

JANUARY 2015

“Pivot 2.0”

*How the Administration and Congress
Can Work Together to Sustain American
Engagement in Asia to 2016*

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CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

A Report of the CSIS Asia Program

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Contents

Acknowledgments	IV	
Executive Summary	V	
1. Conclude the Trans-Pacific Partnership <i>Scott Miller and Matthew P. Goodman</i>	1	
2. China: Building Confidence while Setting Expectations <i>Christopher K. Johnson and Bonnie S. Glaser</i>	3	
3. Defense: Explaining and Resourcing the Rebalance <i>Michael J. Green, with Zack Cooper and Mira Rapp Hooper</i>	6	
4. The Next Two Years in Korea <i>Victor Cha</i>	8	
5. The Narendra Modi Government: Putting the “New” in Delhi <i>Richard M. Rossow</i>	11	
6. Southeast Asia <i>Murray Hiebert, with Gregory B. Poling</i>	14	
About the Contributors	16	

Acknowledgments

This report is made possible by general support to CSIS. No direct sponsorship contributed to this report.

Executive Summary

Opinion surveys demonstrate that a majority of Americans consider Asia the most important region to U.S. interests and a majority of Asian experts support the Obama administration's goal of a "pivot" or "rebalance" to the Asia-Pacific region.¹ Yet doubts have also grown about whether the pivot can be sustained by a president politically weakened by the 2014 midterm results, constrained by budget sequestration, and pulled into crises from Ukraine to Iraq and Iran. On issues from immigration to Cuba policy, the Obama administration and the incoming Republican Congress appear set for confrontation. Yet Asia policy remains largely bipartisan—perhaps the most bipartisan foreign policy issue in Washington. It is therefore critical—and practical—to ask that the White House and the Republican leadership in the Congress chart a common course on policy toward Asia for the next two years.

This report outlines concrete areas for action on trade, China, defense, Korea, India, and Southeast Asia.

The key recommendations include:

- Immediately commence a presidential campaign to build public and congressional support for passage of the Trans-Pacific Partnership (TPP) and necessary trade promotion authority (TPA) by the summer of 2015.
- Implement recently concluded U.S.-China confidence-building measures and move toward a win-win approach to regional institution-building like the Asian Infrastructure Investment Bank (AIIB), with a clearer demonstration of costs when Beijing uses coercion or undercuts rules in the region.
- Produce an East Asia Strategy Report clarifying the objectives of the rebalance; fund military construction necessary to realign U.S. forces in the Pacific; and pass a nonbinding budget resolution that sets spending above the sequestration caps and lays the groundwork for increased spending in the reconciliation process.
- Enhance U.S.-Republic of Korea (ROK) capabilities to deter and defend against ballistic missile and cyber attacks; work to improve Japan-ROK relations; and include human rights in the overall approach to North Korea.
- Ensure that the new defense framework agreement with India provides new vision and clarity on the future of defense ties; congressional leaders, apart from the Caucus, must devote more attention to the relationship with India; focus on resuming Bilateral Investment Treaty talks once India releases its revised model; confirm secretary of defense-designate Ashton Carter to build

¹ Dina S. Smeltz and Craig Kafura, "Americans Affirm Ties to Allies in Asia," Chicago Council on Global Affairs, 2014, <http://www.thechicagocouncil.org/sites/default/files/2014%20Chicago%20Council%20Survey%20-%20Asia%20Report.pdf>; and Michael J. Green and Nicholas Szechenyi, *Power and Order in Asia: A Survey of Regional Expectations* (Washington, DC: CSIS, July 2014), http://csis.org/files/publication/140605_Green_PowerandOrder_WEB.pdf.

momentum on defense ties; and broaden U.S.-India coordination on Asia, including Afghanistan.

- Expand democracy-building support ahead of Myanmar's 2015 elections; further institutionalize the U.S.-Indonesia Comprehensive Partnership; arrange a presidential visit to Vietnam; and rally international and regional support for the arbitral tribunal's ruling in the Philippines' case against China's nine-dash line in the South China Sea.

1 | Conclude the Trans-Pacific Partnership

Scott Miller and Matthew P. Goodman

The Trans-Pacific Partnership (TPP) is the central economic component of the administration's pivot, or rebalance, to Asia. A completed TPP would create the largest free-trade area in which the United States participates, representing 40 percent of all U.S. merchandise trade, with potential for expansion to other regional economies. TPP would help establish a modern set of commercial rules for the Asia Pacific, where U.S. firms have a large and growing stake. And TPP reinforces the American presence in the region, "embedding" the United States as a Pacific power. Without TPP, regional actors will view the pivot with skepticism, as primarily a military endeavor.

