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**RE-BALANCING THE REBALANCE:
RESOURCING U.S. DIPLOMATIC STRATEGY
IN THE ASIA-PACIFIC REGION**

A MAJORITY STAFF REPORT

PREPARED FOR THE USE OF THE

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LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, April 17, 2014.

DEAR COLLEAGUES: This report by the committee's majority staff examines the progress made on the non-military elements of the Obama administration's policy to pursue a strategic rebalance towards the Asia-Pacific region.

As Chairman of this committee, I believe that we have a duty and responsibility to assure national security resources are allocated efficiently and effectively to address U.S. foreign policy priorities—and to promote the time, effort and attention needed to safeguard our security and prosperity and advance our values. Given its significance for U.S. security, economic, political and diplomatic interests, a successful rebalance must underscore an enduring U.S. commitment to the Asia-Pacific region, and do so across the full range of U.S. Government activities.

As this report finds, despite progress in some areas, implementation of the rebalance thus far has been uneven, which creates the risk that the rebalance may well end up as less than the sum of its parts. This report provides additional insight and perspective on the rebalance, and recommendations on how to properly resource and implement the rebalance to meet its strategic goals of enhancing prosperity, security, democratic values and human development in the Asia-Pacific region.

Sincerely,

ROBERT MENENDEZ,
Chairman.

RE-BALANCING THE REBALANCE: RESOURCING U.S. DIPLOMATIC STRATEGY IN THE ASIA-PACIFIC REGION

EXECUTIVE SUMMARY

In 1900, then Secretary of State John Hay declared that “the Mediterranean is the ocean of the past, the Atlantic the ocean of the present, and the Pacific is the ocean of the future.” Over 100 years later, his words appear more prescient than ever. The economies of the Asia-Pacific region are increasingly important markets for U.S. exports of manufactured goods and natural resources. At the same time, an ever-larger proportion of global trade is passing through the region’s sea lanes, underscoring the continued need for the United States to help maintain maritime security and promote regional stability. The economic and strategic implications are clear: our future prosperity and security are intimately entwined with the prosperity and security of the Asia-Pacific region, and U.S. Government policy and resources must reflect this reality.

The Obama administration recognized this need when it committed to “rebalance” U.S. Government attention and resources for the Asia-Pacific region. The strategy intends to strengthen U.S. economic, diplomatic, and security engagement throughout the region, both bilaterally and multilaterally, with a coordinated, “whole-of-government” approach to policy implementation. In concept, the rebalance stands out as one of the Obama administration’s most far-sighted and ambitious foreign policy initiatives.

The United States has successfully moved forward with the initial phases of implementing the military aspects of the rebalance. But given the broader strategic and policy goals, it is essential that the non-military elements also move forward with equal speed and weight. An “unbalanced” or under-resourced approach to the rebalance threatens to undermine the goals of the policy and, consequently, the prospects for greater prosperity and security in both the Asia-Pacific region and the United States.

The Senate Foreign Relations Committee has a duty and responsibility to ensure that resources are allocated efficiently, effectively and appropriately across all U.S. foreign policy priorities, and to promote the time, attention and focus needed by the U.S. Government on critical but under-resourced areas of U.S. foreign and national security policy, including, first and foremost, Western Hemisphere affairs and the need for additional emphasis on economic statecraft in the Western Hemisphere. The Asia-Pacific region is significant for U.S. security, economic, political, and diplomatic interests, and the intent of this report is to provide additional insight and policy perspective on the rebalance in the context of this broad-

er range of global obligations and commitments vital to U.S. national security interests.

To that end, the report addresses the question of how to best align ends, ways and means across the non-military aspects of the rebalance. It provides recommendations for how the administration—and Congress—can help address perceptions (some fair, others less so) of a lack of progress on the diplomatic, economic, and civil society elements of the rebalance. While due to the nature of the committee's jurisdiction in the Senate this report does not go into detail on further developing our military alliances in the region, it encourages continued progress in upgrading our alliances with Japan, the Republic of Korea, Australia, Thailand, and the Philippines. The report also recognizes that the rebalance policy necessarily starts with our alliances and that renewing and refurbishing those alliances to meet the challenges of the 21st century must be a cornerstone of U.S. policy in the region.

The methods of policy execution are just as important as the results: how a policy is pursued and perceived can impact its success as much as the actual mechanics of its implementation. To succeed, the rebalance must first address how resources are allocated within the U.S. Government, and then how they are deployed across the region. Some progress has been made. Congress anticipated the need to rebalance when it encouraged creation of the position of U.S. Ambassador to ASEAN; the State Department has created new diplomatic and assistance programs in the region, such as the Lower Mekong Initiative and the Asia-Pacific Strategic Engagement Initiative; the U.S. Government joined the East Asia Summit in 2011; and the U.S. Trade Representative is pursuing the expansion and completion of the Trans-Pacific Partnership multilateral trade agreement, as well as several bilateral investment treaties. Furthermore, trade promotion bodies like the Export-Import Bank, Overseas Private Investment Corporation, and U.S. Trade and Development Agency have increased their financial engagement with the region.

Nonetheless, the State Department has not substantially increased diplomatic engagement resources to its Bureau of East Asian and Pacific Affairs. Department of Commerce staffing levels have not significantly increased, hindering the ability of U.S. businesses to take full advantage of new prospects. U.S. development assistance to the region, which saw a modest increase in the administration's FY2015 budget proposal, is still below levels from several years ago, and the U.S. development approach needs updating and upgrading.

In contrast, the Department of Defense has moved rapidly and with an influx of resources. Definitive plans to move new assets into the region include 2,500 Marines in Darwin, Australia, an additional army battalion in South Korea, 2 missile defense destroyers to Japan, up to 4 Littoral Combat Ships in Singapore, as well as likely increased troop rotations in the Philippines and enhanced defense cooperation with Vietnam, Malaysia and others. The Department of Defense has moved more quickly and more coherently to rebalance resources than its far smaller civilian counterparts.

While most governments have expressed support for greater U.S. engagement in the region, the strategy is currently perceived as

primarily a military strategy, a perception reinforced by the under-resourcing of the civilian components. As a result, some countries in the region see the rebalance as an attempt to contain a rising China, which may limit their willingness to deepen cooperation and coordination with the United States. As the United States considers how to more fully shape and articulate the public diplomacy elements of the rebalance, it should make clear that the policy is about broadening U.S. engagement, not containing China; the rebalance seeks to expand economic growth, ensure regional security, and improve human welfare for the benefit of all, not the detriment of one.

Congress must also do its part communicating to its domestic constituents and global counterparts the benefits of greater U.S. engagement with the Asia-Pacific region. Domestically, the case must be made that national security spending is not limited to our military but extends to the monies we spend on diplomacy and development efforts, which can help prevent situations that might otherwise require the use of our armed forces. In addition, sufficiently resourcing and implementing a successful rebalance will require new authorizations and appropriations from Congress. As recent events in Europe and the Middle East have demonstrated, any efforts by the administration to shift resources and monies from other regions to the Asia-Pacific can only go so far. Moreover, considering that the United States has vital interests in other regions as well—including the Western Hemisphere, a traditionally under-resourced area for the State Department, USAID, and overall U.S. Government efforts—such rebalancing must be done carefully and within the context of a broader, global strategy.

Given the constrained budget environment and unyielding calls from some in Congress for draconian cuts to all overseas government spending, finding new monies for the rebalance will be a challenge. But if the rebalance is to be a success, Congress must find a way.

