed engagement with China to advance common goals. To be sure, this is a call for a more transactional relationship, but it is an approach that the Chinese will understand and respect. It is also the method best suited for the present circumstances. Over time, this approach could aim to demonstrate to China that there are benefits to being a keystone stakeholder in an Asian rules-based order, and that there are also costs to challenging it.

Hard-headed engagement between the United States and China can begin with an effort to update and revitalize the rules-based order, including by reforming the security architecture in the region. Beijing frequently complains that the only standing security institutions in the region are US alliances that are aimed, at least to some degree, against China. China will play a major role in the security order in Asia, however, and it would be better to provide a regularized mechanism for consultation among the United States, China, US regional partners and allies, and other regional states. To that end, the United States should consult with Japan, South Korea, and Indonesia—as well as China—on ways to strengthen regional institutions, such as the East Asia Summit. More urgently, the Six Party Talks framework, which in the past was used to address the North Korean nuclear issue, could be modified (without North Korea), institutionalized, and extended to Asian security broadly, with the United States, Russia, China, Japan, and South Korea regularly consulting in a new Five-Party mechanism on developing issues in Northeast Asia. Bilateral engagement will also be important. The new Comprehensive Dialogue agreed to by Presidents Trump and Xi provides another useful forum for exchange, and this dialogue could be usefully supplemented by regular direct meetings at the head-of-state level.

While security disputes receive greater attention, the United States and China also share several common security interests. Both states want to prevent the further spread of nuclear weapons in the region, and they can work together to strengthen the global nonproliferation regime and enhance nuclear security and safety. The two powers also share a common interest in preventing the further advancement of North Korean nuclear and missile activities, as well as destabilizing behavior in the region (discussed in detail above). Conflicting priorities on this issue have
complicated diplomatic efforts, but areas of convergence have allowed for recent
diplomatic breakthroughs—including in the spring of 2016, when the two powers
joined other members of the United Nations Security Council (UNSC) to pass a
resolution imposing new economic sanctions on North Korea. This action might
set the stage for future cooperation. In the past several years, the two powers have
also found room for agreement in cyber and space, including the October 2015
US-China Cyber Agreement. In addition, both states seek to counter terrorism and
violent extremism. Finally, and more fundamentally, the two great powers may be
able to reach a broader accord on a strategic equilibrium in the region that recog-
nizes China’s growing strength, while simultaneously accepting the continuation
of US military superiority, which is necessary to maintain the longstanding US secu-
rit-y-guarantor role in the region.

Areas for Potential Collaboration in the US-China Relationship
Perhaps the most obvious area of common interest is in the global economic realm, in which Washington and Beijing are already bound together by substantial trade and financial ties. However, huge areas of competition and tension remain in trade and finance. The biggest problems are China’s mercantilism and its predatory industrial policy—such as its “Made in China 2025” policy, which seeks to use state incentives to catapult China into a dominant position in advanced manufacturing sectors (e.g., semiconductors, robotics, biotech). The Trump administration should certainly seek to redress imbalances in the relationship so that the economic area of cooperation can be expanded further, as these two great powers and other states work together to update the global trade, financial, monetary, and development architecture.

Emerging international issues present several new areas for potential collaboration. The United States withdrew from the Paris climate accord (an accord signed by 195 nations) in 2017, and the US government is unlikely to take further steps to address global climate change in the near term. Still, the new US administration has incentives to monitor this area, to help shape a more rational approach to international climate policy. Moreover, there are other nontraditional arenas in which Washington’s and Beijing’s interests overlap, including food, water, and energy security. The US-China Clean Energy Research Center (CERC), established in 2009, represents a collaborative effort by the two countries to accelerate development on carbon capture and storage (CCS) and other advanced coal technologies. The United States and China are both member countries of the “Mission Innovation” initiative, which was announced immediately after the 2016 Paris Agreement, to accelerate public and private global clean-energy innovation to address climate change. The United States and China can work together to play a leadership role in clean energy research-and-development (R&D) funding and renewables. Other areas of potential collaboration include shale gas development and water and food security, areas in which the United States has comparative advantages relative to China in terms of technology and know-how.

