

Why America No Longer Gets Asia

In the fall of 2006, as Deputy Assistant Secretary of State for Central Asia, I wandered through a bazaar in Kara-suu on the Kyrgyz–Uzbek border. The bazaar is one of Central Asia’s largest and a crossroads for traders from across the volatile Ferghana Valley—Kyrgyz, Uzbeks, Tajiks, and many others. But most remarkably, it has become home to nearly a thousand Chinese traders from Fujian, a coastal province some 3,000 miles away, lapped by the waters of the Taiwan Strait.

For a thousand years, this was pretty much the natural order of things. Asia was deeply interconnected. Goods, capital, technologies, ideas, and religions, including Buddhism and Islam, moved across Silk Road caravan routes and over well-trafficked Asian sea lanes. But between the 17th and 19th centuries, Asia fragmented. Maritime trade swamped continental trade. “The caravel killed the caravan” as it became less expensive to ship goods by sea. China weakened. Tsarist armies arrived in Central Asia. And many of India’s traditional roles in Asia were subsumed within the British empire.

Today, after a 300-year hiatus, Asia is being reconnected at last. Chinese traders are again hawking their wares in Kyrgyz bazaars. Straits bankers are financing deals in India, with Singapore having become the second-largest source of India’s incoming foreign direct investment over the last decade (behind only Mauritius, which retains first place because of tax avoidance incentives). China lies at the core of industrial supply and production chains that stretch across Southeast Asia. And Chinese workers are building ports and infrastructure

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from Bangladesh to Pakistan to Sri Lanka. The governments of Turkmenistan and Uzbekistan have sold electricity southward, reconnecting their power grids to Afghanistan, while Kyrgyzstan and Tajikistan have signed an intergovernmental memorandum to sell electricity to Afghanistan and Pakistan. Chinese, Japanese, and Korean money is flowing across Asia.

The United States is badly prepared for Asia's momentous rebirth.

In short, Asia is being reborn, and remade. Yet, the United States is badly prepared for this momentous rebirth, which is at once stitching Asia back together and making the United States less relevant in each of Asia's constituent parts. Asians are, in various ways, passing America by, restoring ancient ties and repairing long-broken strategic and economic links.

The United States will not cease to be a power in Asia, particularly in East Asia where Washington remains an essential strategic balancer, vital to stability. That security-related role has been reinforced in recent months, as China's behavior has scared its neighbors silly, from Japan to Vietnam to India. But unless U.S. policymakers adapt to the contours of a more integrated Asia, and soon, they will miss opportunities in *every* part of the region over time—and find the United States less relevant to Asia's future.

Dazed and Confused

For Washington, the problem is at once intellectual, strategic, and bureaucratic. Intellectually, the United States still has three separate foreign policies in Asia—one for East Asia, another for South Asia, and a third for Central Asia (which it scarcely regards as a part of Asia at all). As Asia reintegrates, then, the United States is too often stuck in an outdated mode of thinking.

On his much-hyped first trip to Asia in November 2009, for example, President Obama omitted any mention of India from his major speech on U.S. foreign policy in the region¹—an oversight his administration was subsequently forced to correct by mentioning India no less than four times in a follow-up speech by Secretary of State Hillary Rodham Clinton.² The United States has a Caspian energy coordinator who has yet to visit Beijing, even though China has become the boldest player in Central Asian oil and gas markets. Japan is a major donor of development assistance in every region of Asia, yet U.S.–Japan coordination remains inconsistent and often insubstantial. And even as Washington joins institutions such as the East Asia Summit (EAS), it has said little, and done less, about the moratorium on new members in groups it has long favored, such as the Asia–Pacific Economic Cooperation (APEC) forum. Such a

moratorium badly serves U.S. interests by excluding India, an Asian giant—soon to be a top-five global economy—that is increasingly integrated with East Asia.

Strategically, traditional U.S. roles and habits are being altered compared to, say, 10 years ago. Indeed, the Asia that is likely to emerge 10 years from now will be very different from that with which Americans have grown comfortable. Gradually, but

inexorably, the region is becoming more *Asian* than “Asia-Pacific,” especially in its economic and financial arrangements; more *continental* than subcontinental, as East and South Asia become more closely intertwined; and, in its continental west, more *Central Asian* than *Eurasian*, as China develops its western regions and five former Soviet countries rediscover their Asian roots.