For now, the administration can improve the effectiveness and sustainability of the rebalance policy by increasing civilian engagement, strengthening diplomatic partnerships, and empowering U.S. businesses. We recognize there are institutional bureaucratic, political, and cultural barriers to implementing a rebalance of U.S. civilian power. Furthermore, we know that increased engagement with some countries will be hindered by their records on human rights and governance, as well as other challenges. However, a failure to adequately deploy U.S. civilian resources to the new global economic center of gravity will undermine the stated goals of the rebalance policy and the greater interests of the United States.

RECOMMENDATIONS

The below recommendations lay out some steps the administration and Congress can take to properly resource and implement the rebalance to meet its strategic goals of enhancing prosperity, security, democratic values, and human development in the Asia-Pacific region.

Strategic Recommendations

The rebalance reflects the need for the administration to approach the Asia-Pacific region with a well-coordinated, whole-of-government approach. But that approach requires better synchronizing and sequencing the military-security elements with the diplomatic, economic, and civil society elements, so that all move in a parallel and mutually reinforcing fashion. For example, there is a logic that ties together the U.S. Government's unilateral and alliance-based military and security activities in the region with its approach to regional architecture, the maritime commons, partners' capacity building, support for international rules and norms, deepening alliances, and public diplomacy. However, that logic only works if resources are sufficiently allocated across the full spectrum of U.S. Government activities and properly deployed in a coherent, sequenced, and balanced fashion. To better achieve the objectives of the rebalance, the administration should:

- Develop a multi-year, integrated, whole-of-government approach for the non-Department of Defense elements of the rebalance, with targets and timelines for the rebalance from civilian agencies—including both White House and Office of Management and Budget oversight—and linked back to the annual congressional authorization and appropriations cycle. The standard policymaking process has been insufficient in bringing about the shift in resources that the rebalance calls for.
- Better communicate the goals and methods of the rebalance to the American public and our allies and partners. While it is important to maintain a positive vision, sweeping policy pronouncements unsupported by hard deliverables create a large gap between expectations and reality. Given the risks of a misalignment between rhetoric and action, the hallmarks of the rebalance should be that the United States under-promises and over-delivers.

Getting the region right, through an effective rebalance policy, is necessary for getting China policy right. And with China now the world's second largest economy and a major military power, getting China right is necessary for getting both regional and global policy right. Although the rebalance is not “only” about China, it is certainly “also” about China, including questions about China's future trajectory. China will play a role in developing regional regimes. But the rebalance should seek to shape and encourage the development of a positive and productive China that is fully supportive of cooperative and constructive regional norms and institutions and that plays by regional rules-of-the-road and international law. To achieve that objective, the administration should:

- More clearly articulate the necessary connections between U.S. bilateral policy towards China and the rebalance itself and better coordinate policy across the U.S. Government and with other regional partners.
- Deepen and refurbish alliances, build out new partnerships—especially in Southeast Asia—and integrate alliances and partnerships into a networked approach where the United States plays a vital catalytic role. The core of U.S. policy and strategy in the region rests on our alliances and partnerships, which

will be essential to the success of the rebalance and U.S. policy in the region and beyond.

Operational Recommendations

- **Diplomatic Engagement:** To strengthen bilateral relationships and better pursue U.S. interests in the Asia-Pacific region, the U.S. Government should:
 - Increase personnel and resources to the State Department's Bureau of East Asian and Pacific Affairs (EAP) both at State Department headquarters and abroad, as well as for other civilian agencies that work in the region.
 - Expand and improve inter-agency coordination and information sharing on the development and implementation of Asia-Pacific policy.
 - Send cabinet-level principals to the region on a more frequent basis.
- **Public Diplomacy:** To better foster business, cultural, and educational people-to-people connections between Americans and citizens of other Asia-Pacific countries, the State Department should:
 - Redouble efforts to attract and enable more U.S. students to study in Northeast and Southeast Asia.
 - Ensure faster processing and greater issuing of non-immigrant visas for tourism, conferences, and exchange programs.
 - Increase resources dedicated to public diplomacy and better integrate EAP's public diplomacy efforts with those of the State Department's other bureaus.
- **Economic Statecraft:** To strengthen bilateral economic relationships, avail U.S. businesses of greater opportunities, and properly implement and monitor complex multilateral trade agreements, the U.S. Government should:
 - Increase capacity for strategic thinking on regional economic policy by creating a new Asia-Pacific office in the State Department's Economic and Business Affairs Bureau, and reorganize other functional Bureaus within the State Department to create separate Asia-Pacific offices where feasible.
 - Fill all vacant Foreign Commercial Staff (FCS) positions at Asia posts and increase staff at select posts with the greatest growth potential, including Vietnam, Indonesia, the Republic of Korea, and China. In addition, improve the coordination of commercial diplomacy by reintegrating FCS officers into the State Department.
 - Continue to aggressively pursue bilateral trade deals, including a Bilateral Investment Treaty (BIT) with China, alongside larger trade agreements such as the Trans-Pacific Partnership (TPP). In addition, involve the Philippines, Indonesia, and Taiwan in either the TPP or bilateral trade discussions and increase U.S. Trade Representative (USTR) personnel and travel to meet the vastly expanded demands placed on the agency.
- **Development Partnerships:** To improve human development outcomes in the Asia-Pacific region and lay the groundwork for

greater economic development, the State Department and USAID should:

- Increase levels of development funding throughout the region and look at opportunities for greater coordination between U.S. export promotion and development agencies.
- Institutionalize the successes of the Lower Mekong Initiative (LMI) and develop more programs that support ASEAN connectivity and that combine staff from across U.S. Government agencies and regional embassies.
- Scale up public-private partnerships and explore greater donor coordination with European and other allies and partners, as well as China.
- **Regional Architecture:** To expand and transform the U.S. role in Asia-Pacific multilateral institutions, which will play a critical role in developing regional economic and security norms and standards, the administration should:
 - Devote more diplomatic support and resources for the development of regional institutions to address maritime security issues.
 - Leverage U.S. expertise and capability in humanitarian assistance, disaster relief, and search and rescue to develop a leadership role on these issues in regional multilateral institutions.
 - Increase the high level and tempo of engagement with the region's multilateral institutions.
- **Partner Capacity Building:** To strengthen the U.S. relationship with bilateral partners and transform our multilateral approach to the region, the U.S. Government should:
 - Supplement the current bilateral hub-and-spoke relationship model to a more network-centric approach, where the United States helps facilitate a web of relationships throughout the region.
 - Enhance allies' and partners' maritime domain awareness capabilities by increasing bilateral maritime assistance and facilitating regional coordination on maritime security issues.
 - Expand across-the-board coordination with capable allies and regional institutions and increase rule of law assistance that targets both single-country and multilateral issues.
- **Civil Society and Human Rights:** To improve the human rights situation in the Asia-Pacific region, which is a fundamental value of the United States and can improve the prospects for economic development, the U.S. Government should:
 - Incrementally engage with countries seeking to improve their human rights records, incentivizing specific improvements with the promise of a closer economic relationship.
 - Expand assistance programs that strengthen the rule of law, maritime enforcement, and public diplomacy, which are complementary to the goal of promoting human rights in the region.
 - Increase support for institutions such as the Asia Foundation and the East-West Center, which help to both build local

human capacity and also develop a cohort of U.S. Government personnel and private citizens with the expertise, ability, and ambition to advance U.S. values and interests in the region.

- **For Congress:** To strengthen the legislative branch's role in the rebalance and enhance the effectiveness and benefits of the policy, the U.S. Congress should:
 - Increase funding levels and consider new authorizations for departments and agencies involved in implementing the rebalance.
 - Increase the size and frequency of congressional delegations to the region to highlight its importance and build relationships with counterparts. Similarly, more members of Congress should meet with officials from the region when they visit Washington, D.C.
 - Give the United States a seat at the table in a critical international forum on maritime issues by giving advice and consent to ratification of the United Nations Convention on the Law of the Sea (UNCLOS). In addition, ratify reforms to the International Monetary Fund (IMF) that will give emerging economies in the region a greater stake in the institution, further weaving them into the existing international system.