TPP negotiations are now nearing the end of a long arc. The George W. Bush administration joined the P-4 (Singapore, Brunei, Chile, and New Zealand) in 2008 to launch TPP. The Obama administration embraced the initiative in early 2010, and helped expand the deal to 12 Asia-Pacific economies. Talks are now nearing completion: during the Asia-Pacific Economic Cooperation (APEC) meetings in November 2014, leaders stated, "with the end coming into focus, we have instructed our Ministers to make concluding this agreement a top priority." Negotiations slowed somewhat in 2014 over U.S.-Japan market access issues, but "end game" dynamics are now in the forefront.

What is needed to conclude TPP in 2015?

For the United States, trade agreements enter into effect once the U.S. Congress passes legislation to implement the provisions negotiated by the executive branch. That action is the end of a process that begins with building domestic political support for the policy. Advocates in the business community and elsewhere have a role, but if history is any guide presidential leadership is fundamental to making the case to the public and managing the political conflicts that are always a part of trade policy.

Immediately following the November midterm elections, incoming Senate Majority Leader Mitch McConnell (R-KY) and Speaker John Boehner (R-OH) made it clear that trade agreements like TPP were an area of potential cooperation with the president. During President Obama's first term, the implementing bills for free-trade agreements (FTAs) with Colombia, Panama, and South Korea passed the Republican-controlled House by comfortable margins, with over 200 Republicans and 30–60 Democrats voting in favor. This 2011 success gave TPP talks momentum, with Canada, Mexico, and Japan deciding to join the talks shortly after the FTAs passed.

Voting patterns indicate that trade policy remains an issue that divides Democrats and unites Republicans. The president must actively manage his party's politics while cooperating with Republican majorities in Congress who will provide the majority of the votes. It's never easy to advance an issue that divides your usual allies and unites your usual opponents, but there is no alternative scenario.

In short, the next step belongs to the president. He must engage the public on the issue, underscoring its importance to the economy and, more broadly, the U.S. role in the world. And he must manage the delicate relations with Congress, navigating past areas of conflict to form a durable base of support for his agreements. Presidential leadership will resonate in other capitals, especially Tokyo, where trading partners are looking for evidence of an adequate political consensus in the United States.

What is the best way to build this political coalition? For 40 years, the preferred approach has been to advance general legislation that articulates priorities and creates House and Senate rules for expedited consideration—known as “fast track” in the Trade Acts of 1974 and 1988, and trade promotion authority (TPA) in the Trade Act of 2002. The procedural rules become useful when it comes time to pass implementing bills, but the political value of legislation is the way it builds support among members of Congress and ultimately the American people for the administration’s trade policy. A grant of TPA further reassures our negotiating partners that the United States is ready to “do business.”

A realistic timetable for TPA is around six months. The 1988 bill took five months, from introduction to presidential signature; the 2002 bill took 10 months. The 114th Congress doesn’t need to start from scratch: Sen. Orrin Hatch (R-UT), incoming chairman of the Senate Finance Committee, and his staff were part of the Baucus/Hatch/Camp TPA bill introduced in January 2014. Staff continuity at the Ways and Means and Finance Committees will help. Even with Republican majorities in both chambers, there will be an effort toward a bipartisan bill, not just because of the 60-vote threshold in the Senate but because the president and Congress will each have policy priorities, and legislators will work to find the right balance.

Even at this late stage, a successful grant of TPA would catalyze the negotiations and give momentum for concluding the talks. Presuming a midyear passage of TPA, TPP could be concluded in the fall and an implementing bill presented to Congress later in 2015.

2 | China: Building Confidence while Setting Expectations

Christopher K. Johnson and Bonnie S. Glaser

Regarding China, successful implementation of the rebalance hinges upon a recognition in both capitals that neither country can hope to organize the future order in East Asia without the other. Both leaderships say they subscribe to this axiom, but their respective behavior suggests otherwise. Whether it is the Obama administration's clumsy opposition to the Asian Infrastructure Investment Bank, or President Xi Jinping's allusions to "Asia for Asians," both sides seem reluctant to truly embrace the avoidance of zero-sum approaches or the bent toward dividing Asia into discrete spheres of influence implicit in many Chinese renderings of President Xi's proposal for a "new style of major country relations." To combat this tendency, the administration must put more energy behind the traditional strengths of the relationship while not shying away from elements that are harder to manage as a consequence of China's growing power and influence.