In concrete terms, this means that old U.S. roles are being challenged by new forces. In East Asia, for example, preferential trade agreements, regionally-based regulations and standards, and institutions created without U.S. involvement—most notably, the Association of Southeast Asian Nations (ASEAN) Plus Three³ and a related China–Japan–South Korea mechanism—hold the potential to marginalize the United States in time.⁴ In Central Asia, Washington has, for nearly two decades, promoted pipeline diversification away from Russia and toward the West across the Caspian Sea, only to have the new oil and gas pipelines run eastward to China. And in South Asia, the United States has developed a strategic relationship with India while fading elsewhere as China assumes a larger role.

Sri Lanka offers a good example: although the United States is still a major trading partner, China is emerging as Colombo’s partner of choice for large-scale capital investment. And China isn’t the only East Asian power expanding its economic links with South Asia. While the Korea–U.S. Free Trade Agreement (KORUS) sat moribund in Washington for nearly two years until December 2010, Seoul and New Delhi ratified their own agreement in goods, services, and investment. And India and Japan signed a Comprehensive Economic Partnership Agreement in February 2011, even as negotiations for a proposed U.S.–India Bilateral Investment Treaty continue to go nowhere.

Bureaucratically, U.S. institutions, policies, and programs are badly skewed. The United States just isn’t organized for success in the new Asia. The United States formulates and implements its Asia policy through a baffling mishmash of misaligned agencies and military commands. Thus, Pacific Command (PACOM) based in Hawaii handles East Asia and half of South Asia, while Central Command (CENTCOM) based in Florida oversees the *other* half of South Asia

Intellectually, the United States still has three separate foreign policies in Asia.

and Central Asia. Responsibility for Central Asia is lumped with Russia and Ukraine at the National Security Council, with India at the State Department, and with India, China, and Japan at the Pentagon. In fact, the United States didn't even treat India as an Asian country until as recently as the 1990s, managing relations with New Delhi through a westward-looking bureau with principal responsibility for the Middle East.

Asia Reborn

It wasn't always this way. The first Americans to arrive in Asia—merchants and mariners—worked from business models that encompassed *both* sides of the Malacca Strait, the main shipping link between the Pacific and Indian oceans. Americans used to look at Asia more holistically. As historian Stewart Gordon has put it, Asia had been a “great medieval world.” Its royal courts “shared similar customs, forms of address, and codes of honor.” Strategically, economically, and culturally, Asia was “an astonishing, connected, and creative place.”⁵

One need only look at India, an Asian power by virtue of geography, history, and culture, that is only now reestablishing ancient economic and strategic ties.⁶ Indian influence once stretched across Southeast Asia. The kings who built Angkor in Cambodia were Hindu. “Indonesia” and “Indochina” both bear traces of India's name. India was the great maritime fulcrum of Asia,⁷ sitting in a strategic position astride commercially valuable sea lanes that connect East Asia to the Persian Gulf and the Arab world beyond.⁸

But Asia began to fragment even before the clipper ships arrived in Calcutta and Canton from Salem and San Francisco.⁹ For example, Britain's arrival in the subcontinent altered traditional patterns of trade. Indian merchant seamen continued to ply a vital trade in Asian waters, but many aspects of India's economy were subsumed within a colonial structure. And in the modern era, India's strategic and economic role in East Asia utterly evaporated by the 1960s, as the Cold War pulled Southeast Asia toward the United States and East Asian economies grew through a model of export-led growth that India rejected.

India likewise disappeared from Central Asia—so much so that it is hard to recall that this is where India's great Mughal empire began. The Mughal emperor Babur was born in present-day Uzbekistan. He was a Timurid prince, spoke in Chagatai—a Turkic language—conquered Samarkand, and then worked his way southward through Afghanistan and into the subcontinent, consolidating military and economic control of continental trade routes leading to and from India.¹⁰ Yet there are few active traces of serious Indian strategic influence anywhere in Central Asia today.

