

National Intelligence Council

East Asia and the United States: Current Status and Five-Year Outlook

Conference Report

September 2000

The views expressed in this conference summary are those of individuals and do not represent official US intelligence or policy positions. The NIC routinely sponsors such unclassified conferences with outside experts to gain knowledge and insight to sharpen the level of debate on critical issues.

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Introduction

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The National Intelligence Council and the Federal Research Division of the Library of Congress held a one-day unclassified conference on this topic on 17 February 2000, at the Thomas Jefferson Building of the Library of Congress. Seven papers by

nongovernment specialists and 11 commentaries by Intelligence Community specialists examined:

- The likely development of greater divergence or convergence between key East Asian states and the United States over US policies and interests in the region.
- Whether divergence or convergence between East Asian states and the United States was more likely on security, economic, or political/values questions.
- In what ways East Asian states would be likely to collaborate in opposition to US policies and interests.

Sixty US Intelligence Community, other Executive Branch, congressional, and nongovernment experts participated actively in discussions following the formal papers and commentaries, reinforcing the findings presented below.

Overview

Conference participants judged that developing trends presage more divergence between the United States and key East Asian countries and more difficulties for US policy and interests.

This situation will come despite continued strong regional dependence on the US economy and general support for a continued US military presence in the region. Acknowledging US superpower status well into the 21st century, regional powers do not seek to confront the United States militarily or to cut off advantageous economic ties with the dynamic US economy. Regional states also will continue to conform to varying degrees with US-backed international norms and international organizations. Meanwhile, the ability of regional countries to work together against US policies and interests will be offset to some degree by intraregional rivalries (notably between China and Japan), and by diverging interests (for example, Southeast Asian agricultural exporters support US-backed efforts to open world farm markets while Japan and South Korea remain strongly opposed).

Nevertheless, growing regional resistance to US policies and interests is likely. It will be strong and uniform in resisting expected US unilateral actions, especially regarding political issues and values such as human rights and democracy, that will be seen to serve US interests at the expense of that national sovereignty of regional states. Greater friction will also arise as a result on an expected downturn in the US economy, anticipated difficulties in US-China relations, and greater debate between the United States and Japanese and South Korean allies over military bases, host nation support, and other alliance arrangements. Among possible developments that could seriously worsen the outlook for the United States, military crises over the Taiwan Strait or power arrangements in a newly reunified Korean peninsula are likely to polarize regional opinion, sharply reducing support for US security policy and regional military presence.

Determinants

East Asian policies toward the United States will be driven strongly by the uncertain

regional security environment, the nascent revival of regional economies after the Asian economic crisis, and trends in international politics and norms that affect East Asian authoritarian and democratic governments differently but underline strong regional nationalistic pride and assertiveness.

Uncertainty Over Regional Security Trends

After the Cold War, many in the region feared a US withdrawal. While still present in some quarters, this concern has been superseded by regional angst over US unilateralism--the use of political, economic, and especially military coercion in unexpected ways to achieve goals that in the past East Asian observers would not have expected to warrant such a strong US effort. The 1999 US intervention in Kosovo reinforced this new regional view of US power and unpredictability.

Adding to uncertainty over the regional security environment are the rise of China as an economic and increasingly capable military power; the implications of Japan's stagnant economy for its regional leadership aspirations and capabilities; and continuing uncertainty over regional hot spots in Korea, the Taiwan Strait, the South China Sea, and Indonesia.

In response, all regional powers are expected to continue actively "hedging"--using diplomacy, military preparations, and other means to ensure that their particular interests will be safeguarded in case the security situation should change for the worse. Thus, conference participants noted that they expect the United States to remain in the lead in this regard, pursuing a policy of engagement with China while fostering stronger alliances in Asia in case of Sino-US confrontation. China in turn will continue to pursue engagement with the United States but also will strive to develop ties with Russia and others useful in countering possible US pressure against it. Roughly similar patterns will develop in Japan's ambivalent relationship with China, emerging Japanese hedging efforts regarding the alliance with the United States, South Korea's dealing with North Korea and other powers concerned with the peninsula, and the dealings of Southeast Asian countries with China. While driven by regional security uncertainty, the active hedging is expected to continue to add to it.

Economic Recovery

The Asian economic crisis not only hit regional economies hard but also seriously undermined social stability, challenged the standing of political regimes whose legitimacy rests heavily on providing economic growth, and undermined national security. It prompted widespread popular and elite resentment over economic globalization and US-backed IMF rescue efforts. Nonetheless, regional governments have acknowledged the need to accommodate these trends. Conference participants expected these governments will continue to recognize the importance of the US market, investment, and technology for the economic growth of their nations. Their economic concerns are pragmatic, focusing on the consequences of a possible downturn in the US economy in the next few years, Japan's continued slow growth, and possible intensified competition between Chinese and Southeast Asian manufacturers looking to export to the same markets.

Political Issues and International Norms

Growing international pressures for freer flow of ideas and information, and the concurrent development of greater political pluralism, democracy, and respect for human rights will continue to challenge East Asian authoritarian regimes. They also will complicate the decision-making processes in democratic countries like Japan that previously had been dominated by political elites and now must take account of a broader array of interest and opinion groups.

Conference participants expect several regional authoritarian governments to continue to preserve their prerogatives of power and resist trends toward democracy. Regional states in general, however, are likely to accommodate international trends and norms regarding the freer flow of information, more open markets, and common efforts to improve the environment and fight international crime and disease. Their support for international organizations and regional organizations likewise probably will continue.

Implications for the United States

Conference participants judged that these regional security, economic, and political trends will cause regional states to diverge increasingly from US interests and policies in the future. They acknowledged that the importance of these differences for the United States will remain offset by the continuing strong convergence of US and regional interests in two key areas:

- Regional states generally support a continued active US security presence in the area. (China is likely to step up the pace of its efforts to encourage a US withdrawal over the longer term, while problems may develop regarding continuing US bases, notably in Japan.)
- Regional states want and depend on access to US markets, investment, and technology.

Anticipated Problems for US Interests

Security Issues. *China* will work against US efforts to strengthen its position in the region. Notably, Beijing will press against and challenge US support for Taiwan, US efforts to build missile defenses in the region, and US efforts to strengthen the alliance with Japan. It probably will work against a US military presence in Korea after reunification and will continue to support South Korea's refusal to be part of the US theater missile defense efforts in the region. It will seek opportunities to work with Russia against US security interests in the region.

Japan and South Korea strongly support their respective alliances with the United States and are currently cooperating closely with Washington in trilateral efforts to deal with North Korea. Yet, like many other US allies, both Tokyo and Seoul chafe over the asymmetry in their alliance relationship with the US superpower. They seek adjustments in the US military presence that would accommodate their nationalistic or local concerns. Hedging in response to perceived US unilateralism and regional security

unpredictability probably will prompt them to diverge from the United States over China and possibly North Korea.

Southeast Asian countries see the United States as being much less committed to Southeast Asia as opposed to Northeast Asia, and thus their main concern is that the United States might pull back from the region. They also become concerned when they perceive the United States and China are moving toward confrontation, as none of the states see their interests well served by choosing sides between these two key powers in such a standoff.

Economic Issues. Support in the region is broad to resist perceived self-serving US trade or other economic policies in international organizations or elsewhere that infringe on the interests of East Asian countries. Thus, President Clinton's efforts to promote labor and environmental standards during the Seattle WTO meeting last November found few endorsements in the region, while many gloated over the US embarrassment regarding the chaotic and inconclusive meeting. Meanwhile, longstanding differences over trade policies will persist and most likely worsen in the event a US economic downturn reduces US willingness to absorb large trade deficits with East Asian countries. Though most regional governments will go along with the greater economic opening supported by the United States, authoritarian states like China will endeavor to curb the free flow of information, and Japan, South Korea, and others will try to preserve their protected agricultural sectors despite US pressures.

Intra-Asian trade and investment is growing again after the economic crisis and is likely to promote more efforts at greater Asian economic integration that exclude the United States. Japan also can be expected to pursue more actively its interest in Asian economic mechanisms exclusive of the West. Japan and others will promote East Asian candidates for international economic organizations that heretofore were Western reserves--complicating US policy in these instances.

Political Issues and Values. East Asian authoritarian governments will resist US efforts to press for greater democracy and human rights in their countries. Such US efforts will also receive scant support from other regional powers--even other democracies. Their strong nationalistic sensitivities and concern over fragile regional stability will prompt them to eschew support for such "interventionism" except in extreme cases.

US efforts to promote its leadership in broader international efforts to foster US-backed political or other norms may also meet with resistance, even from US allies. Regional leaders probably will tacitly welcome failures of perceived overbearing US pressures in these areas in hopes that such comeuppance will cause the United States to be more consultative and collaborative in its policy toward the region.

How Will East Asian Countries Cooperate Against the United States?

Regional support for continued close economic ties to the United States and general support for the US military presence will limit interest in actively working against US

policies in these areas. Moreover, regional powers probably will continue to be at cross purposes in their reaction to many US policies and interests. On US theater missile defense efforts, for example, Japan will continue support while China will strongly oppose and South Korea probably will remain on the sidelines in the debate. Japan's push for an Asian monetary fund and a seat on the UN Security Council seems to complicate US leadership in Asia--a broad Chinese objective, but they also work against China's concurrent objective to curb Japan's regional and global power and influence. South Korean and Japanese resistance to US-backed liberalization of agricultural trade is opposed by agricultural exporters in Southeast Asia.

Regional countries are most likely to find common ground against perceived US intervention in symbolic and political areas (for example, human rights and labor rights) that challenge the sovereignty and national dignity of East Asian countries. Regional leaders and commentators also are likely to gloat over US setbacks in other areas of perceived unilateralism, if only in the hope that such setbacks will prompt US policy makers to be more consultative and accommodating of regional interests in formulating future policies.

What Could Make Things Worse?

- A serious US recession would very likely strengthen intransigence on trade issues on both sides of the Pacific.
- An unmoving US stance on military bases and related issues would risk nationalistic backlash in Japan and perhaps South Korea.
- Heightened tensions in US-China relations would reduce public support for the United States by regional countries reluctant to choose between these two powers.
- A symbolic but highly visible US policy initiative that fails in the face of resistance from East Asian governments could prompt a backlash in the United States, further reducing US interest in working constructively with governments in the region.

Among possible developments that could seriously worsen the outlook for the United States, military crises over the Taiwan Strait or power arrangements in a newly reunified Korean peninsula most likely would polarize regional opinion, sharply reducing support for US security policy and regional military presence.

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Japanese Attitudes and Approaches Toward US Policies and Presence in the Region

by **Susumu Awanohara**

My task here is to examine the trends in Japanese attitudes toward US policies and presence in the region. During 1998-99, when I freelanced and helped a major Japanese business publication and a premier Japanese television station, I was struck by some preconceived notions held by editors and directors/producers about the situation in the United States or about American attitudes. Often the journalists came to the United States not to find out but to have people act out the prewritten script. These were journalists in the mainstream, not extremists of any kind. For example, editors of my publication once wanted me to do a "VIP interview" (meaning it had to be with someone who is a big name in Japan as well as in the United States) as a US angle for a special magazine issue on China. The interview was to demonstrate that, despite appearance of tension and friction, the United States and China were really good friends and were intending to establish a condominium in the region, isolating Japan. The editors had in mind a former secretary of state as an interviewee but I deliberately chose a former ambassador to Japan who I knew would patiently refute some of the editors' notions while showing a degree of understanding as to why President Clinton might have induced the Japanese to acquire them.

The TV station I was helping shot several major features on the financial crisis that gripped the world from 1997 through 1998. Like the editors of my publication, the TV directors and producers came with set notions. Clearly, they were more inclined to blame international liquidity movements--part of the "casino capitalism" of the West--rather than the "crony capitalism" of Asia for the Asian currency crisis. Many TV personnel saw Western conspiracy in the Asian crisis, although the extent of the conspiracy differed with each individual. In the extreme, directors and producers suspected that the US Treasury and the IMF represented Wall Street's interests:

- Wall Street--with its advance guard, the notorious hedge funds, leading the way--attacked currencies/stocks of emerging Asian economies for its own gain; the IMF, prodded by the US Treasury, moved in to rescue not so much the emerging governments and economies as the big US banks and investors who would otherwise suffer losses; and in the final cycle, vulture funds from the US swooped down to buy up the devalued assets of the emerging economies at bargain basement prices.

Another popular economic theme among both the editors and directors/producers was that the Japanese financial bubble of the late 1980s had been touched off by the Plaza Accord of 1985, the implication being that Japan's "lost decade" was caused--intentionally or otherwise--by the United States. My editors subscribed to this view but had the sense to ask former Secretary of State James Baker to respond to such a view in another VIP interview. (Secretary Baker did a pretty convincing job of rebutting the allegation, while stressing that he was a friend of Japan who coined the term "global partnership.")

What struck me further was that Japanese "policymakers"--I include bureaucrats and politicians in this category--had notions quite similar to those of "opinionmakers" such as my journalistic colleagues. This is perhaps not surprising since former officials

(notably Messrs. Hisahiko Okazaki and Yukio Okamoto) and even incumbent officials (Taichi Sakaiya, Ichizo Ohara, and of course, Shintaro Ishihara) are quite active in the media as opinionmakers, and conversely, in a new trend, some opinionmakers are becoming policymakers (Yuriko Koike and Nobuteru Ishihara). But bureaucrats and politicians form a group distinct from opinionmakers. The policymakers I spoke to tended to be less forthcoming with their *honne* (as opposed to *tatema*) views. So, it was only from policymakers, whom I got to know quite well, that I heard of suspicions and conspiracy theories about US intentions. Operating in the real world, however, policymakers tend to be relatively pragmatic; even when their views of the United States no longer justify existing policy, they will take time changing that policy.

As I prepared myself mentally for the project, I had several questions to answer and hypotheses to test. My sense was that anti-American or America-defying rhetoric among opinion leaders was louder and more widespread than in the late-1970s when I followed Japanese opinions. Is this true? And if so why? America-defying attitude seemed more pronounced among officials now than it was a decade or so ago. Is this true, and does it matter? How do opinionmakers and policymakers influence each other? If we are interested ultimately in Japanese policy (rather than attitude), inertia among government officials is so strong that policy will not change easily in the short term. One notable domestic trend is that politicians are trying to make--and succeeding in making--greater input into policy, while the position of bureaucrats is diminishing. How does this affect Japanese policy generally and policy toward the United States?

Plan of the Paper

I set out to look for information on three groups: the general public, opinionmakers and policymakers. For the purposes of this paper, I will consider opinion makers and policymakers to belong to the "elite" in contrast to the "general public" (though there is some overlap in the two categories). Also, the two major subgroups among policymakers are politicians and bureaucrats as I have stated. I have not been all that successful in gathering the information and in answering the questions I posed for myself. But the intention was to examine the perceptions/attitudes of the three groups concerning the United States and US policy, focusing on three or four topics: economics, politics (diplomacy), security, and where relevant, culture.

To anticipate:

- Japanese public opinion about the United States has improved steadily since 1995.
- The opinionmakers seem less inhibited than they were in the past, generating a lot of revisionist history and anti-American (antiglobal)--as well as all sorts of other--opinion.
- Policymakers, while sharing opinionmakers' sentiments and being more America-defiant than previously, are more pragmatic than the other elite group, in the end trying to make things work with the United States.

In sum, I am reasonably optimistic in the sense that I see little chance of a major downturn in Japanese perceptions and attitudes toward the United States, although Washington--particularly the Democrats--could provoke this downturn. I am pessimistic if US expectations are higher and if the United States is wondering if Japan would all of a sudden become a staunch ally.

Public Opinion

After a big dip, public opinion is on the mend. Since late 1995, when Japanese public feelings toward the United States reached a nadir, those feelings have recovered considerably. Responses to key survey questions show similarity between 1999 and years when public sentiment toward the United States was most favorable.

In its 1995 survey on US-Japan relations (published in early 1996), those Japanese calling relations with the US "bad" (32 percent) exceeded those characterizing it as "good" or "very good" (23 percent) for the first time since the Yomiuri Shimbun, with help from Gallop, started its survey of public opinion on US-Japan relations in 1978. A graph drawn from Yomiuri surveys over the years shows that the curve indicating "good" has gradually declined from the peak of 53 percent in 1984, while the curve indicating "bad" has climbed gradually from the trough of 8.1 percent, also in 1984 (see graph published January 2000 with the 1999 survey results). Incidentally, the view of Japan from the United States showed similar trends of deterioration, although they were less extreme than on the Japanese side: Americans characterizing relations with Japan as bad were lower in proportion to the total than Japanese feeling negative about the relationship, while generally a higher proportion of respondents considered the relationship as good in the United States as in Japan. Clearly, the Japanese have been more concerned about the bilateral relationship than Americans were.

Commenting on the 1995 survey, the Yomiuri identified two "gaps" in the two nations' perceptions of the other side. One gap was caused by Japanese self-confidence, according to the Yomiuri. Many Japanese felt in 1995 that the United States had been Japan's "parent," "teacher," or "big brother/sister" in earlier postwar years but was now a "friend," "teammate," or most frequently, a "rival." Speaking of rivals, while the Japanese thought that China would emerge as their biggest economic rival, followed by the United States, the Americans said overwhelmingly that Japan would become--or already was--the biggest rival economically. In other words, Japan had caught up with the United States and had little to learn from it. The second gap was found in the Japanese attitude towards defense, the Yomiuri said. While the Japanese respondents wanted a reduction of US military presence in Japan and the region, at the same time they expressed their faith that the United States would come to their aid in case of an attack by another power on Japan. The Yomiuri saw this second gap as particularly naive: "Such a selfish argument does not pass muster in the cool and hard international community," the newspaper commented.

In a similar survey conducted in late 1999 and published early this year, sentiment in the two countries about the other continued to improve dramatically, showing

remarkable resemblance to pre-1995 conditions. Japanese thinking that bilateral relations were good were back up to 52.2 percent, and those Japanese thinking they were bad accounted for only 9.8 percent. Judging from these numbers, 1999 was very much like 1984. A quick look at the 1999 questions and answers shows that Japanese respect for the United States--its economic as well as military might--has been restored. Questions and answers indicate clearly that the Japanese feel more exposed to, if not outright threatened by, hostile or potentially hostile neighbors (notably North Korea and China) and that they believe that the United States would come to their aid in case of trouble with these neighbors. Whether or not the Japanese are now willing to pay the cost of US protection in the form of a military presence in Japanese soil does not come out clearly in this survey.

A brief review of major recent events in the bilateral relations helps to explain the contrasting survey results in 1996 and 2000, at least superficially. As the Cold War ended at the turn of the decade and there was no longer need to maintain the anti-Soviet stance at all cost, economic friction between the two countries became more severe, with accusatory words at each other escalating. The Structural Impediments Initiative talks (under President Bush) were tough, but Japanese negotiators still used positive *gaiatsu* to fight their domestic nemeses. But the Framework talks (under President Clinton) had few positive aspects for the Japanese side; the Japanese argued rather successfully that the United States wanted "managed trade" and rebuffed US pressures. 1995 was a particularly trying year for US-Japan relations: difficult auto talks were concluded without making either party very happy. Led by then MITI chief Ryutaro Hashimoto, the Japanese negotiators got particularly tough, stiffing the US side when they thought its demands were unreasonable (*rifujin*). The word *rifujin* was much used by bureaucrats during this period and beyond; it carried the connotation that in earlier days, the Japanese side had caved in to US demands even if they were unreasonable. The rape incident in Okinawa involving a local schoolgirl and US servicemen stationed in the island prefecture poured gasoline on the smoldering relationship. In some ways it was also cathartic, however.

Improvements began in 1996. The bilateral security treaty was reaffirmed in a Clinton-Hashimoto summit in spring. The trimming of the US presence in Okinawa, including the return of the Futenma helicopter base, was announced just before the summit and had a noticeable positive effect on public opinion. Partly because of this focus on security ties and partly because the major trade issues had now been dealt with, economic issues went on the back burner.

[Assessment of US-Japan Relations](#)

The bilateral relations got considerable help from third parties, such as China and North Korea. China's firing of missiles across the Taiwan Strait in the spring of 1996 vindicated Tokyo's move to reaffirm and strengthen security ties to the United States. North Korea's shooting of missiles over Japan itself naturally had an even more positive effect on Japanese views of the alliance, although both cases left some Japanese unhappy with Washington (either because they feared having to take sides in the US-

China conflict or because they felt that the US response to P'yongyang's missile threat was not sufficiently indignant). For the reasons already alluded to, the Asian currency crisis did not bring together the United States and Japan. In addition, Japan's proposal to set up an Asian Monetary Fund provoked a US reaction similar to one against Malaysian Prime Minister Mahathir Mohamad's notion of an East Asian Economic Grouping. President Clinton's China trip in 1998 was a big minus in the Japanese mind. The US President termed China a strategic partner and, together with Chinese leader [Jiang Zemin](#), chastised Japan for its economic missteps. Furthermore, concurring with the Chinese, Clinton decided not to stop in Japan before or after his long stay in China. In 1999, the Diet passed bills needed to implement the new guidelines of US-Japan security relationship.

We now return to the 1999 survey to summarize what the Japanese public is thinking of the United States and its policies in the economic, political, and security spheres.

Economy

The US economy will remain strong (51.7 percent) or will get even stronger (25.5 percent), the Japanese public thinks. But somewhat more Japanese (55.7 percent) than Americans (52.8 percent) are afraid that the US stock market will fall in the near future. (My sense has been that among Japanese elites, the expectation of a US stock market crash is even stronger than among the general public.)

Politics

The United States will retain its superpower status and will remain the world's leader. (The survey was not detailed enough to capture the growing sense among the elites that the United States no longer transcends its narrow interests to lead.) The United States is the most trustworthy foreign nation (43.9 percent). The United States had the highest score, whereas only 15 percent of Americans trusted Japan the most, with Japan coming in the 7th place, after Canada, Britain, Australia, and others. The United States will remain the most important country for Japan, both politically and economically.

Security

Korean Peninsula (78.6 percent), China/Taiwan (25.1 percent) and Russia (18.6 percent) pose a military threat to Japan. In particular, North Korea's Taepo Dong missile is dangerous for Japan (86.7 percent). If Japan is attacked, the United States will come to its aid (77.3 percent). Against this, 66.9 percent of American respondents said that in case of an attack on Japan, the United States should provide help.

All in all, Japanese feelings appear favorable towards the United States. But as they are at historic highs, so they are unlikely to get much better.

Opinionmakers

"Opinionmakers are all over the map," said an academic I spoke to during a recent trip to Japan. The opinionmakers are saying anything they like, breaking all sorts of taboos, but, more likely than not, only to shock and provoke others. Often the proponents are

not willing to stake a lot to turn their ideas into reality. The lifting of taboos seems to have accelerated with the criticism not only of politicians but also of bureaucrats, particularly Ministry of Finance bureaucrats--the cream of the crop in an earlier age. There is no more inhibition about attacking anybody. Nothing is sacred (except maybe the imperial family to some Japanese).

Does anything anybody says matter? Does it have a bearing on Japanese policy? Some experts I interviewed said "No" and "No." They felt there was no pattern or meaning. As one of them explained:

Opinionmakers have always said that America is arrogant, overbearing, etc. and that Japan should have a mind and a policy of its own, although the decibel level may be higher today. But policymakers operate in a world that is quite separate from that of opinion makers so there is not much point in studying the views of the latter. Policymakers--even one that were firebrands as opinionmakers--become realistic and say we must work it out with the Americans.

Other experts are less dismissive of the views of opinionmakers. They feel that there are some patterns in what opinionmakers say, and these are connected to both what the public is feeling/thinking and what the policymakers feel, think, and ultimately do. But I did not come across interesting and convincing views on how these elements are structurally connected. One observer thought that a major change, or "discontinuity," is taking place before our eyes, and that the multitude of revisionist books and Democrat leader [Yukio Hatoyama](#) calling for constitutional revision are signals of this. Citing John Dower's new book *Embracing Defeat*, this observer recalled that there had been a major discontinuity of Japanese attitude--a sudden leap from the wartime repulsion towards America to the embracing of everything American--after their defeat in 1945. Could what we are witnessing be a correction of this "embrace," and if so, should the United States respond in some way?

The pattern that some experts see is that there is the big middle (bigger than it used to be), and the left and the right. This is not a great surprise (and may not even be the most interesting framework to analyze Japanese opinions today). The middle has grown and the left has shrunk after the virtual disappearance of the Socialist Party, while the right is active and noisy albeit lacking in common themes and unity. (The term right is probably much too general, but I am not familiar enough with people and groups that tend to come under this heading to offer more precise typology and analysis).

Whereas until a decade ago the center of gravity of opinionmakers was in the left and the LDP government was to the right of (a vaguely defined) center, today the government and its supporters among opinionmakers (say, the Yomiuri Shimbun) seem to be part of a bloated center, taking criticism from the left and the right. On the left you have the traditional left--the communists and the socialists--and the liberals (Asahi Shimbun). The left has a sense of crisis that there is a general societal drift toward the right, that the political center is moving toward the right (as exemplified by passage of laws on the national anthem, on eavesdropping, on the new US-Japan guidelines).

Major Leftist fears are that the recent rewriting of the security treaty--particularly provisions on Japan's response to regional contingencies--will drag Japan into America's wars in the region, and that rewriting of the constitution by the Japanese in the near future would put the country on a warlike path once again.

While the left is fighting a rear-guard action, the right is on the offensive. The right is made up of not only the Sankei Shimbun and its commentators, but of all sorts of other groups--the Bungei Shunju group, particularly the opinion journal Shokun, and Sapio of Shogakukan. There are also individual writers who would be classified under the right. In terms of substance, the right ranges from pro-American/proalliance elements to anti-American/proindependence elements. Proindependence does not necessarily mean anti-American, although in fact it often does. Generally, resentment at American hubris is not limited to the right or, for that matter, to Japan. Resentment also stems from persistent Asian reminders of past Japanese wrongdoing, and a desire to determine Japan's own course. In doing so, there is at least a desire to be rational, not emotional--a sense that Japan should pursue its own national interests, that may (or may not) coincide with US interests but are at any rate defined by the Japanese themselves. "Japan is in search of a capitalism with Japanese characteristics," as one writer put it. The younger generation generally has little sense of debt to the United States, which translated into the acquiescence of older generations to American demands and whims because "we owed them" even when the United States was seen as making unreasonable demands. One commentator captured these trends when he pointed out that the Japanese today were more interested in *kokueki* (national interests) than in *giri* (obligation).