The deep economic interdependence between the United States and China has long served as an important shock absorber to keep the competitive elements in the relationship from tipping it over into conflict. The numbers remain compelling, with trade volumes and investment in each other's country dwarfing whatever could possibly have been imagined at the time of normalization. Still, we cannot take it for granted that economic ties will continue playing this stabilizing role. Companies in both countries increasingly decry the lack of a level playing field in the other, creating the risk that investment climate recriminations could become as explosive an issue as China's currency valuation was in years past. Although there is little more Congress can do legislatively to further enable Chinese investment, the administration and the Hill should work together to reassure fearful Chinese investors by not threatening legislation that would put new restrictions on Chinese investment, and, more helpfully still, should send a clear indication that the door will remain open to interested firms where no genuine national security concerns arise. They should elicit the opinions and support of state governors in this process, given their firsthand experiences with welcoming Chinese investment and the strong appetite in many of their jurisdictions for more.

The administration also must confront what appears to be an emerging mindset among Chinese officialdom that foreign countries and businesses need the China market much more than China needs their investment. If true, such a notion helps rationalize seemingly counterproductive Chinese behavior such as cyber espionage for commercial benefit and the use of legal and regulatory measures to pressure foreign firms. Implicit in such actions is the judgment that the draw of China's vast economic potential outweighs the desire of firms—and governments—to impose costs on these behaviors. The administration can better respond to this thinking by approaching Chinese behavior as a holistic and coordinated industrial policy rather than a series of discrete actions. A more aggressive effort to advance negotiations on a Bilateral Investment Treaty also would facilitate this goal, presuming, of course, that

the Chinese side demonstrates its seriousness by promulgating a short negative list when the two sides formally exchange lists in early 2015.

President Xi's growing emphasis on shifting the locus of policymaking to Communist Party organs rather than those of the state also deserves greater attention. China in its official media has highlighted the importance of several new Party "leading groups" that have been established under Xi's leadership, and these bodies oversee policy on areas of obvious U.S. concern—security, economic, and cyber issues just to name a few. Regular communication between our functional agencies has long been a mainstay of bilateral cooperative efforts, yet the United States has no dialogue with these new Party entities or the senior Chinese officials running them. The lack of such access increases the likelihood of misperception regarding Chinese motives and intentions, suggesting President Obama should encourage President Xi to craft a mechanism for engaging these bodies. Congress, or, perhaps more realistically, the Republican and Democratic National Committees, also may play a role in connecting with these institutions through the promotion of party-to-party dialogue and exchanges.

Turning to the relationship's more intractable elements, furthering the implementation of conflict-avoidance mechanisms should remain a priority in the military-to-military arena. The U.S.-China agreement signed last November on rules of behavior for safe military encounters at sea and in the air, beginning with establishment of guidelines for encounters between naval surface ships, has set a good foundation. In 2015, the United States and China should realize their commitment to complete an annex on air-to-air encounters. Efforts should also be made to reach agreement with China and other regional nations to extend the Code for Unplanned Encounters at Sea (CUES) to apply to coast guards, which would further reduce uncertainties and the risk of accidents. To ensure that the U.S.-China mil-mil agenda serves a consistent set of U.S. national security objectives, an oversight mechanism should be established to monitor the diverse bilateral engagements going forward.

In the East and South China Seas, the administration should develop an interagency plan to provide incentives to China to engage in cooperative, tension-reducing behaviors, and to impose costs for destabilizing, coercive actions. For example, China's participation in the U.S.-led multilateral Rim of the Pacific (RIMPAC) naval exercises in 2016—preparations for which will get underway in 2015—could be expanded if China curtails provocative actions. The People's Liberation Army (PLA) could also be invited to conduct more trilateral military exercises with the United States and its regional allies like the survival skills drill held recently in Australia. Good behavior could be rewarded by an administration decision to have the U.S. secretary of defense attend China's Xiangshan Forum in 2015. Bad behavior should result in denial of such rewards, increased U.S. military operations and activities in the waters around China, and the fostering of a growing web of intra-Asian security cooperation that excludes China.

China's accretion of greater power, especially economic muscle, has been accompanied by diminished willingness to respond to the concerns of the international community on human rights. The United States must continue, however, to pursue a values-based foreign policy. Specifically, President Obama should

continue to raise human rights concerns with Chinese President Xi Jinping and senior U.S. administration officials should periodically meet with Chinese dissidents and their families, and with human rights advocates. President Obama should continue to publicly urge Beijing to respect universal freedoms within Chinese borders. At each high-level meeting, China should be encouraged to adhere to international standards on human rights that are relevant to the subject being discussed. As an expression of support and concern for China's minorities, existing initiatives that promote Americans to study in China (such as the 100,000 Strong Initiative) should be encouraged to set aside proposal funding for students and experts to study Tibetan, Uighur, and other ethnic minority languages, and create opportunities for them to do so in their native geographical areas, including Lhasa and Urumqi.