China, too, lost ancient strategic and economic linkages. It receded from Asia's maritime space, even though Chinese merchants retained their central role in littoral Southeast Asia. Meanwhile, the arrival of the Tsar's armies in the 19th century dramatically altered the scope of China's continental influence. China had been a great continental empire. The Qing imperium conquered numerous Central Asian borderlands in the 18th and 19th centuries, and the People's Republic of China inherited that Qing legacy, not least through Beijing's control of Xinjiang, which shares borders with three contemporary Central Asian states.¹¹ But by the 1930s, traditional east–west trade routes had largely collapsed as commerce became difficult across a sensitive international border.

For their part, Central Asians found themselves economically marginalized in Asia—tucked inside the Soviet Union and cut off from natural (and longstanding) economic communities stretching to China in the east, the subcontinent in the south, and Iran to the southwest. Moscow reoriented their landlocked economies and infrastructure from the east and south to the north and west. Over time, important economic choices were simply made in Moscow, often by administrative fiat.

History Repeats

But history is now coming full circle. Policies and interests are changing across Asia. And while India is looking eastward, and Asia's various subregions are being gradually reconnected, China's economy is perhaps the decisive integrative force, lying at the core of East Asian supply and production chains. China has reemerged, too, on its old continental periphery, playing a crucial new role as a source of trade, investment, and finance in both Central¹² and South Asia.

A decade ago, this picture was dramatically different. To the west, Russia continued to dominate its former colonies: in 2000, just 3.9 percent of Central Asia's trade was with China, a stark contrast to the 26.7 percent of total trade the region conducted with Russia. By 2008, China's share of Central Asian trade had quadrupled to 15.8 percent while Russia's had shrunk by about a quarter to 20.4 percent. And dollar figures show this role reversal even more starkly: China–Central Asia trade was a paltry \$1.8 billion in 2000, but grew by a staggering 17 times to \$30.8 billion in 2008.¹³ China is providing billions in loans—\$10 billion for Kazakhstan,¹⁴ \$4 billion for Turkmenistan,¹⁵ more than \$603 million for Tajikistan,¹⁶ and a \$10 billion loan facility to members of the Shanghai Cooperation Organization through China's Exim Bank and other development banks.¹⁷ And China is building much of Central Asia's new infrastructure, including roads, power stations, tunnels, and railways.

But China has reappeared in other ways as well. Kazakhstan's firms have become famous in recent years for launching initial public offerings on the London exchange. But, says Grigori Marchenko, an architect of Kazakhstan's economic success in the 1990s and now head of the country's central bank, the next wave could just as easily be in Hong Kong. As important, Kazakhstan's economic elite increasingly looks to Beijing (and others in Asia) because "that's where the money is."

"Over-relying on London was a mistake," Marchenko has said. "Increasingly, the money is shifting eastward," adding that Kazakhstan is considering further major infrastructure projects, with Chinese support. "If there are projects, there is definitely money in China which could be invested in Kazakhstan," he says. "If they eventually start building a high-speed rail link from Beijing to Europe, and if they build it using their money and our territory, well why not?"¹⁸ For Central Asia, a landlocked region, an essential question has been how to tap and ride others' economic growth stories. And Asia's growth story is a phenomenon that, until recently, had left Central Asia largely untouched.

The same is true in South Asia, where Beijing's new roles take many forms, even in India. For all their strategic rivalry, China has become India's largest trading partner in goods, with India–China trade rising from just \$2.9 billion in 2000 to \$43.4 billion in 2008.¹⁹ Chinese Premier Wen Jiabao brought a business delegation 300 strong to New Delhi in December 2010, inking 50 agreements and \$16 billion in deals.²⁰ And China is making major infrastructure investments across South Asia, from ports in Sri Lanka and Pakistan to bridges and highways in Bangladesh.

China isn't alone. Others in East Asia are contributing to this accelerating integration too. South Korea offers a good example: Daewoo produces seven of 10 cars driven in Tashkent, the Uzbek capital. Korea–Central Asia bilateral trade rose 350 percent between 2000 and 2008, from \$511 million to \$2.3 billion.²¹ And a coalition of Korean and Chinese (and United Arab Emirates) companies, working jointly, beat out U.S. and European multinationals in 2009 to win \$9.7 billion worth of services contracts to develop Turkmenistan's largest natural gas deposit, one of the biggest fields in the world.