DEVELOPMENT OF THE REBALANCE

The rise of the Asia-Pacific region may well prove to be the single most transformative geopolitical shift of the 21st century. In the past 20 years, China and India's share of the global economy has tripled. By 2025, the Asia-Pacific region will account for almost half of the world's economic output. In 2011, U.S. exports to the Asia-Pacific region totaled \$895 billion and accounted for 60 percent of total U.S. exports. Those exports have created and sustained American jobs in vital industrial and service sectors of the U.S. economy. The region's economic dynamism is accompanied by the hard and pressing challenges of its shifting security landscape, including the threat of North Korea's nuclear weapons programs, on-going disputes over maritime security and territorial issues, and non-traditional security challenges like transnational crime and the effects of climate change.

Building on efforts initiated in 2009 to focus additional attention on the Asia-Pacific region, the Obama administration in the fall of 2011 and early 2012 formally announced that it would intensify the role of the United States in the Asia-Pacific region. To do so, it sought to raise the region's priority in U.S. military planning, foreign policy, and economic policy. With U.S. troops gone from Iraq and poised to be drawn down in Afghanistan, administration officials said they intended to "rebalance" U.S. attention and resources toward planning for future challenges and opportunities, specifically those represented in the Asia-Pacific region, reflecting a recognition of the region's growing importance for a range of U.S. interests.

In her October 2011 article in *Foreign Policy* magazine entitled "America's Pacific Century," then-Secretary of State Hillary Clinton wrote that the Obama administration would continue to "dispatch

the full range of our diplomatic assets . . . to every country and corner of the Asia-Pacific region.” Furthermore, the State Department’s FY2013 Congressional Budget Justification for Foreign Operations refers to the Obama administration’s rebalancing policy as a principal driver of its objectives in the Asia-Pacific region:

In order to advance the administration’s pivot to East Asia and the Pacific, the U.S. Government will maintain a presence in the region as a preeminent trade and investment partner, security guarantor, and example of democracy and good governance. This new strategy for the Asia-Pacific region will guide the Bureau’s activities, including reinvigorating already strong relations with treaty allies, building new partnerships with emerging powers in the region, engaging with multilateral institutions, expanding trade and investment, forging a broad-based military presence, and advancing democracy, human rights, and the rule of law.

While the U.S. military has made several high-profile and attention-grabbing deployments of additional resources to the Asia-Pacific region, U.S. civilian agencies have less clearly shifted their priorities. Though most regional policymakers and analysts outside of China have welcomed the rebalance, a frequent criticism of the initiative is that it is too military-focused and should be more diversified. U.S. military leaders have acknowledged the critical role of the non-defense aspects of the rebalance. In mid-2012, then Secretary of Defense Leon Panetta spoke of “the crucial part that diplomacy, trade, and development will play in our engagement [in the Asia-Pacific]”¹ and current Secretary of Defense Chuck Hagel, in a joint op-ed with Secretary of Commerce Penny Pritzker, wrote of how America’s “economic ties and people-to-people contact with nations like Japan, the Republic of Korea, Australia, Thailand and the Philippines have provided the necessary stability for Pacific nations to focus on giving their people a more inclusive, peaceful and prosperous future.”²

A successful rebalance must underscore the strategic message that the policy represents an enduring U.S. commitment to the region, assuring our partners that we are in it for the long haul. This will require the full range of U.S. Government activities, not just those of the Defense Department. Military forces can be moved in and out in a relatively short period of time, but substantial, long-term U.S. investments in development, trade, and diplomacy are not as fungible and indicate a stronger, more comprehensive commitment to the region. But with implementation thus far uneven across the U.S. Government, the rebalance may well end up as less than the sum of its parts.

RESOURCING OF THE REBALANCE

Effective implementation of the rebalance requires devoting resources concomitant with the task. When compared to other re-

¹U.S. Department of Defense, “Secretary of Defense Speech: Shangri-La Security Dialogue,” June 02 2012, <http://www.defense.gov/speeches/speech.aspx?speechid=1681>.

²The Wall Street Journal, “America is Committed to Asia,” February 17, 2014, <http://online.wsj.com/news/articles/SB10001424052702304675504579388202324713822>.

gional bureaus, the State Department's EAP Bureau is resourced well below levels appropriate for a region of its magnitude and importance to current and future U.S. economic and strategic interests.

If the United States intends to increase its engagement and influence in the Asia-Pacific region, it will need to improve its efforts in a range of areas, including diplomatic engagement, public diplomacy, economic statecraft, development partnerships, partner capacity building, regional architecture, and civil society and human rights.

Diplomatic Engagement

Dollars spent are surely not the only way to judge the effectiveness of diplomacy in the 21st century, but budgets, not rhetoric, are a leading indicator of real commitment by a government. From this vantage point, the administration's requested FY 2015 funding level for the Bureau of East Asian and Pacific Affairs (EAP) diplomatic engagement budget does not reflect the economic and strategic importance of its jurisdiction or the policy of rebalancing U.S. Government resources to the region. The FY 2015 budget request for EAP's diplomatic engagement is the second-to-last of all 6 regional bureaus, or 8 percent of the total, despite the region's 35 countries accounting for nearly a third of both the world's population and GDP. Furthermore, EAP bureau funding has decreased nearly 12 percent since its FY 2011 peak.

Several U.S. civilian agencies have grown their foreign-deployed staff in East Asia. USAID has increased its personnel in East Asia from just 84 in September 2008 to 183 in June 2013. Over the same period, the Department of Treasury increased personnel from 3 to 10, and the Department of Commerce from 78 to 91, though the Department of Agriculture decreased staff from 59 to 55. The proportion of these agencies' total foreign-deployed staff based in East Asia varies nearly as widely as the absolute numbers. Those 183 USAID employees account for only 11 percent of foreign-based USAID staff and Treasury's East Asia-based employees account for just 17 percent of its staff abroad. Alternatively, the Departments of Commerce and Agriculture base a healthy 41 percent and 31 percent of their foreign-deployed staff in East Asia, respectively.

Given the range of U.S. interests and the variety of U.S. Government agencies with a footprint in the Asia-Pacific region, sufficiently addressing complex regional issues will require institutionalizing whole-of-government efforts and methods of information sharing. U.S. missions in Asia appear to have adopted such an approach toward commercial matters by establishing Interagency Commercial Task Forces, and there is great potential in applying this approach to regional goals.

Table 1. Regional Demographic and Economic Data and State Department Regional Bureau Resourcing
(percent of world total)

Rank	Population of Region†	GDP of Region*†	Regional Two-way Trade With the U.S.*†	FY 2015 Budget Request for State Dept. Bureaus*	FY 2015 Budget Request for U.S. Assistance by Region*
1	East Asia and Pacific 2,250,795,287 (33%).	Europe and Eurasia \$29,723,060 (46%).	Western Hemisphere \$1,545,800 (39%).	Near East \$1,555.7 (35%).	Near East \$6,986.0 (36%)
2	South and Central Asia 1,726,997,019 (24%).	East Asia and Pacific \$19,792,200 (31%).	East Asia and Pacific \$1,226,000 (31%).	South and Central Asia \$1,213 (27%).	Africa \$6,934.8 (36%)
3	Europe and Eurasia 1,348,804,078 (19%).	Western Hemisphere \$7,729,000 (12%).	Europe and Eurasia \$813,800 (21%).	Europe and Eurasia \$601.2 (14%).	South and Central Asia \$2,959.2 (15%)
4	Africa 925,764,585 (13%).	Near East \$3,317,660 (5%).	Near East \$215,000 (5%).	Africa \$379.9 (9%).	Western Hemisphere \$1,326.7 (7%)
5	Western Hemisphere 633,071,719 (8.7%).	South and Central Asia \$2,580,791 (4%).	Africa \$91,650 (2%).	East Asia and Pacific \$342.6 (8%).	East Asia and Pacific \$810.7 (4%)
6	Near East 396,755,169 (5%).	Africa \$1,379,665 (2%).	South and Central Asia \$74,329 (2%).	Western Hemisphere \$332 (8%).	Europe and Eurasia \$492.3 (3%)

* In millions of U.S. dollars.