U.S. interests with China and the broader region can be more effectively advanced by working more closely not only with allies and partners in Asia, but also with those in Europe. The United States should bolster coordination and cooperation with European nations to sustain a rules-based international order founded on open markets, respect for the rule of law, peaceful resolution of disputes, and free access to the global commons. The European Union could join the efforts of the United States and Japan to enhance maritime domain awareness of the Southeast Asian littoral nations. As an incentive for China to strengthen, rather than challenge, the existing world order, the United States and EU could coordinate with other members of the International Space Station (ISS) to offer the possibility of China joining some activities aboard the ISS with the prospect of eventual full membership. Greater EU involvement in Asia could pave the way for EU participation in the East Asia Summit, which is an EU objective.

3 | Defense: Explaining and Resourcing the Rebalance

Michael J. Green, with Zack Cooper and Mira Rapp Hooper

While there is robust support for the pivot to Asia in the United States and the region, there are questions about the goal of the strategy and the resources available. While agencies have made parallel efforts to expand engagement in Asia, there is no unifying strategic plan that aligns these efforts to national goals. The administration argues that speeches by the president and principals explain the strategy, but a side-by-side comparison of those speeches reveals persistent inconsistency about the strategy behind the pivot. Almost every speech begins by listing the top three or four objectives of the pivot or rebalance, and in almost every speech they are different.¹ This has been a particular problem in the second term. One of the greatest areas of inconsistency has been the shifting definition of how the United States will manage China's rising power and influence—from a declaration of respect for China's "core interests" in 2009, to the listing of China as a major security threat alongside Iran in the 2012 Defense Strategic Guidance, to confusion about whether the administration accepts President Xi Jinping's "New Model of Great Power Relations" (or "new style of major country relations," as it is sometimes translated) and what it means for allies that are not considered "great powers" by Beijing.

The inconsistent articulation of the strategy has caused some confusion among China and regional allies and has undermined congressional support for the funding necessary to modernize and realign U.S. forces in the Pacific consistent with the administration's plans. In an effort to encourage clearer articulation of the ends, ways, and means behind the rebalance, the 2015 National Defense Authorization Act includes a provision requiring that the Department of Defense submit an Asia strategy report to Congress. The provision is modeled on the East Asia Strategy Reports mandated at the end of the Cold War to explain how and why the United States would reshape forces in the region at that historic turning point, in addition to follow-on strategy reports in 1995 and 1998 explaining the U.S. strategy for maintaining a favorable balance of power in the region as Chinese power and ambition began to grow. The administration has resisted past requests by Congress to undertake such strategy reports, but at this point such a report would help to build bridges to Congress and reduce uncertainty about U.S. intentions in the region. While the Pentagon produced the previous series of East Asia Strategy Reports, the administration may want to consider a National Security Council (NSC)-led process to capture the comprehensive trade, diplomatic, and defense elements of the rebalance.

For its part, the Congress should be prepared to fund the fairly modest costs of modernizing U.S. facilities in Guam and elsewhere in the Pacific Command's area of responsibility. This would be an early indication to U.S. allies that the Congress and

¹ For details, see Michael J. Green and Zack Cooper, "Revitalizing the Rebalance: How to Keep U.S. Focus on Asia," *Washington Quarterly* 37, no. 3 (Fall 2014): 25–46, https://twq.elliott.gwu.edu/sites/twq.elliott.gwu.edu/files/downloads/Green-Cooper_Fall2014.pdf.

administration are prepared to work together to sustain momentum in our engagement of the region.

The larger resource problem must also be tackled, however. When the rebalance strategy was in its infancy, the Budget Control Act cut \$487 billion from the 10-year defense budget plan and then sequestration cut another \$470 billion over the next nine years. These reductions followed earlier defense spending cuts initiated by the Pentagon, which eliminated another \$300 billion. These budget reductions threaten to starve the rebalance strategy of the resources necessary for its success. Moreover, sequestration limits the Pentagon's ability to reallocate funds across accounts, preventing the Pentagon from prioritizing and optimizing across the defense enterprise.

Without additional resources, U.S. leaders face a choice between sustaining existing capacity and developing new capabilities. Military challengers in Asia are simultaneously expanding capacity and advancing capability, made possible by rapidly growing defense budgets. China, for example, has rapidly modernized its forces while also increasing the number of advanced People's Liberation Army ships and aircraft. To keep pace with this growing challenge, the United States and its allies and partners will have to do the same.