Similarly in South Asia, Japanese and Korean trade with India have risen sharply from 2000 to 2008—more than doubling in Japan's case and increasing 11 times in South Korea's. Brands from both countries dominate nearly every consumer sector in India, from passenger cars to electronics. A Japanese subsidiary, Maruti Suzuki, commands about half of India's booming car market, while a Korean subsidiary, Hyundai India, was only recently dislodged from the number two slot by a domestic producer, Tata Motors. Korean brands dominate every consumer electronics sector in India, from liquid crystal televisions (63 percent Korean market share) to microwave ovens (48 percent Korean market

share).²² Meanwhile, Japanese official development assistance is building the Delhi metro, renovating ports, building industrial parks, and connecting major industrial centers, including through a loan of \$2.3 billion to the Delhi metro in 2008.

Indeed, East Asian largesse in India parallels an India that is *itself* seeking to reintegrate with East Asia. The economic dimension of Indian involvement in Asia has changed, but slowly. India still constitutes just 2.9 percent of ASEAN's total trade to China's 12.9 percent—and the skew is even more dramatic when one considers ASEAN imports, which are just 2.2 percent from India to 15.1 percent from China. But while India and ASEAN have some distance yet to travel, trade agreements with Southeast Asia and South Korea signal growing Indian economic engagement. Taken together with China, the two emerging Asian giants will likely dominate trade with Southeast Asia, much as they did in history.

Meanwhile, despite a significant mismatch between its lofty strategic goals and more earthbound economic realities, India's strategic connections to East Asia *are* being restored.²³ Involvement in regional political institutions, such as the East Asia Summit and ASEAN Regional Forum, demonstrate India's deepening strategic engagement. So too do its growing defense ties with Japan, Australia, Singapore, and Vietnam—four countries wary of China that maintain close, or deepening, security ties to the United States. This is happening, in large part, because India is widely viewed as a potential—if still modest—counterbalance to Chinese power. Diplomacy and politics remain central drivers, for example, in the invitation to India to become a more active player in East Asian regional groups.

Take Heed, America

Why should any of this matter to the United States? So what if China is building gas pipelines to Turkmenistan, or Japan is investing in Indian infrastructure, or Chinese demand now powers the economic growth of America's closest Asian allies, including South Korea and Australia? This more integrated Asia *should* matter to the United States for at least five reasons.

Common Ground with China?

At a time of growing tension, the United States and China should have some unexpected common ground, not least in Central Asia. Indeed, the opening of Central Asian oil and gas pipelines into China says something important about Chinese foreign policy because Washington and Beijing have had such trouble turning common interests into complementary policies around the world. The fact is, the United States and China don't need *joint* approaches to pursue strategic cooperation, just mutually beneficial ones. And in Central Asia, where

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Russia has had a near-hammerlock on the region's oil and gas, China's new assertiveness comes primarily at Russia's expense. In the short-term, U.S. interests are far more closely aligned in Central Asia with Chinese objectives than with Russian objectives.

Why? The principal strategic problem in Central Asia is geography. World Bank research shows that landlocked economies can face a growth deficit as high as 1.5

percentage points because transaction and other costs are so high.²⁴ So anything that reconnects this volatile region to the world—and reduces its dependence on a single point of transit—is to Central Asian economic advantage. And it is to U.S. strategic advantage, since it provides more choices and, thus, bolsters Central Asian sovereignty and independence, which has been the principal U.S. goal since the collapse of the Soviet Union in 1991.

Beijing's primary objective in Central Asia is to advance its influence at the expense of Russia and the United States—first, to stabilize China's sensitive western border, and second, to satisfy energy and related economic goals in a region long dominated by Moscow. But China is leveraging commercial and economic tools that will strengthen Central Asian independence by reducing the region's dependence on a single market, single consumer, single set of infrastructure links, and thus a single point of transit through Russia. This is precisely what Washington has sought to achieve in Central Asia for 20 years. Put simply, then, at least some of what China is doing is consistent with the core U.S. objective of strengthening Central Asian sovereignty. And China is creating new infrastructure that complements the recent U.S. emphasis on restoring continental trade links.

