

# ISA S Brief

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## **America Attempting to Find its Way in Asia: Moving Towards the Obama Doctrine**

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### **Abstract**

*International trade matters for development but the South Asian countries have done poorly. Their trade-to-GDP ratio is much lower than that of East Asia. One reason is that for more than four decades after achieving independence, South Asians continued to believe in the import-substitution strategy of growth. The East Asians, on the other hand, used the state to aggressively build their export industry. But there is one similarity between these two parts of the Asian continent: they have sought markets for their products in the world's developed economies.*

*This 'brief' argues that for South Asian businesses to increase their share in the global market place, they must figure out which destinations they should seek for their exports. Should they move from the crowded markets in the old world or work to cultivate customers in the more dynamic and more rapidly growing economies in Asia? The right answer to this question will depend to some extent on how Asia is shaped by the rivalry between America and China. In this context the speech by the American Secretary of State given on 25 July 2011 in Hong Kong provides some interesting clues about the evolving thinking in America concerning Asia.*

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## America's Search for an Asian Stance

America is trying hard to find its way in a world it no longer totally dominates. For two decades, from 1991 to 2011, it was the uncontested superpower, in command of the global economy and in possession of military might which made it possible to project its power in the world's four corners. The space it then occupied was created by the collapse of the Soviet Union on the heels of the collapse of European Communism. Now, two decades later, it is finding it hard to remain the unchallenged master of the world largely because of the damage that was done to its economy by the Great Recession of 2008-09. The recession turned out to be deeper than expected. It has also brought about a profound change in the structures of both the global economy and the economy of the United States (US).

The muddled way Washington handled the problem of dealing with its self-imposed debt ceiling further alerted the world to the relative decline in its power. America's domestic savings rates are less than one-half that of the average in East Asia and there is immense political pressure being exerted by the conservative elements in the US for Washington to reduce the size of the government. The result would be that the country would not be able to invest in its future. China and other East Asian nations have been aggressively improving their human and physical infrastructure. The quality of America's roads, railways and airports has not been keeping pace with those in East Asia. The most significant challenge it now faces is the economic rise of Asia.

Washington knows that it has to accommodate Asia and create a world order which would deal with the relative decline in its own economic power along with the rise of the economies of Asia, in particular those of the continent's two large economies -- China and India. However, it has not yet quite figured out how to manage this transition. When President Barack Obama visited Asia for the first time in his official capacity, he talked openly and frequently about a world that had two contending economies – that of his own country and China – and offered to create a multi-tiered global system. In it the world would be guided by a G2, America and China, with the G20 countries helping with the more detailed work that would be required to make the evolving system work. The rest of the world would constitute the last step on the ladder.<sup>2</sup>

President Obama's willingness to make space for China in the new world order did not go well with the more nationalistic elements in his own country. Many in the US continue to maintain that 'American exceptionalism' makes the country unique and also gives it a mission to export its social values to all parts of the world. As such it would be wrong to share its place in the world order with any other nation. As President Obama settled in his

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<sup>2</sup> For a discussion of the significance of the first visit by President Barack Obama to Asia in November 2009, see Shahid Javed Burki, 'President Barack Obama in Asia – Searching for the basis for a partnership', ISAS Working Paper No. 102, 7 December 2009.

office, he also seemed to change his mind about a quasi-G2 arrangement. In November 2010, he went on his second visit to Asia, this time stopping in India where he famously declared that India was not a rising economic power but had already risen. He also indicated US' support for the Indian effort to get a permanent seat in the United Nations Security Council. He seemed to have opted for the line taken by George W. Bush, his predecessor in the White House. Under Bush, the US embarked on a profound policy change aimed at bringing New Delhi closer to Washington – a kind of containment effort directed at China.

Since then America's relations with India have warmed even more while there has been a cooling-off with Beijing. Added to this state of flux in America's attempts to find a new basis of working with Asia is the rapid deterioration of relations between Islamabad and Washington. This then is the context in which we should look at the important speech given by Hillary Clinton in Hong Kong on 25 July 2011. This was the last stop in her five-nation visit to the several spots of vital interest to her country. The speech, as discussed below, touched upon a number of ways in which the US looks at Asia's rise. It also spelt out what could be called the Obama Asian doctrine.