Today, however, there is pressure to cut existing U.S. capacity or future capabilities. For example, the number of forward-deployed carrier strike groups is under pressure as leaders look to fund investments in technological innovation. Efforts such as the Pentagon's Advanced Capability and Deterrence Panel will be required if the United States is to develop and field the innovative capabilities required to offset adversaries' emerging military capabilities. Yet, under current defense budgets, investing in future capabilities risks severe cuts to current capacity, and vice versa. The size and readiness of the current force is vital, but so too are future capabilities needed to maintain the U.S. ability to project power in Asia.

It is critical that the United States demonstrate its long-term reliability to allies and partners while displaying resolve to potential adversaries. This will require that the United States show that it can invest simultaneously in today's force and tomorrow's force. If the United States funds the current force at the expense of future capabilities, it risks the long-term viability of U.S. power projection. But if investments in the future force come at the expense of the current force, they risk the appearance of U.S. weakness and could invite near-term challenges. Therefore, congressional leaders must find a way to fund both current capacity and future capability.

To devote the necessary funding to accomplish U.S. strategy in Asia, Congress should pass a nonbinding budget resolution in April 2015 that sets spending above the sequestration caps and lays the groundwork for increased spending in the reconciliation process. By September, congressional leaders should prepare a deal on sequestration that President Obama can sign. With budget deficits abating and revenues on the rise, there should be more flexibility to work on revenue enhancements to revive defense spending without linking it to domestic spending. Budgets should be dictated by strategy, not the other way around. These steps would free the leadership of the administration and the Congress to focus on getting the strategy right, rather than meeting budget targets.

4 | The Next Two Years in Korea

Victor Cha

What must the administration contend with in its remaining two years in office on the Korean Peninsula? First, the United States is likely to see the next series of North Korean nuclear and ballistic missile tests. These may demonstrate Pyongyang's crossing of a new technology threshold such as warhead miniaturization, a uranium-based test, more accurate ballistic missiles, or nuclear fusion capabilities. This provocation could come in response to the next set of U.S.-Republic of Korea (ROK) military exercises. It could come in response to UN Security Council actions on North Korean human rights abuses. It could come in response to countermeasures employed by the United States in response to the North's cyber attacks. Or, it may come without a pretext of Western hostility, and simply after Kim Jong-un has secured summit visits and benefits from either Russia or China (though Russia seems more likely right now given Chinese pique).

In any event, the administration must be prepared to meet these provocations with concrete measures that acknowledge the necessity of deterring a nuclear North Korea. This includes deploying more advanced missile defense systems on the peninsula and its vicinity, as well as encouraging the ROK to enhance its joint operational capabilities with the existing U.S. missile defense assets and ISR (intelligence, surveillance, and reconnaissance) sensors in the region. The ROK has been mulling over the idea of implementing an independent missile defense system that consists of SM-2 and PAC-3 missiles, which are designed primarily to counter low-tier missile threats. Yet it is desirable for ROK forces to obtain a multilayered missile defense capability by gradually incorporating higher-tier missile systems such as the THAAD (Terminal High Altitude Area Defense) in order to provide more densely knit missile defense architecture against the North Korean threat. There is considerable controversy surrounding these ideas, especially with the deployment of X-band radar, which is an integral part of the THAAD package. Some see these capabilities as ill advised because they will surely offend the Chinese and Russians, and will come with a high price tag. The key criterion, however, for this decision should be to do what is best to protect Korea's national security for the long-term. South Korea should not pursue missile defense as a favor to the United States, but because it is in Seoul's interests to do so. The cost of new defense systems will of course be more expensive, but budgets should not be pinched when it comes to national security, either by the Blue House or by the National Assembly.

The administration must also work to mend Japan-ROK relations. When President Park Geun-hye entered office, she talked about the paradox of political and historical tension in Asia amidst a backdrop of prosperous economic interdependence. Nowhere is this paradox more apparent than in the relationship between Asia's two most important advanced industrialized democracies. The bilateral relationship between Seoul and Tokyo, and the three-way U.S.-Japan-Korea relationship, should, in the administration's eyes, be seen as the most reliable source of stability in Asia. Others might argue that the anchor is the U.S.-China relationship, but U.S.-China relations are more the effect, not the cause, of stability. That is, a stable Washington-Beijing

relationship equates with regional peace, but the best influence on this relationship is a strong U.S.-Japan-Korea relationship. When the allies are together, this provides the best environment in which to welcome as well as shape China as a rule-abiding rising power, rather than a revisionist one.