† 2013

Source: CIA World Factbook; USTR; World Bank; U.S. Department of State

More high-level travel to the region will also be required. The U.S. Trade Representative (USTR) travelled to East Asia just 8 times during the Obama administration's first term, compared to 23 times and 18 times during the Bush administration's first and second terms, respectively. And while President Obama and his other major cabinet officials have travelled to the region about as frequently as in past administrations (with the exception of former Secretary of State Clinton, whose travel schedule far surpassed her predecessors), more high-level engagement, especially with regional institutions, would send an important signal.

Table 2. EAP Foreign-Deployed Staff of Select U.S. Agencies

U.S. Agency	EAP-Based Foreign-Deployed Staff in September 2008	EAP-Based Foreign-Deployed Staff in June 2013	Percent of Total Foreign-Deployed Staff Based in EAP
USAID	84	183	11%
Treasury	2	9	16%
Commerce	70	79	36%
Agriculture	56	51	39%
Energy	4	6	26%

Source: Congressional Research Service

Table 3. Number and Percent of Visits to East Asia-Pacific Region for the President and Heads of Civilian Agencies in Second Bush Administration and First Obama Administration

	Second Bush Administration		First Obama Administration	
	Number of Trips	Percentage of Total Trips	Number of Trips	Percentage of Total Trips
USAID	1	9%	3	12%
Treasury	9	28%	9	32%
Commerce	10	20%	11	48%
Agriculture	4	31%	5	50%
Energy	3	9%	6	27%
USTR	18	36%	8	22%
State	28	11%	51	20%
President	12	15%	10	24%

Source: Congressional Research Service

Public Diplomacy

Public diplomacy takes advantage of the United States' greatest assets: our people and our values. When citizens of other countries develop scholarly, religious, civil society, and business connections with Americans from all walks of life, they learn who we are, what we stand for, and how we contribute to making the world a safer and more prosperous place. False stereotypes and generalizations fall by their own weight, replaced by a clearer understanding of what a diverse and vibrant nation the United States truly is. For Americans, these interpersonal connections foster a richer understanding of other nations' histories, cultures, and languages. These insights inspired the Fulbright scholarships and the Peace Corps, amongst other pillars of American public diplomacy, and they should be an integral part of U.S. foreign policy as we move to build stronger ties to the Asia-Pacific.

State Department funding for public diplomacy, which sponsors scholarships and grants such as the Fulbright Program, remained roughly flat from FY2010 to FY2013, and saw a modest increase in FY2014, before plateauing again in the FY2015 budget proposal. Furthermore, there was no significant increase in the number of Americans studying in Asia between academic years 2009-10 and 2011-12, and the same goes for the number of non-Chinese Asians studying in the United States. While Chinese students are flocking to U.S. schools in ever-greater numbers, the number of American students in China has not appreciably increased, despite

the 100,000 Strong Initiative (a program explicitly designed to get more American students to China) and the Chinese Government's offer of 20,000 scholarships. To better develop the people-to-people connections so critical to U.S. interests and development, the administration must redouble its efforts to encourage more Americans to study in China and other countries of the Asia-Pacific region. In particular, more efforts need to focus on Southeast Asia; the number of U.S. students in Southeast Asia in academic year 2011-12 was less than one-fifth of the total number in East Asia.

Given the importance of the U.S.-Japan Alliance, the administration should also take steps to arrest the slide in the number of Japanese studying in America (from 42,215 in academic year 2004-5 to 19,568 in 2012-13), which is due in part to an insular Japanese corporate culture that can underestimate the value of an American degree. The United States can mitigate this effect by promoting semester or year-long study abroad programs in the United States, offering more scholarships for advanced degrees, and supporting alumni networks for Japanese who have attended U.S. universities.

For Southeast Asia, the administration's FY 2015 budget request would fund a new Young South-East Asian Leaders Initiative academic exchange, as well as a Fulbright University in Vietnam. These programs reflect the need for a "rebalance within the rebalance" to Southeast Asia, and the administration should pursue this trend within other programs, agencies, and departments.

But student exchange is just one way to promote interpersonal ties with the region. Other means include reducing travel restrictions and increasing visa issuance (such as the 36 percent increase from FY 2011 to FY 2012 in non-immigrant visas issued to Chinese citizens) to promote short-term stints in multi-national companies, professional conferences, joint entrepreneurial initiatives and research ventures, as well as expanding opportunities for exchanges throughout the U.S. Government, including at the state and local level.

Efforts to improve public diplomacy will also require more personnel and better coordination. While the administration's FY 2015 budget request seeks to create three new public diplomacy positions to support the rebalance, effectively communicating the policy will require far more resources. In addition, the State Department should take steps to better integrate EAP's public diplomacy efforts with those of other department bureaus and U.S. civilian agencies.

At a wider aperture, the United States Government needs to better calibrate its messaging of the rebalance to the American public and the world at large. While broad policy speeches and pronouncements are useful to set a positive vision, if unsupported by hard deliverables, they risk creating a gap between expectations and reality. The administration would do better to return to its earlier messaging strategy of the rebalance, which was to under-promise and over-deliver. Bureaucracies can be slow to implement policy, and the administration must be careful not to let its rhetoric get too far in front of the facts on the ground.

Table 4. East Asia-Pacific Region Students Studying in the United States and U.S. Students Studying in East-Asia Pacific Region

	Foreign Students Studying in the U.S.			U.S. Students Studying Abroad		
	2009/10	2012/13	Percent Change	2009/10	2011/12	Percent Change
Total	299,008	408,251	37%	39,499	41,722	6%
China	127,628	244,156	75%	13,910	16,365	18%
Japan	24,842	19,568	-21%	6,166	5,283	-14%
South Korea	72,153	70,627	-2%	2,137	2,695	26%
Taiwan	26,685	21,867	-18%	850	820	-4%
Indonesia	6,943	7,670	10%	221	369	67%
Malaysia	6,190	6,791	9%	125	176	41%
Myanmar	695	955	37%	18	3	-83%
Philippines	3,815	3,215	-15%	238	273	15%
Singapore	4,051	4,558	13%	841	1,130	34%
Thailand	8,531	7,314	-15%	1,231	1,437	17%
Vietnam	13,112	16,098	23%	686	878	28%
Australia	3,296	4,121	25%	9,962	9,324	6%
New Zealand	1,103	1,311	31%	3,113	2,969	-5%

Source: Institute of International Education

Economic Statecraft

As Secretary Kerry has stated, “foreign policy is economic policy,”³ and economic statecraft presents the best opportunity for the United States to deepen its relationships with the fastest-growing economic region in the world.⁴ The administration is pursuing a two-pronged strategy of using U.S. foreign policy to support the growth of the U.S. economy, also known as commercial diplomacy, while using economic engagement to support foreign policy priorities.

Developing and implementing a long-term strategy that combines commercial diplomacy and economic engagement is a complex undertaking and may not receive the attention it deserves from officials who are often rushing to put out the latest fire. The Department of State should therefore create more capacity for strategic thinking on commercial diplomacy and economic engagement by creating a new East Asia-Pacific office in the Bureau of Economic and Business Affairs. The Bureau of Democracy, Human Rights, and Labor took a similar step in 2013. The Department of State should also expand EAP’s Office of Economic Policy, which has been understaffed and unable to fulfill its growing responsibilities effectively.