Countering terrorist networks is emerging as an area of cooperation as China increasingly becomes a victim of terrorist attacks. The United States should consider ways to cooperate with China and other regional partners in addressing the threats that terrorism poses, but it must be vigilant to ensure that partners do not abuse the pretext of terrorism as an opportunity to oppress minority communities.

Washington and Beijing, together with other technologically advanced countries, can also seek to cooperate in both harnessing advancing technologies while
working together to mitigate the various risks that they pose. The list of possible agenda items is long, but includes: genetics and biotechnology, additive manufacturing, cybersecurity, and the IoT. Other possible areas of bilateral and multilateral cooperation include China’s role in the Middle East and Africa, disaster relief and management, dealing with aging populations, mitigating pandemics (as witnessed briefly in Chinese-US cooperation on Ebola in Africa), and urbanization.

For example, the United States and China can work together to prevent Iran from building nuclear weapons. The current Iran nuclear deal likely buys the international community several years, but the sunset clauses in the deal mean that the Iranian nuclear threat could emerge in the near term. Washington and Beijing should begin consultations now, in tandem with their other partners in the P5+1 (the UNSC plus Germany), on the contours of a more desirable long-term end state for the Iranian nuclear program, and should begin laying the groundwork for making such an outcome possible. In addition, the United States and China can explore more ways to expand cooperation in the Middle East. The two countries have a shared interest in improving economic connectivity between Asia and the Middle East for integrated economic, trade, and regional stability. The United States and China can work together to align their support for economic development in Afghanistan, improve trade and transport routes through the US Silk Road Initiative and China’s Belt and Road Initiative, and ensure the safe and unimpeded flow of oil and natural gas from the Middle East and Central Asia.\textsuperscript{15}

In addition, this element of the strategy also advocates that both sides make greater efforts to distinguish the issue areas on which there is the potential for agreement, and those in which there are genuine conflicts of interest. Identifying and engaging on the former can help to solve important regional issues, and may provide frameworks and relationships to contribute toward the resolution of the latter.
As the United States works more closely with China, it must ensure that its regional allies and partners do not fear that Washington is going over their heads to strike deals with China that undermine their interests. Closer cooperation with China, therefore, must be paired with commitments to strengthen and update the US network of alliances with regional partners.

3. Adapting the Regional Economic Architecture for an Open, Rules-Based Order

The United States and its allies and partners must adapt and update the regional economic architecture. This will require adjusting to the new economic weight of emerging economies with some alterations in governance structure. It will also demand a more robust commitment of resources by the United States and its like-minded partners to enhance and reform existing institutions and arrangements, and to work constructively with new institutional frameworks.

The changing Asian landscape presents opportunities as well as risks, and the region’s expanding wealth provides the possibility of greatly expanded bilateral and multilateral trade and investment, which can enhance US economic growth. The region is already moving forward on options for a Trans-Pacific Partnership (TPP) without the United States, such as a TPP-11 or a series of bilateral FTAs that could incorporate some provisions of the TPP. Bilateral engagement and “reciprocal” treatment with major trading states—rather than multilateral engagement—will likely be major themes of the Trump administration, along with its focus on decreasing the US trade deficit with China. US trade policy should increasingly seek to benefit American workers, farmers, and businesses, by seeking to reduce its trade deficits with its major trading partners. Revisiting the TPP deals would be one way to achieve that goal. The United States should consider other important measures—such as technology assistance, life learning to better match skills with jobs, portable healthcare, wage insurance, and labor-force growth and productivity—in order to better compete globally, and to sustain the US technological and innovative edge.

The United States and its major trading partners in the region, such as Japan and South Korea, should look to expand bilateral trade, by striking new deals and updating and refining existing arrangements. A new US-Japan FTA is one possibility, but one that will face obstacles from the agriculture and automobile industries. South Korea and the United States can update the Korea-US Free Trade Agreement (KORUS). While KORUS sets a gold standard for successful trade deals in the region, it is aging, and key terms could stand refreshing. Seoul and Washington can
also seek opportunities to cooperate more on emerging key industries under the Fourth Industrial Revolution, such as artificial intelligence, the Internet of Things, robotics, cyberspace, and quantum computing. Japan and South Korea, major importers of liquefied natural gas (LNG), can also import energy resources such as shale gas and oil from the United States, to create a Northeast Asia hub for oil and natural gas. This innovative approach would not only enable Japan and South Korea to enhance their energy security by diversifying their sources of energy, but also help the United States to reduce its trade deficits with its major trading partners.16