I could not read enough pieces by opinionmakers to attempt a genuine survey of the vast collection of opinions (a la Ken Pyle or Mike Mochizuki). What follows are my impressions of a small sampling of current opinion. I have taken some samples from *Nihon no Ronten 2000* (Japanese Debates 2000) published by the Bungei Shunju group. The perceptions of opinion makers about and attitudes to economic, political, security, and other issues are listed below.

Economy

On the strength of American economy, there is a whole spectrum of opinion; there is little unique in the Japanese analysis, but the Japanese tend to focus on the US current account deficit and the "illusion of the dollar," predicting an end to the robust GDP growth and the stockmarket boom based on the wealth effect. Another popular theme is the tension between globalization (which to many is really Americanization) and national institutions and practices in Japan and Asia generally. While some champion global standards, many demand room for national variances. Some even hope and predict that nativist reaction would defeat hegemonic dominance of global (that is, American) standards.

Politics

"Neo-nationalists" on the right such as Kanji Nishio are busy revising history, "removing distortions." From the little I have read/heard, the alleged distortions are found in the

more negative accounts of facts and Japanese intentions and positive accounts of the intentions of others in mainstream history books. Denying that the Nanking massacre happened is part of removing distortions. Another theme of neo-nationalists is Japan's continuing subservience to the United States for which the domestic political establishment (more than the United States) is lambasted. General constitutional revision--not just of Article 9 but of the entire basic law--is seen as a necessary step toward independence. China is a popular theme. US-Japan and US-China relations make a zero-sum game, so China's gain is Japan's loss and vice versa.

Security

The taboo on criticizing China or North Korea has been lifted (basically the left's pacifist argument has been blown away by China and North Korea's actions) so the debate has shifted to the right. The defense debate now centers on whether the new guidelines of US-Japan security ties are useful for Japan or only increases the danger of Japan being embroiled in America's wars; whether or not Japanese participation in the development of TMD is a good idea; whether or not the concept of participating in regional contingencies is constitutional; and whether or not the constitution should be revised for national security (and other) reasons.

There is little direct anti-Americanism in the security debate. The left no longer argues that US imperialism is trying to dominate the world on behalf of monopoly capital. I'm not sure whether there is raw anti-Americanism on the right such as we had from Jun Eto-- who died recently. Perhaps, Susumu Nishibe demonstrates his anti-Americanism when he mocks the United States for thinking foolishly that "American justice is universal justice." Nishibe finds the single-minded American pursuit of deregulation and competition undescribably vulgar.

Other

A major debate on "the private" and "the public" was touched off by a comic book *On Wars* by cartoonist Yoshinori Kobayashi, which I have not had time to study. Kobayashi argued that the private has become dominant in the postwar period; people now reject the notion of the public, particularly the notion that the public IS the State. He affirms the public impulse--which is associated with patriotism--that he says exists in each individual along with the private impulse. Kobayashi's book provoked virulent reactions from the left as well as others who saw it as rationalization/justification of the Second World War. Some new material here may affect Japanese attitudes toward the United States and Asia.

Mikie Kiyoi of the Foreign Ministry became a celebrity through her attacks on foreign journalists who don't bother to study the Japanese language and misreport Japan with impunity, taking advantage of the fact that "indulgence, swallowing insults and bearing pain are virtues, while complaining and blaming others is juvenile" in Japan. She strikes a chord with Japanese opinion leaders as well as the public who think that Japan is misunderstood, or misrepresented deliberately. The neo-nationalist slogan *iubeki kotowai* (saying to the world what needs to be said) from a while back is still strongly supported in some quarters. Kiyoi is in solidarity with a group of private Japanese

citizens living in New York who compiled a volume criticizing Japan coverage by the *New York Times's* Nick Kristoff and Sheryl WuDunn.

Policymakers

By policymakers I mean politicians and bureaucrats. Further, I have in mind policymakers who have some dealings with the United States. So, our policymakers are constrained by the realities of the US-Japan relationship while at the same time having a degree of direct input into Japanese policy toward the United States. At one level, the policymakers may have abstract ideas about American power, traits, or culture, but on another level, they are dealing with practical issues that involve the United States. The latter makes policymakers more pragmatic/realistic as a group than the opinionmakers. (I have not done enough work to distinguish politicians from bureaucrats. Clearly, power to formulate and implement policies is shifting from bureaucrats to politicians--albeit slowly--and questions arise: how do the two groups differ in their views of America and the world, and how does the power shift influence the policy outcome? I'm afraid I do not have enough data to answer these questions at this point.)

To understand the trends in Japanese policymakers' attitudes, I have tried to engage those I was interviewing for another purpose (that is, discussing the state of the Japanese economy as well as fiscal and monetary policies for Medley Global Advisers) on questions concerning US-Japan relations. My interviews were mostly with economic officials (from the Ministry of Finance, Ministry of International Trade and Industry, the Economic Planning Agency, and the Bank of Japan) and LDP officials who have an interest in economic issues. I saw some Foreign Ministry officials but no one from the Japan Defense Agency.

Following these meetings, I conclude tentatively that, for now, policymakers are more or less satisfied with the bilateral relationship, and no major changes in policy are likely in the near term. In the microeconomic sphere, Japanese trade negotiators have become tougher, refusing to give in to "unreasonable" US demands, while in macroeconomics, there is the nagging suspicion that US demands on Japan or the positions the United States takes in international negotiations are a lot more self-serving than they purport to be. Yet, the Japanese admire (often grudgingly) the US economic performance and lament their own. The strong sense Japanese policymakers had some years ago that they had discovered/invented an alternative model of economic development and of capitalism has taken a beating through domestic and Asian economic difficulties. But some say it will be back, particularly now that the Asian crisis economies are recovering quickly.

Policymakers' attitudes in political and security areas have perhaps changed less than in the economic areas. My assumption (without having interviewed extensively) is that those dealing with North America and security are still at the mainstream of the Foreign Ministry (though the "Asia school" of the ministry is apparently rising) and that this mainstream remains close and favorably disposed to Washington, despite a feeling that the Clinton administration has treated Japan shabbily. In this connection, news that Rust Demming at State and Kurt Campbell at Defense--Japan's best friends in the

current administration and a good combo--are leaving the US Government is received with great concern in some policy circles.

Policymakers' perceptions about and attitudes toward economic, political, security, and other issues are presented below.

Economy

In microeconomic (or sectoral trade) negotiations, there was a clear shift between Prime Ministers [Kiichi Miyazawa](#) and Morihiro Hosokawa. The Miyazawa-Clinton summit in July 1993 followed the traditional pattern: the Japanese gave in at the end although they thought US demands were unreasonable; the summit was the culmination of a cycle of talks; there were ambiguities in the agreement language so that each side could interpret it in its own way, up to a point. The Hosokawa-Clinton summit in February 1994 was in stark contrast with the earlier summit: the talks broke down because the two sides agreed to disagree (for Japan it was a major departure from the past pattern in that it did not bend and was willing accept failure of highest level talks); Japan took the moral high ground, accusing the US side of pushing "managed trade." The auto talks that ended in June 1995, led by then MITI chief Hashimoto (under Prime Minister Murayama), was another landmark. The Japanese appealed successfully to world opinion (notably the WTO and Asian countries afraid that if Japan caved, the United States would attack them next) that the United States was forcing "managed trade" and "quantitative targets" in the talks and refused to bend. Japanese agencies that feel the brunt of micro pressures are of course resentful. A recent complaint is that the US Government, and in particular USTR and Commerce, has become an agent of specific US companies, extracting concession for these companies.

In addition, many Japanese officials acknowledge their deliberate use of US *gaiatsu* in microeconomic areas in removing domestic microeconomic barriers. In particular, MOF and EPA, which are more concerned about macro policies, tend to use US pressure to overcome domestic resistance (to, say, the big stores law or equalization of tax on farm and residential land) which they cannot handle by themselves. There is a cost to using foreign pressure, however, in the form of strained bilateral relations. The Foreign Ministry tends to worry about such costs. Some at the ministry even feel that Japanese economic officials are resisting US pressure/advice only because it comes from the Americans and that there will be a backlash against Japanese trade negotiators' rude treatment of their US counterparts.

While welcoming US pressures on macroeconomic issues, MOF and EPA tend to resent macroeconomic pressures by the United States, perhaps because they are at the receiving end of such pressure but also because officials honestly think that the US pressure is misplaced. Many officials argue that macro pressures are sometimes really for US interests and not good for Japan. The Plaza accord is often mentioned as an example of how the United States made Japan reflate (to counteract the deflationary effects of a higher yen), while it neglected to do its own homework of reducing the budget deficit and raising the saving rate. The bubble was thus created, many say. The recent pressure from Treasury Secretary Summers to boost Japan's GDP growth from

the current 1 percent or less to 3 percent is seen in similar light: Summers wants Japan to do the heavy lifting while the United States seeks to pull off a triple soft landing of the economy, the stockmarket, and the dollar, and avert a crisis.

As the Asian crisis economies recover--some of them quickly--some Japanese officials are feeling that the crisis governments had been wrongly blamed for "crony capitalism" (because the crisis was precipitated more by the uncontrolled flow of global speculative capital than by "corruption" and "relationship-based finance"), and that the Asian Monetary Fund idea--of demonstrating a determination to protect currencies under assault with a huge reserve of funds (as the United States had indeed done for Mexico in the mid-1990s)--was essentially correct. According to one American scholar, Japanese are asking: "Why can't we have a capitalism which is not the same as American capitalism? Why can't we do it our way? Japanese--and other Asians--want to pursue the legitimate alternative way." This sentiment is amplified when the United States fails (or appears to fail) to lead and acts in parochial and self-serving ways--a la Seattle WTO, or as in the case of the CTBT.

Politics

My sense is that the United States has its best friends in the Foreign Ministry, friends who are convinced that the two countries share goals and even values in dealing with bilateral as well as regional/global issues. But just as it is not enough for foreign governments to convince the US State Department alone, ignoring other departments and the Congress, the United States will need to send messages not just to the Foreign Ministry but increasingly to nonfriendly Kasumiga-seki mandarins and Japanese politicians. Although the United States may welcome the powershift from bureaucrats to politicians, in specific instances the pragmatism of bureaucrats that support US interests may come to be missed if politicians act in a different way.

On China and "Japan passing," Japanese officials closest to the State and Defense departments (that is, the Foreign Ministry and the JDA) have heard the US administration's repeated assurances but that is not the same thing as convincing the Japanese opinionmakers or the public, or Japanese politicians. Fear of a US-China condominium has existed and was unnecessarily intensified by President Clinton's refusal to stop in Tokyo at the time of his China visit. On whether Japan would take the lead in establishing/fortifying Asian organizations excluding the United States such as ASEAN+3, and the Asian Monetary Fund and its variants, I think it is possible particularly after the Seattle WTO. But internal constraints on such organizations are so great that the United States should not overreact. The coming constitutional debate should be watched, especially because it is not just about Article 9 but about the very origin of the basic law; the Japanese are coming to a consensus (although the left is resisting) that Japanese did not write the constitution, and that they need a document written by themselves. The taboo on constitutional revision has been lifted decisively by Democrat leader Hatoyama's advocacy of this cause.

Security

In a general sense, policymakers are moving toward Japan as a normal nation, but

there are nuances even within the conservative establishment (for example, between Ichiro Ozawa and Koichi Kato).

As earlier suggested, North Korea's Taepo Dong missile launch increased the Japanese sense of insecurity and their support for the alliance (more specifically, for the guidelines legislation and TMD participation). But at the same time, many Japanese felt that the United States was not sufficiently concerned about the threat from North Korea, which raised the further question of whether the United States was a reliable ally and would come to Japan's aid if it were attacked. But the contradictory attitude that the Yomiuri lamented in 1996 is still prevalent: Japan wants-- expects--US protection but wants the US presence to decline and is threatening to cut Host-Nation Support, which they deliberately call *omoiyari yosan* (compassion budget). Against this background, Okinawa and the bases will remain an issue--real and potentially explosive--in coming years. In case Democrats prevail in the coming election (which appears less and less likely in early 2000 as Hatoyama stumbles along), there could be a major shift in Japanese attitude toward "alliance without bases," a more autonomous, inward-looking Japanese defense posture.

Other

"Will America continue to lead?" many officials asked. If America is too blatantly parochial and/or self-serving as in Seattle (the Japanese have heard the view that President Clinton was willing to sacrifice multilateral negotiations to help Vice President Al Gore in his bid to succeed him), it will lose credibility as a hegemon. "You can command confidence and respect only when you are seen as transcending your own interests to act in the general interest," one economic official said.

Is attitudinal change related to a generational shift in Japan? One economic official commented: "The cabinet-level people are in their 60s and above--they're the ones that experienced defeat and would follow the US lead even when they think Americans are unreasonable and selfish. Our generation, in the 50s or late 40s, are similar, but slightly more assertive, wanting to make Americans understand in cases differences develop. Many of the elite had a good experience studying/working in the United States and have positive feelings about the United States. We sense that younger people are much cooler towards the United States and are more assertive of Japan's own national interests, etc. They don't have a sense of debt."

Conclusion

Conditions surrounding the bilateral relationship are favorable, as compared to several years ago, and Japanese perceptions of and attitude toward the United States are generally benign.

The sense is that in the next year or two, there won't be major changes in Japanese attitudes or major surprises in Japanese policy. Major domestic events coming up in the next year or two include:

- The G-7 summit in Okinawa (with slight risk of it becoming Seattle II).

- The lower house election sometime before late October this year (low risk of Democratic victory).
- The move of Futenma base to Nago and accompanying issues.
- The upper house election next year.
- The constitutional debate taking several years.

External events that may impact on US-Japan relations include:

- China/Taiwan conflagration.
- More North Korean provocation against Japan.
- Korean unification.

Domestic events are not likely to have a major influence on the bilateral relationship with the possible exception of the constitutional debate. External events may be more significant and although some of these events may in fact work to strengthen US-Japan ties, they also could alienate the allies from each other. And because they are external, the United States and Japan will have less control over these events.

Although the bilateral relationship looks stable--implying that no surprising improvement or deterioration from the US point of view is likely--the United States may wish to listen carefully to the opinionmakers to see if there are important messages amidst the cacophony. The United States also may want to ponder whether it is necessary to talk to Japanese politicians more as they gain influence in policy formulation and implementation (although US diplomats have done a much better job of touching all the bases than have Japanese diplomats). Another topic of study is how generational shift changes Japanese perceptions and attitudes. The "postwar" period is ending in that those of a generation which does not remember the war or the impact of the war are coming into positions of responsibility.

Finally, the US side should ponder the fact that Japanese perceptions and attitudes are related to US perceptions, attitudes, and actions. The Japanese policymakers have not developed a fondness for the Clinton administration and particularly on the political-security side, demonstrate a great nostalgia for American individuals who dealt with Japan and Asia during earlier Republican administrations. This is an American as well as a Japanese problem.

CONTENTS

Trends in Chinese Assessments of the United States, 2000-2005

by **Bonnie S. Glaser**

No country presents such vexing contradictions for China as the United States. The maintenance of good Sino-American relations is indispensable for China's continued

economic growth. Without sustained high levels of US direct investment and an open US market for Chinese goods, China's aspiration to become a middle-level developed country by 2050 will be difficult, if not impossible, to realize. The preservation of a favorable security environment for China and the achievement of reunification with Taiwan also are, in part, contingent on the state of Chinese ties with the United States.

Yet, at the opening of the 21st century, Beijing is uncertain about the feasibility of securing a stable Sino-US relationship. Chinese leaders harbor strong suspicions about US intentions globally as well as toward China. The Chinese fear that Washington is determined to prevent the rise of a strong China that could pose a challenge to American supremacy in the new century. They also worry about US resolve to spread American values and transform China and other remaining socialist and authoritarian governments into Western-style democracies. Beijing is especially uneasy about the advent of an extremely imbalanced global pattern of power in which America's might vastly outstrips other nations and provides the United States with the unilateral means to advance its interests as it sees fit. Chinese complaints are targeted at fundamental American foreign and defense policies such as post-Cold War NATO strategy, the deepening of security ties to Japan and plans to develop and deploy missile defense systems on the continental United States as well as around China's periphery to protect American forward-deployed forces and possibly American friends and allies in Asia from ballistic missile threats.

Although debates in China are ongoing about US foreign policy and intentions toward China, the parameters of those debates have narrowed substantially over the past year. There is now greater agreement among Chinese America specialists than previously existed in their analysis of the overall international situation as well as specific elements such as US strategy and objectives toward China. Minority positions are still held, but they seem to carry little weight in the policymaking process. Thus, this paper presents primarily mainstream perspectives on the United States, which currently dominate the formulation of Chinese policy.

The task of predicting how Chinese attitudes toward the US policy and presence in the Asia-Pacific region will change over the next five years is a challenging one. This situation is in part because Chinese assessments of the United States and its intentions toward China are primarily reactive, and US policies as well as other external events influencing Beijing's estimates in the next five years cannot be predicted with certainty. We can forecast with a degree of confidence, however, that Chinese ambivalence about American power will endure. Moreover, Chinese suspicions about US intentions toward China probably will not be significantly assuaged and may even intensify during this period. This paper attempts to present current circumstances and trends in Chinese evaluations of US policy and identify key variables that may influence Chinese attitudes and approaches toward the United States between 2000 and 2005. The conclusion draws implications for Chinese foreign policy and US interests.

Current Trends in Chinese Attitudes Toward the United States

Chinese assessments of US policy and presence in the Asia-Pacific region flow from Beijing's estimates of US comprehensive national power relative to other major states, US global strategy and economic role, and American intentions toward China. Therefore, analysis of Chinese estimates of these broad, yet fundamental issues must precede consideration of their evaluation of US regionally based policies. Chinese perspectives on the US-Japan alliance, US policy toward Taiwan, the regional security architecture, and the Korean Peninsula are presented in turn.

US Reign as Sole Superpower

After the events of 1999, China reached the conclusion that the United States will continue to occupy the position of sole superpower in a global pattern of one superpower and several major powers for at least the next two decades.⁽¹⁾ Beijing had hoped that this power structure, which emerged after the collapse of the Soviet Union, would be short-lived and be supplanted by a multipolar pattern of power in which a core group of countries that are relatively equal in comprehensive national strength would engage in bounded competition and cooperation, effectively checking the ambitions of any single power. The prevailing imbalance of power is objectionable to China because it provides the US with an opportunity to advance a global security and ideological agenda that benefits American and broader Western interests. In Chinese parlance, the US can pursue "power politics and hegemony." At the same time, China's room to maneuver and its ability to defend its own interests are severely constrained in a unipolar international system. A multipolar global pattern that the Chinese hope will provide greater opportunities to promote and defend Chinese interests is expected to take shape gradually, but little progress is expected before 2005.

During the next five years, and even for several decades, as the world transitions from a bipolar to a multipolar power structure, the Chinese forecast that China will lag significantly behind the United States in key indexes of power, including economic, technological, scientific and military might. Chinese analyses of the bases of US strength stress the critical importance of America's lead in the development and application of high technology and predict that the US technological edge will enable a further consolidation of the US advantage over other powers. Two specialists on the American economy at the China Institute of Contemporary International Relations, which writes annual assessments of the international situation and the global balance of power for the Chinese leadership, forecast "the US will take the lead to enter the information world and keep its absolute superiority in developing the knowledge economy."⁽²⁾ They and other Chinese experts emphasize the links between technological prowess, economic strength, and military power. Comparative assessments of the technological and economic level of potential competitors have convinced most Chinese analysts that no power is likely to rival the US position in the early part of the 21st century.

US Global Strategy and Intentions

The main strategic objective of the United States, from China's perspective, is to exploit the opportunity presented by its unprecedented favorable global position to further consolidate American supremacy and shape the world according to US interests and

values. The United States is frequently described by Chinese analysts as in pursuit of a strategy of global "hegemony" and absolute superiority over potential rival states. US plans to deploy a national missile defense (NMD) system are viewed as an integral part of this strategy, aimed at preventing other powers from having a reliable retaliatory capability against a US first strike. PLA officers reject the US contention that concern about a missile launch by North Korea is the driving force behind consideration of the C-3 system, the more ambitious of two NMD configurations under deliberation, which envisions the emplacement of 200-250 interceptors in Alaska and North Dakota. They insist that Washington's true goal is to degrade or nullify China's nuclear deterrent.

The NATO military operation in Kosovo in 1999 alarmed Beijing--even before the bombing of the Chinese Embassy in Belgrade--because it demonstrated US willingness to circumvent the United Nations and employ military force to intervene in the internal affairs of other nations to advance American strategic aims. The military intervention also represented a test of NATO's "new strategic concept," which the Chinese view as intended to globalize NATO's role. The purported Clinton doctrine of "new interventionism" has been widely criticized by China for putting issues of human rights above state sovereignty.

During the Kosovo war and in its immediate aftermath, many Chinese feared that the United States might use similar means to interfere in states on China's periphery or even on the Chinese mainland. The possibility of US military intervention in North Korea, the South China Sea, and in the Taiwan Strait was judged to be greater than in the past. Active American interference in Tibet and Xinjiang also was considered more likely, although most Chinese researchers expected that the US would rely on political means to stir up ethnic unrest, for example, rather than use military force to meddle in Chinese minority areas. Subsequent US decisions to limit its involvement in East Timor and refrain from intervention in Chechnya, along with US reassurances that Kosovo was not a model for future US intervention abroad, alleviated the urgency of Chinese concerns, but did not eliminate them completely. The Chinese remain wary of what they see as an increased proclivity of the US to rely on military means to advance American interests.

More fundamentally, however, the Kosovo war served as a catalyst for a reassessment in China of US global strategy and intentions. The United States could no longer be depicted as a relatively benign world policeman whose policies in many areas served to promote regional and international stability--a view that was not universally accepted, but was actively promoted by an influential group of Chinese think tank experts and officials as the rationale for building a constructive strategic partnership with the United States. Instead, the US came to be seen by the majority as a destabilizing and unpredictable hegemon determined to use all possible means to pursue its interests and spread Western values with impunity.

US Economic Role and Power

Beijing recognizes that the global economy is a major factor that increasingly influences China's security. The Chinese are acutely aware that the United States is the primary

engine propelling the world economy forward. Sustained strength in the US economy is essential for China's economic growth as well as for the continuing recovery of Asian states from the financial crisis. Chinese economists worry that a major correction in US financial markets or a broader US economic downturn could have a devastating impact on China's economic modernization strategy.⁽³⁾ Despite rhetorical statements declaring a need to diversify Chinese markets and expand domestic demand, Beijing remains exceedingly dependent on US markets to absorb its exports. The decision to make far reaching concessions to Washington in the bilateral negotiations on China's accession to the World Trade Organization signifies the judgment by Chinese leaders that economic globalization is inevitable and that although the process carries inherent risks, China will benefit from joining the globalization trend.⁽⁴⁾

Chinese attitudes toward US economic power are obviously ambivalent, however. Chinese analysts of international affairs (in contrast to Chinese economists) especially emphasize that US economic strength has provided the foundation for stepped-up American political and military intervention. They worry that sustained US economic growth and its dominant position in scientific and technological development will encourage the United States to rely on unilateral means to achieve its global ambitions.⁽⁵⁾ Military researchers point out that the expanding US economy has provided ample funds to support a continued increase in the US military budget. Some predict that the United States will take advantage of the weakening of the economic strength of many Asian countries to enhance American economic influence over the region.⁽⁶⁾

US Intentions Toward China

Since the Clinton administration set out its strategy of comprehensive engagement toward China in 1993, American strategy and intentions toward Beijing have been hotly debated topics among Chinese experts and officials. The events of 1999, most notably the accidental bombing of the Chinese Embassy in Belgrade, have resulted in a narrowing of previously wide differences on this issue and produced a virtual consensus that the United States is striving to contain, constrain or otherwise check China. A leading analyst of American affairs noted privately in October 1999 that there is widespread acceptance in China that "the containment factor" is a prominent component in US policy toward China.

In accordance with America's global strategic ambitions, the United States is viewed as being determined to prevent China from challenging its preeminent position regionally and globally. Many in China contend that the United States seeks to slow the growth of China's economic power as well as its development of science and technology to ensure that Chinese military weapons and capabilities continue to lag far behind those of the United States. Another US objective identified by Chinese is to promote democracy and the rule of law in China, which many believe extends to a desire to undermine Communist Party rule. Perpetuating the separation of Taiwan from the mainland is also considered to be an important goal of US strategy. The official characterization of US intentions by senior Chinese leaders and in official documents as

aimed at "Westernizing," "splitting" and "weakening" China apparently now are widely accepted.

US efforts to improve relations with states on China's periphery are interpreted by many in Beijing as intended to better position Washington for strategic competition with China in the future. The strengthening of the US-Japan military alliance, including the new Defense Guidelines, recently fortified US military arrangements with several Southeast Asian states as well as with Central Asian states bordering China, and US plans to deploy theater missile defense (TMD) systems in the region are cited by Chinese experts as evidence of a US strategic design to encircle China. Discussion of possible inclusion of Taiwan in a "regionwide" US defense missile system on China's periphery also has intensified Chinese suspicions that the United States views China as likely to emerge as a strategic adversary in the next century.

A small number of liberal-minded, Western-educated Chinese experts view Washington's objectives in pursuing relations with Beijing as relatively benign and even in China's long-term national interests. For example, US goals of opening up the Chinese economy, promoting democracy and the rule of law in China, and encouraging Chinese adherence to global norms on everything from nuclear nonproliferation to military transparency to human rights are considered by these individuals as prodding Beijing to make policy choices that are difficult but essential for China's attainment of its aim of enhancing Chinese comprehensive national power in the new century. Even these experts are worried, however, that unprecedented US global power and its impatience for change in Chinese internal and external policies could result in increased US pressure on China that could have destabilizing consequences for Sino-American relations as well as regional and global stability. Many also are anxious about the dangerous mix of a continued trend toward independence in Taiwan, growing nationalistic fervor in China in support of the use of military force to prevent permanent separation of the island from the mainland, and increasingly resolute US determination to defend Taiwan from a Chinese military attack.