So, with the 50th anniversary of Japan-ROK normalization in 2015, the White House must work to close the gap between the allies in the form of completion of the information-sharing agreement (General Security of Military Information Agreement, GSOMIA), military parts servicing agreement (Acquisition and Cross-Servicing Agreement, ACSA), a high tempo of trilateral consultations and exercising, and eventually, a collective defense statement among the three allies. This all must be done with a light touch, not American pressure, given sensitivities in Korea, but the message must be clear: The two allies must work together on common security needs despite unresolved historical-emotional issues.

The administration must also contend with growing cyber attacks from North Korea. North Korea's technical capabilities have expanded beyond rudimentary distributed denial-of-service (DDoS) attacks into more targeted, complex, and well-organized operations involving several stages of exploitation of a system or network. They are capable of social engineering, extended advanced persistent threat (APT) campaigns, and employment of less sophisticated but effective malware. Contrary to popular assumptions, North Korea maintains a fairly competent computer technology base, including the Korea Computing Center (KCC) and the Pyongyang Informatics Center (PIC) as well as several universities such as Kim Chaek University of Technology and Kim Il Sung University's School of Computer Science. They allegedly have additional military-related institutions to specifically train individuals for cyber operations. The United States must upgrade the U.S.-ROK Cyber Cooperation Working Group, bolster cyber defense against subunits directed at U.S. targets, enhance timely technical information sharing, as well as work jointly to establish international norms and workforce development.¹

Finally, the administration should see traditional defense, deterrence, and denuclearization policies toward North Korea supplemented by a new element, human rights. The General Assembly resolution in November condemning the North Korean leadership for crimes against humanity that are potentially referable to the International Criminal Court has spooked Pyongyang. The regime has of course seen many UN Security Council sanctions for its nuclear and missile tests, but it has never seen the international community so openly critical of the regime's treatment of its people. In many ways, this is more threatening to the regime's legitimacy. One hundred eleven nations voted in favor of the resolution. Moreover, the 55 abstentions represented a principled position among some UN member states against country-specific General Assembly resolutions. Hence, they are not to be interpreted as votes in favor of North Korea. North Korea's inhumane treatment of workers at the Yongbyon nuclear facility, at its mining facilities (the exports of which finance proliferation), and its export of slave labor to over 12 countries all constitute gross infringement on human dignity that impacts national security.

¹ This paragraph is from Jenny Jun, Scott LaFoy, and Ethan Sohn, "What Do We Know about Past North Korean Cyber Attacks and Their Capabilities?," *CSIS Korea Chair Platform*, December 12, 2014, <http://csis.org/publication/what-do-we-know-about-past-north-korean-cyber-attacks-and-their-capabilities>.

If the United States ever returns to the negotiating table with North Korea, either bilaterally or in the six-party format, the discussion will no longer center solely on denuclearization but will have an equal component that addresses human rights abuses in the country. The quid pro quos will no longer be just freezes on nuclear activity in exchange for food or energy, but demonstrable improvements in human rights, including inspection of gulags, eradication of slave labor, and treatment of refugees, among other issues.

5 | The Narendra Modi Government: Putting the “New” in Delhi

Richard M. Rossow

After suffering through a rough patch in the last four years, the American and Indian governments have moved quickly in recent months to repair the relationship. The American development, business, and strategic communities are engaging India with renewed vigor and finding a more receptive audience in India’s new government.

India’s new prime minister, Narendra Modi, had a successful visit to the United States in September 2014. As evidenced by the joint statement issued at the conclusion of the visit, India is more willing to engage with the United States on important strategic issues in Asia, including maritime security in the South China Sea and on North Korea’s nuclear program. This marks a new strategic direction from New Delhi that is aligned with America’s hopes for our growing partnership. The relationship received another jolt of positive energy with the recent announcement that President Obama will travel to India for the January 26 Republic Day celebration—marking the first time an American president has visited India twice while in office. Prime Minister Modi has also spent time shoring up relations with immediate neighbors; the United States should look for ways to complement this engagement, including with Afghanistan.

However, there are exceptions to this general spirit of bonhomie. Several companies that felt harmed by short-sighted economic policies adopted by the last government feel there has been insufficient action by the Modi government to correct these issues. They continue to press their case and have, at times, derailed the bilateral agenda. In addition, India’s decision to walk away from the World Trade Organization’s Trade Facilitation Agreement in July 2014 was a deep setback despite the fact the deal has been revived through a recent U.S.-India agreement on food stockpiling.