Setting stable economic conditions will also require enhancement and adjustment of the macroeconomic architecture. The recent International Monetary Fund (IMF) reforms provide an example of how the governance structure of existing institutions can be modified to better reflect the growing weight of emerging economies. China has become a more active participant in the IMF now that the renminbi (RMB) is included in the special drawing rights (SDR) basket of currencies and shares of quotas have been shifted toward emerging economies.

The United States also should be prepared to accept new institutional frameworks, such as the AIIB, that operate on a basis of high standards and are inclusive. Moreover, given Asia’s massive infrastructure needs, a key element of an Asia strategy should be to work closely with Japan to boost the capacity of the Bretton Woods institutions (such as the World Bank) and the ADB for infrastructure lending.17 As a Pacific power, the United States does not need to participate in all regional arrangements, but should welcome institutional initiatives of high quality, and should seek to influence those that are less compatible with global norms and best practices.

4. Developing New Partnerships to Address the Emerging Issue Areas of the 2020s

To be effective, a multilateral strategy for Asia must develop new partnerships to address emerging challenges and issue areas. An effective order must, of course, incorporate mechanisms for resolving traditional hard security and economic concerns to advance global values, but it also must be flexible enough to identify and incorporate new issues as they arise. Many of these emerging issue areas will require not only cooperation among states, but also partnerships with international organizations, nonstate actors, and the private sector.

Several emerging issue areas are poised to become much higher priorities on the regional and global agendas of the 2020s. Food, water, and energy issues have
risen in importance. Although climate change will not be a priority of the Trump administration, it remains a salient issue for many states in the region, and the Trump administration may be more willing to engage on other environmental issues, such as water security. Notably, air pollution has become an increasingly important domestic political issue in China. The Chinese government, previously focused on growth at all costs, has suddenly become attentive to its growing environmental challenges. Since the government realized it must take measures to rein in pollution or face significant social discontent, a key driver for President Xi Jinping’s initiative for an “energy revolution” has been combating China’s extreme levels of air pollution. Moreover, regional pollution issues, such as the smoke clouds from forest fires in Indonesia, affect nations throughout the region and require a collective response. For decades, these “human security” issues have been dismissed by security experts, often with good reason, but changing circumstances dictate that these problems be reevaluated with fresh eyes.

Disruptive technologies offer a suite of both threats and opportunities, and they must be addressed and harnessed for a state to be successful in the digital economy in coming decades. As a largely status-quo power since the end of World War II, the United States has become accustomed to reflexively seeking stability, but emerging technology will demand a new “dynamic stability.”18 As Giuseppe Tomasi di Lampedusa famously wrote in The Leopard, sometimes things must change in order for them to stay the same. The United States must harness the upside potential of new technology, while simultaneously seeking to mitigate its inherent risks.

With regard to 3-D printing, for example, Washington and Beijing should work together with international institutions, such as the Nuclear Suppliers Group, to incorporate 3-D printing into existing export-control regimes to prevent the 3-D-printing-fueled proliferation of advanced conventional and unconventional weapons. In these efforts, national governments must work closely with the private sector to put in place common-sense controls that permit legitimate commercial applications of the technology to flourish. States, international institutions, nongovernmental organizations, and private firms also must work together to address the implications of additive manufacturing for intellectual property rights. In addition, other emerging technologies—including biotechnology, genetics, and artificial intelligence—will also demand greater attention and resources.
5. Promote Good Governance, the Rule of Law, Democracy, and Universally Recognized Human Rights

Finally, the United States and its allies should adopt firm and consistent policies aimed at promoting good governance, the rule of law, democracy, and human rights in Asia. The rules-based order promoted by the United States since World War II has a liberal character, and this has been central to its success and legitimacy. Democracies not only share common values, but tend to be the most reliable strategic partners for the United States. The United States and its European and Asian allies can employ their vast reservoirs of soft power in a sophisticated approach to advance this agenda in the region.