Over the longer term, U.S. and Chinese interests could certainly diverge. Two elements of China's new role in Central Asia, in particular, bear watching. First, Beijing is eroding the influence of nearly every other lender in the region, and especially the international financial institutions. The conditions on Chinese loans include "buy China" and "employ Chinese" provisions, but this is a far cry from World Bank-style conditionality, which tends to focus on macro- and microeconomic fundamentals.²⁵ And why would a Central Asian government look to the World Bank or to the International Monetary Fund for cash when the cash is so readily available in Beijing, but without the strings? Second, China's lending and commercial practices are eroding the reform message the United States has promoted in Central Asia since 1991.²⁶

India as Asian Partner

A more “Asian” India could buttress U.S. strategic objectives in East Asia. Indeed, while it is important not to overstate India’s reemergence, Indian foreign policy in East Asia is moving in directions that could enhance its profile and lead to strengthened cooperation with the United States.

In fact, East Asians themselves increasingly view India as a buttress to the region’s balance of power. Japan, for example, issued a Joint Declaration on Security Cooperation with New Delhi during Prime Minister Yukio Hatoyama’s December 2009 visit to India. Their action plan includes annual bilateral naval exercises, naval and ground staff talks, and consultations on transportation security.²⁷

But this deepening defense coordination is reflective of a wider set of shared strategic concerns. In an October 2010 joint statement,²⁸ prime ministers Naoto Kan and Manmohan Singh deployed more evocative language—a “fundamental identity of values, interests, and priorities between Japan and India”—and stressed, for example, “freedom of navigation” at a time when China has preferred to stress sovereign rights and claims²⁹ rather than such international rights and customs.³⁰

The United States, too, should recognize a common interest with India in assuring a mutually favorable balance of power in Asia. They have a shared stake in the regional commons, especially maritime security.³¹ India provided tsunami relief in 2004 through an ad hoc naval partnership with the United States and two of Washington’s closest military allies, Australia and Japan.³² India’s military conducts exercises with every U.S. armed service. And India has conducted exercises trilaterally with the United States and Japan, despite Chinese protests.

For a country that has so cherished its nonalignment, this sort of public association with the United States shatters long-standing reflexes in Indian diplomacy. India is in the midst of a great debate about its foreign policy: Do its interests align with the G-20 or the G-77? How closely should it align with the United States? And how should it leverage its increased weight in the international financial institutions? Indeed, India is still developing the doctrines and capacity to sustain an enhanced presence in East Asia, much less a global reach. Still, much of what India is saying and doing is unprecedented in its diplomacy. And nowhere are the possibilities to enhance coordination more pronounced than in East Asia.

But despite recent successes in boosting bilateral dialogue on the region,³³ India and the United States have had fewer tangible successes in coordinating

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approaches. Greater U.S. attentiveness to India's role in East Asia could further U.S. interests, especially as Asians themselves are reaching out to India, and as its role is growing in Southeast Asia in particular.

After all, if continental Asia has been an arena for U.S.–India disagreement, even rancor, particularly over U.S. policies in Afghanistan and Pakistan,³⁴ maritime Asia offers natural affinities of interest—and the opportunity to turn common interests into complementary policies. And at a moment when India's own foreign policy has burst the confining boundaries of its South Asian strategic geography, policy initiatives across a series of baskets—including energy, seaborne trade, finance, the global commons, and regional architecture—could boost U.S.–India coordination. For instance, now that the United States has decided to join EAS, where India is already a member, the very least the two can do together is to try to build in real capabilities, thus assuring that the Summit will become more than just another leaders' group-grope.³⁵

The Danger of Strategic Triangles

China's growing role in South Asia could create tensions between the United States and India. Bluntly put, the Indian government, media, and public are deeply ambivalent about the rise of Chinese power, and especially about the expansion of Chinese influence in South Asia. Whether or not these Indian threat assessments are accurate, they *will* bleed into U.S.–India relations because many in New Delhi will look to the United States for support, but fear the United States could yet tilt away from India—for example, by working to address global issues bilaterally with China, sidelining New Delhi and working against Indian interests.