There has been progress on a few economic issues. The Modi government has increased foreign investment limits in a few sectors including defense and railways. Foreign investment rules around construction projects have been relaxed. And there have been important, though by no means comprehensive, changes to the administration of cross-border taxation policies. As of this writing, another key foreign investment cap—in insurance—may also be lifted in the coming days.

Even in the area of intellectual property rights (IPR), we are seeing some subtle moves. In October 2014, the Ministry of Commerce and Industry announced the formation of a think tank to review India’s extant intellectual property rights framework. And in late September, the United States and India agreed to hold annual discussions on intellectual property rights, which were quickly followed by the first meeting of the U.S.-India Trade Policy Forum (TPF), led by Ambassador Michael Froman and Indian Minister of Commerce and Industry Nirmala Sitharaman, in several years. The TPF included a session focused on IPR.

The most important indicator of business confidence in the Modi government is measured through investment flows, and so far it is a positive story. Foreign direct investment is up 23 percent through September 2014, and foreign institutional investment touched \$40 billion at the end of November—compared to \$10 billion in all of 2013.

Congress has a critical role to play. First, it is vital that Congress support Ashton Carter as the next secretary of defense. Dr. Carter is rightfully viewed in India as a key champion of stronger bilateral relations during his earlier tenure in the Department of Defense. Dr. Carter's work shepherding the U.S.-India Defense Trade and Technology Initiative (DTTI) provided a much-needed ballast when other aspects of the relationship were floundering. Moving his confirmation quickly is particularly significant as it will allow him to use his deep supply of goodwill in New Delhi to break any logjams—and establish deeper goals—as we seek to renew our New Framework for the U.S.-India Defense Relationship, which expires in late June 2015. This New Framework should lay the groundwork for further progress in our defense relationship.

Second, congressional leaders must play a more proactive role in supporting a deeper strategic partnership with India. The India caucuses in both the House and the Senate are among the largest country-focused caucuses on the Hill. However, most of the substantive work related to India produced by Congress in recent years has focused on negative aspects of the relationship, such as congressional hearings, and the dual requests for the U.S. International Trade Commission to produce reviews of India's trade barriers—work largely driven by a small but vocal group of aggrieved American companies.

Certainly we must protect our companies that face unreasonable new business challenges. But we must also ensure that we have a more holistic view of the importance of the relationship. In fact, supporting positive facets of strategic and economic cooperation with India will also provide congressional leaders far more leverage when requesting the Indian government to review trade policy concerns. This could entail greater expedience given to confirmations of India-related administration posts; more visits by key congressional leaders to India; hosting Indian officials visiting Washington, D.C.; and regular affirmations by congressional leaders of their specific interests in deepening the partnership with India. Signing a high-standards Bilateral Investment Treaty (BIT) will help alleviate some problems related to market access and local manufacturing rules, while also providing additional payment security to potential infrastructure investment from the United States. India has nearly finished reviewing its model BIT (called a Bilateral Investment Promotion Agreement, or BIPA, in India). Once this review is completed, we should immediately resume talks.

The Department of Defense will also play a central role in the relationship. As noted earlier, confirming Ashton Carter as the next secretary of defense will, in itself, provide a boost to defense relations. And we have a specific target of opportunity in 2015—renewing our New Framework for the U.S.-India Defense Relationship. The 2005 Framework is a short, broad document that established a new foundation for U.S.-India defense ties.

Most aspects of our relationship with India are best judged in 10-year increments. Our defense relationship is far deeper than we might have foreseen a decade ago. America has become one of India's largest defense suppliers. We conduct numerous joint exercises. And we see India far more willing—particularly after Prime Minister Modi's election—to enunciate a clearer delineation of her strategic regional interests. After a decade of slow, plodding progress, we sometimes forget how quickly U.S.-India strategic ties can move forward when we have political alignment. Only seven years after India became a pariah state by testing nuclear weapons, we announced our intention to share civilian nuclear technology with India.

Finally, India and the United States must align our Asia strategies better. Of most immediate concern, the United States and India must quickly revitalize our engagement on Afghanistan so we are both better prepared for the planned U.S. force reduction. We have a strong shared interest in Afghanistan's future stability, and should do a better job of consulting New Delhi before making key decisions. The U.S.-India-Afghanistan trilateral should be revitalized to play this role. Prime Minister Modi has also engaged in effective outreach to other key partners in Asia including Japan, Australia, and Vietnam. The United States already has an active Japan-U.S.-India trilateral partnership, which may be elevated to minister level per the U.S.-India joint statement issued following Modi's visit to Washington in September 2014. We should also look for ways to support India's growing relationship with these other Asian partners.