According to Freedom House, only four countries in Asia—Japan, South Korea, India, and Mongolia—are considered “free” in terms of their protection of political rights and civil liberties, though several others, including Indonesia and Malaysia, are on a positive trajectory. However, the region has also seen considerable backsliding. In Thailand, where a military junta seized power in a 2014 coup, restrictions on free speech remain significant, and, in the Philippines, President Rodrigo Duterte has celebrated extrajudicial killings of suspected drug dealers. Meanwhile, the Chinese Communist Party retains its monopoly on power, while continuing its traditional policies of monitoring speech and political expression.

The challenge for the United States is to maintain positive working relationships with China, the Philippines, and other important actors across the region, while simultaneously finding meaningful ways to promote greater political freedoms. The goal should be to encourage the long-term aspirations of the people in these countries, by encouraging greater political space for the expression of grievances and diverging political views. With Beijing, for example, US officials should not shy away from raising their concerns in this area when meeting Chinese officials. Over time, greater people-to-people contact may be the most influential means for change in China, and Washington should continue to support policies to encourage greater educational and cultural exchanges.

Where fundamental norms are violated, US officials should stand firm in defense of human rights and democracy, as they advance both US interests and values. In some cases, this might include ways to link economic and security assistance with progress on political reforms and good governance.

At the same time, the United States and Europe should reinforce their strategic and economic partnerships with their closest democratic allies and partners in the region. This includes Japan and South Korea, which have been the linchpin of
alliances, and investing in stronger relationships with India. These strategic partnerships, grounded in respect for shared norms and values, offer opportunities for greater collaboration to address regional and global challenges. The United States should look to integrate its Asian allies into multilateral structures, such as NATO, to address these challenges. In addition, a framework such as the D-10 Strategy Forum and the Asia Quad (the United States, Australia, Japan, and India) should be used to facilitate greater strategic collaboration.

The United States must maintain a long-term focus on, and confidence in, the strength of its values, and must act in a way that consistently promotes them when faced with near-term challenges.
Overarching Guidelines for Strategy Implementation

In order to most effectively execute this strategy, departments and agencies of the United States and its closest allies and partners should adhere to the following key principles:

1. Pursue Regional Buy-In and Support

In order to function, an updated order in Asia must have the buy-in of regional stakeholders. At the end of World War II, the United States and its Western allies were in a position to develop the Bretton Woods system that helped govern relations for much of the rest of the world. But, as power shifts from West to East, Asian powers demand and deserve a greater say in the structure of the international system. Many in Washington continue to think of strategy and policy for Asia as something to be dictated from the outside, but, in order to be effective, a multilateral strategy in Asia must be written in close consultation with Asian partners. This will require Washington and European capitals to work closely with Asian powers, including traditional friends and partners, as well as potential competitors. As explained above, the United States must reinvigorate its network of alliances, while greatly broadening and deepening areas of partnership with China. This points to the most difficult dilemma for the future of US policy in Asia, but it can be managed. By strengthening its military and economic position in the region, as recommended above, and by providing more reassurance to its regional friends and allies, the United States can buy the space and goodwill to engage more deeply with China. In addition, this will also provide regional partners with the sense of security that will allow them to deepen engagement with China.
2. Strengthen Trans-Atlantic-Pacific Partnerships for Maximum Effect

In addition to support from regional players, the evolving rules-based order in Asia will also require Washington to leverage its global partnerships to encourage participation from other states with interest in the Asia-Pacific, including the Trans-Atlantic community. US allies and partners in Europe and Asia are facing similar challenges, and share a preferred set of solutions. They will be most effective at reaching these solutions if they can bring their combined weight to bear on an issue. On the other hand, absent a coordinated approach to upholding global norms, a rules-based order may be in jeopardy.

To be sure, Europe is already a major player in Asia, and vice versa. Many European nations supply the region with key defense capabilities, have longstanding alliances with regional countries, and, in some cases, retain territory there. EU trade with China is $600 billion annually, equivalent to US-China trade ties. Still, for a variety of reasons, there has been insufficient international coordination across these key regions. Europe has tended to see Asia primarily through an economic lens, with high-security issues in Asia viewed as the United States’ responsibility.