Reaping the benefits of increased U.S. trade and investment in the Asia-Pacific region will also require an associated increase in resources and personnel, especially if unprecedented regional trade deals like the Trans-Pacific Partnership (TPP) are to be properly implemented and made use of by U.S. businesses. While the Department of Commerce is exploring the addition of new Foreign

³United States Senate Committee on Foreign Relations, “Senator John Kerry’s Opening Statement at Nomination Hearing to be U.S. Secretary of State,” January 2013, <http://www.foreign.senate.gov/press/chair/release/senator-john-kerrys-opening-statement-at-nomination-hearing-to-be-us-secretary-of-state->

⁴International Monetary Fund, “World Economic Outlook Database,” October 2013, <https://www.imf.org/external/pubs/ft/weo/2013/02/weodata/index.aspx>

Commercial Service (FCS) officers to the region, increased staffing levels should coincide with reintegration of FCS officers into the State Department, which would improve the coordination of commercial diplomacy.

While the USTR has a critically important and ever-expanding portfolio in the region, it currently lacks the funding and personnel to meet current demands, much less future challenges and opportunities. Beyond the TPP, USTR is also conducting Trade and Investment Framework Agreement (TIFA) consultations with Taiwan and Bilateral Investment Treaty negotiations with China and India, as well as expanded engagement with ASEAN. As these agreements come online, USTR will require more funding for personnel and travel to protect U.S. economic interests by ensuring proper implementation.

The administration has made the TPP the principal focus of U.S. trade policy in the region and a cornerstone of the rebalance. The TPP aims to create a new high standard of rules-based trade in the region that is open to all members of APEC (and possibly all ASEAN members in the future). In November 2012, the administration launched the U.S.-ASEAN Expanded Economic Engagement (E3) Initiative, which builds on an older agreement and aims to help non-TPP ASEAN members to meet the standards that would qualify them for TPP membership. The initiative focuses on limited aims such as streamlining customs procedures and developing principles in areas like investment and communications technology. Some ASEAN members have expressed fears that the TPP could undermine efforts to build greater cohesion in their group and point to the Regional Comprehensive Economic Partnership (RCEP) as a more inclusive alternative. But it is not an either-or choice: the agreements are not mutually exclusive and seven APEC members already belong to both.

Given the critical importance to U.S. interests of trade and economic engagement with the region, a high-standard TPP will be necessary to protect U.S. businesses from unfair business practices and allow them to leverage their competitive advantages. The TPP offers them considerable opportunities, especially with the addition of new members like Japan and the prospect that Korea and other significant economies are seriously contemplating joining the next round. According to the USTR, as currently configured the TPP agreement would cover 37 percent of all U.S. exports and include foreign markets that support 4 million jobs in the United States.⁵ A completed and successfully implemented TPP deal could therefore be a boon for U.S. exporters and help the administration achieve its National Export Initiative (NEI) goals of doubling exports and supporting two million American jobs. As part of that effort, the administration announced in October 2013 plans to enhance the SelectUSA program, which promotes investment into the United States, by making investment promotion part of the portfolio of U.S. ambassadors and their embassy staff. Such efforts will be critical to increasing investments by Asia-Pacific companies in

⁵ Office of the United States Trade Representative, "The Trans-Pacific Partnership: Economic Benefits," December 2013, <http://www.ustr.gov/about-us/press-office/fact-sheets/2013/December/TPP-Economic-Benefits>.

the United States, which already total over \$400 billion and directly employ over 900,000 Americans.⁶

Table 5. U.S. Trade Promotion Agencies Activity in Asia-Pacific^{1 4}
Millions of U.S. Dollars

Agency	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Ex-Im Bank						
Authorizations	\$1,841.6	\$3,987.4	\$2,340.7	\$7,057.7	\$6,945.8	\$7,078.9
% Worldwide	12.8%	19.0%	9.6%	21.6%	19.4%	25.9%
% Change from Previous Year	—	116.5%	-41.3%	201.5%	1.6%	-1.9%
Exposure	\$16,163.0	\$18,554.2	\$17,183.0	\$21,270.3	\$25,463.2	\$29,820.3
% Worldwide	27.6%	27.3%	22.8%	23.9%	23.9%	26.2%
% Change from Previous Year	—	14.8%	-7.4%	23.8%	19.7%	17.1%
OPIC²						
Commitments	\$61.0	\$110.0	\$245.0	\$948.0	\$539.0	\$528.0
% Worldwide	4.6%	3.2%	9.7%	34.6%	14.8%	13.4%
% Change from Previous Year	—	80.3%	122.7%	286.9%	-43.1%	-2.0%
Exposure	\$1,096.0	\$1,135.0	\$1,216.0	\$2,019.0	\$2,404.0	\$2,694.0
% Worldwide	9.7%	8.5%	8.7%	14.0%	14.7%	14.9%
% Change from Previous Year	—	3.6%	7.1%	66.0%	19.1%	12.1%
TDA³						
Funding	\$14.6	\$12.1	\$13.5	\$14.8	\$13.6	\$17.1
% Worldwide	31.5%	28.3%	27.2%	36.0%	30.9%	41.2%
% Change from Previous Year	—	-17.4%	11.2%	10.0%	-8.3%	25.8%

Source: Ex-Im Bank and TDA data from respective agencies' annual reports.

OPIC data based on OPIC-shared data.

Notes:

¹The countries included here as part of the Asia-Pacific region generally are: Australia, Cambodia, China, East Timor, Hong Kong, India, Indonesia, Japan, Malaysia, Marshall Islands, Mongolia, New Zealand, Palau, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

²In the case of OPIC, commitments data are for Asia and exposure data are for the Asia-Pacific (based on OPIC definitions of East Asia and South Asia), and may include countries beyond those included in the general Asia-Pacific definition here.

³U.S. trade promotion agency activity may include support for regional multi-country projects.

⁴In some cases, a regional project may support activity in a country outside of what is defined generally as the Asia-Pacific region here.

Federal financing agencies are also a key pillar of U.S. economic statecraft, and have increasingly directed their resources toward the Asia-Pacific region over the past several years. Between FY 2008 and FY 2013, Export-Import (Ex-Im) Bank's total exposure in the Asia-Pacific grew by over \$14 billion, while the region's share of worldwide exposure dropped 1.4% during the same period. The Overseas Private Investment Corporation's (OPIC) exposure in the Asia-Pacific region grew from a little over \$1 billion in FY 2008 to nearly \$2.7 billion in FY 2013, accounting for almost 15% of OPIC's total worldwide exposure. In FY 2013, over 41% of the Trade and Development Agency's (TDA) spending went to the Asia-Pacific region. TDA spent over \$7.5 million on programming in East Asia and over \$9.7 million in South and Southeast Asia, including feasibility projects in Indonesia and Vietnam under the U.S.-Asia Pacific Comprehensive Partnership for Sustainable Energy, an initiative that came out of U.S. participation in the East Asia Summit.

⁶Organization for International Investment, "Insourcing Fact," August 2012, <http://www.oii.org/resources/insourcing-facts>. The jobs figure is an estimate based on Asia's share of overall inbound FDI to the United States.

Note that Ex-Im Bank and OPIC are “demand-driven” federal agencies. U.S. businesses use their resources only when commercial incentives are sufficient. While it is no surprise that Ex-Im and OPIC have increased their engagement in the Asia-Pacific region to such a degree, it is disappointing that “supply-driven” federal agencies have not followed suit, especially when a virtuous circle of investment, trade, and prosperity is the likely result.