US-Japan Alliance

Chinese perspectives on the US-Japan alliance are undergoing a sea change.⁽⁷⁾ In the past, Beijing judged that, on balance, the presence of American forces in Japan and the US nuclear umbrella over Japan benefited China by: effectively checking Japan's ambitions for regional hegemony; restraining the buildup of an independent Japanese military capability and limiting Japan's ability to project military power; and providing reassurance to other Asian states that worried about China's growing economic, political, and military power. In the early 1990s, China even feared that economic friction between Washington and Tokyo could spill over into the security realm and cause a rupture of the alliance, triggering Japanese rearmament.

The signing of the Joint Declaration on the Alliance for the 21st Century by President Bill Clinton and [Prime Minister Ryutaro Hashimoto](#) in April 1996 and the subsequent process of revising the Defense Guidelines governing wartime US-Japan cooperation prompted a heated debate in China about the US-Japan alliance and its impact on

Chinese security interests. The Chinese suspect that the primary motive behind efforts by Tokyo and Washington to reinvigorate the security treaty and expand its area of coverage is a desire to counter the rise of Chinese power. In addition, the provision in the new guidelines that allows for US and Japanese forces to jointly respond to undefined emergencies in the Far East has heightened Chinese concern that the US and Japanese militaries will buttress their capabilities to respond with force in the event that Beijing seeks to militarily intimidate or take over Taiwan.

China is increasingly skeptical about the role of the alliance in restricting Japan's acquisition of power projection forces. Chinese military and civilian analysts contend that the security treaty provides Japan with a cover to develop a broad range of military capabilities, and many forecast that Japan will eventually sever itself from the United States and pursue its security interests on its own. Instead of serving as a check on Japanese regional ambitions, the alliance is now viewed as accelerating Japan's development into a "normal" country that shoulders greater responsibility for regional security, a trend that China finds worrisome. The Chinese also maintain that modification of the Defense Guidelines to allow for regional wartime cooperation between American and Japanese forces has stimulated support in Japan for revising the Peace Constitution to include the right of "collective self-defense." Revision of Japan's constitution would mark a major watershed in Japanese post-World War II history and probably would have extremely negative consequences for Sino-Japanese relations.

US Policy Toward Taiwan

From Beijing's perspective, a positive consequence of China's 1995 and 1996 missile firings across the Taiwan Strait following [Lee Teng-hui's](#) visit to Cornell University was the recognition at high levels of the US Government that China's threats to use force to thwart Taiwan independence had to be taken seriously. Some, although not all, subsequent American policies toward Taipei have been seen as mindful of the dangerous potential that new steps toward independence could have for cross-strait stability. The Clinton administration's swift response to Lee Teng-hui's 9 July 1999 call for cross-strait relations to be conducted on a "special state-to-state" basis was widely praised by Chinese officials and institute analysts. The Chinese especially appreciated President Clinton's private assurances to [Jiang Zemin](#) regarding US policy, both in his phone call to the Chinese president and in the September meeting of the leaders in Auckland, New Zealand. Chinese officials were pleased by Clinton's statement that Lee Teng-hui had created difficulties for both the United States and China, which suggested that Washington shared Beijing's assessment of Lee as a "troublemaker." Public affirmations by American officials that US policy is based on the three Sino-US communiqués, the three no's (no support for Taiwan independence, no two-China policy, or no Taiwan membership in international organizations that require sovereignty as a condition for joining) and the acknowledgment that there exists only one China were welcomed by Beijing as signals of Washington's dissatisfaction with Lee's action. The subsequent unprecedented decision by the United States to oppose Taipei's bid to enter the UN was also widely applauded as signaling Taiwan that the US would not

countenance actions by either side that had a destabilizing influence on cross-strait security.

Although the Chinese found these US policy steps reassuring, resentment in China is nevertheless growing over US policy toward Taiwan, especially sales of advanced weaponry and assistance to the Taiwan military to enhance its fighting capability, which the Chinese view as boosting the confidence of Taiwan independence advocates and inhibiting progress toward reunification. The announcement of the approval of a \$550 million arms sale package to Taipei soon after Lee Teng-hui's July 9th statement was sharply criticized by Chinese officials and institute researchers who cited the sale as evidence of Washington's duplicitous policy. US Congressional backing for the Taiwan Security Enhancement Act, which, if it becomes law, would further strengthen ties between the US and Taiwan militaries, is also worrisome to Beijing because of its potential to embolden independence supporters in Taiwan.⁽⁸⁾

Most Chinese analysts and officials are convinced that the US near-term objective is to preserve the cross-Strait status quo and its long-term aim is to prevent reunification of the Mainland and Taiwan. Return of the island to Chinese control, Chinese researchers maintain, would provide economic and strategic advantages to Beijing while weakening the American position and thus, they claim, is strongly opposed by the United States.⁽⁹⁾ Most Chinese contend that the sole reason that the United States does not support *de jure* independence for the island is that it would trigger a PRC military response and likely lead to a Sino-US military clash that could quickly escalate.

Chinese officials and institute analysts complain that while Beijing has curtailed its sales of missiles and nuclear-related technology to satisfy US security concerns in the Persian Gulf, Washington has failed to even engage in a meaningful dialogue about how to address Chinese concerns about American arms sales to Taiwan. To pressure Washington to impose limits on its weapons transfers to Taiwan, Chinese officials are attempting to establish linkage between their demands and China's future cooperation with Washington on countering proliferation. Some PLA researchers privately have hinted that Beijing may renege on its bilateral arms control commitments with the United States if Washington sells specific weapons systems to Taiwan, especially theater missile defense systems.⁽¹⁰⁾

Underlying Chinese concerns about US transfers of theater missile defense systems to Taiwan, including lower-tier systems such as advanced the Patriot or PAC-3, is their conviction that such systems will require early warning surveillance for cueing purposes from US satellites or even a US force presence on Taiwan.⁽¹¹⁾ To China, therefore, transfer of missile defense to Taipei signals closer C3I cooperation between the American and Taiwan militaries. Chinese officials say that such sales will be perceived in Beijing as a restoration of the US-Taiwan Defense Treaty and thus a violation of the terms of diplomatic normalization between the US and China.⁽¹²⁾ American intention behind enhancing Taipei's ability to defend against Chinese ballistic missiles is suspect because such actions run counter to the Clinton administration position that the United States does not support Taiwan independence. From Beijing's perspective, the

deployment of short-range ballistic missiles (SRBMs) against Taiwan is necessary to deter Taipei from taking the separatist path. US provision of missile defense systems to Taiwan is considered likely to further embolden proindependence advocates on the island by giving them hope that they can defend the island against an attack by Chinese missiles. Sales of new missile defense systems to Taiwan will also increase the confidence of separatists that the United States will come to Taiwan's aid even if Taipei is the provocateur, the Chinese claim.

Regional Security Architecture

China is increasingly dissatisfied with the prevailing security structure in the Asia-Pacific region that is founded on a system of bilateral US alliances and military relationships with states in the region. With the end of the Soviet threat and rising suspicion in the United States as well as in Japan and elsewhere about Chinese intentions, US-led security arrangements are seen by many in Beijing as oriented toward restraining the exercise of Chinese power. China opposes military alliances as "Cold War relics" and claims that US initiatives over the past few years to reinvigorate its bilateral alliances have added to regional instability.

In place of the existing security architecture, China has proposed a new security concept for the region.⁽¹³⁾ This vision of a post-Cold War Asian security order was authoritatively outlined in China's July 1998 Defense White Paper. The key features of China's new security concept are the Five Principles of Peaceful Coexistence, open and nondiscriminatory trade practices, and multilateral dialogue to promote mutual trust and understanding. On the latter point, China favors multilateral discussions that enable all sides to air their views, but absent consensus, does not obligate the participants to a specific course of action. In building bilateral relationships, Beijing is also promoting a new model of "strategic partnerships" that it is forging with key regional and global nations as well as important political-economic organizations, such as ASEAN as an alternative to US alliance relationships, which the Chinese insist are aimed at third parties.

In addition to setting out its new security concept in selected official documents and leadership speeches, Beijing is promoting its new model of security through bilateral discussions with scholars and officials in the region as well as in multilateral security forums such as the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia-Pacific (CSCAP). Beyond these low-key efforts, however, so far there appears to be no comprehensive strategy for realizing China's vision. This situation is partly because there is no sympathetic audience in Asia for policies directed at weakening US alliances. Even more important is that Chinese leaders have decided not to adopt a directly confrontational stance toward the United States on this issue. They are satisfied at present to have put the United States and other regional states on notice that China is dissatisfied with current security arrangements, while promoting a discussion of alternatives that could better provide for regional peace and stability in the future. Nevertheless, China's new security concept is a clear sign that Beijing is increasingly uncomfortable with the United States as the preeminent power in its own neighborhood.

Korean Peninsula

Chinese perspectives on US policy toward the Korean Peninsula also are in flux.⁽¹⁴⁾ Beijing shares broad US policy objectives on the Korean Peninsula of averting military conflict, maintaining a nuclear-weapons-free peninsula and promoting a process of stable change. China does not always support US measures to achieve these objectives, however, and, until recently, has been quite critical of US policy toward North Korea. The adoption by the Clinton administration of the recommendations put forward by former Defense Secretary William Perry in 1999 are viewed by China as a welcome shift from an approach that relied heavily on sticks while offering few carrots to a policy that emphasizes dialogue and provides P'yongyang with more positive incentives. The partial lifting of the half-century-old economic sanctions on North Korea by President Clinton was roundly praised by Beijing.⁽¹⁵⁾

China is nevertheless ambivalent about the prospect of normalization of relations between Washington and P'yongyang. On the one hand, Beijing has long hoped for the completion of "cross recognition" on the Korean Peninsula that began with China's establishment of diplomatic ties with South Korea in 1992 as an important step in the process of easing North-South tensions. On the other hand, however, Beijing is increasingly wary of the possible negative impact on Chinese security interests of a robust US influence on the Korean Peninsula that may soon include P'yongyang. This concern, along with a desire to advance its strategic interests, probably underlies China's increasingly active posture toward the Korean Peninsula--including a mid-January 2000 visit to Seoul by Chinese Defense Minister Chi Haotian.

The NATO military operation in Kosovo has heightened Chinese fears of US military strikes on North Korea to eliminate any potential nuclear weapons program and set back P'yongyang's plans to develop and deploy long-range ballistic missiles. China's opposition to nuclear weapons on the peninsula may not extend to the North's development of a conventional missile capability that may effectively deter the United States from launching an attack similar to that which was carried out against the former Yugoslavia. This may be the first clear signal that Beijing views its interests as potentially diverging from American interests on the peninsula. As the situation evolves on the Korean Peninsula, the Chinese expect greater Sino-American competition for influence and will likely continue to seek to maximize their position by strengthening relations with both the North and the South.

China has in principle opposed the deployment of any country's troops outside its own territory, but in practice has tacitly accepted the presence of American forces on the Korea Peninsula. As a process of change takes shape on the peninsula, however, Beijing is putting the United States and regional states on notice that it hopes US ground forces will not remain indefinitely. The Chinese Ambassador to Seoul, Wu Dawei, stated in an interview last December that China wants "involved parties to settle the issue of US military presence in Northeast Asia at an appropriate time."⁽¹⁶⁾ Beijing increasingly views the presence of US forces on the peninsula as contrary to Chinese interests and is already probably seeking to persuade the South Koreans that future security on the peninsula can be ensured without the deployment of American ground

troops in Korea. A minority view in China holds that the presence of US troops would serve as a buffer against possible escalating tension between a reunified Korea and Japan, but this view is not likely to hold sway amidst deepening Chinese suspicions of US intentions to check the growth of Beijing's power and influence on the peninsula and elsewhere in the region.

Variables Affecting China's Views of the United States, 2000-2005

Numerous variables will shape Chinese attitudes toward the United States in the coming five years. To narrow the field to a few key variables, some assumptions have been made. First, there are not likely to be any major changes in the global balance of power in this period. The United States will remain the sole superpower and will preserve its advantages in economic, technological, political, and military measures of strength. China will continue to lag far behind the United States in all major indexes of power.

Second, the probability that China will experience social upheaval and systemic political change in the next five years is extremely low.⁽¹⁷⁾ Thus, domestic variables and their potential impact on China's posture toward the United States will not be considered in great detail. The trigger of domestic change in China, however, the manner in which it unfolds, and the outcome all would affect Beijing's perspectives on the United States. Suspicion among Chinese leaders that the United States is behind social unrest or separatist activities in China would undoubtedly increase Chinese paranoia about US intent to undermine the regime and supplant communism with democracy in China. This situation consequently would lead to a hardening of Chinese attitudes toward American policies in the region. A systemic political change that produced a more liberal regime could have either a positive or a negative effect on Chinese views of the United States and its regional policies. A more democratic government could be in conflict with the United States over China's continued determination to bring Taiwan under national sovereignty, enhance Chinese military capabilities, and eliminate US force presence in the region even as it pledged greater transparency militarily and promised to uphold higher standards of human rights.

Taiwan's Uncertain Future

To the Chinese leadership, US policy toward Taiwan has a more immediate and critical impact on Chinese interests than US global strategy or other policies in the region. How the United States handles the Taiwan issue is judged by Beijing to be a litmus test of Washington's intentions toward China. If the United States is seen as willing to put Sino-American relations at risk by crossing redlines set by Beijing—including sales of specific weapons and support for further steps by Taiwan toward independence—this assessment will guide future Chinese policy toward the United States and may lead to the judgment that a Sino-US military confrontation in the Taiwan Strait is inevitable. Despite the growing realization in Beijing that the United States does not control decision making in Taipei, the Chinese maintain that US policy—especially through its arms sales to Taiwan and its commitments to defend the island from Chinese attack—

encourages Taiwan to resist entering into a serious dialogue with the mainland to work out arrangements for reunification.

There are many uncertainties regarding Taiwan and the likely evolution of Chinese attitudes toward US handling of the Taiwan issue. In March of this year, Taiwan will elect a new president who, over time, will chart a new course for the island that has continuities as well as discontinuities with the policies pursued by Taiwan's current president [Lee Teng-hui](#). If this transition of power is followed by a commitment by the new government to preserving the status quo, easing cross-strait tensions, including a slowing of the arms buildup across the strait and a resumption of dialogue between Taipei and Beijing, then Chinese concerns about US backing for Taiwan independence may diminish. An agreement on terminating hostilities in the strait and the opening of political talks between Beijing and Taipei could remove the Taiwan issue as an obstacle to further progress in Sino-American relations under the condition that Beijing judges that Washington is not seeking to block a cross-strait solution.

Alternatively, Taipei's new government could prove to be resolutely determined to pursue independence. The holding of a national referendum on Taiwan's future status or a revision of the constitution to legalize the island's separateness from the mainland and existence as a sovereign, independent state are examples of steps that Taipei could take that would be viewed as extremely provocative in Beijing. Washington's response to such steps by Taipei would be critical in China's deliberations over an appropriate policy response. In a dangerous variant of this scenario, China could conclude that Taiwan is moving toward independence with tacit or even overt US backing. Should this occur, Beijing may opt to use force against the island sooner rather than later, and a Sino-US military confrontation could ensue that holds the potential to quickly escalate to a major war beyond the Taiwan Strait.

Between these extremes is a scenario that differs little from the situation that has prevailed in the past five years. The new Taiwan Government may well follow a path similar to that set by Lee Teng-hui. This would include efforts to enhance Taiwan's participation in international organizations and other steps to raise its international status. Dialogue with the PRC may be resumed, but Taipei may resist discussing the terms of political reunification with the mainland. The new Taiwan president could rhetorically renounce the goal of separation, while taking incremental measures that appear to the PRC to be aimed at the eventual objective of independence. In this case, China's approach toward Taiwan probably would harden, and Beijing would step up pressure on Washington to set limits on its arms sales to the island. At the same time, China might reduce or even halt its cooperation with the United States on curbing global proliferation of weapons of mass destruction and missiles. Beijing would remain suspicious of the US role and American intentions, but probably would refrain from using force against Taiwan. Sino-American relations would continue the current pattern of cooperation and competition amid mutual suspicion. China could also take a more proactive stance against the presence of US forces in the region and seek to more assertively persuade other states in the region of the need to create new security arrangements for the Asia-Pacific.

US Global and Regional Policies

The way the US exercises its power over the next five years will have a pivotal impact on Chinese attitudes and policies toward the United States. Recurring intervention abroad with military force to advance American objectives, especially without UN approval, will be viewed with alarm by Beijing. In the aftermath of NATO's military operation in Kosovo, Chinese institute experts remain divided over whether Kosovo will be used as a model for future US policy in Europe and especially in Asia. A pattern of US armed intervention in geographical regions that are not critical to Chinese interests probably would result in rhetorical condemnation and greater unwillingness to cooperate with the United States on issues of low priority for Beijing. US military intervention on China's periphery could provoke a stronger Chinese response, including alignment with Russia and other willing powers to constrain US behavior.

The outcome of the 2000 presidential elections in the United States may result in tactical shifts in US foreign policy and particularly in Washington's approach to dealing with Beijing that will influence Chinese attitudes and policy toward the United States. For example, foreign policy advisers to Republican presidential candidate George W. Bush advocate placing greater emphasis on building and sustaining coalitions and alliances with those who share core American values.⁽¹⁸⁾ In Asia, Robert Zoellick calls for Japan, the United States, Korea, and Australia to forge closer defense ties and for Japan's forces to be "more closely integrated to support the US military in Asia."⁽¹⁹⁾ The incumbent Democratic administration also has indicated a desire to expand security access arrangements with Singapore and with other ASEAN states.⁽²⁰⁾ Depending on other American regional and global policies, Beijing may well perceive such efforts as part of a US strategy of encirclement aimed at checking the growth of Chinese power.

A Republican administration decision to abandon the objective of building a constructive strategic partnership between the US and China that was agreed upon by Presidents Clinton and [Jiang Zemin](#) in 1997--as suggested by some presidential candidates and their advisers--would further reduce Beijing's confidence that a stable relationship with the United States is attainable. Even more alarming to Chinese leaders would be a retraction of the Clinton administration's "three no's" commitment.⁽²¹⁾

Deployment Decision on National Missile Defense System

In June 2000, the Clinton administration is planning to make a decision on deployment of an NMD system to protect the continental United States. Barring technological difficulties or an economic downturn that forces choices in resource allocation, the United States is likely to proceed with NMD deployment. Two configurations are under consideration. The C-1 system would consist of a single NMD site, most probably Alaska, with approximately 100 interceptors that would have the potential to intercept China's current arsenal of about 20 ICBMs. This system could be deployed as early as 2005. The C-3 system envisions the deployment of 200 to 250 interceptors in two sites, Alaska and North Dakota. This system could be effective against a larger number of ICBMs and could be deployed by 2011. In either case, to preserve roughly the same nuclear balance that exists between China and the US today, the Chinese would have to substantially increase the number of their ICBMs by the planned deployment date.

Whichever system the Clinton administration chooses, the decision to go forward with deployment of an NMD system will have profound implications for China's attitudes toward the United States. Although China's strategic forces have long been vulnerable to a US first strike, Beijing now is concerned more about the US threat than in the past and judges a Sino-American military confrontation to be possible in the future. Any NMD system probably will feed Chinese paranoia about US intentions and lead Beijing to conclude that the United States seeks to deprive China of a survivable second-strike capability. Even a determination to deploy fewer than 100 interceptors in the C-1 system will not convince the Chinese that the priority US concern is a missile attack from North Korea or Iran because they will assume that the system would ultimately expand to greater numbers of interceptors designed to negate their strategic deterrent. The Chinese will consider NMD deployment as representing a dangerous shift in US defense strategy away from a doctrine based on mutually assured destruction to one based on pursuit of US strategic superiority.

The US decision to field a national missile defense system will coincide with ongoing Chinese plans to modernize its strategic nuclear forces, but will no doubt affect the trajectory of those plans. China is likely to build and deploy a mobile, solid-fueled, strategic missile force with penetration aids and other countermeasures that is large enough to deny the United States a certain first-strike capability against Chinese strategic forces. In sizing its new force, a debate is likely to ensue over whether to deploy MIRVed warheads and, more fundamentally, over whether a nuclear doctrine of minimum deterrence is still sufficient to meet China's security needs in the new security environment.

If the United States fails to reach agreement with Russia on amending the ABM Treaty to allow for deployment of NMD systems and opts to unilaterally abrogate the treaty, Chinese concern about US unilateralism also will increase. This condition will spur Beijing to cooperate more closely with Moscow against American interests.

Evolving Plans on Theater Missile Defense Systems

A decision on deployment of theater missile defense systems is not expected until 2007. Once the United States proceeds with NMD deployment, however, the Chinese will assume, probably correctly, that deployment of upper-tier TMD systems will proceed on schedule. Over the next five years, prior to a final determination on deployment, discussion in the United States and in the region of the pros and cons of transferring upper-tier TMD systems to Taiwan is likely to heat up and may significantly influence Chinese assessments of US intentions as well as American policies and presence in the Asia-Pacific. Sales to Taiwan in this period of weapon systems that degrade the ability of China to threaten Taiwan with ballistic missiles will no doubt elicit sharp rhetorical and policy responses from Beijing. Chinese officials are currently warning the US against the transfer to Taiwan of upgraded Patriot missile batteries known as PAC-3s, destroyers equipped with the Aegis battle management system, and long-range early warning radar.

Ultimately, the impact of TMD deployment on Chinese attitudes will depend on the deployment sites chosen and on Beijing's assessment of the strategic purpose of the TMD systems deployed. A decision to deploy upper-tier TMD systems on Taiwan soil or on ships owned and operated by the Taiwan military is likely to have a deep impact on Chinese assessments of US intentions on the Taiwan issue and provoke a series of negative responses from Beijing, toward both Washington and Taipei. Retaliatory measures by China could range from suspension of some or all Sino-US military exchanges and a halt to cooperation in arms control and nonproliferation efforts to breaking diplomatic relations with the United States. The likelihood of Chinese use of force against Taiwan would be high.

A decision by Washington not to substantially upgrade Taiwan's ability to defend against Chinese ballistic missiles, including a determination to forgo the transfer of upper-tier TMDs to Taiwan, probably would have a favorable impact on Chinese attitudes toward the United States. Beijing is not likely to strongly object to the deployment of upper-tier TMD systems, both land based and sea based, that remain under US operational control as long as the defense of Taiwan is not an explicitly enunciated goal.⁽²²⁾ The possibility that such systems could be used to defend Taiwan in the event of a military confrontation with the mainland is perceived by China to be in conformity with the long-standing US policy of "strategic ambiguity." China's sole urgent concern regarding the deployment of upper-tier TMD systems under Japanese control is the prospect that they could be used to shield Taiwan from a missile attack. A decision by Tokyo to procure such systems will intensify Chinese concerns about the US-Japan alliance, especially if the threat from North Korean missiles has been effectively eliminated.

An Indian Nuclear Deterrent With Tacit US Backing

If securing Indian membership in the CTBT and NPT become US policy priorities, China will be concerned that Washington may be willing to agree to Indian deployment of nuclear weapons in exchange for New Delhi's signing on to those arms control treaties. Since India conducted a series of nuclear tests in May 1998, Beijing has worried that the United States tacitly supports an Indian nuclear deterrent against China. Flight testing of the Agni II medium-range ballistic missile in April 1999 further heightened Chinese fears. US acquiescence to India's desire to deploy a nuclear deterrent would inflame Chinese suspicions that the US is concerned about a future threat from China and is pursuing a strategy of encirclement and containment.

Change on the Korean Peninsula and US Force Presence

Any analysis of changes in the Asia-Pacific security environment over the next five years must consider the possibility of a radical change in the standoff between North and South Korea. Scenarios of change include economic collapse or political disintegration in the North, reconciliation between P'yongyang and Seoul, and military conflict initiated by the North out of desperation. However change occurs, the emergence of a verifiable peace on the Korean Peninsula probably will be a catalyst for the restructuring of US forces in the region. In the United States, a debate probably would ensue over the threats to American interests in East Asia and the purpose of US forward-deployed forces. The explicit question will be raised regarding whether

American forces should be forward deployed in East Asia to counter a potential threat from China. The outcome of this debate and the resulting decisions made on the restructuring of US forces in the region will have a decisive impact on Chinese estimates of US intentions and the prospects for achieving a stable and cooperative relationship with the United States.

Assuming that Beijing's concerns about US strategy and intentions have not been assuaged, the Chinese probably would respond to the new situation in Korea by pressing Seoul to insist on the removal of American ground forces from the peninsula. If Beijing became convinced that the United States was pursuing a strategy of military containment of China, the Chinese leadership could opt to take an assertive stance against the presence of US military forces in Japan as well and could press for an end to US alliances with both South Korea and Japan. Moreover, China might seize upon this opportunity to promote a regionwide reassessment of the prevailing security architecture and its suitability to the new strategic environment.

The stance that Beijing adopts toward American regional force deployments over the next five years will be influenced somewhat by the views of other states in the region. If Asian states continue to value the US presence as a regional balancer and a guarantor of open maritime lines of communication through the South China Sea, then Beijing will be reluctant to assertively contest the continued presence of US forces. Another factor is the attitude of regional states, including China, toward the possible remilitarization of Japan and the US role in thwarting that outcome. If current trends continue, concerns about a greater Japanese security role among regional states may diminish, and support may increase for a reduction of American forces provided that Japan remains anchored in the security alliance with the United States.

Chinese Leaders' Confidence in China's Future

Another key variable that will shape Chinese attitudes toward the United States in the coming five years is the confidence that Chinese leaders have about China itself--the Chinese economy, political and social stability, and China's evolving position relative to other powers. To the degree that Chinese leaders feel secure about their continued rule, are not worried about threats from within, and are optimistic about China's future ability to narrow the gap in comprehensive national power between their country and the other leading powers, they will very likely be less paranoid about US intentions toward China and the dangers of a sole superpower world.

US Economic Recession

A downturn in the US economy, especially if coincident with weakness in the Japanese and European economies, could have a devastating impact on China's economic growth plans. Reductions in US capital investment in China, as well as purchases from China, could slow Chinese growth. Many economists forecast that within the next five years, there will be a major correction in US financial markets that could reverberate globally and there could possibly be a broader US economic recession. The subsequent

increase in unemployment rates in the United States and rising trade deficits probably would lead to new trade tensions with China.

