

Economic woes, political volatility may creep into U.S. foreign affairs

Washington and Tokyo face 'dual mind-set' quandary about China, regional security: expert

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Sunday, May 20, 2012

No matter who wins the presidential election in November, the United States appears headed for a prolonged period of political volatility as leaders do not seem to have good answers to voters' anxieties about their economic future. This threatens to spill over into U.S. relations with the rest of the world in the form of increased protectionist pressures.

As Washington appears likely to face austerity constraints as it tries to grapple with the nation's economic woes, burden-sharing among its allies for security in Asia may be on the agenda in the coming years. Meanwhile, the U.S. — and perhaps Japan — needs to reconcile its "dual mind-set" about the rise of China and its security implications in the region.

These were among the issues discussed by experts from American think tanks who took part in a symposium in Tokyo organized by the Keizai Koho Center on April 27 under the theme, "Japan and the U.S. under the recent changes in the world — How to cope with global changes in this decade." Masahiko Adachi, a senior analyst for North America with the Sumitomo Shoji Research Institute, served as moderator of discussions.

While the U.S. presidential race shapes up as a battle between President Barack Obama and likely Republican candidate Mitt Romney, pessimism among American voters — that their children will not live as well as they have — "is beginning to become a part of the political dialogue," said Matt Miller, a senior fellow with the Center for American Progress.

"Wages in the U.S. for many workers have been stagnant for the last 30 years, and there has been a decline in the upward mobility — the ability for people in the U.S. to rise from

whatever state they were born into to advance economically over the course of their lives," he said.

Polls now show that most of the American population think globalization has done more harm than good. Still, the U.S. government has actually taken little protectionist action, he noted.

Miller said that is because "there has been a very strong consensus on the benefits of free trade that has a very broad grip on the most powerful segment of the U.S. society," including government officials, the media and business leaders. However, there are signs that this orthodoxy is being increasingly challenged, he added.

The economic anxiety by American voters "has expressed itself through a lot of political volatility — big swings in every election" — in the 2006 midterm elections that boosted the Democrats' seats in Congress, the Obama landslide in the 2008 presidential election and a dramatic swing the other way in the 2010 midterm elections, Miller said.

"The voters are anxious economically and they want some change. They may put one group in, and a couple of years later things are not necessarily better and they think, we've got to throw them out and we're gonna have another change," he said. "I see no change to this in the next 10 years. There could be a prolonged period of volatility because there are no easy answers to these economic stresses, and I think the public will continue to be dissatisfied."

Miller likened the current state of the U.S. economy to a cancer patient recovering from a heart attack. Just as the U.S. faced a long-term erosion of its relative position in the global economy, it was hit by the 2008-2009 financial crisis, he said. "Even as the U.S. economy heals from the heart attack through extraordinary measures," such as the massive fiscal steps, the economy remains weak in many ways and "even when the heart attack has passed, the U.S. still has the cancer to deal with," he said.

This public anxiety and the need to seem tougher on foreign competitors will be a big part of the campaign by both Obama and Romney, Miller said. "In the early part of the Republican primary, Romney had been very conscious about wanting to appear tougher than Obama on Chinese currency issues . . . and to attack Obama for being weak in defending U.S. workers' interests in the world, and I think the president will feel the need to reply to this," he said. "We're going to see a rise in competition as we draw closer to November for both sides to seem tough on our trade partners and on our economic competition."

Whoever wins the election, Miller said it will be clear that "voters want an aggressive champion of their economic interests, and that voters will have less openness to arrangements that they believe would put U.S. workers and wages at risk."

He added, "I think there is a big potential cost for the world if that sentiment gets out of hand and if the U.S. politicians feel like they need to withdraw in some way economically from the world."

The fiscal constraints arising from the economic woes are also likely to lead Washington to raise the issue of burden-sharing among U.S. allies for security in Asia, toward which the U.S. has refocused its foreign policy in recent years, said Justin Logan, director of foreign policy studies at the Cato Institute.

Even as the Japan-U.S. alliance provides a foundation for the U.S. security relationship in the Asia-Pacific, "there are important constraints on the sustainability of that relationship in the future," Logan said. While Japan has its "political and economic constraints" on what it can do under the alliance, America's own fiscal problems and calls for austerity has resulted in "an increasing realization in Washington" about the importance of its allies sharing the burden for keeping "the military and security order in East Asia consistent with what it has been through to now," he said, adding that it is "a topic likely to be discussed increasingly in the years ahead."

Logan also said that both the U.S. and Japan need to reconcile the gap within their own countries in the perception toward China.

China's spectacular economic growth carries with it a prospect for growing military power, Logan said. Its rapid ascent to the world's second-largest economy — which a recent article in the Economist magazine forecast could surpass the size of the U.S. during this decade at market exchange rates — is striking given that the former Soviet Union was only 44 percent the size of the U.S. economy at its peak during the Cold War, he noted.

In the face of such developments, "there is a sort of dual mind-set in the U.S. — and probably in Japan — about China. On one hand, the trade relationship and economic interdependence have benefited both sides significantly. Many people focus on this and say the relationships are good," he said.

On the other hand, Logan said, the military establishment in the U.S. — and perhaps in Japan as well — points out that China's growth has enabled Beijing to start closing the gap in relative military power with the U.S.