China's weight has grown over the past five years to the degree that many in India continue to fear a U.S.–China condominium on issues of direct importance to India. This fear has grown much less pronounced as U.S.–China relations have become more fraught since mid-2010. But India remains sensitive about an enhanced role for China not only in Afghanistan and Pakistan but also in the Indian Ocean and elsewhere on India's periphery, such as Nepal. Beijing is not viewed in New Delhi as an honest broker, principally because of China's intimate relations with Pakistan, but also because of suspicion of its maritime ambitions in the Indian Ocean and claims on Indian-held territory. And this is one reason so many Indians reacted badly to the November 2009 joint statement issued by presidents Obama and Hu, which mentioned mutual support for improved India–Pakistan relations.³⁶ Indians immediately argued that Washington was enabling a most unwelcome Chinese role.

Growing references by the United States to India as an “Asian” power³⁷ have helped to mitigate this fear.³⁸ Yet, the Obama administration will continue to

contend with questions about the kind of role the United States envisions for China in South Asia as Beijing's presence there steadily grows. Skeptical Indian voices have asked, for example, whether Washington would help India in relieving Chinese pressure if tensions again increase along the Sino-Indian border.

The fact is, New Delhi views China's role in South Asia with far greater alarm than does Washington. And this is unlikely to change anytime soon, as the United States will seek to avoid getting caught between New Delhi and Beijing.

Ante Up or Be Left Out

Without more vigorous U.S. trade and investment policy, economic and financial integration in East Asia could marginalize the United States in time. The United States remains the dominant player in East Asia and provides its most crucial security-related public goods. Yet, the dominant pattern emerging in Asia today is this: Asian countries are deepening

defense and political coordination with the United States (and each other) as a hedge against Beijing's growing strategic weight; but even against that backdrop, slack global demand means that China increasingly powers the growth of nearly every major economy in Asia.

Just take South Korea. Domestic demand, combined with strong Chinese, Indian, and other emerging market demand for Korean products, has insulated South Korea's economy somewhat from slowdowns in the United States and Europe. But Seoul is clearly worried about its export sector, fearing weakening demand from China where growth is moderating. Many in Seoul also fear continued weakness in the United States and Europe. Yet, South Korean growth looks increasingly sustainable, with IMF expectations for 2011 at 4.5 percent.³⁹ Similarly, Australians have fought and died alongside Americans in every battle since Le Hamel in 1918, and the two retain a close defense and intelligence relationship. But as an exporter of commodities, from coal to bauxite, Canberra has little alternative but to strengthen economic relations with Beijing.

China is thus fast becoming the central player in a new economic regionalism. One vehicle is the preferential free trade agreement (FTA): Since acceding to the World Trade Organization (WTO) in 2001, China has signed agreements with neighbors from Southeast Asia to Pakistan. And from 2000 to 2009, China's share of ASEAN's total trade increased threefold, surpassing that of the United States whose share declined by a third in the same period. A second vehicle involves technical standards. In some areas of information and

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communications technology, China has not only adopted its own standards but aims to have these adopted internationally. For example, Beijing mandated in 2008 that its dominant cellular phone giant, China Mobile, take on an indigenous 3G mobile phone standard called TD-SCDMA.⁴⁰ But this bid failed to take hold because China's two smaller telecom companies elected instead to adopt internationally accepted 3G standards. China then sought to compete in this rapidly growing market with an indigenously developed 4G mobile phone standard, TD-LTE.

**ASEAN Plus Three
is unlikely to
embrace the United
States.**

When the dust clears from the current financial crisis, the character of capital flows, production chains, and trade patterns in Asia may have been significantly changed. In East Asia, a new economic regionalism may emerge, with ASEAN Plus Three at its core. The group is unlikely to embrace the United States, but very likely to pursue an economic agenda that challenges traditional U.S. approaches and certainly disadvantages U.S. firms.⁴¹

If, for example, Japanese and Korean firms enjoy tariff-free treatment of the manufactures they sell in China while U.S. firms face the current average most-favored nation rate of nine percent, U.S. firms will lose substantial sales in an import market worth well over \$1 trillion. And they will lose substantial sales in Korea and Japan, too, as ASEAN Plus Three moves toward further tariff reduction.