Development Partnerships

Development partnerships are a critical pillar of U.S. economic statecraft and foreign policy. U.S. development partnerships support the markets, infrastructure, and rule of law necessary to attract and sustain U.S. businesses, all while fortifying bilateral relationships important to other U.S. interests and values.

As a result of the renewed focus on Asia and the number of nations in the region who are eligible for and could benefit from enhanced development partnerships, funding levels should be increasing significantly. Unfortunately, USAID budgets neither reflect the importance of the region nor comport with the stated goals of the rebalance policy. The FY 2015 budget request for U.S. development funding to the region is merely a return to FY 2010 levels, even while USAID staff numbers have increased 65 percent and new missions have been established in Burma and Papua New Guinea. In fact, compared to the FY 2011 spending levels, only Foreign Military Financing (FMF) saw significant increases through FY 2014 (and even within that program the amount of funds going to EAP in 2014 was lower than those earmarked for Europe and Eurasia). Furthermore, U.S. development funding to the Asia-Pacific region ranks fifth out of six, surpassing only Europe and Eurasia. The resources we devote to a region speak to the level of our commitment, and the administration should increase its budget request for development funding to the Asia-Pacific region.

In allocating resources for the rebalance, it is not good enough to merely reshuffle from within and across the Asia-Pacific budget allocation; new money must also be brought to the table to reflect the strategic priority of the rebalance. Given other important national security priorities, the rebalance cannot be built by raiding other “Function 150” International Affairs accounts, either, but should be funded with genuinely “new” money. For example, the Lower Mekong Initiative (LMI), a post-rebalance development program, aims to improve education, the environment, infrastructure, and women’s rights in Cambodia, Laos, Thailand, and Vietnam. The administration’s initial LMI proposals to Congress in 2013 were in the form of reprogramming from other EAP accounts. While not exactly robbing Phan to pay Phung, this budgetary maneuver did not provide the region the boost it deserves. At Congressional insistence, the Department of State was able to develop genuinely new funding sources for the LMI, thus increasing capacity in the Asia-Pacific region and not merely engaging in budgetary sleight of hand.

Furthermore, EAP appointed only two nonpermanent staff members to manage the LMI, which is insufficient to oversee the program’s complicated interagency activities and \$140 million in an-

nual U.S. spending⁷ (which is still dwarfed by Japan's \$362 million in grants and technical assistance to the LMI countries in 2011).⁸ Nonetheless, the LMI presents a smart and effective model for using our limited development dollars, and the State Department should formulate a plan to institutionalize the successes of the initiative and approach future LMI engagement, perhaps in cooperation with China. The U.S. Government should also look at other aspects of our development funding that can support ASEAN connectivity.

Given our relatively low levels of development funding to the region, it is critical that the U.S. Government increase coordination within the activities of our trade and investment promotion agencies and aggressively pursue more public-private partnerships. For the latter, the U.S. Government should review and streamline the process for establishing partnerships. Recognizing the currently constrained budget environment in the United States, the administration should also explore greater donor coordination with our allies in Europe and East Asia, expanding overall foreign assistance and utilizing economies of scale. Australia and Japan could be particularly helpful, given their location and strong economic ties with other countries in the region. Such efforts should not preclude the administration from requesting and reallocating additional development funding to the Asia-Pacific, where China alone pledged \$107 billion in aid in 2011, up from \$16 million in 2001.⁹ Given its tremendous level of participation in the region, the United States should also explore donor coordination opportunities with China.

Finally, as Congress works with the administration to review the FY2015 budgetary proposals for the rebalance, both will need to show genuine support to increase resources for the region. This means not just reprioritizing within it, as perhaps reflected in the large plus up for Burma programs—certainly a worthy endeavor—but with funding flat or declining for other regional priorities elsewhere.

Regional Architecture

In addition to developing a shared architecture and approach to address maritime security issues, the countries of the Asia-Pacific face a host of common challenges, including climate change, transnational crime, infectious disease, and human trafficking. These are regional problems that require a regional approach. Climate change in particular appears set to pose major challenges for the Asia-Pacific region in the years and decades to come—including as a driver for related security issues such as migration, food and water security, and infectious diseases. These challenges demand a concerted and coordinate response. Multilateral institutions provide an effective platform for the development of new methods, the sharing of best practices, and the collective implementation of solutions. Importantly, they also offer a forum for the management and resolution of disputes.

⁷U.S. Department of State, "Lower Mekong Initiative FAQs," accessed January 02, 2014, <http://www.state.gov/p/eap/mekong/faq/index.htm>

⁸Ministry of Foreign Affairs of Japan, "ODA by Region—East Asia," November 15, 2013, http://www.mofa.go.jp/policy/oda/page_000008.html

⁹Charles Wolf, Jr., Xiao Wang, Eric Warner, "China's Foreign Aid and Government-Sponsored Investment Activities," RAND Corporation, 2013.

The administration has taken several steps to enhance U.S. participation in regional institutions, such as creating within the EAP Bureau a new Deputy Assistant Secretary of State for Multilateral Affairs and a new U.S. Ambassador to ASEAN. The administration also signed ASEAN's Treaty of Amity and Cooperation and raising participation in the East Asia Summit (EAS) to the head of state level and the ASEAN Regional Forum to the Secretary of State level. Then Secretary of State Hillary Clinton also attended the Pacific Islands Forum (PIF) in 2012, marking the highest level of U.S. participation ever. These efforts have increased the U.S. profile in the region and yielded positive, tangible results for U.S. interests and values. The United States can continue to demonstrate its reliability by increasing its level and tempo of engagement with the region's multilateral institutions, without allowing other crises to distract from the important work of improving and expanding our relationships within the region.

The United States already pursues several initiatives in cooperation with Asian multilateral institutions, including public health and energy issues through the LMI, trade and investment through APEC (whose 21 member economies account for approximately 55 percent of global GDP),¹⁰ economic growth and climate change through ASEAN, and transnational crime and clean energy through the East Asia Summit (EAS). On energy, the U.S. Embassy in Bangkok established an Asia-Pacific Clean Energy Program, staffed by officials from the Trade Development Agency (TDA), State Department, and OPIC. The initiatives recently proposed at the APEC forum, such as a proposed fund to improve supply chain connectivity and the creation of an Anti-Corruption and Transparency Working Group, are also good examples of programs that combine staff from across U.S. Government agencies. In addition, there are increasing signs that the region is starting to organize itself diplomatically around the areas of humanitarian assistance, disaster relief and search and rescue (as demonstrated in the recent case of the missing Malaysia Airlines flight MH370). The United States is second to none in these areas and should take a leading role in developing regional response mechanisms.

The United States should also begin to develop more multilateral structures among allies and partners around shared issues of concern, including common environmental and security threats. Furthermore, the United States can leverage the convergence of India's "Look East" strategy with our own rebalance strategy to increase joint U.S.-India cooperation with ASEAN and other allies and partners. For example, a U.S.-India-Japan trilateral could be very effective at addressing a range of regional issues. In addition, the United States should ensure that Taiwan is included in all appropriate regional architectures and institution building efforts.

The speed with which the Asia-Pacific's regional architecture is expanding and the growing set of critical issues that it is needed to address demands greater U.S. engagement. In particular, regional institutions can play a key role in the resolution and management of contentious maritime issues, a critical area of friction

¹⁰U.S. Department of State, "21st Annual APEC Economic Leaders' Meeting Fact Sheet," October 8, 2013, <http://www.state.gov/r/pa/prs/ps/2013/10/215195.htm>

in the region and an area where the United States can contribute substantial technical expertise. While our bilateral alliances and partnerships underpin our engagement with the region, the U.S. Government could better realize its policy goals by working more through regional institutions like ASEAN and EAS, and the United States should devote more diplomatic support and resources for the development of regional institutions to address maritime security issues.