The United States, as a global superpower that sits astride both Europe and Asia through its interconnected economy and alliance system, is best positioned to bring interested stakeholders from multiple regions together to find pragmatic solutions to pressing global challenges. The Iran nuclear negotiations are one recent example of how Washington was able to coordinate the sanctions policies of allies in both regions to bring serious economic pressure to bear on Iran, to ensure it upholds global nonproliferation norms. This may serve as a model for how to address future common challenges.

The South China Sea dispute may be another example of how this approach could be applied in practice. In recent years, China has been expanding its de facto control in the region, contrary to the preferences of other regional claimants, and has done so in subtle ways that do not rise to the level of direct military conflict. To date, Europe has, for the most part, not seen this development as a direct threat.
In some ways, however, it is similar to the challenges that US NATO allies face from Russia’s invasion of Ukraine and its broader gray-zone meddling in Europe. Left unchallenged, these actions risk creating new international norms that may be exploited by China, Russia, or other revisionist powers around the globe. The Trans-Atlantic-Pacific (TAP) community has a common interest in seeing these issues resolved in a way that upholds the sanctity of international borders and the rule of law.

Moreover, working together, the combined weight of Europe and Asia will bring more pressure to bear on revisionist powers than what countries in either region can ever hope to achieve acting in isolation. Indeed, experience shows that China will relent in the face of unified international pressure. To date, the vocal concerns of the United States and regional actors have not moved Beijing, but the incorporation of additional powers, including some from outside the region, just might. European seafaring nations—including the United Kingdom, France, and Norway—share an interest in freedom of navigation on the high seas, and London has already begun conducting freedom-of-navigation exercises in the region. The UK has also become more engaged with traditional partners in the region, including Singapore and Malaysia. A unified diplomatic approach that features leading nations in Europe, North America, and Asia simultaneously expressing concerns about Chinese activity in the region, and offering pragmatic options, should prove more effective in persuading China to seek peaceful solutions, consistent with international rules, to regional maritime and territorial disputes. European nations also can assist in putting pressure on China in the World Trade Organization (WTO), and in penalizing Chinese mercantilist behavior.

At the same time, Washington can encourage Asian partners to play a greater role in addressing global challenges beyond their own region. The contributions of Australia, New Zealand, South Korea, and Japan to NATO’s operations in Afghanistan over the past decade are a case in point. As the United States seeks to defeat ISIS and address the root causes of instability and mass migration in the Middle East and North Africa, it should try to leverage increased contributions by its Asian allies to NATO and EU initiatives aimed at stabilizing Europe’s turbulent southern neighborhood, while continuing to seek their help in Afghanistan.

More broadly, the world is increasingly intertwined. Globalization is rendering national borders and regional boundaries increasingly porous, and a US strategy for the region must increasingly incorporate functional and cross-regional approaches that take into account patterns of connectivity that are not unduly constrained by artificial geographical and regional dividing lines. In other word, the United States cannot divide global issues into country-by-country and re-
region-by-region boxes. Global and regional security and economic issues must be treated in the proper context.

Policy Initiatives

In order to be effectively executed, this broad strategy for a more secure and prosperous regional order suggests several specific policy initiatives that can be considered and pursued. The below list summarizes the policy recommendations discussed in the above text.

### Overriding Considerations

- Strengthen the protection and security of regional allies and partners.
- Substantially expand the number of agenda items for US-China bilateral engagement.
- Promote cooperation to update regional institutions, in order to strengthen their effectiveness.
- Ensure broad-based buy-in of regional states on alterations to institutional architecture.
- Ensure close coordination among Atlantic and Pacific partners to encourage greater European engagement on Asia security issues, and Asian allies’ contributions to global issues.
Security

- Push for a new forum for regional security consultations that is built on the Six Party Talks model, in conjunction with South Korea. A Five-Party framework would exclude Pyongyang, but include partners committed to an ongoing dialogue to discuss North Korea and Northeast Asian security more broadly.

- Engage in a US-China dialogue on a framework for strategic stability that acknowledges China’s growing power, while recognizing US strategic superiority and the continued US role as a security guarantor in the region.

- Engage in strategic consultation among treaty allies and like-minded partners, such as Japan, South Korea, and Australia, without antagonizing China.