Trade has both economic and political implications: it is increasingly controversial in the United States as protectionist sentiment broadens and the country wrestles with a mostly jobless recovery. But in the 20th century, from the Open Door to the Cold War, commercial engagement was a central pillar of U.S. leadership in Asia. America's economic role in Asia, particularly during the Cold War, was underpinned by three pillars: sustained commitment to openness at home, deep faith in U.S. competitiveness abroad, and strong U.S. leadership on international trade agreements and regimes. Yet, all three pillars are now under fierce attack in the United States. Meanwhile, other countries are not standing still. Asians are, in various ways, creeping their way toward a nascent pan-Asian trade and financial architecture. Thus, regionalism is quickly becoming one layer of the emerging multilayered international system.

The United States needs to take these intra-Asian trade liberalization efforts more seriously—and reinvigorate its *own* policy, not least by building on KORUS. One challenge is to ensure that Asia's regionalism is consistent with global norms and practices, including for instance those of the WTO. But another, quite immediate challenge is to get more U.S. skin into the game, and

fast. Ideally, the United States would push to conclude the Doha round of global talks so that multilateral liberalization can erase such intraregional trade preferences. But the United States could consider a mix of other trade-related tools as well, from bilateral investment treaties, to sectoral agreements, to an expansion of the Trans-Pacific Partnership—the potentially important, if still modest, effort among some APEC members to move beyond consensus by taking concrete steps toward WTO-compatible free trade expansion. Otherwise, U.S. economic (and ultimately, strategic) losses will mount.⁴²

A More Sustainable U.S. Presence

By helping Central Asia renew links with other Asian economies, the United States could carve out a more sustainable role for itself in the region. This will be especially important over the next three to five years, as perceptions of U.S. “staying power” in central Eurasia will slide in tandem with waning U.S. military involvement in Afghanistan.

Perceptions of U.S. “staying power” in central Eurasia will slide.

U.S. policy in Central Asia has been consistent for 20 years, but it has produced limited results and serial failures. Central Asian states *have* retained their independence, but trade and commercial ties to the United States have been thin. U.S. democracy promotion efforts have failed utterly, as the region has, if anything, become more authoritarian. And there is no trans-Caspian oil or gas pipeline, despite nearly two decades of U.S. effort.

President Obama is repeating some of his predecessors’ mistakes while, in some ways, reducing the region to a supply and logistics hub for the war in Afghanistan. The administration lacks a regional approach, in effect “bilateralizing” its policy by establishing five separate government-to-government dialogues. It has lumped responsibility for Central Asia back with Russia, Ukraine, and Belarus at the National Security Council (after the Bush administration linked it to Afghanistan and South Asia). Perhaps most significant, generals David Petraeus and James Mattis—two successive CENTCOM commanders—have become the face of the United States in Central Asia, in effect militarizing U.S. policy even as China assumes an increasingly decisive economic role.

A more dynamic role for the United States would involve supporting the region’s reintegration with Asia and, in turn, connecting that effort to multinational initiatives aimed at tying Central Asia to reinvigorated continental trade links.⁴³ Washington will never be able to compete with Russia’s or China’s diplomatic and financial resources in Central Asia: for

instance, the existing—and extensive—network of pipelines, power lines, railroads, and highways to Russia and other former Soviet countries will remain. But as Central Asians seek to link themselves to the world's fastest-growing economies to their east and south, the United States *can* be a convenor, a strategic investor, and a provider of technology, skills, and operational expertise through public–private partnerships.

This would mean working with other market economies, not least Japan and South Korea. It argues for coordinating certain policies with China, where feasible, both on hydrocarbons and trade. And it would require the United States to support regional integration projects to Afghanistan and South Asia, first in the international financial institutions, and second by promoting more vigorous private-sector investment.

By doing so, the United States could build on certain efforts and experiences of recent years. In 2006, for example, Washington expanded sporadic Central Asia-related consultations with the foreign ministry in Tokyo, regularizing them but also integrating discussions of foreign policy with foreign aid, project finance, and trade. The United States broadened participation to include agencies and specialists in these areas from both sides, including the Japan Bank for International Cooperation (JBIC) and Japan International Cooperation Agency (JICA). Similarly, the United States inaugurated a new dialogue with Seoul that included discussion with the Korean International Cooperation Agency (KOICA) and sought to range beyond the foreign ministry. These efforts have largely atrophied.