An economic recession in the United States could affect Chinese attitudes toward the United States in several ways. First, Chinese leaders would be concerned primarily about the concrete negative effects of a slowdown in US economic growth on the Chinese economy, and their worries about potential uses of American power in ways that could be harmful to Chinese interests probably would recede. Second, China probably would revise downward its estimates of American power and US ability to achieve its purported global "hegemonic" ambitions. If the West European and Japanese economies experienced a simultaneous upward turn, the Chinese would judge that the pace of development of a multipolar world was accelerating, and their apprehension about the United States remaining the sole superpower for many decades would further diminish.

Conclusion

Implications for Chinese Policy and US Interests

The accidental bombing of the Chinese Embassy in Belgrade and the NATO military operation in Kosovo crystallized in the minds of Chinese leaders the potential dangers of a unipolar world in which the United States has a commanding lead over other major states in all crucial indexes of comprehensive national power. In the wake of the Kosovo operation, Beijing's wariness of US global strategic aims and American intentions toward China has increased considerably. China's estimate that the US will continue to occupy the position of sole superpower for at least the next two decades strengthens the imperative for Beijing of maintaining normal and stable Sino-US relations. At the same time, however, the Chinese expect that unprecedented US strength and Washington's perceived determination to check China's emergence as a great power that could challenge America's leading position will make achieving a steadier Sino-US relationship more difficult. In addition, the possibility of a Sino-US military confrontation over Taiwan is looming larger in the estimation of many Chinese institute experts and probably in the minds of Chinese leaders.

Chinese attitudes and policies toward the United States will be influenced considerably by the variables outlined in this paper. Barring fundamental changes in American global and regional strategy or the global balance of power, China's suspicions of the United States probably will grow, not diminish, over the next five years. US policy toward Taiwan will be a litmus test for Beijing of broader American intentions toward China, especially US policy responses to any steps by Taipei to legalize the island's existence as a sovereign, independent state; US decisions regarding the transfer to Taiwan of more capable theater missile defense systems; and the development of C3I ties between the American and Taiwan military that would increase the likelihood of rapid American involvement in combat across the Taiwan Strait.

Continued high levels of distrust of the United States and worries about a potentially hostile security environment for China are certain to have significant implications for

Chinese foreign policy and, in turn, for American interests. Beijing may conclude that it is necessary to devote greater resources toward defending Chinese security interests against newly emerging post-Cold War threats and enhancing Chinese leverage to cope with them. Accelerated military modernization, closer alignment with Russia against the US, active opposition to US forward-deployed forces in East Asia, renewed proliferation activity, stepped-up obstructionism in the UN, and increased cultivation of Third World clients are just some of the policy choices that Beijing could make.

Unless and until Chinese leaders conclude that US policy poses an urgent threat to core Chinese national interests, however, they are unlikely to alter their policy of seeking to peacefully manage differences between the two countries and develop a stable relationship with the United States. Beijing will be disinclined to adopt a confrontational international posture toward the United States over the next five years because doing so would put in jeopardy China's economic development, political stability, and in turn, the survival of the Communist regime. We should nevertheless expect that China will be less accommodating than in the past to American concerns about Chinese policies domestically as well as internationally. Moreover, Beijing is likely to be more reluctant to cooperate with Washington on issues where Chinese vital interests are not at stake and the prospect for a divergence of American and Chinese interests exists. For example, in areas like the Persian Gulf, South Asia, and the Middle East, where the Chinese have worked together with the United States for the primary purpose of promoting better Sino-American ties, Beijing may no longer be willing to moderate its behavior to please the United States. Chinese cooperation on halting proliferation of weapons of mass destruction probably will be slowed, and Beijing is likely to seek points of leverage to press the United States to address its concerns about American policy toward Taiwan.

Additional tactical adjustments in Chinese foreign policy are probable and, in fact, have already begun to be implemented. To shore up Chinese security in its own neighborhood as a hedge against the possibility of intensified competition with the United States in the future, Beijing is seeking to reinforce relations with states on its periphery, including Russia, India, Vietnam, North Korea, and the bordering Central Asian nations. This policy will continue as Beijing attempts to increase its influence in the region and position itself to defend its interests more effectively in the future.

In an effort to curb American power and promote the trend of a multipolar world, China is likely to strengthen its relations with the other major global poles: Russia, Japan, and Western Europe. On issues where the Chinese perceive their core national security interests to be endangered, such as the deployment of theater and national missile defenses, Beijing is likely to cooperate more actively with other nations than in the past to constrain the actions of the United States. China, however, is unlikely to lead any such effort or seek to forge an anti-American alliance with other countries. In the United Nations, we also can expect that Beijing will selectively work bilaterally and multilaterally in response to global events with the larger goal of limiting US ability to act unilaterally.

CONTENTS

US-ROK Relations: Trends at the Opening of the 21st Century

by **Scott Snyder**

Introduction

With the dawn of a new millennium, the burdens of history that have weighed so heavily on South Korean aspirations during the past century have at least momentarily been set aside in favor of hope for the future and new resolution to set aright those past difficulties that have led to failure or disappointment. Downtown Seoul at least has been scrubbed down and stands shiny and bright with hopeful determination. Mammoth exhortations for a new millennium in which dreams will be fulfilled hang from corporate buildings of businesses rising from an economic crisis that only two years ago were darkened and sobered by fear and failure. Such hope and determination to meet the future were likewise hyperbolically expressed in the first American State of the Union address of the millennium. The tone of heady optimism extends to the US-ROK relationship, at least if one accepts UC-Berkeley Professor Emeritus Robert A. Scalapino's firsthand assessment over more than half a century of observation and analysis that "the US-ROK relationship is more promising than it has been at any time in the recent past."

Despite deserved positive reflection on the achievements of common purpose and shared interests reflected in the current US-ROK relationship, there are also many harbingers of change that may either sustain or dramatically weaken the relationship at a time of uncertainty and transition in the Northeast Asian security environment. Likewise, economic globalization poses new challenges that will provide simultaneous opportunities for both common purpose and potential conflict in the relationship. Perhaps most interesting and complex of all, a variety of demographic, social, and cultural trends are influencing public attitudes and introducing new factors that will affect how South Koreans and Americans see each other. The increasing complexity and apparent contradictions inherent in managing such a relationship between the United States and South Korea will introduce new, unpredictable elements into what has in the past been a relationship with a remarkably consistent and durable foundation of shared purpose, despite occasionally dramatic episodes of apparent disagreement and frustration. Perhaps more importantly, it remains unclear whether the social perspectives of the younger generation will sustain a positive US-Korea relationship or whether the final outcome of the transition-in-process to a post-Cold War structure for managing Northeast Asian political and security relationships will challenge the relative consistency, stability, and strength that has characterized the US-ROK relationship in past decades.

Trends in US-ROK Political and Security Relations

For five decades since the outbreak of the Korean war, the common security threat from North Korea has remained the dominant focus of US-ROK relations. The US-ROK

alliance itself came about as a result of North Korean aggression and remains fixed on deterrence against any renewed threat. With the end of the Cold War, South Korea's economic transformation, and North Korea's economic decline, the balance of power internal to the Korean Peninsula clearly has shifted, and the status quo on the Korean Peninsula is unlikely to be sustainable in the long term. One result is that unlike the past in which a weak Korea was the object of great power rivalry and competition, South Korea has emerged as an influential actor in regional security relations. In partial response to these developments, the relative proportion of US and South Korean capacity and contribution to the military relationship have gradually transformed the nature of the US-ROK security relationship from a patron-client state relationship to one that more closely approximates partnership. Most notably, the United States and South Korea in the early 1990s agreed that the ROK would regain peacetime control of its ground forces, and US deployments on the Korean Peninsula were adjusted to give the US a supporting rather than a leading role in deterrence against the North, but further planned adjustments were suspended in 1992 with renewed concern about North Korea's nuclear weapons development efforts.

Some South Koreans, however, view the joint command structure and South Korea's continued military dependence on the United States in key military areas (including current restrictions on ROK missile deployment) as institutional reflections of a dependence relationship rather than a structure of shared responsibility for security commensurate with the perceived level of development South Korean society has achieved as a new member of the OECD on the threshold of joining the industrialized world. As the security situation in Northeast Asia continues to evolve, some South Koreans desire to achieve a level of autonomy in the security arena commensurate with the rapid progress they have made in the economic and political realm. These sentiments constitute the primary backdrop for potentially emerging tensions in US-ROK security relations over military issues such as South Korea's weapons procurement decisions and indigenous weapons development programs (for instance, current negotiations over allowable missile development ranges), Status of Forces Agreement (SOFA) issues, the ROK's political role as part of a joint strategy for dealing with North Korea, and the emerging ROK debate over the future of relations with the PRC (including whether South Korea should participate in development of theater missile defense--[TMD]).

US-ROK Military/Alliance Management

A number of emerging potential conflicts in the US-ROK military-to-military relationship essentially have arisen as a result of the mismatch between ROK self-perceptions as a maturing economy with a more pluralistic political system and perceptions that the US-ROK security relationship remains unequal or has lagged in its recognition of ROK social and political advances. South Korea's desire to expand its missile development and deployment capacity beyond the 180-kilometer-limit imposed under a 1979 US-ROK bilateral agreement to the international norm of 300 km as defined under the Missile Technology Control Regime (MTCR) are one symptom of South Korean desires for greater autonomy in the military sphere. Although a number of complex technical

issues must be resolved in negotiations to revise the 1979 US-ROK bilateral agreement, that agreement itself is no longer politically viable while the United States simultaneously pursues MTCR compliance for North Korea (a less restrictive standard than for our ROK allies!) as a minimum objective in US-DPRK missile talks. According to one South Korean commentator, "We understand the US stance, since it pertains to its strategic goal of containing the spread of weapons of mass destruction [WMD]. Nevertheless, we cannot acquiesce to the US demand for 'the ROK to strip off all its clothes for the sake of developing missiles.'"

The United States is prepared to allow South Korea to develop and deploy missiles up to the MTCR-consistent 300-km-range limit, but a request by President Kim Dae Jung to develop missiles with a range of 500 km has held up a final resolution of this issue in bilateral US-ROK negotiations.

Another manifestation of South Korean desires for more independent scope of action in the military sphere is an increasingly active debate in South Korea over dependency on US-originated technology for weapons procurement (well over three-quarters of ROK foreign procurement has traditionally been from the United States) that on the one hand is desirable to ensure interoperability but on the other hand may become a symbol of ROK dependency on the United States in cases where US-originated technology is less competitive on quality or price grounds.

A similar desire to rectify perceived inequities in the US-ROK security relationship underlies ROK demands to renegotiate the Status of Forces Agreement (SOFA). In particular, South Korean analysts have been particularly sensitive to differences in the SOFA agreements negotiated with Japan as compared to agreements negotiated with South Korea. For instance, differences between handling of cases involving alleged crimes by US military personnel in Japan and Korea is one issue that rankles South Koreans. The primary South Korean concern here is that SOFA-related jurisdictional issues are most likely to arise in South Korea in emotional cases where public opinion is more easily inflamed and may have a broader influence on long-term South Korean public support for the alliance relationship. This is just one example of increased South Korean sensitivity to perceived differences in the US approach to the respective alliances with Japan and South Korea that have come about as South Korea has moved down the road of democratization and modernization. In the future, considering how adjustments in one alliance relationship may influence perceptions of the other alliance partner will become increasingly necessary. This situation will be so because US-Japan-ROK trilateral coordination on security issues has afforded more and more opportunities for Japanese and South Koreans to learn more about the respective bilateral alliance relationships. Such sharing of understanding about the intricacies and unique elements of each alliance generally is likely to increase confidence and transparency, but comparisons also may lead to pressures to develop a more uniform approach to the respective alliance relationships, and may serve as a limited form of pressure to standardize and regionalize a "virtual (trilateral) alliance" presence in the region.

One evidence of this situation has been South Korean discussion about whether a post-Korean reunification security relationship with the United States might be organized along the lines of the current joint command structure, or whether the independent command arrangements manifested in the US-Japan security relationship may be more a more desirable configuration. At the same time, American security planners have doubts that the command relationships in Japan are inadequate to permit proper coordination in time of crisis.

Policy Coordination Toward North Korea

The development and implementation of a more effectively coordinated policy toward North Korea is another trend that has important implications for the US-ROK relationship, although the extraordinary difficulties that had plagued US policy coordination efforts with the Kim Young Sam government have been considerably eased with the advent of Kim Dae Jung's Sunshine Policy. Another essential factor has been the review of US policy toward North Korea conducted by former Secretary of Defense William Perry. Specifically, Secretary Perry's emphasis on policy coordination among the United States, South Korea, and Japan through the establishment of the Trilateral Coordination and Oversight Group (TCOG) represents a concrete vehicle for launching joint policy initiatives toward North Korea that has drawn bipartisan support from Congress. Finally, the establishment of such a coordination process benefited critically from Kim Dae Jung's opening of ROK-Japan reconciliation and cooperation during his state visit to Tokyo in October of 1998.

The primary result of the Perry policy review process has been the alignment of policies among the United States, Japan, and South Korea in favor of working with the North Korean leadership to engage in mutual threat reduction in return for the creation of a more benign international environment to avoid a breakdown in North Korea with the attendant negative implications for stability on the Peninsula. This policy coordination effort is itself unprecedented and has potentially significant implications for the shape of future security relations in Northeast Asia, but it may be unsustainable either if the urgency of the North Korean threat subsides or if North Korea were to somehow find a way to exploit differences in priority among the United States, South Korea, and Japan to take advantage of continued domestic political differences in each country over how to deal with North Korea. (Given North Korea's "divide and conquer" strategy, whether or not policy coordination proceeds effectively may indeed be at least as important as the direction of the policy undertaken). In this respect, management of potential political power transitions resulting from domestic elections scheduled to occur this year in all three countries will pose a special challenge for the newly established trilateral policy coordination process.

The trilateral coordination effort has also led to the enhancement of "comprehensive deterrence" against destabilizing North Korean behavior. US-ROK military readiness and technological depth has been strengthened from the time of the 1994 crisis, which revealed several potential vulnerabilities. That crisis resulted in the strengthening of US-Japan coordination in the form of the revised US-Japan Defense Guidelines and

adoption of a new Acquisition and Cross-Servicing Agreement designed to provide Japanese logistic and equipment support to US forces in the event of a military contingency in the region. North Korean threats have also served as a catalyst for the development of US-Japan-ROK defense consultations from 1997 that have supported the rapid improvement of Japan-ROK defense exchanges in the late 1990s. These quiet consultations have proceeded informally to the point where hypothetical plans exist on paper for managing a coordinated response to North Korean contingencies, including the emergency removal of Japanese citizens from the Korean Peninsula in time of war and handling of North Korean incursions that cross over from Korean to Japanese territorial waters. Despite all these developments, however, quality and direction of performance between both US and ROK Governments in the midst of a developing crisis remains a possible defining moment for the future of the relationship in the event it becomes necessary to respond to sudden instability in North Korea. One South Korean scholar recently put a fine point on the stakes involved during a casual dinner conversation, saying, "When the balloon goes up, the United States better know how to respond."

The China Factor in US-ROK Relations

Finally, the emergence of an internal South Korean debate over how to deal with China is a trend that may have some impact on the future of the US-ROK security relationship. Although most Korean security analysts remain strongly supportive of maintaining a security relationship with the United States, there is a growing minority of Korean scholars who argue that China will play the decisive role in determining Korea's future aspirations. According to one South Korean official involved in policymaking toward North Korea, "The premise of our diplomatic strategy toward China must be that China is far more important than the United States in the reunification of North and South Korea." He expressed concern by saying, "If the DPRK's Kim Jong Il regime collapses due to the public unrest over food shortages and China intervenes militarily, the Korean peninsula may resemble East Timor in Indonesia, which called for the stationing of UN peacekeeping troops, and the Korean Peninsula may end up being divided again."

Most important, South Koreans have no desire to choose between their US allies and China, which will maintain a vital security interest in developments on the Korean Peninsula. In this respect, a Sino-US confrontation would be seen by South Koreans as a worst case development, and increasingly greater attention has recently been given to how developments on the Korean Peninsula might be more effectively isolated from a potential downturn in US-China relations. South Korea's decision not to join TMD development efforts by the United States and Japan is a reflection of South Korean sensitivity to China's future role as an influential party to future developments on the Korean Peninsula, as well as a recognition that TMD in and of itself does not add to South Korea's own protection from the North Korean artillery that already represents the primary military threat to Seoul. At the same time, the significance of South Korea's burgeoning economic and people-to-people relationships, particularly with ethnic Korean Chinese nationals, is becoming more and more complex. On the one hand, South Korea's trade with China has grown from less than \$3 billion to more than \$24

billion in less than a decade, and there is potential for continued rapid growth in many sectors. The first exchange of top-level visits between defense ministers has just occurred within the past few months, with limited military-to-military exchange efforts under active discussion. On the other hand, the interests and activities of South Korean NGOs working with North Korean refugees has become a political problem in Sino-South Korean relations, and most recently, China's decision to hand over seven North Koreans who had been declared as refugees by a representative from the UNHCR, has added complexity to the relationship.

Trends in the US-ROK Economic Relationship

Although relatively less important in priority than security issues, a number of economic trends also are influencing the future of US-ROK relations in increasingly important but often contradictory ways. Perhaps the most important issues are how South Koreans are thinking about the implications of globalization for the South Korean economy, the extent to which South Korea has learned lessons from its financial crisis of two years ago, and South Korea's self-perception and the likely direction of positions on agriculture and competition issues in the context of a prospective new round of WTO negotiations over trade liberalization.

The challenge of adjusting to globalization had received a great deal of attention in South Korea even before the financial crisis threw into relief some of key issues and lessons for practical consideration. In an effort to cross the threshold to industrialized country status, and in pursuit of membership in the prestigious OECD, former President Kim Young Sam repeatedly referred to his policy of "globalization," but that proved to be more a mantra than a substantive consideration of the issues and challenges arising from competition in a globalized world. Prominent economist Sakong Il has offered the perspective that for a smaller country such as Korea, which has almost no opportunity to shape the rules of the global financial architecture, the best that can be done is to study the new rules closely and do one's best to adapt nimbly enough to capture the benefits and avoid the dangers of the trend itself. In other words, if globalization is a fact of life, how can one best use the trend to one's own advantage? The Korean financial crisis served primarily to focus attention on failures to adapt to a new global environment and the elements of reform that would be necessary to survive and compete in a globalized world, but an underlying edge to the crisis and recovery remains present in Korean dissatisfaction with perceived US willingness to use crude, bare-knuckles leverage in its own economic self-interest at the expense of the economic interests of others.

The financial crisis itself has thus had a mixed effect, although only preliminary conclusions can be drawn regarding its impact and the effectiveness of the Korean recovery at this stage. Preliminary reports suggest that one impact has been to increase the gap between the urban rich and the rural poor as industrialized areas have rapidly rebounded, but the underlying fallout from the crisis remains not fully addressed. In addition, female laborers and older white-collar middle managers in their forties were adversely affected, particularly in the banking and financial sector, while Korea's

recovery seems to be offering more jobs in the form of startups to younger workers who are better equipped to take advantage of new opportunities in information technology. Despite initial questioning of the US response to the economic crisis in the days following the first IMF agreement, blame for the crisis in Korea shifted to the many inadequacies and opaque practices that needed to be cleaned up at home. Although the United States intervened at the critical point in December of 1998 with support for the "second line of defense" after it appeared that the IMF agreement earlier that month was in trouble, many Koreans also perceived US private-sector "vulture capital" as attempting to take undue advantage of the crisis as they swept in to inspect Korean assets that were potentially available for bargain-basement prices.

In certain key sectors, Koreans appear to have embraced deregulation and reform to compete actively in a globalized world, but in other sectors, needed reforms have run into the roadblock of vested social and political interests. One area in which Korea appears to have moved to the leading edge of reform has been deregulation of the telecommunications sector, which has spawned a host of interesting developments that may catalyze additional changes across the board in key economic, social, and political sectors. Several facts may serve to illustrate the extent to which Koreans are embracing new technology as a result of globalization: In September of 1999, Korea became the first country in Asia in which the number of mobile phones exceeds the number of land lines. Online day trading has taken off in recent months, and half of all transactions in November of 1999 were conducted online, with the possibility that Korea could soon "become the global leader in cyber trading." Internet clubs composed of minority shareholders have exploded in recent months, bringing new organizational capabilities to movements in favor of enhanced corporate governance and economic reforms, including providing a base of support to NGO "blacklisting" of National Assembly candidates as part of an effort to demand greater transparency and reform among the political parties.

Another effect of the revolution in information technologies and their applications in Korea is to flatten institutional structures within Korean society through ease of communication, challenging traditional hierarchies in innovative and direct new ways. These trends will add both complexity and internal contradiction to Korean society as new groups are able to contest for power in innovative ways that could negatively influence certain US interests. For instance, local community groups have been more active in monitoring and protesting potential environmental problems caused by the presence of US military bases near their communities, and the tools for surveying and gathering evidence regarding such problems are increasingly available to organized local groups who are actively pressing on these issues. At the same time, differentiation and pluralization within Korean society will make Korea more attractive as a potential economic and business partner for the United States in certain sectors, and new technology can close the gap and create efficiencies of scale that might enhance economic cooperation in key areas.

At the same time, globalization and its effects remain highly contested in South Korean society. The South Korean agricultural sector is one example of a South Korean vested

interest that is unlikely to embrace reforms accompanying globalism in ways that could conflict with US interests. In fact, South Korean efforts to defend the agricultural sector will remain a hot button issue, for instance in the context of US attempts to liberalize global agriculture as part of the WTO. Perhaps most interesting is that contrary to the early 1990s, when Japan and Korea pursued their objectives on agricultural opening on rice separately as part of the final rounds of GATT negotiations, those two countries are now cooperating in pursuit of a common strategy to protect their own interests against US objectives. The issue of agricultural market opening in particular may have symbolic significance in Japan and Korea as sectoral interests that symbolize the preservation of traditional culture against international and particularly US efforts that are perceived as undermining or threatening to local interests (that is, globalization equals Americanization); thus, it is possible that protests on such issues could gain public resonance following active protests among NGOs in Seattle and Davos.

Demographic and Social Factors Influencing the US-ROK Relationship

Perhaps the most significant factors that are likely to influence the medium-to-long-term future of US-ROK relations are social and political changes resulting from generational transitions in Korean attitudes toward the United States. These demographic changes are also stimulating political pluralization and social change in South Korea. It appears that the strong bonds of the US-ROK relationship initially forged through the Korean war are gradually weakening as a younger generation without direct experience of the war itself replaces sentimental views of the United States based on direct knowledge of American sacrifice on behalf of South Korea during the war with a more pragmatic view of the relationship based on a cold, hard assessment of where shared interests may lie in the future. Although the survey information presented below is incomplete and not directly comparable, it is sufficient to illustrate the major trends in attitudes toward US-ROK relations and to provide a basis for projecting future challenges and problems.

According to a USIA-sponsored survey of Korean attitudes toward the United States conducted in 1994, the generational shift in attitudes toward the United States is quite striking. Although more than 64 percent of individuals surveyed felt that US-ROK relations were either "good" or "very good," a breakdown by age, education, and region illustrates clear changes in attitudes between the older and younger generations. Among respondents over 40 years old, over three-quarters of respondents had a positive view of the United States, but among 24- to 29-year-olds, the figure dropped to less than 60 percent, and among 18- to 24-year-olds, more respondents felt that the relationship is bad than those who felt it was good. Perhaps even more striking is the fact that there is less support for the US-ROK relationship among college graduates and urban dwellers, while rural dwellers and individuals with less education were more positive about the relationship. A survey by Dr. Young Jack Lee conducted for then-opposition party leader Kim Dae Jung in the fall of 1995 demonstrates even more negative results. According to that survey, 52 percent of respondents over 40 years of age felt that US troops should stay in Korea, while 57.8 percent of students in their twenties thought that US forces should leave, and almost 40 percent of those students

considered themselves anti-American. Another notable result of the October 1995 survey is that economic globalization was seen as a major threat by over 20 percent of respondents.

A less scientific Internet survey of public opinion conducted shortly following the Nogunri revelations in late October of 1999 may be interesting as a more recent point of comparison. The timing of the survey must be taken into account as one views the responses, and this survey is also not scientific and therefore would be considered to have a larger margin of error. That survey revealed that over three-quarters of respondents think "there are problems with current ROK-US relations," and once again, the breakdown shows that the higher a respondent's education level, the more likely the respondent is to be critical of the bilateral relationship. Almost 35 percent of respondents believed that "the ROK Government is dragged along too much by the United States," the number one reason given for problems in the relationship. Interestingly enough, the economic relationship came in for a higher proportion of criticism among respondents than the security relationship, even though the survey was taken in the aftermath of Nogunri, with over 69 percent of respondents indicating displeasure with the economic relationship. This result underscores that perceptions are widespread in Korea that the United States is acting in its own economic self-interest at the expense of South Korean interests. More than 70 percent of respondents do not consider the United States to be giving much help to North Korea, and a similar number believe that uncovering the truth behind the Nogunri killings will be hard and the results of the Nogunri investigation will make no difference in the ROK-US relationship.

If we consider the gradually declining levels of support in Korea for the US military presence in Korea (as well as the strong sense of dissatisfaction with the United States over economic affairs, which perhaps is an effect of continuing ROK suspicions about US economic intentions in Korea and the region), what conclusions may be drawn regarding the near-term future of the US-ROK relationship?

One preliminary conclusion we may draw is that the US-ROK relationship may become somewhat more difficult to manage in coming years with the end of the "three Kims era" of South Korean politics, infighting among the next generation of political elites over who will be dominant and what the political structure and centers of power of the new era will be, and the increasing competition to become Kim Dae Jung's successor that will ensue in the months before December 2002. As one looks at the current generation of likely successors to the three Kims, their primary focus is clearly provincial and primarily oriented toward domestic political concerns, with no individual among the likely next generation of current political leaders having international credentials for leadership comparable to Kim Dae Jung's. One potential danger is that there may be a greater temptation than in the past to try to use the US-ROK relationship for political purposes. More likely, however, relative neglect and increased potential for misunderstanding may come from a lack of priority given to adequate maintenance of the relationship or an excessive focus on internal politics at the possible expense of stable foreign policy.