"There is a strange phrase that's increasingly used in Washington. We had a containment policy toward the Soviet Union. Today, the U.S., Japan or no other country has a containment policy when it comes to China. We also talk about engagement policy, and the U.S. and other countries engage China, in trade and exchange of people," he said.

"There is a tension between these two things. On the one hand, there is a considerable anxiety over China's growing military power, and on the other a considerable appreciation about the positive-sum economic interaction. So Americans make up a

funny word — 'conengagement' — mixing the two ideas of containment and engagement," he said.

He stressed the need for perception sharing — or reconciling the tension between the two considerations toward China. "It's not so much a difference of perception between Japan and the U.S. . . . it's about perception within each country" among different communities — the military establishment, business leaders, etc., he said.

Discussions about security in Asia today tend to focus on China, but the region's security should not be relegated to a great power rivalry between the U.S. and China, said Carl Baker, director of programs for the Pacific Forum of the Center for Strategic and International Studies (CSIS).

Security in East Asia needs a regional architecture based on collaborative action through multiple organizations, and Japan and the U.S. can work together to build such an architecture, Baker said. And military cooperation will only be a part of such an architecture, which has to involve diplomatic, economic and private-sector efforts, he said.

One of the misconceptions about America's security policy toward Asia, Baker said, is that the U.S. can continue the path as the dominant security actor in Asia while China will be the main engine of the region's economic growth. "That is an unsustainable model because if you provide security, you have to get some economic benefits, and if you get those economic benefits, they would be obliged to provide the security framework to support that economic activity," he said.

The development of China's military in itself is not unhealthy, Baker said. "They should take on a larger role of providing security, but we have to remember that security should be for the common good," not for resolving conflicts between two countries, he said.

Baker also said Asia as a whole — not just China — should be given a greater say in regional as well as global issues. "We should think about Asia rising, not just China. There is a tendency to simplify what's happening in Asia and just say China is rising because of its rapid growth and its size. The rest of Asia is rising, too," he said.

Southeast Asia, for example, is a center of its own growth and not totally dependent on China, he pointed out.

Asia needs a greater voice "because it is becoming the center of economic and security activity and institutions," he said. The question, he added, is how to make it an effective center.

The 10-member Association of Southeast Asian Nations does provide the institutional basis for it, but it currently provides a very limited leadership, Baker said. The ASEAN Plus Three framework involving its member countries and Japan, China and South Korea

is "making progress, not particularly fast, but developing rules and a sense of cooperation to reduce tension," he said.

What is needed for the region's security, he said, is to "promote rule-based interaction" in East Asia. "If we have rules, even though some great powers disobey them, we can figure out how we can do that. ... We can't reduce (regional security) to the dynamics of great power rivalry."

Murray Hiebert, deputy director and senior fellow for the Southeast Asia program at CSIS, discussed the U.S.-backed Trans-Pacific Partnership free trade pact as "part of America's rebalance toward Asia," and said that Japan's participation in the agreement — now being negotiated by nine countries — will be a "shot in the arm" because of the size of its economy.

The biggest benefit for Japan joining the TPP, Hiebert said, is that the participation of America's key ally in the region will "help the U.S. and its partners in establishing a transparent, rule-based architecture for trade in the rapidly growing Asia-Pacific area . . . and allow Japan and the U.S. to provide an alternative to such initiatives as ASEAN Plus Three or ASEAN Plus Six, which excludes the United States."

Hiebert, meanwhile, said that the U.S., Japan and the European Union need to coordinate government aid and business investments in Myanmar even as sanctions are eased in light of the recent political developments in the Southeast Asian country.

While the positive developments could still be tentative, foreign governments and companies have started to move quickly to explore opportunities in the region's "last frontier," he said.

"We could easily create massive economic dislocation, inflation and corruption . . . and boost the growth of companies that have been very close to the military and government over the last two decades, and really do more harm than good," he said. "There would be an awful lot of advantage to Japan, the U.S. and other countries to talk exactly how we want to do this . . . and coordinate foreign aid more closely to find areas in which the aid can actually provide social stability, rather than create instability."

The most important thing, Hiebert said, is to realize that the recent developments are not the end of the game. The April by-elections that ended in a landslide victory for pro-democracy leader Aung San Suu Kyi's party "elected only 7 percent of the assembly seats," and Japan, the U.S. and the EU should work together to target their long-term policies toward Myanmar on the next general election, set for 2015, he said.

Olga Oliker, director of the international security policy department and senior international policy analyst at RAND Corp., discussed Russia's policy in Asia and said the U.S. and Japanese interests do not collide with each other vis-a-vis Russia.

Despite the long-standing territorial dispute over the islands off Hokkaido, Japan's economic relations with Russia have continued to expand along with the overall increase in Russia's economic ties with Asia, in particular China, Oliker pointed out. Japan has an interest in Russia's oil and gas reserves, although Russia needs investments in liquefied natural gas plants to fully take advantage of its reserves, she said.

"The U.S. will be fully supportive of Japan cooperating with Russia, but it might not be particularly involved because our interests are our interests, and Japan's interest is about trade, and the U.S. interest with Russia is about cooperation in a broad range of issues of strategic interests," she said. "As the U.S. moves to increase its role in Asia, there are prospects for both cooperation and conflict between U.S. and Russia, but it should not really affect Russo-Japanese relations."