So, too, has another U.S. effort, stymied mostly by European resistance. In 2007, working with the Asian Development Bank (ADB), the United States sought to lend impetus to the ADB's Central Asian Regional Economic Cooperation, or "CAREC," program⁴⁴ by creating an expanded forum with the world's three major market economies to be called "CAREC Plus Three." The U.S. aim was to give market approaches a new push in Central Asia, and Japan embraced the idea. But the European Union rejected it, despite support at the European Council, because staff at the European Commission viewed efforts to promote connections to Asia as coming at European expense.

The United States could renew such efforts, while also challenging China to support certain common objectives. There are, for instance, just two WTO members in Central Asia—Kyrgyzstan and China. And while Beijing *could* be promoting WTO-compatible regulations and standards, there are few signs that it is doing so. Yet, China's leverage to do so will only increase as its profile in the region expands.

Finally, the United States could renew efforts to link the region with economic opportunities to the south.⁴⁵ Connecting Central Asia to the Afghan war effort via the "Northern Distribution Network" makes a central contribution

to this goal.⁴⁶ But ultimately, gains from trade will need to outweigh security and other political risks. And commercial players, not just the U.S. government, will need to step up in a bigger way. The United States could certainly help to build additional infrastructure: in 2008, Washington inaugurated a U.S.-built bridge relinking Tajikistan to Afghanistan. It could expand support for electricity and road connections: in 2006, the United States worked with the World Bank⁴⁷ to encourage Kyrgyzstan, Tajikistan, Afghanistan, and Pakistan to sign a memorandum of understanding for a model project to trade 1,000 megawatts of electricity. And it could seek more comprehensive ways to enlist the private sector.

There are serious obstacles to this last form of cooperation. Easy transit between India and Pakistan will eventually be needed. Iran's ties with Central Asia are growing—for instance through a new gas pipeline from Turkmenistan. Thus, a transformed Iran would be a wholesale game-changer, but the United States currently lacks this option because of Iran's nuclear activities as well as its foreign and domestic orientation. Someday, under a much changed set of circumstances in Iran, the United States could work with a reforming Tehran to significantly expand Central Asia's opportunities to the south. Yet in the meantime, even as the United States pursues a multidimensional policy including old pillars such as support for human rights, it can play a new and useful role by helping Central Asians to leverage some new economic opportunities.

The United States in the New Asia

The bottom line is that Asia is reintegrating, but the United States simply isn't adapting quickly enough. The irony is that the Obama administration came to office promising to rethink America's traditional strategic geography. Or as the president's then-national security adviser, General James Jones, put it to the *Washington Post* in February 2009, "We are going to reflect in the National Security Council all the regions of the world along some map line we can all agree on."⁴⁸ To a great extent, this hasn't happened, at least not in Asia, and the United States will miss opportunities as a result.

To adapt, U.S. decisionmakers do not need to reorganize the entire U.S. government. It would be enough to increase the scope and intensity of activities across the artificial dividing lines that have been constructed within Asia. The United States could stand to coordinate a bit more with Beijing, Seoul, and

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Tokyo, and not just on East Asian issues. It could factor India even more explicitly into its East Asia policy. It could send its CENTCOM commander to the Pacific and its PACOM commander to Central Asia every once in a while. It could support efforts to foster trade and work through public-private partnerships to build infrastructure.

It is essential to adapt U.S. policy to the contours of change in Asia if the United States wishes to remain vital and relevant there. Within a generation, the United States could find its firms at a competitive disadvantage in a part of the world that will constitute as much as half of the global economy. It could miss opportunities to work in new ways with China, India, Japan, and South Korea. It could find itself marginalized from Central Asia entirely. It could be a bystander to the economic and strategic dynamics that are quickly reshaping the region. Without a new map of Asia that reflects the ways in which Asians *themselves* are remaking their continent, U.S. relevance—and influence—will wane in coming decades.

Notes

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