### **US Recognition of Asia's Rise**

Mrs Clinton had no problem recognising that Asia's rise was ushering in a new global economy. 'The economic rise of the Asia-Pacific region is an astonishing historic achievement that is reshaping our world today and into the future...the numbers tell a powerful story...Never in history have so many climbed so far, so fast,' she told her Hong Kong audience. Asia's remarkable performance was good for America, she emphasised. America has been steadily building its ties with Asian countries to contribute to Asia's growth as a major trade and investment partner, a source of innovation that benefits Asia's companies, a host to 350,000 Asian students every year, a champion of open markets, an advocate of universal human rights, and a guarantor of stability and security across the Asia-Pacific.

But Washington's approach to Asia would be comprehensive, not focused on one or two countries. In that respect she was walking away from the line taken by her president, Barack Obama, during his first visit to the continent. In the revised American strategy, the approach to Asia would not be focused on China, admittedly the continent's largest economy and also its most dynamic. It will involve all major and minor countries in the area. According to her, 'the Obama administration has made a comprehensive commitment to reinvigorate our engagement as a Pacific power shoring up alliances and friendships, strengthening multilateral institutions'.

The Secretary of State also strongly indicated that those who in the area were suggesting that Asia now had the strength to go alone without continuing its dependence on the US were

making a mistake. They were misreading the dynamics of the change that was underway in the global economy. She promised that America will remain fully involved in the region. The country had strong interests in the area. American exports to the western Pacific Rim were US\$320 billion in 2010, supporting 850,000 jobs in the country. ‘America’s future is linked to the Asian region. And the reverse is also true as well because the future of Asia-Pacific is linked to America’s. We are a resident power in Asia – not only as a diplomatic and military power, but a resident economic power. And we are here to stay,’ she said.

## **Policy Content of Relations among Nations**

Having laid out the groundwork for relations between America and the Asian continent, she spent a fair amount of her time in detailing what she considered to be the main policies all countries needed to pursue if they wanted to benefit from the global system: ‘Last March in APEC (Asia Pacific Economic Cooperation) meetings in Washington, I laid out four attributes that I believe characterise healthy economic competition. And these are very simple concepts, easy to say, hard to do: open, free, transparent, and fair...Fair means sustained faith in the system. That faith is difficult to sustain when countries are forced to trade away their intellectual property just to enter and expand in foreign markets, or when vital supply chains are blocked.’ Lest there was any doubt as to the direction in which her finger was pointing, she said: ‘And a number of nations, wealthy in the aggregate but poor in per capita, might even think that rules don’t apply to them.’

Mrs Clinton then went on to extol the virtues of rule-enforced multilateral trade: ‘Enough of the world’s commerce takes place with developing nations that leaving them out of the rule-based system would render the system unworkable.’<sup>3</sup> She did not, however, mention that one reason the discussions in the Doha round of multilateral trade negotiations got stalled was the reluctance of the US, Japan and Europe to give up the subsidies they provided to their farmers to stay in the business of agriculture. These subsidies were against the rules of trade which laid the foundation on which the World Trade Organization was structured in 1995.

## **The Obama Doctrine**

Mrs Clinton’s Hong Kong address presented a kind of Monroe Doctrine for Asia – perhaps, some day, it will come to be called the Obama doctrine. President Monroe had declared Latin America to be the exclusive area of influence for the US, warning off from the area other rich countries that may have had designs of their own. The Clinton Hong Kong speech was not excluding other countries from playing a role on the Asian stage. It argued for inclusion

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<sup>3</sup> The quotations from Mrs Hillary Clinton’s speech are from ‘Remarks on Principles in Asia Pacific’, U.S. Department of State, <http://www.state.gov/secretary/rm/2011/07/1690012.htm>.

rather than exclusion. It cautioned China not to pursue interests in the region in her immediate neighbourhood by attempting to exclude the US.

The meaning for the area's smaller countries such as Pakistan, Bangladesh and Sri Lanka was clear. They should not attempt to use China to counteract the US' ambitions in the area. There was such an attempt, for instance, by Islamabad in response to the tightening of the screw by Washington. The US had hardened its position with respect to Pakistan since the former believed that the latter was not being helpful in counteracting terrorism that posed a serious threat to all countries not only in the Asian region but for every state around the world. The Americans believed that Islamabad needed to accept the rules that were binding for all members of the international community.

Under the Obama doctrine all the major Asia-Pacific powers will be required to pursue their common interests in a framework in which rules hold sway. These rules asked for cooperation among all the parties interested in being part of Asia's rise.

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