Partner Capacity Building

An oft-stated element of the rebalance is the strengthening and modernizing of U.S. bilateral alliances and developing deeper cooperation with emerging partners. These approaches allow the United States to leverage existing and potential partner networks to address issues in a far more cost-effective and impactful way than going at it alone.

Although our bilateral alliances remain at the heart of U.S. strategy and policy in the Asia-Pacific region, including the rebalance, the United States has the opportunity to supplement a “hub-and-spokes” model with a more network-centric approach in the region, knitting together alliances and partnerships to efficiently leverage complementary capacities in addressing common challenges. Such an approach could involve helping regional partners and allies to more efficiently allocate resources, coordinate, and cooperate in areas of regional importance, such as maritime security and natural resource exploitation. The United States can play an important role in helping build a web of relationships throughout the region to bring about more effective security cooperation, allowing for greater coordination and the efficient application of allies’ and partners’ comparative advantages.

For example, discussions on common maritime domain awareness can benefit from the participation of the United States. The initiation in September 2013 of official consultations on a code of conduct to govern behavior in the South China Sea provides an opportunity to improve and leverage the capacity of our allies and partners, while simultaneously defusing a potential conflict environment. In addition, the State Department’s recent announcement of \$32.5 million in regional and bilateral maritime assistance—including up to \$18 million to improve Vietnam’s coastal patrol units—will go some way toward upgrading partner capacity. Further policy options to improve the maritime domain awareness, defense and law enforcement capabilities of partners and allies should be considered. For example, both New Zealand and Japan are interested in improving their amphibious capabilities. South Korea and Singapore have expressed interest in Global Hawk unmanned aerial vehicles. Indonesia, with over 17,500 islands and piracy problems, needs more advanced airlift and logistics capabilities. While considering ways to improve our allies’ and partners’ maritime capabilities, the U.S. Government should simultaneously work to facilitate greater regional coordination on maritime security issues. One concrete, low-cost way to promote that effort is to offer excess U.S. frigates to partner states in the region, bolstering their maritime capabilities.

But U.S. efforts must also go beyond defense and intelligence issues to include improving partner capacity for interagency coordination, trade enforcement (where the TPP is a welcome development) and rule of law. On rule of law, the United States can provide unmatched legal, technical, and infrastructure support to countries improving their judicial systems. The Support for Trade Acceleration (STAR) program, which brought legal experts to Vietnam to help draft commercial laws, could be a model for other emerging partners in the region. Bolstering the rule of law can help pave the way for future trade agreements based on clear rules and strong protections for intellectual property rights. Importantly, rule of law assistance provides an essential avenue for improving a country's human rights record, which is a core U.S. value and in some instances a barrier to further U.S. economic engagement. The U.S. Government should expand across-the-board coordination with capable allies and regional institutions on this issue and increase rule of law assistance that targets both single-country and multi-lateral issues.

Civil Society and Human Rights

The economic imperatives of the rebalance coexist with the need for progress on human rights, especially as the United States engages with emerging partners in the Asia-Pacific. We can use the benefits of economic partnership to influence countries with weak records on human rights and democratic governance; through incremental engagement with those countries that seek to improve their records, we can incentivize specific improvements with the promise of a closer economic relationship. We can also help countries realize that the failure to provide basic rights can undermine economic development, especially when it comes to media and internet freedom, two areas where the United States leads and development efforts could be expanded. U.S. development programs that strengthen the rule of law, maritime enforcement, and public diplomacy are complementary to the goal of promoting human rights in the region and should be expanded wherever possible. In addition, the United States can use aspects of military-to-military relationship building to improve other countries' human rights practices.

The United States faces several new and challenging questions when balancing human rights and democracy goals among other U.S. objectives in the Asia-Pacific: How should human rights and democracy promotion fit into the U.S.-China relationship? How will the United States effectively promote human rights and democracy in Burma as the country implements broad political reforms? How will the United States respond to democratic developments, for good and bad, in countries such as Cambodia and Thailand? How can the United States best promote human rights and democracy in Vietnam as that important bilateral relationship continues to develop?

In FY2014, the State Department requested an additional 30 percent in funding (\$98.6 million) for "Governing Justly and Democratically" programs in the EAP region over the FY2012 level, and the EAP Bureau receives the largest amount of Democracy, Human Rights, and Labor (DRL) funding among the U.S. foreign aid re-

gions. The committee supported this request, as increased funding is required to expand programs in Burma, Indonesia, and Vietnam, among others. Furthermore, the DRL Bureau created an East Asia and Pacific office in 2013, whereas previously the Asia portfolio was handled by multiple offices. Other functional Bureaus within the State Department should implement similar reorganizations where feasible.

Finally, the United States should increase support for institutions such as the Asia Foundation, the Fulbright Program, and the East-West Center. It should also encourage greater attention and focus on Asia-Pacific programming at the United States Institute of Peace. These institutions help to both build local human capacity and also develop a cohort of U.S. Government personnel and private citizens with strong expertise in Asia and the ability and ambition to advance U.S. values and interests in the region. Unfortunately, in its FY 2015 budget, the administration requested cuts in allocations to the Asia Foundation and the East-West Center by 29 percent and 35 percent, respectively. These institutions offer a large potential return on investment and play unique roles in the region, and cutting their budgets hardly reflects positively on the administration's level of commitment to the rebalance.

CHINA AND THE REBALANCE

While the rebalance should not be seen as a reaction to China's changing role in the region, clearly its rise, and uncertainties about its future trajectory, are important contextual elements for understanding the strategy. While in Seoul, Vice President Biden said that, "We're also working to get our relationships with China right, with the right standards. It's not only in our interest, it's in the interest of the region, the interest of the world that we get that relationship right with China."¹¹ And for the United States to "get China right," we must at the same time "get the region right" as well, through a properly resourced and successfully implemented rebalance. A signal measure of the success of the rebalance will be its ability to shape and support the emergence of a regional order and architecture that facilitates the rise of a China that adheres to the "rules of the road" and contributes to regional and global stability, security and prosperity.

Policy-makers should also be aware that excluding China from the conversation around the rebalance will jeopardize both the goals of the policy and the health of the bilateral relationship. While China will of course make its own choices about its role and future in the region, the inclusion and participation of a China that chooses to play a positive and productive role should be welcomed, especially when it comes to regional institutions and trade liberalization. China is the region's largest economy and many of its neighbors see economic relations as the foundation for their strategic relations. Boosting our trade and diplomatic relationships in the region therefore requires increased and positive engagement with China.

¹¹The White House, "Remarks by Vice President Joe Biden on U.S.-Korea Relations and the Asia-Pacific," December 2013, <http://www.whitehouse.gov/the-press-office/2013/12/06/remarks-vice-president-joe-biden-us-korea-relations-and-asia-pacific>.

But the United States must walk the fine line of continuing to improve trade relations with China while simultaneously pushing back against unfair practices, including subsidies and both cyber-enabled and “traditional” theft of intellectual property. Some of these issues can be addressed in the Bilateral Investment Treaty (BIT) that China and the United States restarted negotiations on in July 2013, but most cannot wait for BIT negotiations to conclude before action is taken. In addition, China appears to have eased its stance on the TPP, which has strong standards on industrial subsidies and intellectual property protection, and has adopted a more positive tone toward joining in as a long-term goal.

To capitalize on recent developments, the U.S. Government should accelerate BIT negotiations with China and emphasize that the TPP is an open agreement that welcomes newcomers, including China. Stronger economic relations will reinforce mutual strategic goals like the denuclearization of the Korean Peninsula and the peaceful resolution of maritime disputes. There is significant potential in cooperative work with China to develop reliable mechanisms within regional institutions to resolve disputes early on. In addition, increasing donor coordination with China holds great promise for improving human welfare in the region.