The wild card, of course, is the increasing public demand for greater transparency and responsiveness among the political elite to popular concerns, rather than the perpetuation of "boss" politics in which the political leader retains absolute control over the loyalties of party members. The current NGO movement to blacklist politicians is itself yet another example of the forces in favor of pluralization and differentiation within South Korean society, and NGOs are currently attempting to open up the political process to improve the quality of members and their responsiveness to local public concerns. Such a movement, if it were to succeed, also may have a mixed impact on US-ROK relations. On the one hand, South Korean pluralization and the rise of civil society serve to underscore the shared values that should be at the core of durable alliance cooperation; on the other hand, civic organizations also are likely to take aim at some of the enduring and unequal historical legacies (real or perceived) of the US security presence in Korea, demanding a more equitable partnership and constraining USFK freedom to maneuver in ways that are likely to add strain to the relationship in the future. The newly emerging criticisms that are resulting from greater transparency and critical approaches within Korean society regarding the price it is now willing to pay for security in a changed post-Cold War environment are likely to require adjustments to the US security presence in Korea in line with evolving public sentiments and aspirations. A rigid bureaucratic US approach that fails to take into account the accumulated pressures of gradual change in South Korea's own domestic environment that have resulted from Korea's own economic and political evolution may backfire. Gradual adjustments and accommodation in the context of an enduring security partnership with South Korea (while continuing to maintain the capacity to fulfill the military mission of deterrence against North Korea), however, may succeed in avoiding precisely the kinds of tensions that could be most threatening to the maintenance of shared long-term interests and values that underpin the US-ROK relationship.

Conclusion

The historical underpinnings of the US-ROK relationship, forged in a time of great challenge as an urgent response to an external siege on shared vital national interests during the Korean war, face the challenge of adapting to a new era--a transition that will inevitably require a reevaluation of the extent to which interests, which have thus far sustained a close relationship, continue to be shared.

The end of the Cold War and South Korea's democratization are external and internal factors, respectively, that multiply the range of factors to be considered as part of the challenge of nurturing shared interests, and both factors make the management of the relationship considerably more complex. At the same time, South Korea's democratization process, while requiring certain adjustments in the US-ROK relationship, also creates newly converging interests based on shared values, a deeper basis for perpetuating a solid relationship in the future.

This paper has laid out some of the potential political, security, economic, and social and demographic trends that will require structural adjustments in perceptions of the US-ROK relationship and the way it is managed. South Korean desires for greater

autonomy and independence in military affairs, possible stylistic friction and differences in priorities as both parties work together to respond to North Korea's challenge, and the long-term future role of China on the Korean Peninsula are among the security issues that must be dealt with. Likewise, the challenge of responding to globalization imposes mixed and often contradictory pressures on the US-ROK relationship. Finally, a new generation of South Koreans and Americans with different experiences and perceptions of each other may view the relationship and its benefits in very different ways from their fathers, mothers, and grandfathers. These perceptions will also require effective communication and adjustment as a basis for perpetuating the relationship.

The overarching challenge whether the centrifugal forces of complex social, demographic, and economic change in Korea and the United States will overpower the centripetal forces of shared core values that have resulted from the flowering of South Korean democracy, or whether both sides will be sufficiently willing to look beyond their own immediate needs and short-term calculations to cooperate and adapt to new circumstances under which shared interests and values may lead to even stronger cooperation in the years ahead.

CONTENTS

Southeast Asian Perspectives

by **Marvin C. Ott**

The Regional Context

For Southeast Asia, as for the West, the end of the Cold War was a seminal event. The region had been a major Cold War battleground. Communism was a clear and present danger to the survival of regimes and, in the case of Cambodia, to the very existence of a people and culture. Marxism left its mark in the three wars and failed economies of Indochina; in the mid-1960s upheaval in Indonesia; as a contribution to societal disruption in Burma, Malaya, and the Philippines; and even to a degree, in the militarization of some Southeast Asian polities.

In the years immediately following the Cold War, this picture changed dramatically. The collapse of Soviet power meant the withdrawal of the Russian Pacific Fleet back to port and the end of subventions to the Vietnamese economy. In September 1989, the Vietnamese Army ended its occupation of Cambodia. In the Philippines, the Communist New People's Army, which in the mid-1980s posed a genuine and growing threat to the Philippine government, had begun to ebb. The Khmer Rouge, which also posed a serious threat to take power had, by the beginning of the 1990s, misplayed its hand and had become politically isolated and increasingly ineffective.

Thus, for the first time, the Southeast Asian countries faced no major security threats from within or without the region. With relatively marginal exceptions, governments were

secure, societies stable, the status quo accepted, economies were growing, and external powers posed no immediate danger. To a degree that far exceeded that anywhere else in the Afro-Asian world, the Southeast Asian states had developed regional institutions and patterns of interaction that gave the region increasing coherence as a single political, economic, and even security entity. The centerpiece of that achievement was ASEAN, which subsequently spawned the ASEAN Free Trade Agreement (AFTA), soon to be followed by the ASEAN Regional Forum (ARF), and the Asian Pacific Economic Cooperation (APEC) forum. Meanwhile China was preoccupied with the task of consolidating the far-reaching domestic reforms initiated by Deng Xiaoping. By any historical measure, this was (and is) an extraordinary moment that could prove short-lived or it could be an opportunity to consolidate regional security for the long term. As Jusuf Wanandi of Indonesia's Centre for Strategic and International Studies has warned, "If this opportunity is missed and these countries go their separate ways, it would be much more difficult five or 10 year down the road to construct a security arrangement."

The urgency Wanandi expressed reflected a pervasive uneasiness among the foreign policy elites of the region that seemed to belie their recent record of success and a palpable growth in national and regional self-confidence. This uneasiness derived from a number of perceived vulnerabilities, latent threats, and related concerns. Economics did not loom large in most calculations, but it was a crushing economic downturn that brought Southeast Asia's post-Cold War reverie to a sudden end.

As senior foreign affairs and defense officials in Southeast Asia assess the regional security environment, the vulnerabilities they see begin but do not end with economic reconstruction.

Economic Recovery

The financial/economic crisis that began in Thailand in late summer 1997 and rolled across the region was (and still is) deeply unsettling. It revealed that the extraordinary economic growth and modernization of the last three decades--a phenomenon characterized by the World Bank as the "Asian Miracle"--was not as solid as nearly everyone had believed. The image of a kind of regional money machine gave way to a quite different picture of ineffective regulatory institutions, illusory bank balance sheets, wildly irrational investments, excessive corruption, and conspicuous consumption. As the value of the baht, rupiah, and ringgit collapsed, Southeast Asians were reminded that not just living standards, but social order, political stability, and even national security rested ultimately on economic performance. The hubris so evident in statements associated with the "Asian values" debate of the 1980s and early 1990s gave way to a more chastened, far more worried tone.

Political Fragility

The political dangers embedded in economic failure were graphically revealed in Indonesia. For 32 years the New Order regime of [President Suharto](#) had been a fixture of the Southeast Asian scene. Indonesia had been politically stable (if not static), economically successful, and socially quiescent. But under the impact of the financial

crisis, the framework of the New Order cracked, triggering mass political demonstrations, widespread street violence, and a change in regime. Next door in Malaysia where Dr. Mahathir had been entrenched as Prime Minister for 17 years, a somewhat analogous, but less virulent chain of events ensued. A confrontation between the Prime Minister and his deputy over how to respond to the economic crisis took an ugly turn with the arrest of the latter and his imprisonment on sexual misconduct and other charges. Mass demonstrations of a kind not seen in Malaysia for 30 years shook the government to its foundations. In Thailand, the Chavalit government, paralyzed and ineffective in the face of the economic collapse, was replaced by parliamentary vote amid statements by senior military officers pledging there would not be a coup. In sum, the political stability that had seemed almost as assured as continued economic growth was now clearly a question mark.

Ethnicity. Although ethnic disputes have not proven to be as lethal in post-Cold War Southeast Asia as in some other regions of the world, ethnic/minority issues are a significant source of domestic tension. In Burma, a simmering civil war between the lowland Burmese and highland minorities (Karen, Karenni, Shan, Wa, Kachin, and so forth) has continued at varying levels of violence for nearly 50 years. A series of agreements beginning in the late 1980s between the Rangoon government and several of the minority groups has dampened the fighting, at least for the moment. In Malaysia, the latent tension between the Malay majority and the over one-quarter of the population that is Chinese, pervades national life. The spectacular economic growth of the Federation in the years since the communal riots of 1969 has been seen by many as almost imperative to preserve domestic stability. Recurring communal tension and occasional violence gave way to something much more serious in Indonesia in 1997-98. Under the strain of economic deprivation, widespread anti-Chinese violence destroyed not only property, but also the confidence of the Chinese business community members in their future as citizens of Indonesia. Violence against Chinese seemed to trigger a chain reaction of ethnic and religious strife involving other communal groups that make up the complex patchwork of Indonesia. The secession of East Timor produced the bloodiest tableau of all--this inflicted by "militias" associated with the Indonesian Army. The potential for a still more violent confrontation looms in Aceh.

Territory and Boundaries. Although the territorial status quo is broadly accepted by the Southeast Asian states, a number of specific disputes have been minor irritants for some time, and they could assume more serious dimensions if the security climate in the region were to change. These include:

- Claim of the Philippines to the Malaysian State of Sabah.
- Claims to the Spratly Islands by China, Vietnam, Taiwan, Malaysia, Brunei, and the Philippines.
- Disputed ownership by Malaysia and Singapore over Pulau Batu Puteh.
- Disputed ownership by Malaysia and Indonesia to the islands of Sipadan, Sebatik, and Ligitan.
- Clashes along the Thailand-Myanmar border.

- Dispute between Thailand and Malaysia over the land border and offshore demarcation line.
- Boundary disputes between Malaysia and Vietnam and between Indonesia and Vietnam over their offshore demarcation lines.
- Boundary dispute between Cambodia and Vietnam.
- Dispute between Malaysia and Brunei over Limbang and offshore boundaries.

Among these issues, the South China Sea is the most serious for several reasons. It is the only dispute to involve more than two Southeast Asian states and the only one to which outside powers (China and Taiwan) are a party. Large, potential offshore gas (and possible oil) reserves elevate the economic stakes to a level higher than elsewhere. Also, any conflict in these essential, heavily traveled sea lanes would immediately jeopardize the interests of the US, Japan, and other major powers.

External Powers

Two extra-regional powers, China and Japan, are a continuing source of uneasiness to security planners for the medium and long term, even as they assume roles in the present that are largely welcomed.

China is simply too large and too near not to be a major factor in the Southeast Asian equation and not to be viewed with some trepidation. With certain isolated exceptions, China does not have a history of seeking imperial control over Southeast Asia. And for roughly three centuries composing the European colonial epoch, China ceased to be a serious geopolitical factor in Southeast Asia. But this was an abnormal circumstance that has now passed into history. China's postwar support for Communist revolutionary movements in the region marked the reappearance of Chinese power in Southeast Asia. This, coupled with the presence of economically influential Chinese populations in nearly every Southeast Asian city, has bred distrust. Beijing's explicit claim that virtually the entire South China Sea constitutes Chinese territorial waters (and its refusal to disavow the use of force to back up those claims) has caused alarm in a number of quarters. Growing Chinese influence in Burma and Cambodia has been a further source of concern. Finally, the burgeoning of China's economy in the recent years has been welcomed by some (mostly ethnic Chinese) Southeast Asian businessmen as a major new investment opportunity, while being feared by others because of the potent competition from emergent, ultra-low-wage Chinese industries.

The prevailing uneasiness and ambivalence concerning China is evident not only in official statements and actions but also in some suggestive public opinion data. For example, in USIA polls, about 45 percent of respondents in Thailand and the Philippines view China as an "expansionist power," but only a small percentage in both countries regard China as a direct security threat. In a survey of regional executives (many of them presumably ethnic Chinese) the Far Eastern Economic Review found hefty majorities "concerned about the security situation in the South China Sea." A similar survey also found majorities ranging from 53 percent (Thailand) to 80 percent (Indonesia) favoring a "greater [Chinese] leadership role in world affairs." The latter tracks with the prevailing strategy among Southeast Asian governments to draw China

into a role as a rising but status quo power by binding China to the rest of the region with ties of mutual economic advantage.

Southeast Asia Territorial Disputes

From Southeast Asia's perspective, the best China is one that is domestically preoccupied, much like the China of the last decade. The fear is that as China gets its domestic house in order, gains economic and military strength, and is largely freed of its historic security concerns to the west (Russia) and the east (Japan), it will feel increasingly free to turn its energies southward.

Japan labors under the shadow of historically recent memories of its often harsh wartime rule over the region. These memories, however, vary significantly by demography, ethnicity, and location. Political power has passed to a postwar generation that has no direct personal recollection of the New Asia Co-Prosperity Sphere. Also, some populations, like the overseas Chinese and the Filipinos, experienced an often brutal occupation. But others, like the Burmese and Indonesians, recall the Japanese invasion as the critical event that broke the hold of European colonialism in the region and in some instances gave local nationalists their first taste of political power. Thailand effectively acquiesced to Japanese occupation and thereby escaped its most adverse effects. Since the war, Japan's interaction with Southeast Asia has been confined largely to economics--as trader, investor and aid provider. In recent USIA polls, 92 percent of Indonesian respondents gave Japan an overall "favorable" rating as compared to 77 percent for the United States. In Thailand, a plurality of opinion regards Japan as the kingdom's "closest economic partner."

Today, Japan is valued as an economic engine that powers much of Southeast Asia's economic growth. Japan plays no direct security role in the region, and the Southeast Asian states want to keep it that way. As long as the US-Japan Security Treaty remains viable, the Southeast Asian governments are confident that Japan will be content to leave to the United States the task of protecting the vital Southeast Asian sea-lanes through which the bulk of Japan's oil supplies are transported. The great fear is that if Japan ever feels it must use its own Navy for that purpose, it will provoke China into military countermeasures. The last thing the Southeast Asians want is a competition for military preeminence in the region between China and Japan.

The United States

Finally, the Southeast Asians are uneasy about the United States--about American commitments and staying power. The reasons for doubts on this score are not hard to discern. Despite repeated assertions by American officials to the contrary, many Southeast Asians do not regard the United States as an inherently Asian power. In time, so the thinking goes, the United States will withdraw to its natural geographic sphere of influence in the eastern Pacific. Perhaps ironically, such doubts were reinforced by America's Cold War victory. The end of that contest provided the obvious rationale, if one was needed, for a substantial drawdown of the US security presence in Asia. Without a worldwide adversary, there was a logic to calls on the home front for a peace

dividend to be gained in part by pulling back America's overseas military deployments. For the harshest skeptics, America's post-Cold War record of military engagements overseas provided additional evidence. Prime Minister Mahathir of Malaysia put the matter in characteristically blunt terms: "The presence of a Western power will not make a difference especially after Haiti, Somalia, Bosnia, and Rwanda. It takes only one soldier to be killed before the whole force will be withdrawn."

All Southeast Asian governments were keenly aware of the downward pressures on the US defense budget in the immediate post-Cold War period. Most watched with dismay as the US-Philippine negotiations to extend the American lease at Subic failed. Nor were they reassured by the defeat of President Bush by a little-known, small state governor in a campaign that stressed US domestic concerns to the almost total exclusion of foreign policy. Finally, the Gulf War, when US troops were deployed through the Mediterranean rather than Southeast Asia, seemed to suggest yet one more reason why the United States might de-emphasize its security role west of Guam. This is ironic because the primary route for logistic supply to that battlefield (mostly by sea) was across the Pacific and through the Indian Ocean.

Against this backdrop, the US naval deployments in response to the Taiwan crisis of 1996 and the US-led NATO operations in Kosovo provided a welcome degree of reassurance regarding American capacity and determination to retain its global security role. When US warplanes bombed the Chinese Embassy in Belgrade, at least some senior military officers in Southeast Asia reacted, first, by assuming the bombing was deliberate and, second, by welcoming it as a signal reminding China who is boss.

At the same time, there is tangible uneasiness among policy elites concerning another implication of Kosovo--a growing predilection on the part of the United States to engage in "humanitarian intervention." The specter of the United States and its allies deciding what values are to be enforced internationally evokes not-too-distant memories of Western colonialism.

Regional Response

The ASEAN response to this changing security environment has occurred along three dimensions: unilateral, multilateral, and bilateral (with the United States).

Unilaterally, the ASEAN governments have done two things. First, they continued to act on the central principle they have followed for nearly three decades--that the foundation of national security is a successful and growing economy. "Resilience," a formulation connoting social stability, economic success, and a general ruggedness was coined in Singapore and soon spread as a kind of regional mantra. All of the successful ASEAN states have kept their focus on the priority objective--economic growth and modernization.

At the same time, they began to invest more heavily in their respective military establishments. This growth has been sufficiently noteworthy to lead many observers to

refer to a regional arms race. In the early 1990s Southeast Asia was the one growth area in an otherwise contracting global arms market. Indonesia purchased much of the former East German Navy--29 ships in all. Malaysia purchased F/A-18s and Russian MIG-29s. Singapore, Indonesia, and Thailand purchased F-16s; Thailand purchased Chinese tanks and armored personnel carriers, German helicopters, and American P-3s. The complete list of such acquisitions was long, but it was misleading to refer to a regional arms race.

These actions constituted a reorientation of armed forces away from domestic counterinsurgency missions toward external defense coupled with a modernization and upgrading of forces by countries that now could afford it. The growth in military spending was within planned national budgets, and it generally tracked or only slightly exceeded aggregate economic growth. Other factors at work included an effort to improve national capabilities to defend offshore territorial claims, particularly in light of China's assertiveness in the South China Sea; a response to the considerable political influence enjoyed by the armed forces in several countries; and some undeniable competition and one-upmanship among the states of the region, notably between Singapore and Malaysia.

One of the consequences of the Asian economic crisis was a scaling back of military procurement budgets throughout the region--most notably in Thailand's decision to rescind its purchase of FA-18s from the United States. If a feeling emerges in the region that the economic crisis is effectively over, military budgets can be expected to benefit accordingly.

The most interesting developments in terms of regional security have a multilateral character. ASEAN has become the centerpiece in this process. When the association was created in 1967, its declared purpose was to foster economic and cultural (and by implication, political) cooperation among its members. The founders of the organization were emphatic and explicit that ASEAN was not, nor would it become, a security organization, that is, a military alliance. In fact, ASEAN was from the outset an organization with an overriding security purpose. Its achievements in terms of fostering cultural contact and understanding have been constructive, but hardly earth shaking. Its various initiatives in the direction of regional economic cooperation have come to little for the basic reason that the economies of the member states are competitive rather than complementary.

But security is another matter. ASEAN was founded in the aftermath of Indonesian "confrontation" against Malaysia, exacerbated by the Philippines' territorial claim to Sabah. The clear intent in creating ASEAN was to prevent the outbreak of another conflict among the five founding members. And this has been one of ASEAN's great successes. Patterns of consultation and collaboration have been fostered, mutual trust has been nurtured, and political and foreign policy elites have become closely acquainted with one another. In short, ASEAN has become a "security community" defined as a collectivity in which military conflict among its members has become almost unthinkable. For example, despite recurring acrimony over a number of issues, a

military clash between Singapore and Malaysia is about as unlikely as one between Spain and Great Britain over Gibraltar. Disputes exist, but they are either resolved through negotiation or adjudication or set aside until they become negotiable at some future time.

The second major achievement of ASEAN came in response to Vietnam's 1978-79 invasion and occupation of Cambodia. ASEAN took the lead in coordinating a remarkably effective diplomatic campaign that denied Cambodia's UN seat to the Vietnamese-installed government in Phnom Penh. Three governments (Singapore, Malaysia, and Thailand) also worked with the United States (and China) in providing covert assistance to the various Khmer guerrilla organizations conducting military resistance against the Vietnamese. These efforts, along with the US-led economic embargo, were instrumental in persuading Vietnam to finally withdraw from Cambodia.

Although ASEAN is not a military pact, several of its members have been engaged in bilateral cooperation for many years on security-related issues of shared concern. Examples include Thailand and Malaysia on their common border (long a haunt of the Malayan Communist Party and Thai Muslim secessionists), the Philippines and Indonesia regarding smuggling, and Singapore and Indonesia concerning piracy. Since the decision to evacuate Clark and Subic, each of the ASEAN countries has offered to make appropriate facilities accessible to US naval and/or air forces. Beginning in 1992, a multilateral dimension was introduced when security issues were explicitly included on the agenda of ASEAN ministerials and uniformed officers included in meetings of senior officials. In the same time frame, the annual meeting of the ASEAN foreign ministers with ASEAN's "Dialogue Partners" began to encompass security issues. In 1993, this security dialogue was expanded to include China, Russia, and India. Meanwhile, Vietnam, Laos, Burma, and Cambodia have become full members of ASEAN. All this official dialogue has been supplemented by semiofficial meetings and conferences conducted by academics and policy institutes in the ASEAN countries with invited outside experts and devoted to security issues.

Eventually, the participants will have to decide whether to extend multilateral security cooperation beyond discussions to embrace operational activities, including possible multilateral joint exercises and training, and coordination of some equipment purchases (for example, maritime patrol aircraft) to allow for possible joint use and interoperability. However, there is little or no likelihood that ASEAN will ultimately be transmuted into a full-fledged military alliance. No serious sentiment exists within the organization for such a step. The region remains too diverse with too little consensus regarding the identity and extent of security threats. Thailand and Vietnam, for example, have distinctly different views of China in this regard. Even if an alliance were established, the collective military strength of the region would be insufficient to cope with aggression or intimidation by a large power. Finally, nonalignment still exerts a significant tug on official sentiment within the region.

The latest development is an ASEAN decision to establish a formal arrangement to manage the official security dialogue--the ASEAN Regional Forum (ARF). The Forum

hosted its first annual meeting in Bangkok in July 1994. Composed of 21 Pacific Rim countries, including China, Japan, Russia, and India, as well as the United States, the ARF had the potential of becoming a significant arena for addressing such common security concerns as piracy and such regional disputes as the Spratlys. In reaction to the discovery of Chinese military construction on Mischief Reef in 1995, the ARF became the vehicle for a serious initial attempt to resolve conflicting interests and claims in the South China Sea. Yet, when additional Chinese construction was detected during the most acute phase of the Asian economic downturn, the ASEAN countries could not muster an effective response within the ARF. At this stage, the jury is still out as to whether the ARF will become a viable diplomatic vehicle for addressing security issues in the region. A current test is provided by efforts within ASEAN to use the ARF to negotiate a "code of conduct" for managing disputes in the Spratlys.

The US Role

As a consequence--and somewhat paradoxically--the ASEAN states still look to external powers as the ultimate guarantors of their security. The Five Power Defense Pact links the United Kingdom, Australia, New Zealand, Singapore and Malaysia. But it is the United States that is, overwhelmingly, the region's preferred security partner. This shows up clearly in US Information Agency polling of regional opinion (for example, in Thailand, Indonesia, Australia, and the Philippines), in official public statements (for example, in Singapore) and in government actions and private comments by officials (for example, in Malaysia). Even in nominal outliers like Vietnam and Burma, some senior military officers are quick to reveal their preference for a continued robust American defense presence in the region.

Since the demise of SEATO, the United States has been party to only one multilateral Asian alliance, ANZUS, comprising Australia, New Zealand, and the United States. But America does have bilateral defense agreements with Thailand and the Philippines. More important, the US 7th Fleet, headquartered in Hawaii and forward based in Guam and Japan, (composed of permanently assigned units and those deployed for six-month periods from central and eastern Pacific bases) operates on a continuing basis in the region. US air assets deploy to the region out of Japan and Alaska, and forces from all services, including ground forces, regularly go to the region from the continental United States for a variety of exercises. Altogether, and on a continuing basis, approximately 100,000 American military personnel are forward deployed.

At the most basic level, US objectives in Southeast Asia have remained consistent over the last five decades: (1) prevent the emergence of a regional hegemon, (2) keep open the sea and air routes that transit the area, and (3) maintain commercial access to the economies of the region and the peace and stability that commerce requires.

Pursuit of these interests has carried US security policy through four historical phases over the past half century: the war against Japan in the 1940s; the counterinsurgency/nation building period of the 1950s and 1960s, culminating in the Vietnam War; the Nixon Doctrine; and the focus on strengthening the 7th Fleet as a

counter to the Soviet military presence based at Cam Ranh Bay in the late 1970s, and pressure against the Vietnamese military occupation of Cambodia, culminating in the 1989 Vietnamese withdrawal and the signing of the 1991 Paris Agreements establishing a framework for a possible political resolution of the Cambodian conflict. Coincidentally, the demise of the Soviet Union and the end of the Cold War removed Russian military power from the region. Since 1991 the United States has entered a fifth phase with the termination of the US military presence in the Philippines. The loss of facilities at Clark and Subic compelled a rethinking of US strategy that involved a dispersal of the US presence in the region through access arrangements in a number of countries but no large US bases. Administrative offices serving the Pacific Command have been established in Singapore. With the advent of the Clinton administration, there also was a change of emphasis more accommodating to multilateral approaches to security. The new approach embraced the advent of ARF and explicit intra-ASEAN discussions of security issues as fully compatible with existing US bilateral security ties and activities in the region.

The United States now faces a substantially changed security landscape in Southeast Asia, one that reflects the essential success of American post war policies. America currently is without challenge as the preeminent military power in the region, and from a Southeast Asian perspective, that presence is largely benign because it comes without territorial or overt hegemonic ambition.

Security regimes generally develop in response to or in anticipation of threats. What makes the US security role in Southeast Asia so distinctive and challenging in intellectual and policy terms is the absence of a clear threat. Instead, there is the regional sense of uneasiness noted earlier. The Southeast Asians want the United States present as an insurance policy--as a benevolent cop on the beat to protect them against potential external threats, against the unknown, and, to some extent, against each other. As long as the US-Japan Security Treaty is operative and the US 7th Fleet patrols the Southeast Asian sea lanes, Tokyo will not need to contemplate its own military presence in the region. Disputes or potential disputes within the region are less likely to flare up or provoke a local arms race if a neutral third party is by far the strongest military presence in the area. The day may come when the combination of growing economies, militaries, and multilateral institutions and processes will give the region sufficient strength and coherence to make a US security presence largely superfluous--but not yet.