- Strengthen US defense posture and planning, to ensure the ability to defend treaty allies in the face of growing adversary capabilities.

- Ensure allies are spending enough on defense.

- Encourage intra-Asian security cooperation, such as that between Japan, South Korea, India, Singapore, Indonesia, and Australia.

- Pursue a dual-track approach to increase economic pressure on North Korea, while holding out the promise of diplomacy to freeze, and eventually roll back, Pyongyang’s nuclear and missile programs.

- Develop US and allied capabilities to defend against, and, if necessary, defeat North Korea’s strategic forces.

- Plan for, and engage in, regional consultations on North Korea regime-collapse scenarios.
Economic

• Enable regional partners to develop defensive capabilities to deal with new threats, such as improved conventional-strike and ballistic-missile-defense capabilities for South Korea, expanded joint exercises between the United States and Australia, and joint-defense planning between Washington, Seoul, Tokyo, and Canberra.

• Facilitate security cooperation between South Korea and Israel on defenses against North Korean artillery.

• Increase counterterrorism cooperation in Southeast Asia, beginning with increasing the counterterrorism capability of local forces in Indonesia.

• Give priority to the Group of Twenty (G20) process for macroeconomic leadership in the Asia-Pacific region. Economic leadership for Asia should not be the purview of G2 (the United States and China) or “Asia for Asians.” The region should be integrated within the global process, and its institution and arrangements aligned with the global economic order.

• Advocate governance arrangements in international economic institutions that reflect a state’s weight in the global economy.

• Cooperate on the development of infrastructure and human capital. For example, China and the United States can work to ensure that their Belt and Road Initiative and Silk Road Initiative, respectively, are complementary with existing organizations and initiatives, and promote a shared vision for trade, investment, and regional stability.

• Pursue new bilateral trade deals in the region, including between the United States and Japan, and update the KORUS FTA.
Economic (continued)

- Press for full data disclosure and transparency by all G20 countries, in terms of the investment of central-bank reserve assets, foreign-exchange-market intervention, and enhancement of domestic economic and financial data reporting to the IMF.

- Advocate a strong development agenda in the Asia-Pacific region, focusing on ensuring that small and developing nations such as Myanmar, the Pacific islands, and Timor-Leste benefit from Southeast Asia’s economic dynamism.

- Address societal dislocations caused by globalization and liberalization.

Democracy and Governance

- Collaborate with Europe and Gulf states on capacity building in Southeast Asia for police, military, and other security institutions.

- Work with regional partners on a code of conduct for anticorruption and the rule of law.

- Aid the consolidation of democratic institutions in newer democracies, such as Indonesia, the Philippines, Thailand, and Myanmar.

- Cooperate with established democracies, such as Japan, South Korea, and Australia, to ensure that their policies and programs toward fledgling democracies are complementary and compatible.

- Encourage established middle-power democracies, such as Malaysia and Indonesia, to address corruption and support democratic processes.

- Reengage the United Nations to reverse the takeover of democracy and human-rights committees by autocratic states.
Emerging Issues

• Develop cooperative partnerships to address the food, water, and energy nexus.

• Navigate opportunities and challenges for regional cooperation on climate change (e.g., the “Mission Innovation” initiative, clean energy, and technology).

• Pursue international cooperation on region-wide challenges, such as diminishing fish stocks and the impact of pollution.

• Update international export-control regimes to include additive manufacturing.

• Update intellectual-property-rights rules to account for additive manufacturing.

• Provide long-range analysis and develop strategies for cyber and the Internet of Things.

• Promote the collaboration of cities and governments to ensure sustainable urbanization.

• Pursue US-China dialogue on bilateral cooperation on the Middle East, as well as the US shale revolution and its implications for regional energy security.
Conclusion

The past seventy years of Asian geopolitics have been nothing short of remarkable. For more than half a century, the region has avoided interstate war, witnessed what may be the fastest and most widespread economic development in human history, and greatly expanded the share of its population living under good governments. The question now is whether people will look back on this period as a historical aberration or as a harbinger of things to come.

