



**ENOUGH TO GO AROUND?  
MONEY MATTERS COMPLICATE  
U.S. STRATEGIC REBALANCE TO ASIA-PACIFIC**

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29 January 2015

## 1 State of the “Asia Pivot”

The U.S. Strategic Rebalance to Asia – also known as the “Asia Pivot” – has been a cornerstone of the Obama administration’s foreign policy since 2011. Hillary Clinton offered a detailed explanation of the concept in a 2011 Foreign Policy article.<sup>1</sup> The basic idea behind the Rebalance is that many U.S. core economic and security interests are increasingly centered in the Asia-Pacific region, so the United States needs to allocate more diplomatic, economic, military, and other assets towards the region.

The Strategic Rebalance would do just that. The Defence Strategic Guidance released by the Defence Department in January 2012 made supporting the rebalance a key Pentagon objective. The Obama Administration accordingly plans to increase the percentage of naval assets in the Pacific to 60 percent by 2020<sup>2</sup> in addition to stationing 2,500 Marines in Darwin, Australia, and 4 littoral combat ships in Singapore.<sup>3</sup> <sup>4</sup> Given the region’s economic importance, this makes sense. The Asia-Pacific region accounted for 40 percent of global economic growth in 2013. In 2012, the U.S. exports to the region totaled \$555 billion, which supported 2.8 million U.S. jobs.<sup>5</sup>

The economic and security aspects of the rebalance policy are interconnected. The U.S. strategic presence in the region has contributed to the stability that has enabled the amazing growth of Asian economies over the past 60 years. As U.S. Deputy Secretary of Defense Ashton Carter noted in 2012: “If that (U.S.) security were ever to go away... all of the people in the Asia-Pacific region that have been lifted up into prosperity in the post-War period, would be set back significantly. The global economy would be set back significantly... that is partly why we are rebalancing our efforts in the region.”<sup>6</sup> If the Rebalance works as promised, then the United States would continue to provide the region with security, which would in turn promote stability and continued economic growth, a significant win-win for the United States and its Asian partners.

However, U.S. economic weaknesses and the Budget Control Act of 2011 – which mandates cuts in U.S. government spending (known as “sequestration”) – have constrained the U.S. government’s ability to resource the Rebalance adequately and meet its regional security commitments.<sup>7</sup> The sequestration process was deliberately devised to present the Congress with an unacceptable outcome if the members failed to balance the budget through a combination of tax hikes and targeted spending cuts. But the congressional compromise has failed to occur, and now sequestration is threatening to wreck havoc throughout the government with arbitrary percentage-driven spending cuts. Complicating matters further in the defense domain are the Taliban’s resilience in Afghanistan and the stunning emergence of the Islamic

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<sup>1</sup>Hillary Clinton, “America’s Pacific Century,” Foreign Policy, October 11, 2011, <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>

<sup>2</sup>Deputy Secretary of Defense Ashton Carter, “The U.S. Strategic Rebalance to Asia: A Defense Perspective,” Speech Delivered at The Asia Society, New York, August 1, 2012.

<sup>3</sup>Bill Gertz, “Inside the Ring: Pentagon reevaluating Obama’s pivot to Asia,” Washington Times, March 5, 2014, <http://www.washingtontimes.com/news/2014/mar/5/inside-the-ring-pentagon-reevaluating-obamas-pivot/?page=all>

<sup>4</sup>Cindy Thebaud, “Enhancing regional security with littoral combat ships,” Today Online, May 7, 2014, <http://www.todayonline.com/world/enhancing-regional-security-littoral-combat-ships>

<sup>5</sup>Strategic Digest: United Nations Command, U.S.-ROK Combined Forces Command, U.S. Forces Korea, Spring 2014, p. 7, [http://www.usfk.mil/usfk/hot\\_topics/Strategic\\_Digest\\_2014.pdf](http://www.usfk.mil/usfk/hot_topics/Strategic_Digest_2014.pdf)

<sup>6</sup>Deputy Secretary of Defense Ashton Carter, “The U.S. Strategic Rebalance to Asia: A Defense Perspective,” Speech Delivered at The Asia Society, New York, August 1, 2012.

<sup>7</sup>Bruce Klingner, “Asia’s Big Fear: Is America Emboldening China and North Korea?,” The Heritage Foundation, July 17, 2014, <http://www.heritage.org/research/commentary/2014/7/asias-big-fear-is-america-emboldening-china-and-north-korea>

State in Iraq and Syria. During the initial planning and unveiling of the Rebalance, the United States assumed it would be possible to shift more resources to Asia as it curtailed its commitments in the Middle East and South Asia,<sup>8</sup> yet U.S. engagement in these areas is steadying or growing. New challenges have also emerged in Europe due to Russian aggression against Ukraine.