6 | Southeast Asia

Murray Hiebert, with Gregory B. Poling

The year 2015 provides the Obama administration with new opportunities in Southeast Asia to reinforce and bolster the rebalance to Asia.

Myanmar

For starters, in Myanmar, the United States should expand its support and training efforts to build political parties, strengthen the parliament, and prepare for monitoring activities ahead of the country's 2015 elections to ensure they are inclusive, transparent, and credible. If the constitution is not amended prior to the elections to reduce the military's veto power over amendments, Washington will want to push for this to be done soon after the new parliament and government take office in early 2016. This will be necessary to convince people in Myanmar that the country has turned the corner from military rule to democracy.

In addition, the United States will want to continue supporting efforts by the government and armed ethnic groups to reach a ceasefire and some understanding on a federalist form of government before the elections, if at all possible. And Washington will want to continue pressing the government on a plan of action for dealing with the disenfranchised Rohingya minority and ensuring that they get minimal humanitarian medical care in the wake of the ouster of Médecins Sans Frontières in March 2014.

Indonesia

The president will want to follow up on his invitation to new Indonesian president Joko "Jokowi" Widodo to visit the United States. Obama should push to further flesh out the comprehensive partnership launched between the two countries in 2010. Cooperation on infrastructure development may be one idea on which the two countries can cooperate. Jokowi appears committed to rapid infrastructure development to reduce transportation bottlenecks, including developing Indonesia into a maritime power. This new focus may provide opportunities for participation by the U.S. private sector.

Vietnam

President Obama should plan to visit Vietnam in 2015 to push the comprehensive partnership, launched between the two countries in mid-2013, to new depths. The administration, which in September 2014 partially lifted the ban on the sale of weapons to Vietnam, should continue to work with Vietnam to amend in the National Assembly ahead of the president's trip some of the laws the country's security apparatus uses to detain bloggers and journalists. November 2015, when Obama attends the Asia-Pacific Economic Cooperation summit in the Philippines and the East Asia Summit in Malaysia, would be a good time for the president to visit Hanoi.

Thailand

The United States will want to continue to monitor developments in Thailand in the wake of the May 2014 coup and consider opportunities for the United States to engage its oldest partner in Asia. The generals had promised elections by the end of 2015 but it now appears that they have decided to delay voting until 2016 or even until the critical transition in the country's monarchy takes place. Even in advance of elections, Washington will want to explore opportunities for contacts with private Thais to support the development of a middle ground where issues such as democracy, rule of law, and respect for human rights can be discussed.

South China Sea

No matter what way the arbitration tribunal established under the United Nations Convention on the Law of the Sea rules in the Philippines' case against China, probably before the end of 2015, it will be a watershed for the South China Sea disputes. How the United States responds, and in particular how successful it is in bolstering the case for peaceful resolution and respect for international law, will go a long way toward convincing Southeast Asia of the long-term sustainability and benefits of the U.S. rebalance.

The Obama administration has taken commendable steps over the last year to strengthen its position regarding the illegality of Chinese claims in the South China Sea—most recently by publishing a study on the nine-dash line via the State Department's Limits in the Sea series. As a judgment in the arbitration case approaches, it will be crucial that Washington rally international support for the tribunal, and insist that China respect any award issued. U.S. support, and pressure, will also be necessary to strengthen spines in other Southeast Asian nations and ensure that the Association of Southeast Asian Nations (ASEAN) voices full-throated support for Manila's right to arbitration and the need to respect the ruling.

In the meantime, Washington should also step up efforts to bolster maritime domain awareness, patrol, and deterrence capabilities in Southeast Asia. This will include pushing the Philippines to implement the Enhanced Defense Cooperation Agreement signed in early 2014, boosting funding, training, and equipment transfers to partners including Indonesia, Malaysia, the Philippines, and Vietnam. In Vietnam's case, it is unlikely that the administration will move to provide ships, radars, or armaments in 2015, but it should be actively consulting with Hanoi on Vietnamese needs and preparing to move once politically feasible.

The State Department should work to assist Southeast Asian claimants with legal clarification of their own claims in order to maintain the moral and legal high ground vis-à-vis China. The United States should also urge Southeast Asians to pursue bilateral agreements on overlapping claims where possible, agree among themselves what areas around the Paracel and Spratly Islands they consider legally disputed, and engage in a comprehensive survey of those features to counter the legal obfuscation caused by Chinese reclamation work on submerged features and low-lying features.

About the Contributors

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