Other considerations that underlie Southeast Asian support for a continued US presence include the preference among the armed forces of the region for American weapons and equipment and for the United States as a source of common military doctrine and shared intelligence. US forces treat Southeast Asia as a single security area, and through joint exercises, exchanges, and interactions with local armed forces, have given the region what coherence it has in military terms. Finally, the US military presence is valued as means of maintaining US interest in the region and encouraging an increase in America's economic involvement. The United States remains Southeast Asia's largest single market. Since exports and foreign investment have largely driven

the economic growth of the region, the American connection remains hugely important to the region's future. Southeast Asian governments also want to encourage increased American investment as a counterweight to the massive presence of Japan in that sector. Finally, if Southeast Asian industry is going to compete successfully with lower-wage Chinese competitors, an infusion of foreign technology will be required in many cases.

Having said all this, significant constraints exist on US influence in the region. Until recently, the most obvious were limitations on American defense budgets. Ironically, had the Philippine Senate approved the tentative agreement for renewal of the lease at Subic, the United States would have faced significant difficulties in fulfilling the financial terms of that agreement. In a new era of Federal budget surpluses, budget limitations may not pose an insuperable hurdle to a major capital- and personnel-intensive presence in Southeast Asia like Clark and Subic. That will become clear only if an opportunity for such a facility presents itself. Second, nationalism constrains the willingness of Southeast Asian states to accept a close, visible tie to the United States. ASEAN has a longstanding formal commitment to the objective of establishing a Southeast Asian Zone of Peace Freedom and Neutrality (ZOPFAN), which would amount to the exclusion of the external great powers from the region. ZOPFAN has taken on no reality beyond the declaratory, but it accurately reflects a widely held determination not to be the cat's paw of others outside the area. This impulse received a recent impetus from Indonesia's selection in 1993 to serve a five-year term as leader of the Nonaligned Movement. One consequence of all this is a desire to minimize the size and visibility of the American military presence in each of these countries. None of them want to have the raucous equivalent of Angeles City or Ilongapo that serviced American airmen and sailors outside the gates of Clark and Subic in the Philippines. Visiting Forces Agreements establishing legal jurisdiction over US military personnel have become a lightning rod for such concerns.

Finally, several irritants recur in US relations with the region, most related to trade disputes and human rights. Examples included a long-running and acrimonious quarrel with Thailand over protection of intellectual property rights, a public argument between the United States (including President Clinton) and Singapore (including former Prime Minister Lee Kwan Yew) over the proper punishment for an American teenager found guilty of vandalism in Singapore, and the Congressionally-mandated cancellation of some International Military Education and Training (IMET) aid programs because of human rights related criticisms--notably Malaysia's policy toward Vietnamese refugees and Indonesia's handling of East Timor. During the 1990s, the mood in several of the ASEAN governments has become palpably more resentful of, and resistant to, US pressure on behalf of a human rights/democratization agenda. Singapore and Malaysia were particularly outspoken concerning US "arrogance" and "cultural imperialism." The Asian financial crisis has tended to override and mute these issues while diplomatic negotiations have resolved some of them. If Indonesia's newly empowered democracy takes hold, the political climate on these issues in the region will presumably become more receptive to US views.

At the same time the Asian financial crisis injected a new discordant element into the picture--a sense of acute vulnerability to the forces of the new globalized economy. Malaysia's combative prime minister angrily blamed international currency speculators for triggering Asia's meltdown and the IMF for running roughshod over local sovereignties in responding to the crisis. Mahathir's view that the West (and the United States in particular) had acquired too much economic power over Southeast Asia is widely shared by other, less outspoken leaders in the region.

In sum, US security planners face a complex environment in Southeast Asia that requires an intelligent, sensitive (even subtle) diplomatic touch; that integrates political, economic, and military considerations; and that looks beyond the immediate to at least the midterm future. The names of the game are anticipation, prevention, deterrence, and reassurance.

Looking Ahead

Southeast Asian attitudes and approaches toward US policy and presence will be shaped, in the first instance, by developments within the region. These will include performance of the major Southeast Asian economies, the viability and unity of Indonesia, and the cohesion and effectiveness of ASEAN. Beyond these obvious factors, there are some wild cards in the deck including a potential political upheaval in Burma.

Economic success breeds confidence and stability--or in the parlance of the region, "resilience." Economic growth also provides the budgetary resources to upgrade national military capabilities. Economic growth undergirds the development and strengthening of regional institutions including ASEAN and its various elaborations and spinoffs. A prosperous and modernizing Southeast Asia will deal more confidently with the major external powers--Japan, China, the United States and, in the future, India. Such a Southeast Asia will be more inclined to draw lines in the sand (or sea) regarding China and to insist on conditions and quid pro quos concerning the US security presence. Conversely, a Southeast Asia unable to regain its pre-1997 economic footing will be less assertive vis-à-vis outside players and more prone to intraregional disputes. Such a region will be more vulnerable to growing Chinese influence and, at the same time, more inclined to look to the United States for both markets and security support.

Indonesia is a huge X factor in this regard. If it holds together and begins to restore economic growth under a moderate democratic government, Indonesia can regain its role as the linchpin of a modernizing, increasingly interactive Southeast Asia. In the worst case, a disintegrating Indonesia will fundamentally alter the balance of power in East Asia. Opportunities for Chinese ambition will grow, and the tendency of regional states to strengthen bilateral security arrangements with the United States probably will grow as well.

All of this is intimately connected to ASEAN. The association, as we have known it, cannot survive a breakup of Indonesia, and it will survive only as a shell if Indonesia

becomes the chronic sick man of Southeast Asia. ASEAN is already confronting major difficulties as a result of the Asian financial crisis and the ill-advised decision to rapidly expand its membership to include Cambodia, Laos, and Burma. ASEAN today is a distinctly less cohesive and effective organization than it was in 1996.

The second broad set of factors that will affect US attitudes concern the policies and actions of major powers in East Asia--notably China and the United States, itself. The foreign policies of Southeast Asian governments are generally predicated on the hope and the expectation that China will give the highest national priority to economic development and modernization, which will in turn require good relations with its neighbors. A China focused on economic growth would logically desire increased trade with and investment from Southeast Asia. And such a China would eschew provocative, destabilizing policies in the South China Sea or elsewhere that would jeopardize such relations. Southeast Asian policies toward China have been designed to reinforce such logic and tendencies.

But few Southeast Asian officials are confident beyond doubt that Beijing will prove to be such a benign presence in the region. Unlike the United States, China is geographically next door and does have territorial ambitions. An undercurrent of apprehension is present in every Southeast Asian government to varying degrees. The possibility that China may pursue a strategy designed to assert its primacy in the region cannot be ruled out. Chinese statements and actions in the South China Sea validate the danger in the minds of many regional defense and intelligence officials.

A China with hegemonic tendencies poses another danger--that Japan will react by strengthening its military capabilities and by assuming a more "normal" security role in the region. In short, a logical consequence of growing Chinese power could be a great power rivalry with Japan along Asia's rim. None of this would be welcome in Southeast Asia.

The US economic presence in Southeast Asia has never been seriously controversial. Not only was it a source of needed imports, technology, managerial expertise, and investment--it was most importantly a natural concomitant of America's most important contribution--its market. As far as one can see into the future, that market will remain absolutely vital to Southeast Asian economic well-being.

The US security presence has been welcome in Southeast Asia since the early days of the Cold War for the measure of protection it provided. In some instances that protection was direct and tangible as with US assistance to the Philippines against the Hukbalahap insurgency. In one case--Vietnam--it was direct, massive and unsuccessful. But generally the US presence has been valued for a general climate of stability and security it provided. As long as the strongest military power in the region was an outside player without territorial ambition, Southeast Asians could be confident that nothing really bad--a hostile hegemon or a major interregional conflict--would be allowed to happen. That confidence was in turn key to foreign investment and other economic development initiatives that made the Asian Miracle possible.

In sum, the regional context in which Southeast Asians view the US security role is remarkably dynamic and indeterminate. China's strategic direction--aspiring regional hegemon or increasingly satisfied status quo great power--remains entirely uncertain. In all probability the China of the next 10 to 15 years will emerge as a complex amalgam of the two. Just as China's strategic direction is a question, so are its economic and political prospects. The Chinese economy of today faces huge problems including hopelessly inefficient state enterprises, a technically insolvent banking system, and an alarming and unsolved environmental crisis. A substantial slowing of economic momentum has profound implications for a regime that has lost Marxism/Maoism as an effective source of political legitimacy and relies instead on an improving economy. Future historians may see the ongoing crackdown on Falun Gong as the first clear signal of a systemic Chinese political crisis.

Uncertainties concerning China extend to other elements in the strategic environment. As the Taiwan dispute becomes more acute, the confident expectations of a few years ago that the situation could be managed and contained are no longer prevalent. ASEAN is reeling under the impact of the Asian financial crisis and suffering acute indigestion from trying to incorporate too many new members too fast. The association's future is very much in doubt. The economic crisis has raised a number of other uncertainties, the most basic being whether the region will make a full recovery. There are some hopeful indicators in that regard, but whether they represent a real or false dawn is still a question. Even larger questions surround Indonesia, including whether the archipelago will remain politically unified.

All these uncertainties tend to impel the region, however reluctantly, toward increased reliance on the US security presence as an anchor in stormy seas. This will be true only so long as the United States really is seen as an anchor. Southeast Asian states will become increasingly sensitive to any signs of declining US interest in or disengagement from the region. Assessments of US resolve will become even more of a cottage industry for Southeast Asian governments than in the past. For this reason the continuing (and even growing) ambiguity in US policy toward the South China Sea does not bode well. What exactly is America prepared to defend and under what circumstances? Few in Southeast Asia are confident of the answer. Those that are uncertain will tend to hedge that uncertainty. The logical alternative to reliance on the US security presence will be some sort of regional accommodation to Chinese primacy.

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Convergence/Divergence in Political Interests, Values, and Policies

by **William Watts**⁽²³⁾

Before the "Asian flu" financial earthquake ravaged a number of East Asian economies in 1997, many observers--and not just in Asia--argued that "Asian values" provided a new and better underpinning for economic and political growth. As opposed to "Western values," which allegedly placed bottom-line gain above all else, the Asian approach was

to be the exemplar of a kinder, more humane model, one which provided a surer safety net for the less fortunate, even as national strength grew.

The troubles that hit the region have cast doubt on that premise. But the search continues for some middle ground, one that would achieve growth and (in some countries more than others) greater democratization, all the while securing social equity, especially for the needy. In a recent interview in the 2 December 1999 issue of the Far Eastern Economic Review, Japanese [Prime Minister Keizo Obuchi](#), advocate of a "third way," put it this way: "I do support restructuring, but not the kind of drastic restructuring common in the United States and Europe, or so-called chopping off of people's heads. . . American-style layoffs, sudden cuts that create instant unemployment, just aren't acceptable. . . . We don't want people to lose their incentive to work. We have to find a middle ground."

While the "Asian values vs. Western values" debate has lost some of its earlier cachet, few would argue that there are considerable differences in approach between countries across the Pacific. The debate is complicated by the remarkable and sustained health of the US economy. This has led to a degree of triumphalism in statements by American leaders that can grate on foreign ears.

Closely related to this discussion and argument about contrasting values is another equally sensitive and contentious issue: nationalism vs. globalism. Malaysian Prime Minister Datuk Seri Mahathir bin Mohamad has spoken out vociferously against forces of globalization that he sees as undermining national sovereignty. As the International Monetary Fund (IMF) imposed certain requirements on states wishing to participate in IMF bailout efforts, citizens of countries affected protested what they saw as excessive demands. "I'MFired" was a popular T-shirt selling in Seoul. The blowup at the abortive World Trade Organization (WTO) meeting in Seattle is but another example of the extent to which these conflicting forces will command center stage in coming years.

Background: Changing US Congressional Focus

In the midst of this tidal wave of change, thoughtful observers fret about the ability of the US body politic to meet the challenges of the new. An influential senior member of the House of Representatives voiced his concern at a breakfast meeting in Washington some months ago. His ruminations on the changing nature of that body are important for gaining a better understanding of the role the House plays in the overall conduct of American foreign policy. While its role may be secondary to that of the Senate, and certainly of the executive branch, it does control the purse strings. As such, its influence must be taken into account.

The Congressman noted that when first elected to Congress in 1976, he and most of his colleagues moved to Washington with their families. They bought homes. Their children went to school here. They set down roots in the Capitol area. They socialized with one another, regularly across party lines. They attended a wide variety of functions in the city and its environs. They had time to go to the theater, attend lectures and concerts,

and exchange ideas with residents both in and out of government. They got to know their fellow members well. They made close links to exposed to a wide range of thinking, and different outlooks.

No more, according to the Congressman. Today, the scene has changed dramatically. In many (most?) cases, the spouse of the elected official stays home, the result of the growing number of two-member working families. Many (most?) members fly into Washington late Tuesday, work Wednesday and Thursday, and go back to their homes Thursday evening or Friday morning. Time is controlled by committee meetings, reading memos, briefings by staff, floor votes, and constituent visits. The Congressional schedule has been cycled to meet this new pattern of life and workstyle.

The result is eminently predictable. Members of Congress have little or no time to meet people not directly linked to their work regimen. Many share bachelor apartments with one or more colleagues. Members must pay attention to constituent concerns. There is scant room for off-duty socializing. For most, there is little focus on foreign policy and trade matters. The old foreign policy "establishment" no longer commands the attention it once did.

The impact on a less-informed Hill membership, especially on foreign policy, is exaggerated by the inherent instability of the House as an institution. It used to be that a strong Democratic majority was a given. That meant that the House leadership could lead. No longer. With a margin in the number of seats held of 5-10-15, no leader has much room to maneuver. The ability to cut deals, form coalitions, and pursue alternatives to get legislation passed is now severely restricted.

Leadership inflexibility on key issues (the case now, the speaker noted with regret) means that what might be possible is rendered impossible. "Fast-track" legislation for passage of trade-related issues is a shining example: he said he could draft a measure that would pass easily, but members of the leadership will consider only their own bill, which gives no "wobble-room" on sensitive environmental and child labor issues. "The center of gravity in Congress for free trade is narrowing."

In closing, the Congressman noted the "anecdotal" nature of foreign policy debate. The demise of a clear adversary--the Soviet Union--leaves no touchstone against which to measure and test foreign policy themes. With a Congressional membership and leadership both less-well-informed and also unfocused, coherent deliberation in international affairs becomes an oxymoron. Policy discussions are dominated by "anecdotal" forces and pressures, and major US policy interests, such as "fast-track" legislation, can get lost in the process.

Background: Some American Views

In trying to assess national interests on both sides of the Pacific, we may look at how Americans rate selected countries on a spectrum ranging from "close ally" to "enemy."

We have clustered "close ally" and "friend" responses, drawing upon a recent Potomac Associates study, as well as earlier work by Potomac and the Roper Organization.

[The Question]: "I'd like to have your impressions about the overall position that some countries have taken toward the United States. As I read down a list of countries, do you believe that country has acted as a **close ally of the United States**, has acted as a **friend but not a close ally**, has been more or less **neutral** toward the United States, has been **mainly unfriendly** toward the United States but not an enemy, or has acted as an **enemy** of the United States?"

Geography is, clearly, a decisive factor. With lengthy, porous borders to north and south, Americans recognize the remarkable luxury of their relative physical security, giving their immediate neighbors high ratings as "close ally." Mexico's problems with drug trafficking (supplying American demand) and related crime are well documented. The bottom line, however, recognizes friendship and security.

The standing of China, while still well down the list, has recovered much of the ground lost at the time of the 1989 killings at Tiananmen Square. The image of a lone man standing defiantly in the path of the tank remains indelibly imprinted in many minds. Still, Americans have moved steadily toward a more accepting view of China. This view has been helped along by a number of factors: reciprocal visits by Presidents [Jiang Zemin](#) and Bill Clinton, Premier Zhu Rongji's well-covered journey last spring, and an enduring historical fascination many older Americans have with China (buttressed over time by World War II alliance, the writings of Pearl Buck, and American missionary activity) among others.

Table 1: "Close Ally/Friend" (listed in 1999 order)						
	<i>(percent)</i>					
	1987	1989	1990	1991	1994	1999
Canada	87	n/a	n/a	n/a	85	82
Mexico	57	56	n/a	n/a	66	72
Japan	66	62	52	59	59	65
Taiwan	n/a	n/a	n/a	n/a	n/a	54
South Korea	39	42	n/a	41	n/a	52
USSR/Russia	4	16	36	43	48	41
China	26	16	19	17	25	32
Vietnam	n/a	n/a	n/a	n/a	n/a	26
North Korea	n/a	n/a	n/a	n/a	n/a	18
Iran	2	3	6	n/a	8	13

Recent developments provide a counterweight: charges of illegal campaign contributions, the Cox Committee report alleging Chinese theft of nuclear secrets from the Los Alamos facility, and attacks on US diplomatic missions in China following the mistaken bombing of the Chinese Embassy in Belgrade. On balance, the influence of these items has not halted the steady recovery of China's image. At the same time, however, the many skeptics about China's policies and behavior certainly will pursue their efforts to keep some distance in the Washington-Beijing relationship. Such skepticism also is reflected in the fact that nearly three times as many of those interviewed perceive Taiwan as a "close ally" as do those who see China that way. Taiwan's favored position in this opinion measure assumes special meaning in light of current tensions between the two adversaries.

Japan is an interesting case. In spite of long-standing and voluminous attention given to Japan as economic challenge--and, in the eyes of many, economic predator--it ranks near the top as "close ally." Many surveys continue to find that the lead item of a negative nature in feelings about Japan, aside from economic concerns, is Japan's 1941 attack on Pearl Harbor. While the "sneak attack" syndrome persists, numbers mentioning it are declining. When comparing friends vs. foes, Americans seem to have compartmentalized that unpleasant memory.

The standing of the Republic of Korea has advanced markedly in our new survey. Several factors are at work. First, the growing Korean and Korean-American community in the United States, approaching 1 million, is emerging as a significant factor in America's demographic landscape. Korean restaurants, grocery stores, cleaning establishments, and Korean-made consumer goods have probably softened Korea's image. Second, President Kim Dae-jung has proved to be a strong leader, his reputation strengthened by progress in Korea's opening up of its political and social systems. Democratization is an important part of Kim's agenda. One result has been the virtual disappearance of stories in newspapers and on television of student protesters being clubbed and teargassed by police. His visits here, and return trips to Korea by President Bill Clinton, received heavy and generally positive coverage. Third, Korea's steady behavior in the face of the North Korean potential nuclear threat, and the aberrational behavior of the regime of Kim Jong-il in P'yongyang, have earned respect at official levels and may have reverberated as well among the public.

A special word is in order about Russia. Attitudes toward this erstwhile Cold War adversary have undergone by far the most extensive rejuvenation of any in this series. Barely a decade and half ago, with the nuclear rivalry still in full swing, a scant 3 percent looked upon Moscow as either "close ally" or "friend." Now that number has risen an unprecedented fourteenfold. Slippage in recent years probably reflects concern over chaotic and often unpredictable Russian economic, political, and security behavior. Virtually all experts will agree that is a concern well taken.

US Policy Interests

The overarching political interests, values, and policies of the United States in East Asia can be clustered into a number of groupings. Readers may have others to add to the following list:

- 1. Maintenance and strengthening of regional peace and stability.
- 2. Promotion of economic growth and its benefits, including a liberal trade climate, pursuit of democratic capitalism, and productive economic engagement.
- 3. Expansion of democracy and human rights. This arena ensures tension in our dealings with authoritarian systems. The focus of US policy has been on countries where restrictions are the most severe. In addition to pressing for enlarged political freedoms and individual liberties, this approach can include humanitarian assistance--supporting USAID-type programs in education, agriculture, and housing, for example.
- 4. Pursuit of programs designed to protect the physical environment, including problems of air and water pollution, destruction of rain forests, land degradation, and the like.
- 5. Enhancement of bilateral and regional cooperation in dealing with a variety of new and emerging issues, including drug trafficking, organized crime, population movements, and piracy.
- 6. Related to the above, strengthening of regional and international institutions, such as the Association of Southeast Asian Nations (ASEAN), the Asia Pacific Economic Cooperation forum (APEC), the World Trade Organization (WTO), the United Nations (UN), and a variety of other bodies.
- 7. Encouragement of open communications and information flow. A wide variety of exchange programs, designed to improve mutual understanding, are already under way. These can be continued and expanded. A dramatic new entry in this arena is freedom of access to the emerging vehicle of choice for global information interchange--the Internet.

The first two themes are the subject of other papers for this seminar. They will be treated only briefly here, as they relate to the overall political framework.

Regional Peace and Stability

During the five-year time frame of this exercise, the United States will wish to maintain a robust military presence in the region. With our vast economic and political interests in the region, any administration is unlikely, in the near term, to want to risk creating a security vacuum that would result from any substantial US drawdown of military forces. A large amount of diplomatic energy and capital will be devoted to working out the terms of US engagement in the region, and, in particular, dealing with growing Chinese military capabilities, concerns, and suspicions. The general security issue has already been addressed, with agreement on new US-Japan defense guidelines.

In that mission, any president will have considerable public backing. We found that the American public places "trying to maintain peace and regional stability" as the first priority for the conduct of US foreign policy in Asia: 86 percent of those we interviewed

considered it to be either "very important" (56 percent) or "somewhat important" (30 percent).

Furthermore, regional force deployment is supported by a substantial majority of Americans. Our recent survey found that 69 percent of those interviewed favored either increasing or keeping at the same level the number of US military personnel stationed in Japan "for defense and peacekeeping purposes;" 66 percent were or the same view concerning forces in South Korea. Those numbers were statistically the same as those found in a comparable 1985 testing of opinion and were higher than 1978 findings.

The same survey also registered majority support for coming to the defense of Japan if attacked by Russia or China, and plurality backing for defending Japan or South Korea from attack by North Korea. In the case of Taiwan, a majority of the general public opposed its defense against attack by China; a bare majority of a minisample of "better informed" respondents supported US defense of Taiwan.

A continued US military presence in Asia is contingent, of course, on its being welcomed by host nations in the region. The 1992 closure of US bases in the Philippines shows that any such welcome has its limits. The 1995 rape of a schoolgirl on Okinawa added to pressures from some quarters in Japan for a reduction of US military forces. Unease at the huge American presence in downtown Seoul has long been a source of friction. Pressure for a reduction in that presence would likely accompany any genuine movement toward South-North accord on the Korean peninsula. But in the five-year period under review, a meaningful forward-based US military presence seems all but inevitable.

In terms of convergence/divergence, authorities in Beijing clearly view the development of a joint Theater Missile Defense capability by the United States and Japan, no matter how configured (i.e., against possible North Korean missile threat, as officially argued), to be a direct challenge to the interests of the People's Republic. Likewise, moves to upgrade the US-Taiwan military relationship, inherent in the Taiwan Security Enhancement Act just passed by the House, infuriates Beijing. Ambassador Joseph Prueher was warned by Deputy Foreign Minister Yang Jiechi that US-China ties would be "seriously damaged" if the bill becomes law.

Economic Growth and Trade Ties

Four of our largest 10 trading partners are located in Asia: Japan, China, Taiwan, and South Korea. That should mean, by definition, that we pay in official terms a large share of high-level attention to nurturing our ties to those countries. Critics argue that such is not the case, a theme that will be addressed below.

Since the economic arena is also the focus of another paper, comments here will be brief. Our two largest trade imbalances--by far--are with Japan and China. Indeed, their combined 1998 surpluses equal those of the next 10. It should come as no surprise, then, that we found in our latest survey that Japan and China stand essentially alone at

the top of the list of those countries who are seen as "generally unfair when it comes to trading with the United States," and whose "imports from them pose a serious threat now to the jobs of American workers." Worth noting is that China's position on both counts has soared steadily and dramatically in recent years, while concerns about Japan, although still high, seem to have eased considerably. In American eyes, China has moved markedly ahead of Japan as problem number 1:

Perhaps surprisingly, a majority of Americans in our survey took a rather self-critical view of the current massive trade deficits the United States is now running. Given two alternatives, 60 percent of those interviewed said that the deficits are "caused primarily by problems of our own making," while only 27 percent attributed them "primarily to actions of other countries." Although that perception may be reassuring, it also should be seen in the context of very good economic times. At some point, the current American economic expansion/boom will slow down. Should the correction be sharp, trade deficits are likely to provoke a serious political backlash. Japan and China will be the obvious target of both Congressional and public wrath. Those deficits represent a potential time bomb waiting to be armed and detonated.

Encouragement of Democratic Values and Human Rights

Pursuit of the human rights issues has become a central element in American foreign policy. For some, it represents American idealism at its best: a former staff director at the US Congressional office for the Organization for Security and Cooperation in Europe (OSCE) told me that during many field trips to East Europe he was constantly encouraged to keep up the pressure for improving human rights--the annual Congressional reports on conditions around the world were "a beacon of hope," one prominent Czech dissident told him.

[American Views of China and Japan as a Trading Partner](#)

For others, however, the US fixation on expansion of democratic and values and human rights represents an unwarranted intrusion into the internal affairs of a sovereign state.

- China, for example, has been particularly outspoken in its disdain for what it sees as Washington meddling. It has vigorously rejected recent US pressures, whether official or unofficial, about its crackdown on the Falun Gong group. China has dismissed out of hand any criticism of its actions in Tibet. Chinese authorities remain taciturn and testy about any references to the 1989 killings at Tiananmen Square as a "massacre" and routinely turn aside or ignore outside protests against roundups of dissidents.
- Vice President Al Gore felt the wrath of Malaysian Prime Minister Mahathir when Gore appeared to take the side of the "*reformasi*" movement of ousted Deputy Prime Minister Anwar Ibrahim during a speech in Kuala Lumpur.
- Indonesia's new Foreign Minister, Alwi Shihab, in a speech last month at the Nitze School of International Studies, made clear his concern about possible outside intervention concerning charges of human rights violations by its military

in East Timor. Discussing meetings in New York with UN Secretary General Kofi Annan and members of the Security Council and the Asian caucus, he said, "My main purpose was to convey a message to the International Commission on Human Rights. We don't know what their recommendation will be, but if it is to establish an international tribunal we are of the opinion that the Commission should wait until Indonesia has acted. . . . I want to convey that an international tribunal could be counterproductive. It could trigger xenophobia or excessive nationalism, and encourage some to 'wrap themselves in the flag.' That would be a disadvantage to all."