One possible future sees the erosion, and eventual collapse, of the US-led, rules-based international system that has underpinned order in Asia to the great benefit of the region’s people. In this scenario, Washington demonstrates a lack of will or capability to continue to play its historical leadership role in the region, and China uses its increasing relative power and influence to reorder the region to better suit its narrower interests. Most likely, this would not lead to the complete abdication of US presence and influence, but to new spheres of influence in which other Asian nations would be forced to choose sides. Such a future would likely entail renewed great-power competition and possibly conflict, decreased international trade and investment, and authoritarian backsliding in key nations. Unfortunately, there are currently indications that this future is at least plausible.

There is, however, an alternative. Underlying geopolitical realities have changed, but the features of the system that made Asia a stunning success story over the past several decades remain attractive and functioning. In this scenario, the US-led, rules-based international order remains in place, but it is adjusted, updated, and strengthened to take into account changing circumstances, and to reflect the weight of emerging powers. The United States and China compete, as great powers have done throughout human history, but they also come to a common understanding on major issues of strategic stability in the Asian security order. They avoid outright conflict, and other states in the region are free to enjoy strong economic relations with both powers. Economic development proceeds apace, and good governance practices continue to expand throughout the region. This scenario should be achievable. After all, it merely projects forward some of the key trends of the past several decades. While there will still be many challenges, from a present vantage point, such an outcome seems far preferable to the possible alternatives.
This future will only be possible, however, if the United States continues to think strategically about how best to adjust the international architecture to account for changing political and economic circumstances. This *Atlantic Council Strategy Paper*, therefore, strongly urges policymakers to shape an Asian future characterized by a strengthened and updated rules-based architecture in which Asian nations, the United States, and Europeans all have a great stake. The authors humbly hope that the recommendations contained in this report are helpful to these powers as they pursue this noble objective.
Endnotes

1. This paper defines the Asia-Pacific broadly, stretching from India in the west to Japan in the east.


4. Economist Intelligence Unit, *Long-Term Macroeconomic Forecasts: Key Trends to 2050*.


6. The “nine-dash line” map delineates China’s territorial claims in the South China Sea, which are disputed by Malaysia, Indonesia, Brunei, the Philippines, and Taiwan.

7. China, Japan, and Korea obtain 50 percent, 80 percent, and 90 percent of their imported crude oil from the Middle East, respectively.

8. Energy extraction in the South China Sea and East China Sea.

9. Major initiatives of multilateral energy cooperation in the Asia-Pacific have been pursued through Asia-Pacific Economic Cooperation (APEC), the East Asia Summit (EAS) process, and the Association of Southeast Asian Nations (ASEAN) + 3 (the three Northeast Asian countries of China, Japan, and South Korea). The APEC organization discusses energy issues in its biannual Energy Ministerial Meeting (EMMs), semiannual Energy Working Group (EWG) meetings, and Energy Security Initiative (ESI) meetings. ASEAN + 3 holds the Oil Market and Natural Gas Forum, and ASEAN Senior. The EAS held its EMM consecutively with the ASEAN Ministers and Energy Meeting (AMEM), and established the Energy Cooperation Task Force (ECTF).


14. This idea had been promoted by the South Korean government under the banner of the Northeast Asia Peace and Cooperation Initiative (NAPCI).


16. South Korea will begin receiving 3.5 million tons of US LNG annually over twenty years starting in 2017, from the Sabine Pass LNG Project (in Louisiana, by Cheniere Energy).

17. For a detailed assessment, see Wethington and Manning, Shaping the Asia-Pacific Future.


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**Image Citations**

1. Japanese woodblock map of the world dating to 1840 by Ryukei Tajima.


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This report represents the conclusions of the Co-Chairs only. While the Task Force Members were closely consulted throughout the duration of the effort, their participation and their acknowledgement here do not represent an endorsement of this text in whole or part. Additionally, Task Force Members have participated in their individual, not institutional, capacities.
“Policymakers in [the United States, Europe, and Asia] share a strong interest in maintaining and strengthening a rules-based order, and, they will be most effective at reaching solutions if they can bring their combined geopolitical weight to bear. Fostering improved Trans-Atlantic-Pacific partnerships, therefore, is critical, not just for US interests but for the future of the globe.”

- The Honorable Carl Bildt, Dr. Victor Chu, Governor Jon Huntsman, Jr.

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