Among other steps, the Obama Administration will need to find common ground with the new Republican-controlled Congress to reassure allies that U.S. strategic commitments will be matched with U.S. means based on strategic considerations, rather than domestic partisan battles.

## 2 Reassuring Allies in a Time of Austerity

In 2011, President Barack Obama told the Australian parliament that “reductions in U.S. defense spending will not – I repeat, will not – come at the expense of the Asia-Pacific.”<sup>9</sup> U.S. Secretary of Defense Chuck Hagel has reaffirmed this commitment on several occasions, including at the AUSMIN talks in Sydney in June 2014, when Hagel signed the Forces Posture Agreement that will see US military assets expand in Australia for the next 25 years.<sup>10</sup>

This reassurance is important, as countries in Asia have come to depend on the United States to provide security and stability in the region. If they believe the United States is no longer capable of fulfilling this role, the chances of Asian states engaging in destabilizing regional arms races increases.<sup>11</sup> In 2012, Asia outspent Europe on defense for the first time, and that ratio is increasing.<sup>12</sup> South Korea announced a 5.3 percent increase in defense spending for 2015, which is the highest rate of defense growth since 2011.<sup>13</sup> In Japan, the Abe Administration is prioritizing Japanese defense capabilities, as evidenced by its submission of the largest ever defense budget request this year.<sup>14</sup> This increased defense spending can trigger a regional security dilemma. This is especially true in the case of Japan, which has historical antagonisms with both Koreas and China dating from Japan’s colonial period and World War II-era atrocities.<sup>15</sup> However, China spends more on its military than Japan, South Korea, Taiwan, and Vietnam combined, and is continuing to increase military spending.<sup>16</sup> <sup>17</sup>

<sup>8</sup>Hillary Clinton, “America’s Pacific Century,” *Foreign Policy*, October 11, 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

<sup>9</sup>Remarks By President Obama to the Australian Parliament,” *The White House*, November 17, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>

<sup>10</sup><http://www.theaustralian.com.au/news/latest-news/defence-the-name-of-the-game-at-ausmin/story-fn3dxiwe-1227019435110>

<sup>11</sup>Bonnie S. Glaser, “Armed Clash in the South China Sea: Contingency Planning Memorandum No. 14,” Council on Foreign Relations, April 2012, <http://www.cfr.org/world/armed-clash-south-china-sea/p27883>

<sup>12</sup>Seth Cropsey, “The Rebalance to Asia: What Are Its Security Aims and What Is Required of U.S. Policy?,” Hudson Institute, June 2014, 18. [http://www.hudson.org/content/researchattachments/attachment/1411/cropsey\\_rebalance\\_to\\_asia\\_corrected.pdf](http://www.hudson.org/content/researchattachments/attachment/1411/cropsey_rebalance_to_asia_corrected.pdf)

<sup>13</sup>Craig Caffrey, “South Korea announces 5.3% boost in defence spending,” *IHS Jane’s*, October 2, 2014, <http://www.janes.com/article/44030/south-korea-announces-5-3-boost-in-defence-spending>

<sup>14</sup>“Japan defence ministry makes largest-ever budget request,” *BBC News*, August 29, 2014, <http://www.bbc.com/news/world-asia-28978322>

<sup>15</sup>Cheng Xiaohu, “Japan’s Foreign Policy toward Northeast Asia as Seen in Chinese Publications,” *The Asan Forum*, October 21, 2014, <http://www.theasanforum.org/japans-foreign-policy-toward-northeast-asia-seen-in-chinese-publications/>

<sup>16</sup>Zachary Keck, “China’s Military Spending VS Asia’s Military Spending,” *The Diplomat*, February 6, 2014, <http://thediplomat.com/2014/02/chinas-military-spending-vs-asias-military-spending/>

<sup>17</sup>“At the double,” *The Economist*, March 15, 2014, <http://www.economist.com/news/china/21599046-chinas-fast-growing-defence-budget-worries-its-neighbours-not-every-trend-its-favour>

The U.S. defense cuts are coming at a time when regional tensions are high. South Korea faces a provocative North Korea. Since 2010, North Korea has: sunk the Cheonan, a South Korean submarine, killing 46 seamen; shelled Yeonpyong, a South Korean Island, killing four South Koreans; and threatened to turn Seoul into a sea of fire.<sup>18</sup> China's assertive actions in the East China Sea have presented a significant strategic threat to Japan. Tensions are centered over competing territorial claims over what the Japanese call the Senkaku Islands. In November 2013, China without warning declared a new Air Defense Identification Zone (ADIZ) in the East China Sea that encompassed the disputed islands and overlapped both Japan and South Korea's previously established ADIZs.<sup>19</sup> In the South China Seas, there is threat that territorial disputes between China and other countries will erupt into conflict.<sup>20</sup>