Enhancing our interaction with China on these issues is vital to our national security interests and requires heightened levels of civilian resources. Alternatively, a failure to adequately apportion civilian resources risks stagnation of our economic and strategic objectives. Even worse, a lopsided rebalance that appears to focus mostly on military resources could produce a counterproductive response from China. Uneven implementation of the rebalance also risks creating the perception among other countries in the region that a fault line has been drawn between the United States and China and that they must pick a side. In reality, expanding and improving economic and strategic relations with both China and the United States is not a mutually exclusive endeavor, and the choice is not between the United States and China, but rather between support for a region with strong institutions, norms of behavior, and respect for international law versus a region of revanchism, aggression, and conflict. U.S. policy-makers must ensure this message is understood by China and the region; successful implementation of the rebalance requires nothing less.

A major challenge for the rebalance is to bring China into the process of updating and strengthening existing international rules and norms. At the same time, the United States must remain vigilant in standing up to challenges to its interests, values, and allies. Strengthening rules and norms in Asia is a fundamental U.S. interest, and realizing this goal will require persistent engagement. In particular, U.S. engagement must focus on encouraging China to adopt and adhere to rules and norms and play a productive role in the regional institutions that develop and enforce them. Ultimately, the benefits that China will inevitably experience from playing a positive role within regional institutions and abiding by regional norms can help inform its behavior on the international stage.

IMPLEMENTATION OF THE REBALANCE

The Senate Foreign Relations Committee has a duty and responsibility to ensure that resources are allocated efficiently, effectively and appropriately across all U.S. foreign policy priorities, and to promote the time, attention and focus needed by the U.S. Government on critical but under-resourced areas of U.S. foreign and national security policy, including, first and foremost, Western Hemisphere affairs and the need for additional emphasis on economic statecraft in the Western Hemisphere. While due to the nature of the committee's jurisdiction in the Senate this report does not go into detail on further developing our military alliances in the region, it encourages continued progress in upgrading our alliances with Japan, the Republic of Korea, Australia, Thailand, and the Philippines. The report also recognizes that the rebalance policy necessarily starts with our alliances and that renewing and refurbishing those alliances to meet the challenges of the 21st century must be a cornerstone of U.S. policy in the region.

The unique insight of the rebalance is its integrated approach to the Asia-Pacific region. The strategy sees the whole as greater than the sum of its parts, and a similar approach toward the allocation and coordination of U.S. Government resources will be required to effectively implement the rebalance. Namely, the rebalance calls for a new posture of U.S. Government military and civilian resources in the Asia-Pacific region. While this report touches only on the latter side, it is critical that U.S. military efforts to enhance regional security are closely coordinated with diplomatic initiatives to strengthen regional institutions and economic programs to improve regional growth. Otherwise, haphazard or improperly calibrated implementation of the rebalance strategy could create several potential negative outcomes and consequences. At the same time, policy makers must be aware that barriers to implementation will require sustained political will to overcome.

First, an effort that is too fast or too heavy handed could hamper U.S. Government operational efficiency. While the implementation of the civilian side of the rebalance may be lagging behind the military side, policy-makers should not rush haphazardly to make up the difference. Haste makes waste, and while there should be short-term indications that a shift is taking place, the rebalance is a long-term endeavor requiring deliberate and well-conceived implementation.

Second, policy makers should look closely at the proportion of resources devoted to Southeast Asia within the context of the rebalance. The distribution of personnel and resources should be determined by where they can have the most impact on developments of importance to the United States, not by the largest economies or most headline-grabbing issues. To that end, more attention should be paid to the countries of Southeast Asia, where U.S. influence has the potential to play a defining role in the economic development and geopolitical orientation of our emerging partners.

Third, Congress has an important role to play in avoiding negative outcomes that might result from too few resources devoted to the rebalance. Congress holds the power of the purse and, as the saying goes, it takes money to make money. Appropriators need to

recognize that increased U.S. engagement in the Asia-Pacific must go well beyond more warships and submarines; we will need significantly more diplomats, commercial officers, and technical experts in the region to allow U.S. businesses to take full advantage of the myriad economic opportunities.

Finally, the U.S. Government must ensure that the military and non-military aspects of the rebalance are coordinated and complementary. Each element of the rebalance policy should reinforce the other elements, building upon previous activity while laying a foundation for future engagement. As a regional strategy, the rebalance cuts across a spectrum of U.S. interests, requiring intensive coordination across the whole of government; it will not be enough for the left hand to simply know what the right hand is doing—they must work in synch.

Barriers will inevitably arise when putting a major policy initiative like the rebalance into practice, and variance in implementing the policy across its many dimensions is expected. While a de facto shift in civilian resources was already underway during the last several years of the George W. Bush administration, those efforts were modest in scope and do not justify the recent lack of movement in the civilian sphere. A few possible explanations are bureaucratic inertia, budgetary constraints, and resource development.

Large bureaucracies are not celebrated for their ability to change course quickly. In the case of the rebalance, government employees whose work focuses on other regions might feel their interests threatened by a proposed shift of resources to the Asia-Pacific. Such shifts must take place within the context of a broader global strategy, and the standard policymaking process is insufficient to bring about the movement in resources that the rebalance requires. More high-level directives tying budgets to strategy—such as the 2012 joint memo from the National Security Council and Office of Management and Budget advising departments to make Asia a priority in the FY2014 budget—may be necessary. Overcoming bureaucratic inertia will require substantial and sustained political will.

Greater coordination is also required among U.S. Government agencies to properly “rebalance the rebalance.” While some agencies are more involved in the region than others, either due to differing priorities or budget constraints, more effective inter-agency coordination would make for more effective use of the resources already deployed. Stove-piping, an anathema for information-sharing, and turf battles have long plagued large bureaucracies, and an undertaking as comprehensive as the rebalance will require overcoming old habits.

Budgetary constraints present another significant barrier to effective implementation of the rebalance. Yet helping U.S. businesses take advantage of the rapidly expanding economic opportunities in the Asia-Pacific region will require significant and sustained investments by our government; to eschew those investments for the sake of reducing the non-defense national security budget by a few percentage points is the essence of “penny-wise and pound-foolish.” Fortunately, the military drawdowns from Iraq

and Afghanistan make it possible to increase resources to the Asia-Pacific without damaging our operations and interests elsewhere.

Some of the civilian aspects of the rebalance will simply take time, regardless of the choices made by senior U.S. policy-makers. The hardware of civilian foreign policy, such as Embassies and USAID missions, can take several years to construct. The software of our efforts, including training in language and area skills, can take even longer to develop. The long lead times required to implement these initiatives underscore the need to get started as soon as possible. As Albert Einstein once pointed out, “nothing happens until something moves.”

Finally, political leaders in the United States, especially the President and Members of Congress, must do more to make the case to the American people that the Asia-Pacific region deserves greater investment of government resources, and that increased international engagement will benefit Americans from all walks of life and all across the country. Sustained engagement in the region will require buy-in from the American people, so political leaders must raise the visibility of the region’s importance and our government’s role there in promoting economic growth and safeguarding American interests. In January 2011, 47 percent of Americans reported that Asia was the most important area for the U.S., but that number had fallen to 35 percent by November 2013—back to late 2001 levels.¹² Americans need to be told just how and why, in the words of President Obama, “Asia will largely define whether the century ahead will be marked by conflict or cooperation, needless suffering or human progress.”¹³

¹² Pew Research Center, “America’s Place in the World 2013,” December 3, 2013, <http://www.people-press.org/files/legacy-pdf/12-3-13%20APW%20VI%20release.pdf>

¹³ The White House, “Remarks by President Obama to the Australian Parliament,” November 17, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>

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