Whatever the pros and cons, a plurality of Americans (44 percent) believes that "human rights should be a principal concern in our dealings with countries where they occur." Attention to human rights is now a staple of American foreign policy.

But in looking for areas of divergence, this area surely will provoke critical response in many quarters. It will be a particular irritant in relations with those countries where American concern is most concentrated. Above all, pressures on democratic values and human rights will stain the official US dialogue with China and will cloud some unofficial dialogue as well.

Support for human rights issues need not be restricted to finding fault. In a recent visit to the United States, Indonesian Education Minister Yahya Muhaimin said he was looking for assistance in English language training and donation of textbooks, with transportation costs funded by USAID. The growth of English as the international language, enhanced by the explosion of the Internet, has made such language training all the more important. In this area, US interests and those of recipient nations clearly intersect.

Environmental Issues

Charges that environmental issues were being sacrificed in the pursuit of economic gain were some of the key points of controversy that turned the WTO meeting in Seattle into a chaotic nonstarter. Growing global concerns about the environment ensure that it will remain high on the international agenda.

Periodic global summits already have taken place, notably in Rio de Janeiro and Kyoto. More are sure to follow. Cooperation on environmental issues was a specific item in the 1992 US-Japan Global Partnership Plan of Action, signed by President George Bush and [Prime Minister Kiichi Miyazawa](#). Agreement on specifics has been difficult to obtain, with developing nations complaining that the developed world wants to impose and enforce codes of conduct that sharply limit what those trying to bring their economies up to the next level can do. This area has plenty of room for convergence. Finding mutually acceptable programs and courses of action, however, will not be easy to achieve.

What is seen by critics as indiscriminate and/or unwarranted destruction of resources will remain a consistent bone of contention. Charges of excessive logging in Indonesia

and Thailand, for example, or development of salt manufacturing facilities that threaten gray whales in their Baja California, breeding grounds are but two examples of the kind of commercial activity that can stir passions and can lead to carefully targeted protest campaigns. When land clearing, as in Indonesia, results in fires that spread choking clouds throughout the region, health concerns come into play as well. Although US engagement in some of these issues may be marginal, its global presence dictates involvement in relevant international forums.

Emerging Social Issues

Probably no arena in which humanitarian interests of the United States and nations of East Asia more easily intersect than those subsumed under the broad rubric of "social issues." The list is daunting.

- *Health*, with a particular emphasis on the AIDS pandemic. Although signs are encouraging that progress is being made in controlling the spread of AIDS in the United States and some other countries, it remains an international scourge. Opportunities abound for joint research efforts, building of new or expanding existing facilities, training of doctors and technicians, education programs, distribution of contraceptives and training in safe-sex education, and more.
- *Drugs and narcotics*. Again, bilateral and multilateral efforts, aimed at both education on the dangers of drug use and control of drug/narcotics trafficking, are natural undertakings. Given the enormous profits that are to be made in the drug business, control efforts are frequently hampered by corruption at all levels. The enormous problems US efforts encounter on our own border with Mexico give dramatic evidence of how intractable the problem is. Nonetheless, as governments and societies become more fully aware of the destructive nature of drug addiction to the social fabric, that awareness opens the door to expanded attempts to deal with the problem.
- *Piracy*. The growth of piracy in the South China Sea. At the Manila ASEAN+3 meeting, former [Japanese Prime Minister Obuchi](#) announced that Tokyo will convene a regional meeting on this subject this spring. (Japanese concern has risen sharply, after seizure of the Japanese-owned Alondra Rainbow in the Malacca Strait a few months ago.) And [Indonesian President Abdurrahman Wahid](#) told reporters he would favor joint Indonesian-Japanese antipiracy patrols in the region. Whether US involvement in such activities would be either desirable (from Washington's standpoint), or welcomed in the region (given concerns about American military reach) is open to question. This area, nonetheless, bears examination.
- *Population movements*. The plight of refugees, in the aftermath of the Vietnam War, underscored the difficulties in dealing with movements and relocation of displaced persons. Traditionally, the United States has been a haven for those fleeing both turmoil and repression. By accepting emigres seeking political asylum, the United States can earn the opprobrium of the country of origin. It also provides a safehaven for those exiled by their native country. These are burdens to be borne.

Now is the time to begin thinking about a possible new flow, this time from North Korea. Whatever the future may hold on the Korean Peninsula, one distinct possibility at some point down the road is a tidal wave of refugees across the border, either into South Korea or China. They are likely to be a desperately forlorn group. Some form of US involvement will be inevitable. We will need to work closely with South Korea and, hopefully China, Japan, and Russia in dealing with this human flood.

Smuggling of illegal immigrants has become a big business, with dramatic episodes of ships running aground on US shores, laden with Chinese being smuggled into the country. Guam has also become an unanticipated stopping point for Chinese "illegals," with their unintended stay keeping them in international limbo. Interestingly, in this area (along with drug trafficking) US dialogue has yielded constructive results with Cuba, although interchange on most other topics with Havana remains stalled. But this example reveals this area as one where common interest and effective mutual cooperation can coincide.

Regional/International Institutions

Strengthening of viable regional and international institutions has been a key element of policy makers on both sides of the Pacific.

ASEAN

Almost two decades ago, Lawrence Krause (then at the Brookings Institution) described The Association of Southeast Asian Nations (ASEAN) as ". . . the most important political and economic development in the world since the creation of the European Common Market." Formed in August 1967 by Indonesia, Malaysia, Thailand, Singapore, and the Philippines, it has since grown to include Brunei, Vietnam, Burma (Myanmar), Laos, and Cambodia. Headquartered in Jakarta, ASEAN had as its initial mandate the promotion of economic, social, and cultural cooperation.

ASEAN has been struggling to define its roles and missions. Most recently, in the crisis in East Timor, it found itself trumped by an outside peacekeeping force led by Australia. And ASEAN member Indonesia was provoked, as noted above, to express concern about any possible international inquiry into alleged human rights abuses.

ASEAN remains, however, a potent force. And it provides what may be an increasingly influential regional forum through its expanded "ASEAN+3" format--the 10 ASEAN members plus Japan, China, and South Korea. The November 1999 meeting in Manila gave evidence of this prospect, and with it a stance that could be seen as seeking greater independence from US influence. Members reportedly agreed that eventually a common market and common currency are "distinct possibilities." Nihon Keizai cited Asian leaders as expressing "concerns about strengthened US influence" and the dominance of "an American standard" in regional economic affairs. Nikkei quoted South Korean President Kim Dae-jung as sharing "a common vision of Asian cooperation for Asia." And host Philippines President Ejercito Estrada noted: "Let's face it, our future is intertwined with that of greater East Asia."

In addition, the "plus 3" members--[Japanese Prime Minister Obuchi](#), Chinese Prime Minister Zhu Rongji, and Korean President Kim--agreed to form several study groups on trade and other issues. (Kim reportedly offered ten areas, including free trade, financial markets, industrial issues, fisheries, and environment.) In addition, Japan was asked by the ASEAN finance ministers to make permanent the "Miyazawa fund"--an emergency pool of \$30 billion created in 1998 to help Asia past the 1997-1998 cash crunch. And Obuchi lobbied openly in Manila to have former Finance Ministry official Eisuke Sakakibara ("Mr. Yen") made the next head of the International Monetary Fund, in place of retiring director Michel Camdessus. According to Japanese sources, Obuchi's efforts won "strong backing" from Zhu, Kim, and others.

These straws in the wind are important--indicators of a readiness for members of this important Asian regional body, expanded to bring in as participant observers other key Asian players, to move in a direction that could give it significant additional clout in dealing with the American colossus. Observers in Manila pointed skeptically to the absence of senior Western officials, or representatives of major Western media sources. That oversight may prove costly for US policy interests in the future.

APEC

Another key regional body is the Asia Pacific Economic Cooperation group (APEC),⁽²⁴⁾ formed in 1989 to further cooperation in trade and investment between members and the rest of the world. At President Clinton's urging, the 1993 session, held on Blake Island outside Seattle, was attended by chiefs of state or heads of government. With some stumbling along the way, it remains a significant forum, with an economic focus that keeps it outside the purview of this paper. APEC, however, as any of the major regional or global bodies, requires constant nurturing and high-level attention. The huge amount of preparation that goes into the summit meetings of such groups provides unique opportunities for focusing on specific issues, exchanging views at the mountaintop, and establishing easy, compatible working relationships that can be drawn upon in times of trouble.

The UN

US interests will have areas of divergence with Asian counterparts in the United Nations. A singular point of contention is the US nonpayment of its dues. Although US Ambassador Richard Holbrooke put on a full-court press last month, inviting Senator Jesse Helms (R-NC) to attend a "love-in" in New York, the terms of the deal that Helms and Senator Joseph Biden (D-DE) have proposed raise difficult questions. In addition to stipulating certain UN administrative reforms, the Helms-Biden bill would cut the percentage US contribution to the UN budget from 25 percent to 22 percent immediately and eventually to 20 percent. That would leave the Japanese contribution of 19 percent higher than those of four of the "Permanent Five" on the Security Council, since the United States is not now paying.

Japan, without a permanent Security Council seat and with little chance of being granted one in the near future, can hardly be expected to look kindly upon such a US move. Yukio Sato, Japan's Ambassador to the UN, put it this way in a February 16

interview in The Japan Digest: "Assessed contributions should be paid without condition. . . . [W]e can't just accept the conditions put by Congress and say that's fine. . . . [I]ncreasing numbers of countries see the unreasonableness of our position. Many of my colleagues at the UN agree with me when I say that Japan's contribution isn't fully recognized, and that the most obvious symbol of the lack of recognition is its absence on the Council."

The WTO

Events at the abortive World Trade Organization meeting in Seattle underscored difficulties governments will face in dealing with issues of globalization. Although the issues may be primarily economic in nature, they also reflect strong nationalist sentiments. As such, they represent a formidable challenge to the global political fabric. The ability to restart this dialogue, and move it forward successfully, will provide an important litmus test.

Open Communications and Information Flow

The computer, and now the Internet, have brought about, in a stunningly short period of time, monumental change in the way we communicate, do business, and handle many aspects of contemporary life. For most, both the extent and rapidity of change are hard to absorb. American business sees in the Internet virtually endless possibilities for increases in efficiency and productivity. Individuals find a new way to shop. Students have access to previously inaccessible troves of information. Anything from travel to dining out can be redesigned.

At the same time, the Internet poses enormous threats to privacy. It raises profound questions for corporate security. And for governments, especially those that wish to keep a close eye on what individual citizens are doing and thinking about, these new information tools are often seen as downright subversive. China, for example, has advocated sharp limits on the use of the Internet, with access monitored and restricted.

The United States has seen a veritable explosion of Internet use and development, even as "dot-com" Internet stocks have made a lot of people rich. Major corporations, led by Ford Motor Company and quickly followed by Delta Airlines, are making home computers and the Internet available, at virtually no cost, to their employees. That is a considerable investment in the future. Rewards, in terms of worker productivity and loyalty, could be huge.

This information and communications revolution is bound to create interesting problems for national policymakers. The ability of individuals to communicate with persons totally unknown to them, across national borders, becomes simple--minimal hardware, software, and a telephone line--are all that is needed. That communication can be harmless and transparent. It can also deal with subjects that violate standards of good taste. It can be used to transact illegal business. And, as we have just seen, computer "crackers" have the ability to paralyze individual systems for hours with targeted attacks on central servers.

This new medium can also be used to think up, organize, and carry out activities that governments find threatening to their very existence. China, for example, was unnerved by the use made of Internet exchange during the 1989 events at Tiananmen. It has pointed to such Internet communications as one of the subversive activities of the proscribed Falun Gong. Japanese authorities have noted the use of the Internet by the banned Aum Shinrikyo doomsday sect. Japan also found itself under attack last month by cyberhackers, who marched through government web sites, adding nasty comments to home pages, wiping out census and personnel data, and generally frightening officials over the ease with which official computer security could be breached.

Internet communications are becoming increasingly difficult to monitor and control. That is most troubling, of course, to those who wish to limit unconventional or antigovernment thinking and activities. This is likely to put American companies in conflict with various Asian authorities. Internet giants such as Microsoft, America Online, Oracle, Cisco Systems, and many others will not want to see their ability to operate in Asia restricted by bureaucratic fiat. In pursuing their objectives, they will want to turn to the US Government to back their rights of mobility and access. They probably will be joined by non-American companies, especially in Europe, that will be ready to join the fray. Whether seen as political or economic, the struggle and competition over information flow and penetration is certain to grow in scope. It is another facet of the friction inherent in the face-off between forces of nationalism and pressures of globalization.

Specific Country Comments

Because of the special nature of US relations with, and interests in, Japan, China, and Korea, additional commentary concerning those countries is in order.

Japan

I noted at the outset the comments by a leading member of the House of Representatives about the changed psychology of Congress. At one point in his remarks, he lamented the sea change in the level of attention now being paid to Japan. Formerly, when a Japan-related issue was raised, there were immediate calls for hearings. Now, he noted, even getting a committee quorum is difficult, never mind a plenum, to address Japan issues.

Relative lack of interest in Japan, combined with the paucity of high-level Japan expertise within the administration's inner policy circle, are carefully noted by America-watchers in Japan. They point to a number of specifics:

- Shortage of top-level/inner-circle Japan expertise, just noted. (Two of our most experienced Asia/Japan hands will shortly be moving on: Rust Deming, Principal Deputy Assistant Secretary of State for East Asia, has been named ambassador to Tunisia, and Kurt Campbell will reportedly leave his senior Asia slot at the Pentagon, sometime this spring, to take a position in the private sector.)
- President Clinton's overflight of Japan (and Korea) after his 10-day China trip in 1998, which was taken as a serious (if unintended) snub that confirmed the

popular phrase of the United States moving from "Japan-bashing" to "Japan-passing."

- Following that, what Tokyo saw as a tepid US response to North Korea's firing a Taepo Dong-2 missile through Japanese airspace.
- Brusque Washington reaction to the idea of a Japan-led Asian Development Fund (now effectively endorsed, as noted earlier, by ASEAN members asking Tokyo to perpetuate the "Miyazawa fund" at the November ASEAN+3 meeting in Manila).

At the same time, Japan has undertaken a number of policy initiatives that suggest a readiness to pursue a more independent policy line:

- High-level discussion of plans to cut Japanese host-nation support for US forces stationed there. Labeled by Japan a "sympathy budget," that irritates US officials, who see the support as Japan's proper contribution to the beneficial security arrangement it has with the United States.
- A 60-member delegation visit to Cuba last November, engaging in talks on restoring economic ties, and possibly rescheduling 12 billion yen in public debt. Japan Air Lines will start charter flights for Cuban tourist agency Cubanacan in August. They will fly from Osaka's Kansai International to Havana via Vancouver.
- Endorsement of Sakakibara to replace Camdessus as director of the IMF.
- Scheduled tripartite talks with China and South Korea on a range of policy issues.
- Prime Minister Obuchi's rejection of the "American way" of economic reform, cited earlier.
- Consideration of possible free trade agreements with Singapore, South Korea, and Mexico.

Difficult issues remain on the bilateral agenda. Dealing with them will be complicated by ongoing political instability in Japan. The feuding among various political parties has made passage of legislation, in some areas, difficult if not impossible. Jockeying for power and the necessity of covering one's domestic flank may impede the ability of the Japanese ruling coalition to deal effectively with rankling trade and other problems.

Efforts to address policy issues are buttressed by a backdrop of American public opinion that is remarkably favorable. Latest measurements on a number of baseline attitudes are at high points. At the same time, these views are colored by holdovers of past concerns: we found a majority (58 percent) agreeing with the proposition that "Japan thinks almost entirely of its own self-interest, and does not act as a good partner of the United States," as against a minority (30 percent) that viewed Japan as "a valuable and reliable economic partner." Japan's former economic shadow was reflected as well among the near majority (49 percent) who said, when asked to look at Japan's future economic prospects, that "Japan will do what is necessary, and will soon again be a strong economic power." Put together, those views reflect a nuanced blend of skepticism and concern.

Looking to the future, the Industrial Structure Council of Japan's Ministry of International Trade and Industry plans to issue a new "long-term vision" next month. It will reportedly foresee 2 percent annual growth of the Japanese economy for the next 25 years, if Japan presses ahead in information technology, and adds to the labor force by hiring more older people. That will help offset an average annual shrinkage in the labor force of 0.6 percent between now and 2025.

The trade imbalance, and disagreement over discrete trade issues, have become a staple on the bilateral agenda. Another issue of looming importance concerns US military personnel, and particularly the Marine air wing, on Okinawa. With the G-8 summit scheduled to be held on Okinawa in August (possibly adding China, according to reporters traveling with Obuchi in Bangkok this past weekend), this contentious issue appears a long way from solution. As the meeting nears, pressure for a solution will grow.

None of these items can be looked upon as suggesting any break in the close Japan-US bond. One just as easily can argue that they are all part of the mix, with the Japanese Government for its part pursuing responsibly its own national interest. Furthermore, popular feelings about the United States remain positive. The latest annual survey by the Prime Minister's Office, for example, showed the US in first place (as usual) among countries for which Japanese hold warm feelings: 76 percent were of that view--as compared to 53 percent for the European Union, 50 percent for China, and 48 percent for South Korea. A recently released report, drawn up by an advisory panel appointed by Prime Minister Obuchi, has called for, among other things, adopting English as a second language (Mitsubishi Chairman Minoru Makihara had earlier decreed English as the company's official language). Joint ventures are commonplace, underscored by a recent grand alliance of Toyota, General Motors, and Volkswagen for certain production arrangements. And the Nihon Keizai Shimbun recently reported that the Tokyo Stock Exchange, the New York Stock Exchange, and Deutsche Bourse will link up with Standard & Poor's to develop a new global stock index. It will include 100 multinationals capitalized at \$5 billion or more.

In January 1992, "Global Partnership Plan of Action," noted earlier, committed both sides to a wide range of initiatives: cooperation to promote world peace and prosperity; political and security relations; cooperation on environment, quality of life, and science and technology; enhancement of mutual understanding and exchanges; and a variety of efforts concerning major economic and trade issues between the two countries. This document remains a useful blueprint for bilateral cooperation and action. But with the bulk of official attention devoted to recurrent trade disagreements and other economic disputes, much of the promise of that 1992 document remains unfulfilled. Passage of revised defense guidelines could open the way to move ahead on other aspects of the plan. Much remains to be done.

An important opportunity approaches. Eight September 2001 will mark the 50th anniversary of the signing of the US-Japan peace treaty. Various groups in both countries are developing programs to mark that event. It will provide a useful vehicle to

reaffirm and reinvigorate a relationship that has benefited both sides, and the world, so well. In that exercise, the warning signals noted above deserve to be addressed and heeded.

The forthcoming arrival of this anniversary stands in sharp contrast, of course, to the continued inability of Japan and the former Soviet Union to find a way to a peace accord. The Northern Territories remain an intractable stumblingblock. As authorities in Moscow have made clear in their brutal war in Chechnya, giving up territory of any sort is not high on their agenda.

Finally, throughout much of Asia, Japan's cultural image has improved considerably. Many sense that Japanese style is a "better fit" than that of the United States or the EU. In many parts of Asia, pirated/bootleg copies of Japanese music, movies, and merchandise are popular. Japanese language study is on the increase, up about 30 percent over the past five years, according to one report. This greater sense of acceptance and acceptability is important to Japan, as it suffers through a lengthy recession and continues to confront the ghosts of its history.

China

From talk of "strategic partnership" to the accidental bombing of the Chinese Embassy in Belgrade, US-China relations have lurched sharply off course. The bombing aside, China remains unhappy with what it sees as US hectoring over human rights issues. It is concerned over America's power position vis-a-vis China and the global preeminence of US military might in a post-Gulf war, post-Kosovo environment. (Those two events underscored to China's leadership just how far it lags behind in the military sphere, a realization drawn in many other capitals as well.) It is angered over continued US arms sales to Taiwan, and the possibility of a theater missile defense system (with Japan), which it sees as a direct challenge to its own security. It is worried about internal unrest, with the leader of the condemned Falun Gong sect residing in the United States. It faces serious domestic economic challenges, not the least of which is a level of corruption that has assumed daunting proportions. (The New York Times of January 22 reported on ". . . a conspiracy that apparently involved dozens of party, police and banking officials, the wife of Beijing's powerful Party chief, virtually the entire customs department of a major city, and a flamboyant corporate leader who has vanished. . . . During the 1990s, the sprawling syndicate smuggled billions of dollars' worth of cars, oil, and industrial materials through the bustling southeastern port of Xiamen, evading huge sums in taxes.") It fears the growth of the Internet, and the threat to its own continued hold on power this new communications world entails. And the leadership appears divided on how to handle relations with the United States. Fierce factional infighting was reported, for example, on how far to go in meeting US conditions for Chinese entry into the WTO.

At the same time, US and Chinese interests coincide, or at least share some common boundaries, in several areas:

- International comity. Both countries have an interest in seeking at least a modicum of cooperation in the various international bodies and groupings in which both participate--the UN, APEC, various arms control forums, and soon, hopefully, the World Trade Organization.
- Regional security. Ongoing talks with the United States, Japan, and South Korea concerning the North Korean nuclear program are the most obvious example. Stability in Southeast Asia, the Persian Gulf, and Central Asia can benefit both sides. Chinese interest in guaranteeing its energy sources comes into play here and can be called upon in arms sales discussions.
- Chinese air is badly polluted. Beijing can use American investment and technology to address this major health and environmental problem.
- Illegal emigration. Noted earlier, this mutual interest calls for cooperation.
- Coping with drug trafficking similarly calls for cooperation. As drug use in China surges, authorities there may have an interest in cooperating with US counterparts in trying to bring international dealing under control.
- Economic pragmatism. One-third of China's exports go to the United States, giving China a \$60 billion trade surplus. China needs our markets, providing leverage/interest in a productive trade dialogue.

US policymakers will have to deal with a public that is skeptical about China. Our survey found that a slight majority (51 percent) view China as "primarily a threat and challenge to US security interests, and needs to be contained;" a minority (40 percent) sees China as "primarily an opportunity for US business, and a potential benefit from which we should seek economic gain." Such views will play out in Congress as the vote comes up for ending China's need to qualify for normal trade status, a precondition for its entry into the WTO.

Korea

As noted above, political regeneration under the presidency of Kim Dae-jung and exchanges of state visits between him and President Clinton have added luster to the US-Korean bilateral relationship. The absence from US evening TV news broadcasts of students being teargassed has also helped Korea's public image in the eyes of Americans. The ratings Americans give to Korea thus have improved across the board.

Restlessness among many Koreans at the huge American presence in their country will continue. Periodic incidents involving US military personnel and Korean civilians add to that brew. And such outside pressures as those from the International Monetary Fund for dealing with the Asian economic downturn compound xenophobic sentiments. For some, "globalization" can mean "Americanization." At the same time, the overall current mood in Korea toward the United States is probably the best it has been since World War II. There has been a steady movement away from a "patron-client" relationship to one of partnership.

Views of Japan among the Korean public have taken a sharp turn for the better. That improved image has made official cooperation with Japan easier to sell--as in the Manila agreement among Kim, Obuchi, and Zhu to set up a number of study groups.

Of overriding importance is the ongoing standoff between the two heavily armed rivals on the Korean Peninsula, which is the focus of another paper. Suffice it to say that close coordination and cooperation between Washington, Seoul, and Tokyo (and, where forthcoming, cooperation with Beijing) are essential in dealing with North Korea. The policy review undertaken by former Defense Secretary William Perry has been helpful in this regard and in reaching understanding on the need for comprehensive deterrence. Limited recent progress in US-North Korean talks on capping P'yongyang's nuclear program suggests that such cooperation may be achieving positive results.

America: It's Lonely at the Top

Underlying much of what governments and societies on both side of the Pacific must deal with in coming years is a fundamental reality of the new global environment: how to deal with the conflicting pressures of globalism vs. nationalism. They will present basic choices, for individuals and for states. Although the two are neither mutually contradictory nor mutually exclusive, they will result in many points of contention.

Former Assistant Secretary of Defense Joseph Nye has written of the power and appeal of American "soft power." Whether it be films, fashion trends, music, or the Internet, there can be little dispute about the immense projection and influence that America has on the world scene. Indeed, when Secretary of State Madeleine Albright referred to the United States as "the indispensable nation," she expressed a point of view that many Americans would find quite in order. With the end of the Cold War and the collapse of the Soviet Union, for many, American supremacy has seemed unchallenged and unchallengeable.

Historically, this position cannot be long sustained. Only a few years ago, we worried about Japan "buying up America." Now, we push Japan to get its economy in order, reassume its role as global economic engine and accept a larger share of the regional security burden. For many, the latest, and now largest, challenger is China. A recent Nihon Keizai survey of 1,600 business leaders worldwide found just over half believing that China will show the fastest growth rate for the next generation. Just under half were of the view that by the year 2025 the world will have three superpowers--the United States, Europe, and China. Some 54 percent of those interviewed believe the Japanese economy will skid from second place now to third, fourth, or even fifth. As noted earlier, for Americans, China has surged past Japan as problem number 1 in Asia. A majority now views China as "primarily a threat and challenge to US security interests [that] needs to be contained," while a lesser minority sees China as "primarily an opportunity for US business, and a potential benefit from which we should seek economic gain." The rapid emergence of China as a perceived cause of concern only underscores the necessity of keeping one's mind ready for further future shifts in priorities.

Much as Americans like to think of US influence as constructive, benign, and based on friendly motives, others don't always see America that way. They often wonder about the staying power of the United States and its perceived relative lack of interest in Asia. Given America's substantial military prowess, economic vitality, and intellectual creativity, others are often prone to hold us to a special--and higher-- standard.

A trenchant Asian perspective was expressed by Mohamed Jawhar bin Hassan, chairman of the Institute of Strategic and International Studies in Kuala Lumpur at a conference held last year at the Asia-Pacific Center for Security Studies:

"The fall and disintegration of the Soviet Union has left the United States as the lone superpower, one without a credible rival. Many in the region would rather have the United States as the hegemon than any other major power if a hegemonic order is unavoidable.... That sentiment... masks considerable dissatisfaction and... hostility. More and more, the United States is seen as arrogant; as seeking to shape the rest of the world in its own image, notwithstanding whether this self-image is shared and desired by others; as being intrusive and prone to ever more coercive and unilateral behavior in both the political and economic spheres; as having militarized its foreign policy; as practicing double standards and not practicing what it preaches; and as being ignorant of, or worse, ignoring the sensitivities and peculiarities of other countries.