### 3 Budget Cuts and Sequestration: What's at Stake?

In 2014, Katrina McFarland, the U.S. Assistant Secretary of Defense for Acquisition, declared that due to budget constraints "the pivot is being looked at again, because candidly it can't happen."<sup>21</sup> The next day, MacFarland withdrew her statement, but there are genuine concerns about U.S. ability to continue strengthen commitments to Asia while managing other worldwide crises as defense resources shrink. For example, despite his many assurances to Asian allies about the rebalance policy, Hagel warned in 2014 that, if the sequestration cuts continued as planned, the military would become a "hollow force. . . not capable of fulfilling assigned missions."<sup>22</sup> Under current plans, the United States will reduce its military budget by \$487 billion in planned cuts over the next ten years on top of a potential additional \$500 billion in cuts mandated by sequestration.<sup>23</sup> A further concern is that the U.S. military will have to reallocate resources to carry out new missions in Iraq, Syria, Europe, and other locations.<sup>24</sup>

Another important aspect of the defense cut is the plan to reduce the overall size of the active duty U.S. Army to fewer than 450,000 soldiers, which would be its smallest size since before WWII.<sup>25</sup> For Seoul, these reductions are of particular concern because any major Korean

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<sup>18</sup>Yong Kwon, "Maritime Tensions Reveal Troubling Status Quo in Inter-Korean Relations," *The Diplomat*, May 23, 2014, <http://thediplomat.com/2014/05/maritime-tensions-reveal-troubling-status-quo-in-inter-korean-relations/>

<sup>19</sup>Jun Osawa, "China's ADIZ over the East China Sea: A "Great Wall in the Sky"?", *Brookings Institute*, December 17, 2013, <http://www.brookings.edu/research/opinions/2013/12/17-china-air-defense-identification-zone-osawa>

<sup>20</sup>Abraham M. Denmark, "Could Tensions in the South China Sea Spark a War?," *The National Interest*, May 31, 2014, <http://nationalinterest.org/feature/could-tensions-the-south-china-sea-spark-war-10572?page=3>

<sup>21</sup>Zachary Keck, "Can the US Afford the Asia Pivot?," *The Diplomat*, March 5, 2014, <http://thediplomat.com/2014/03/can-the-us-afford-the-asia-pivot/>

<sup>22</sup>Remarks by Secretary Hagel and Gen. Dempsey on the fiscal year 2015 budget preview in the Pentagon Briefing Room," February 24, 2014, <http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=5377>

<sup>23</sup>Kristina Wong, "Dempsey, Hagel arrive in South Korea as part of military pivot to Asia," *The Washington Times*, September 29, 2013, <http://www.washingtontimes.com/news/2013/sep/29/dempsey-hagel-discuss-regional-security-south-kore/?page=all>. For details of the effects of these cuts see: US Department of Defense, "Estimated Impacts of Sequestration Level Funding," April 2014, [http://www.defense.gov/pubs/2014\\_Estimated\\_Impacts\\_of\\_Sequestration-Level\\_Funding\\_April.pdf](http://www.defense.gov/pubs/2014_Estimated_Impacts_of_Sequestration-Level_Funding_April.pdf)

<sup>24</sup>Avaneesh Pandey, "War On ISIS In Iraq, Syria Has Cost US \$1.1B Since June: Pentagon," *International Business Times*, October 7, 2014, <http://www.ibtimes.com/war-isis-iraq-syria-has-cost-us-11b-june-pentagon-1700256>

<sup>25</sup>Ernesto Londoño, "Pentagon blueprint would cut Army size as military adjusts to leaner budgets," *The Washington Post*, February 24, 2014, <http://www.washingtonpost.com/world/national-security/pentagon-blueprint-would-cut-army-size-as-military-adjusts-to-leaner-budgets/2014/02/24/c029e2b4-9d8d-11e3-9ba6->

contingency in the event of a North Korean invasion or collapse would require a massive ground force to stabilize the peninsula.<sup>26</sup> For Japan and South East Asian countries, the U.S. Navy presence is a major concern since much of the disputed territory in the region is maritime. Even if the Navy moves 60 percent of their fleet to the Pacific by 2020, continuing current cuts may result in a smaller force. For example, the 2015 Department of Defense budget reduced funding for U.S. Navy shipbuilding from \$17.9 billion to \$14.4 billion.<sup>27</sup>

The U.S. Air Force, which would be important in any conflict in the Asia-Pacific, has suffered critical budget cuts relating to its readiness, force structure, and modernization accounts.<sup>28</sup> These defense cutbacks has led the head of U.S. Pacific Command, Adm. Locklear, to state that “The ability for the services to provide the type of maritime coverage, the air coverage of some of the key elements that we’ve historically needed in this part of the world for crisis response, have not been available to the level that I would consider acceptable risk [due to recent budget cutbacks],” a response bound to leave U.S. allies uneasy as tensions remain high in East Asia.<sup>29</sup> U.S. efforts to revitalize the U.S. nuclear weapons establishment or develop new non-nuclear technologies, such as through the Pentagon’s new Offset Strategy, are also constrained by limited funding.

