

DOUGLAS PAAL

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Douglas, the floor or rather the seat is yours.

Douglas Paal, Distinguished Fellow at the Carnegie Endowment for International Peace

Well, thank you, and thank you to Thierry de Montbrial and the whole team for bringing us together once again. These are colleagues we sometimes meet only once a year, but it is a wonderful time to do this. I want to start my remarks by taking us back to the early 1990s and then to move forward rapidly to the present. In the early 1990s, China had come out of the Tiananmen Massacre very much damaged, sort of in the international doghouse, if you will. The United States had had a victory in the Kuwait War and was emerging as the unipolar superpower. In that period, the US would go around and talk to our friends in the region and say, "Where do you stand on China and the US?" They would say, "Please do not ask us to make a choice, but we are with you."

Time progressed through the 1990s. The US made some stumbles along the way. In my view, we mishandled the 1998 Asian financial crisis. We could have done better by our friends. China did a better job of addressing the concerns of the economies of the region. Into the 2000s, China started to recover from the Tiananmen incident. Zhu Rongji took over as premier. He cast aside unproductive industries, really energized the economy, and China was in its take-off period. We still kept asking our friends in the region, "Do you choose us or do you choose China?" They kept saying, "Do not ask us to choose." Then you fast-forward and we are into the U.S. invasion of Iraq, the response to 9/11 and the invasion of Afghanistan, and the US put more and more of its focus on that Southwest Asian pair of battlefronts, attempting to change regimes in difficult environments, and China just kept moving along its way.

Then came the 2008 financial crisis. Again, the US stumbled economically, and the G20 and others helped pick us up from that period. However, we were still mired in those wars. Right down to the 2010s we were not really out of it. What happened in that period was more and more China had unevenly but effectively deployed diplomacy of an economic nature with its neighbors in the region and greatly improved the volumes of trade and investment, mostly trade, but a lot of investment as well, throughout the region. Come down to the end of the Obama Administration and the Biden Administration, and if you did a survey of the region and how the US was doing *vis-à-vis* the competition with China in the Asia-Pacific, it was not a very good scorecard. The Biden Administration has done a lot to improve parts of that picture in the region.

If you break it down into four areas – I will leave South Asia to Ambassador Narayanan to explain to us – but the US, in response in part to the concerns of our friends in Seoul and Tokyo, strengthened those alliances. New commitments were made there to strengthen the US relationship with each of them and also, under the Yoon and Kishida administrations, actually improving relations between Japan and Korea as well, a notable achievement. The US also, with Australia, developed the AUKUS, the Australia-UK-US notional entente to build submarines and do other things in the so-called Pillars 1 and 2 of the AUKUS arrangement, which, at least on the surface, looks like a strengthening of our relations with a key ally in the South Pacific. The US had ignored, in the intervening years, the Pacific Islands, but the Chinese move into Fiji and elsewhere in the region woke the Americans up, and we started to commit to the Freely Associated States agreements with our friends in the small South Pacific Islands that are dependent on outside aid, and the US got back in the game, together with Australia and New Zealand, to offer real competition to China.

In Central Asia, after the Afghan War wound down, the US lost interest. We do not have any game to play there. It is really a contest now between China and the USSR, so we are not playing our role there. Southeast Asia is the most interesting because Southeast Asians have greatly deepened their relationship with China. Singapore has always been frank about, “Do not ask us to choose between the two,” but they have been giving us more and more clear warnings. Judging the behavior of the Southeast Asians vis-à-vis the relationships with China and the US, you have to look at some more subtle signals than just what they say. If you look at the behavior of the new leaders in Indonesia and Malaysia, both of whom have had interesting relationships with the US over the years, both of them chose to make their first foreign visits to China, not to the US. There is a signal there that is important that we should pay attention to, and we are maybe not paying enough attention to it yet.

Now, to take us up to the present, economically we have stumbled in the region. We have not had competition in trade and the like, and we have walked away from the TPP agreement that was being done at the end of the Obama Administration. Asia went on its own way with bilateral, multilateral and regional agreements on trade that do not include the US. The US has opted out on its own. We have not been excluded, but we have chosen not to be involved. The second area is that we have so dedicated ourselves to the kind of conflicts we were engaged in in Afghanistan and Iraq that we neglected the development of our Navy and Marine Corps, our upgrading of bases and upgrading of capacity. Attention to the Philippines was on and off, and now it is back on again, but we have had a very rough go between ourselves and the Philippines, which usually had been a staunch ally and partner of the US previously.

Take this all the way to the present, and we look at China, which has got its own domestic problems – I am not belittling those, nor am I magnifying them – but China has put itself in a very strong position as the leading trading partner of most of the neighboring nations. The Biden Administration is leaving the new Trump Administration with a legacy of improved security ties with Korea and Japan. Trump can strengthen those, but he is also capable of weakening them. We have a new relationship with Australia. It is all in the future. We do not know what it is now. The future may bring us stronger ties. It may just pass into history the way SEATO did back in the 1950s.

This comes down to an important issue then. When China looks at Taiwan, in my view, China normally says to itself, “Well, is it worth a fight? Are we provoked so much that we have to fight? Or if we are not provoked, is Taiwan so available to military or coercive economic or other kinds of Chinese actions that Taiwan is susceptible to being pulled back into some kind of reunification or unification with China because the US is so much weaker economically and militarily in the region?” I think on the economic side, yes, China is stronger. The efforts of the Biden Administration, which will probably extend into the Trump Administration, to identify high-tech areas that we can deny to China and sort of experiment with trying to hold China back in its technology development, give some advantages to the US, but we are still mostly facing an uphill battle.

Where we have not made significant reforms is in our military procurement. Our Navy, Air Force and Marine capabilities in the region have not kept pace with the capacity of China to intimidate Taiwan, and therefore Taiwan is in a more vulnerable place today than it was 20 years, 30 years ago, and it is continuing in that direction. A big test for the incoming Trump Administration is will they use the likes of Elon Musk and his reform capability and his entrepreneurial incentives, and new people in the Defense Department as well, to improve our systems of procurement, give direction to our military to really modernize in a hurry and be less slavishly dependent on individual Congress people's specific interests in the various aspects of the defense budget, which has led to a process now that is leaving us in the dust of China's very rapid military modernization. I look forward to going into more of these in detail if there are questions as we go forward. Thank you.

John Andrews

Thank you very much, indeed, Douglas. A quick question: do you think that America could ever join the CPTPP?

Douglas Paal

“Ever” is too hard to answer.

John Andrews

Or let me add: do you think China should remain excluded from it?

Douglas Paal

I think China should meet the standards of the CPTPP, and China is a long way from meeting those standards, but if they can meet the standards, then they should be in there. If we can meet them, we should be in there, too. However, there was an earlier panel today which discussed very clearly how our political leadership has not prepared the public for dealing with international requirements for multilateral trade agreements. We have a lot of work to do.

John Andrews

The isolationist instinct is very strong.