## 4 Rebalancing the Rebalance

It is normal for countries to decrease defense spending after ending wars. In addition, in a period of American austerity, it is beneficial for American allies to contribute more, especially rich ones like South Korea and Japan. Yet, the United States must remain the dominant security force in Asia, as its continued presence as an offshore power is less likely to ignite a security dilemma than, for example, a rapidly rearming Japan. Asia’s continued peace and prosperity requires a secure and stable environment, which only the United States is currently able to provide. Sequestration under the Budget Control Act is a blunt tool that reduces U.S. ability to plan strategically. Currently the United States is at an impasse where the amount of funding requested for FY 2015 does not meet stated U.S. national security strategy laid out in the 2014 Quadrennial Defense Review.<sup>30</sup> The Bipartisan Budget Act in 2013 reduced the effects of sequestration on defense spending for FY2014 and FY2015 by about \$30 billion.<sup>31</sup> Still, additional legislation is needed to prevent the cuts from returning in full force in FY2016.

President Obama and the new Congress should make funding the Strategic Rebalance a bipartisan priority. There is some hope that greater clarity and cooperation between the

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<sup>26</sup>Song Sang-ho, “U.S. troop cuts raise unease over peninsular security,” *The Korea Herald*, February 26, 2014, [http://khnews.kheraldm.com/view.php?ud=20140226001225&md=20140301004936\\_BC](http://khnews.kheraldm.com/view.php?ud=20140226001225&md=20140301004936_BC)

<sup>27</sup>Seth Cropsey, “The Rebalance to Asia: What Are Its Security Aims and What Is Required of U.S. Policy?,” *Hudson Institute*, June 2014, 14. [http://www.hudson.org/content/researchattachments/attachment/1411/cropsey\\_rebalance\\_to\\_asia\\_corrected.pdf](http://www.hudson.org/content/researchattachments/attachment/1411/cropsey_rebalance_to_asia_corrected.pdf)

<sup>28</sup>Claudette Roulo, “Every Budget Decision Hurts, Air Force Chief of Staff Says,” *American Forces Press Service*, March 14, 2014, <http://www.defense.gov/news/newsarticle.aspx?id=121843>

<sup>29</sup>Jon Harper, “Budget Cuts Could Limit Military’s Pacific Pivot,” *Stars and Stripes*, March 25, 2014, <http://www.military.com/daily-news/2014/03/25/budget-cuts-could-limit-militarys-pacific-pivot.html?comp=700001075741&rank=3>

<sup>30</sup>Todd Harrison, “Analysis of the FY 2015 Defense Budget,” *Center for Strategic and Budgetary Assessments*, September 4, 2014, 3. <http://www.csbaonline.org/publications/2014/09/analysis-of-the-fy2015-defense-budget/>

<sup>31</sup>Brendan McGarry, “Lawmakers Agree to Undo Some Sequestration Cuts,” *Military.com News*, December 11, 2013, <http://www.military.com/daily-news/2013/12/11/congress-agrees-to-undo-some-sequestration-cuts.html>

Obama administration and Congress, the 2015 National Defense Authorization Act included a new provision that requires the DOD to submit an Asian strategy report to Congress.<sup>32</sup> The Congress should use this report as an opportunity to be more involved with the Rebalance strategy because without their involvement it cannot be funded adequately. The U.S. national interest and a well-planned strategy should guide the “Asia Pivot,” not the arbitrary and irrational dictates of the Budget Control Act of 2011.

*\* The authors would like to thank Paul Bleakley and William Karpie for providing research assistance for this text, as well as FSR Editors Travis Wheeler and Andrew Koch for their further input.*

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<sup>32</sup>Michael J. Green, Zack Cooper, and Mira Rapp Hooper, “Defense: Explaining and Resourcing the Rebalance,” in *Pivot 2.0: How the Administration and Congress Can Work Together to Sustain American Engagement in Asia to 2016*, ed. Michael J. Green and Nicholas Szechenyi, CSIS, January 5, 2015, [http://csis.org/files/publication/141223\\_Green\\_Pivot\\_Web.pdf](http://csis.org/files/publication/141223_Green_Pivot_Web.pdf)