"Quite obviously, much has to be done on all sides to arrest the deteriorating trend in Asian perceptions toward the West. Asia must recognize that it needs further and more purposeful reform in the political and economic spheres. In a rapidly globalizing world, there is no other option to remain viable. Asia must also tend to its rifts. Suspicions, conflicts and unhealthy contests among neighbors further undermine regional resilience and proved added opportunities for exacerbation of relations with the West. Asia must also guard against an irrational and emotional backlash against the West, which would be mutually disastrous.

"The onus for improving the strategic climate, however, lies more with the West, in particular the United States. It has to do more because it is both more responsible for the present state of affairs and is better equipped to deal with the situation. After all, it is a superpower."

Those are tough words. They mirror what a senior member of the Singapore Foreign Ministry said to me in a conversation in his office a few years back: "Your foreign policy in this part of the world reminds us of the workings of your volunteer fire departments. The firemen spend most of their time doing their regular jobs. Then, when the fire alarm sounds, they jump onto the firetruck and rush in. When the fire is out, they go back to their regular work. That seems to be the way you deal with Asian policy--on a firealarm basis."

Whether one agrees with these assessments or not, they represent the views of friendly, seasoned, and acute observers. They merit appropriate attention.

CONTENTS

Economic Interests, Values, and Policies

Introduction

During the next five years, the world economy faces significant challenges in both the trade and financial policy realms. Three main themes will emerge: disputes over substantive agendas, haggling over filling top leadership posts, and Asia's possible desire to go its own way and expand regional organizations in parallel with, or in opposition to, the existing global order. These issues will develop in the context of a probable slowing of the US economy, which could contribute to a more conflictual environment than has existed in the recent past.

Macroeconomic Context

The United States is currently in the midst of the longest recorded economic expansion in its history. A number of factors have undoubtedly contributed to this remarkable performance, including improvements in economic policy making, commercialization of technological advances, globalization, favorable demographics, and probably just plain luck. Ironically, the Asian financial crisis probably contributed positively to economic performance in the United States by reducing global demand for capital and facilitating maintenance of low interest rates in the United States for the past several years.

Yet all good things must come to an end, and this 107-month expansion is surely one of them. A number of developments over the next five years could bring this expansion to a halt. The most obvious weakness in the US economy is its very low level of saving. This low saving rate has two particular implications. First, the high level of household consumption in recent years has been made possible by the rapid increase in asset prices. That is to say, a considerable amount of the recorded increase in household wealth has taken the form of capital gains on existing holdings, rather than incremental flow additions to existing holdings. At the same time, Standard & Poor's recently classified the United States as one of 20 financial systems "vulnerable to a credit bust" due to concern about the quality of bank portfolios, especially exposure to commercial real estate. A significant downturn in asset markets, which many believe currently embody a bubble, could force a severe retrenchment of spending by the private sector.⁽²⁵⁾ As households increase their savings rates to rebuild their balance sheets and firms cut back on investment in response to less favorable conditions for raising funds in response to both weakened stock prices and curtailed bank lending, a recession could result.

Low national saving also manifests itself in the current account deficit, the difference between the value of what a country produces and what it consumes, which reached a record \$339 billion in 1999, or 3.7 percent of GDP, its highest level ever. Concerns about the level of US indebtedness (which must be financed by foreign lending to the US) and/or recovery in the rest of the world (and hence the growth of desirable investment opportunities elsewhere) could reduce the attractiveness of the United States as an investment destination. To maintain the same level of capital inflow, the United States would have to offer more attractive terms (that is, higher interest rates) or experience downward pressure on the value of the dollar in global markets. A falling dollar would cause prices of imports to rise. In this situation, the Federal Reserve would come under pressure to tighten interest rates, which in turn could cause a recession.

The reduction in the level of economic activity (and hence a fall in the demand for imports and an increase output available for export) would be part of the mechanism by which the United States would re-establish a sustainable balance-of-payments position.

A less dramatic end to the expansion could result from a gradual rise in global commodity prices generated by increased demand associated with recovery elsewhere in the world (including most prominently Asia) and/or a tightening of supply conditions in the United States (especially in the labor market) could prompt the Federal Reserve into recession-inducing increases in interest rates in an attempt to pre-empt inflation. Furthermore, the US economy could be adversely affected by supply shocks originating abroad, including disruptions in oil supplies originating in political developments abroad, or financial market turmoil emanating, for example, from a meltdown in the Tokyo stock market, or, more benignly, a shift in portfolio preferences toward the Euro in response to European monetary integration. Policy mistakes by the incoming new administration and Congress could subvert the economy. The point is that one can identify numerous plausible threats to continued US economic growth over the next five years.⁽²⁶⁾

This possibility could have important implications for US economic relations with Asia, and could condition how a number of issues evolve. In the recent past, surprisingly there has been relatively little political interest in trade issues, despite the record-level trade deficits. Presumably this lack of interest is due to the favorable macroeconomic performance exhibited by the US economy. If the US economy were to weaken and if unemployment were to begin rising, however, trade issues could quickly increase in political salience, with the enormous US trade deficit acting as a political lightning rod for discontent about US economic performance. Despite the fundamental reality that macroeconomic conditions, not trade policies, are the primary determinants of the overall US trade balance, US politicians continually have conflated trade policies, which can strongly affect the commodity and bilateral partner composition of trade, with the trade balance. Indeed, the single best predictor of the amount of US Government attention given to bilateral trade issues has been the level of the bilateral trade imbalance.⁽²⁷⁾

This situation could have serious implications for US economic relations with Asia. Asia already receives more scrutiny on trade issues than the magnitude of its trade with the United States would appear to warrant.⁽²⁸⁾ Moreover, the largest bilateral trade deficits of the United States are with Japan and China, the two largest economies in Asia. There is some evidence that the United States already pays more attention to bilateral issues with Japan than objective indicators would predict. Of similar concern, the US bilateral deficit with China is likely to grow as China is integrated into the World Trade Organization (WTO), and quota restrictions on its exports of textiles and apparel to the United States are phased out.⁽²⁹⁾

In sum, the US economy is likely to weaken at some point in the next five years. Trade issues will take on a greater salience. If the US political system responds as it has in the past, it is likely to experience increased trade conflicts with Asia, in particular with Japan and China.

Trade Policy

Historically, in the absence of any effective multilateral dispute resolution mechanism, these disputes were resolved predominantly through bilateral means. Typically, the United States used the threat of closing its large and lucrative market to extract concessions from its trade partners. Two developments will significantly change such dynamics in the future. First, a declining dependence on the US market will temper foreign responsiveness to such threats. Although this process has been interrupted by the Asian financial crisis and the need to export to the US market, the clear historical trend is toward orientation away from the US market. This condition is simply algebra at work: if one trade partner is growing faster than another, trade volumes quite naturally will increase more rapidly with the faster growing partner. This trend has been particularly acute in Asia, where the rates of national income growth across the region typically been significantly higher than that experienced by the United States. The result, up to 1997, was a strong increase in the share of intraregional trade and a reduced share of trade with the United States.⁽³⁰⁾ As the United States becomes relatively less important in world trade, threats of market closure will lose their effectiveness.

At the same time, the development of the WTO and its improved dispute settlement resolution procedures significantly constrains the ability of the United States to pursue its old unilateral strategies. Although under domestic law the United States retains its various trade remedy measures (Section 301, Special 301, et al.), the unilateral use of these measures certainly will not withstand a WTO challenge. Thus, they are reduced to the domestic legal mechanism by which WTO-authorized retaliation can proceed (as was the case in the banana dispute with the European Union). The death knell of unilateralism tolled in 1995, when Japan called the US bluff in the automobile dispute, refused to acquiesce to US market-opening demands, and threatened to duke it out in the WTO. The United States decided to settle out of court.

The WTO

Both these developments mean that the WTO will be increasingly central to the resolution of disputes between the United States and its trade partners, including Asia. (Indeed, the United States has filed by far the largest number of cases of any WTO member.) The United States faces a number of issues with regard to the future development of this organization. The most immediate questions concern what to do in the aftermath of the debacle in Seattle, and how to integrate China into the organization. In the longer run, issues of personnel and substantive agenda issues will reemerge.

The November 1999 attempt to launch a new round of multilateral trade negotiations in Seattle was driven by a political compromise left over from the Uruguay Round, rather than any global ground swell for trade liberalization.⁽³¹⁾ To secure a conclusion to the last round of negotiations, the United States accepted less than complete reform of agricultural trade practices on the part of the EU in return for a commitment to revisit the issue in 1999. This deal was the origin of the so-called built-in agenda of talks on

agriculture and services motivating the new round. A certain sense of urgency was attached to the negotiations over agriculture inasmuch as the "peace clause," which prohibits WTO cases against certain practices (principally undertaken by the EU and United States), is due to expire in two years.

This built-in agenda shaped participants' negotiating strategies as they headed into the Seattle ministerial. Japan and the EU wanted to broaden the agenda to hide their inevitable concessions in agriculture and use gains in other areas to reach an agreement emerging from the new negotiations that would be politically palatable at home. They preferred to see a "comprehensive round" involving not only talks on agriculture and services but also on industrial product tariff-cutting, competition policy, investment, and reform of antidumping rules. Within agriculture, the EU jumped onto the Japanese bandwagon, promoting the notion of "multifunctionality" in agriculture to distract attention from its increasingly indefensible export subsidies.⁽³²⁾

For its part, the United States showed little flexibility. It largely tried to limit the agenda to agriculture and services in which the United States was not be expected to make major concessions, while simultaneously trying to force relatively new and controversial issues such as the relationship between trade and labor standards, human rights, and environmental concerns onto the agenda.

At Seattle, officialdom was caught offguard by a wild melange of protest groups whose motivations and aspirations appeared at times only tenuously connected to the issue at hand. Despite police intelligence, the authorities in Seattle appeared unwilling or unable to comprehend the violent tendencies of some of these groups. Seattle officials were slow to react on 30 November when they temporarily lost control of the streets. The United States was humiliated throughout the world by the televised scenes of foreign diplomats being roughed up by the rabble. Only when the White House demanded that authorities restore order in preparation for the President's arrival in the wee hours of 1 December were police permitted to reclaim the streets.

The behavior of the Clinton administration in Seattle was perplexing, especially in light of its interest in promoting the social clause issues. President Clinton's statement, in which he said that he would like to see economic sanctions used against countries not meeting labor standards, took his cabinet members by surprise and destroyed any possibility of making progress on the issue. Indeed, conversations with a number of developing-country negotiators indicated that the President's remark, together with the behavior of the demonstrators, strengthened their resolve to resist US demands. Some regarded the demonstrators as an officially sanctioned attempt to physically intimidate foreign negotiators.

Yet, in the end, it was the traditional US-EU dispute over agriculture--the same dispute that nearly scuttled the launch of the prior round of negotiations and nearly torpedoed those negotiations a half-dozen times--not the shenanigans of the Raging Grannies or the Ruckus Society that sank the Seattle negotiations. This situation, together with the

emergence of the developing countries as a coherent negotiating group, are the real lessons from Seattle.

The bottom line is that the meeting was unlikely to accomplish much. The United States was unlikely to take major actions on trade policy given its electoral calendar, the Clinton administration's lack of "fast-track" negotiating authority, and the change in presidential administration in January 2001. As a consequence, the best that could have been hoped for would have been the launch of a two-year extended negotiation over the agenda for a genuine new round of global trade negotiations two years hence. And in the aftermath of Seattle, principally the EU and, to a lesser extent, Japan, have moved to right the organization. They had led the resuscitation of the built-in agenda talks and the undertaking of "confidence-building" measures.⁽³³⁾

With the activities of the WTO once again fallen off the United States' political radar screen in the aftermath of Seattle, the most immediate domestic political issue will be the Congressional vote to extend permanent normal trade relations (PNTR) to China. For 20 years, as a result of the Jackson-Vanik amendment to the Trade Act of 1974, the United States has performed an annual ritual during which it decides whether or not to extend NTR (née most-favored-nation or MFN) relations to China. This provision, originally aimed at encouraging the Soviet Union to permit the emigration of Soviet Jews, requires the President to certify annually that nonmarket economies allow emigration. China first gained MFN status in the US market in 1980, and the certification was routine until the Tiananmen Square massacre of 1989. Since then, the annual renewal has been a point of contention involving a bilateral coalition of anti-Communists, human rights proponents, and protectionists, who have attempted to use the threat of nonrenewal as leverage to promote human rights, discourage nuclear proliferation, and reduce the bilateral trade imbalance.⁽³⁴⁾ The President has never failed to extend NTR to China, and the Congress has never overridden his decision. In recent years, a rough consensus has emerged that the annual "Rite of Spring" was not producing desirable results, and the margin of votes supporting the administration has grown.

In the current situation, the United States has reached a bilateral accord on WTO accession with China, though the administration has not released the text of that agreement. After China reaches similar agreements with other WTO members (the EU is the only major player with which China has not concluded the negotiations), the WTO secretariat begins compiling the bilateral agreements. The final outcome is that every WTO member receives the best terms agreed upon with any member, (that is, if China agreed to reduce its tariff on watches to 10 percent with the United States, but agreed to 5 percent with the EU, the United States would receive the better deal that the EU was able to obtain), so that the bilateral agreement could be, at worst, the treatment that the United States will receive when China enters the WTO.

The issue, then, is not whether China will enter the WTO--it will--but whether the United States will live up to its WTO obligations by extending PNTR to another member state. The United States could always refuse, but then it would be out of compliance with its

own obligations under the agreement, leaving China free to take the United States to the WTO, as it has indicated that it would. The WTO dispute resolution panel would presumably rule in China's favor and authorize retaliation against the United States. Hence, the vote on PNTR is not a vote on whether China joins the WTO--that train is leaving the station as soon as the EU climbs on board--but rather a vote whether the United States is on that train or left standing at the tracks, subject to completely legal discrimination against its economic interests in China.

Presumably this issue will be resolved within a year or so, if not much sooner.⁽³⁵⁾ In the long run, both personnel and substantive issues could generate conflicts between the United States and Asia. With regard to the former, the United States actively backed New Zealand's Mike Moore over Thailand's Supachai Panitchpakdi in a protracted dispute over who would succeed Italy's Renato Ruggiero as the WTO director general. An eventual compromise was reached by which Moore and Supachai would split the term. This haggling did nothing to promote the institutional development of the organization, and the strong support of the United States for Moore won it no friends in Bangkok, or in Asia more generally. Another such brawl can be expected in 2005 when the Moore-Supachai term ends. The search for Supachai's successor could get entangled with personnel decisions made in other international organizations, as will be discussed further.

Beyond personnel issues, the WTO has a series of intellectually and politically challenging issues to confront. Most immediate will be the built-in agenda of agriculture and services. As mentioned earlier, as part of the Cairns Group, Southeast Asia is generally supportive of the US position and in opposition to Northeast Asia. When China enters the WTO, it could be expected to side with Japan and South Korea against agricultural trade liberalization.

On services, developed countries typically have demanded liberalization of financial and professional services on the part of developing countries. (Developing countries have countered by demanding increased possibility for movement of people, so that, for example, a developing country service firm could bring its workers into a developed country on a temporary basis to work on a project (in construction or maintenance, for example.) The natural alliance is the United States and Japan against the rest of Asia. In reality, Japan is relatively uncompetitive in much of the service sector, and Southeast Asia tends to be more competitive in services than countries at similar income levels. Thus, the divisions on this issue are not so stark.

Beyond the built-in agenda, trade liberalization in industrial products is dominated by traditional tariff cutting on the one hand and the need to better integrate antidumping and competition policy rules on the other. With respect to the former, the main problem is the US resistance to cutting some extremely high tariff "spikes" on some products of interest to Southeast Asia (athletic shoes, for example). Nevertheless, because the tariff cutting exercise is a well-understood process, amenable to traditional WTO tariff offer negotiations, it is a matter of reaching international consensus on an acceptable formula.

Reform of antidumping rules and the creation of a more coherent international competition policy regime present greater challenges. Asian countries, among others, want to see reform of antidumping procedures, which they regard, with significant justification, as simply closet protectionism. Within the United States, there is little intellectual consensus as to what the goals of a desirable international competition policy should be, beyond prohibiting horizontal collusive practices such as cartels. Although the topic is of relevance to a wide range of producers, the most active have been import-competing firms, who regard competition policy as prospectively a much less protection-friendly alternative to the existing, and WTO-consistent, antidumping (AD) laws. (There is also some evidence that AD actions have facilitated anti competitive behavior--another reason to prefer them to the application of competition policy.) The intellectual debate has been hijacked by lawyers arguing that the goal of trade policy should be "market access," not "efficiency." Indeed, some commentators go so far as to argue that these putative differences in orientation demonstrate that trade and competition policies are fundamentally incompatible.

Within the US Government, the bureaucracy is split. The Antitrust Division of the Justice Department fears that any multilateral accord would amount to a dumbing down of US law and a weakening of US antitrust practices, while the United States Trade Representative (USTR), stung by its defeat in the WTO in the Kodak-Fuji case, opposes the narrowing of antidumping laws in the interests of its import-competing clients. The import-competing sectors and their hired guns are fully prepared to block any weakening of the antidumping law. Unless there is a significant shift in domestic politics, much constructive activity on this issue emanating from the United States in the next five years is hard to envision. Perhaps the only hope for action in this area, is that US exporters, increasingly subject to the equally irrational antidumping actions of US trade partners (including some in Asia), will emerge as a more forceful domestic lobby for constructive change.

The antidumping-competition policy issue is an inside-the-beltway matter as compared to the hot-button issues of the social clause. Barring a significant shift in US Government priorities, which could occur under the next administration, the United States will continue to press its labor and environmental agendas within the WTO. This policy thrust has found little support in Asia (Thailand and Malaysia were among the complainants who triumphed over the United States in the infamous sea turtle case), and will find even less support once China, which could be expected to vehemently oppose the US labor and human rights agendas, enters the organization.

Regional Initiatives

Indeed, conflict on these issues could encourage Asia to go its own way, creating regional preference arrangements similar to those that exist in Europe and North America. One such scheme, the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA), already exists, though this arrangement has not had much impact on trade.⁽³⁶⁾ The goal is to have 80 percent of trade tariff-free by 2000 and 98 percent of tariff lines under 5 percent, with some sensitive sectors (agriculture) given longer

adjustment times. Treatment of nontariff barriers have been left vague, and the new, poorer, socialist members, (were not members when the negotiations began), have been given more time to implement their commitments. Although ASEAN espouses "open regionalism," AFTA may violate nondiscrimination clauses of the WTO. Econometric evidence concerning its impact is mixed; the intraregional bias in the trade of ASEAN members disappears when imbedded in larger Asian groupings.⁽³⁷⁾

The other major regional initiative, APEC, includes countries from outside East Asia, most notably the United States, and could potentially play an important role, though it can point to few tangible accomplishments in its decade of existence. APEC was originally an Australian initiative; the Asians wanted United States involvement to counterbalance Japan, which had a similar proposal. After its first meeting in Canberra in 1989, the next big step was in 1993 when, at the first APEC "leader's meeting," the United States hosted history's first pan-Asian summit, ironically, held outside Asia. APEC's membership accounts for more than 2 billion people (40 percent of world population) and more than half of world output. An officially appointed Eminent Persons Group issued a report calling for free trade and investment in the region by 2020 (2010 for rich members, 2020 for poorer ones), a goal that the governmental leaders adopted in their Bogor Declaration of 1994.

Because of the great political-economic diversity among membership, no one anticipates "deep integration" along the lines of the EU. Rather, much activity has been in terms of "business facilitation" such as streamlining procedures, etc. Progress on trade and investment implementation has been uneven; agriculture is a highly sensitive issue, and the Clinton administration lacks the statutory authority to implement early tariff cuts.

Neither APEC nor ASEAN played an important proactive role in the financial crisis, though both may have served to constrain backsliding. Both organizations were developed largely by their members's foreign ministries; their finance ministries (in particular, the US Treasury in the case of APEC) have remained unenthusiastic, and neither organization has a highly developed financial component. (The finance ministers do have their own, separate, annual meetings, however.) Rhetorically, at least, both groups have continued to support liberalization, however.

The growth of regionalism outside Asia and the failure of the WTO meeting in Seattle have encouraged Asian countries to take a second look at regional economic integration schemes. The old East Asian Economic Caucus idea has been revived recently as the East Asian Free Trade Area. In Japan, the Ministry of International Trade and Industry is actively studying the possibility of free trade areas involving Japan, South Korea, Singapore, and possibly even China and others. The South Korean Government, too, has been studying the possible free trade areas bilaterally or trilaterally with China and Japan. The problem, of course, is agriculture. Because of its inefficiency in agriculture, Japan is constrained to look to partners who either do not have an agricultural sector (Singapore) or have similarly inefficient agricultural sectors

(South Korea). Japan's search for regional alternatives to the multilateral system is hamstrung by its own agricultural policy. The same holds for South Korea.

International Financial Policy

The other important dimension of trans-Pacific economic relations is financial, and a similar set of themes: disagreement over substantive and key leadership issues and a possible Asian desire to go its own way reoccurs. The focal points have been Asian dissatisfaction with the performance of the US Government and the Washington-based International Monetary Fund (IMF) during the Asian financial crisis, subsequent debates over reform of the international financial architecture, and proposals for regional initiatives that could run counter to policy emanating from "Washington."⁽³⁸⁾

With regard to actions at the time of the crisis, Thailand was stunned by the initial US refusal to come to its financial assistance and its refusal to participate in the "second line of defense" associated with the initial IMF program.⁽³⁹⁾ This unfavorable response was compounded by what are now widely regarded as fundamental mistakes in the fund programs which actually exacerbated the crisis.⁽⁴⁰⁾ These perceptions--that the United States was an unreliable ally and that the economic prescriptions being written by Washington were at best incompetent and at worst malevolent--were compounded by the US and IMF opposition to Japan's proposal for an Asian Monetary Fund which was regarded as obstructionist.⁽⁴¹⁾

The focus has since shifted to what should be done to reform the financial architecture in general, and the IMF, in particular. The US proposal, contained in Summers (1999), makes a number of constructive and largely unobjectionable recommendations. However, the recommendation that the IMF phase out long-term lending and take on a more narrow crisis-prevention mission than its current activities encompass is controversial. It calls for the Fund to play a quasi-lender of last resort function, lending significant amounts at "prices to encourage rapid repayment" (p. 6). At the same time, it seems to support the same kind of intrusive conditionality that proved to be so controversial in the Asian crisis, arguing that "issues of social cohesion and inclusion. . . should be addressed as a condition for IMF support" (*Ibid.*). These two thrusts appear to be logically contradictory. If the IMF is to offer short-term financing at penalty rates, then there is a reduced need for policy conditionality, much less the kind of deep conditionality embodied in the Asian crisis packages.⁽⁴²⁾

The Summers proposal goes on to recommend a recalculation of member quotas (the basis for weighted voting within the organization and in principal, determining the amount of resources that a country can call upon in a crisis).⁽⁴³⁾ This reallocation could have important implications for Asia, inasmuch as Asian countries appear to be greatly underweighted, while European countries are similarly overweighted. As Bergsten (2000b) observes, Japan's economy is half as large as that of the United States or EU, but its quota is one-third of ours and only 20 percent of Europe's. Other Asian countries, South Korea for example, are even further underweighted, arguably constraining their access to fund resources, and limiting their influence in the Fund's Executive Board.

Nevertheless, allocating the Japanese the second largest national quota within the fund proved politically difficult, and further quota reallocation could be equally if not more problematic.⁽⁴⁴⁾ That is all to say, over the next several years, the United States may attempt to get Asia to pony up more money for the IMF and at the same time try to move the organization substantively in a different direction than would be supported by much of Asia.

These issues may receive their first high-profile public airing in the dispute over who is to succeed Michel Camdessus as managing director of the IMF. Traditionally, this job has gone to a European, while the presidency of the World Bank has gone to an American, and a Japanese has traditionally led the Asian Development Bank (ADB). In a break from previous practice, Japan has promoted the candidacy of former ministry of finance official, and promoter of the Asian Monetary Fund, Eisuke Sakakibara for the managing director's job. Some other Asian countries have been convinced to give token public support to his candidacy. Knowing what to make of this is hard. Of the potential candidates to succeed Camdessus, whose names have been bandied about in the press, Sakakibara appears to be the least temperamentally suited to run the IMF.⁽⁴⁵⁾ Indeed, the fact that Japan has promoted Sakakibara could be interpreted as an indication the extent to which the Japanese pool of potential candidates for important international positions is weak. And, if a Japanese national did get the position, Japan would come under pressure to release its hold on the ADB presidency.⁽⁴⁶⁾

In the end, appointing an Asian to the IMF managing director position is highly unlikely, and interest in developing Asian regional financial institutions will continue. Already, there has been limited cooperation among central banks within the region. Prior to the crisis, a number of these central banks had established currency swap and repurchase ("repo") arrangements. These were easily swamped by the crisis, but agreements among the members of the organization of East Asian and Pacific Central Banks and the organization of Southeast Asian Central Banks were deepened and expanded in January 2000. In the longer run, Japan may seek to resuscitate its proposal for an Asian Monetary Fund. The countries of the region possess enormous foreign currency reserves (on the order of \$600 billion) and financing such an organization would not be a problem. Japan has already committed \$30 billion of regional finance through its "New Miyazawa Plan."

Yet, as in the case of trade, domestic politics and international rivalries constrain Asia's ability to move forward on these initiatives. Japan is a major source of saving for the region, and some in Japan would like Japan to play a greater role as an international financial intermediation center. Despite Japan's great wealth, the government has never shown the willingness to deregulate its own market to the extent that would be required to become a global center of financial intermediation. Even regionally, it is unclear whether Tokyo could ever play the roles that Singapore and Hong Kong play today and that Shanghai may play some day in the distant future. Despite the promise of the "Big Bang," the Japanese Government remains ambivalent about financial deregulation. Politically, it is fundamentally inwardly oriented toward its domestic parochial political interests and financial markets and institutions, not toward global markets. As a

consequence, it appears unwilling or unable to act in ways that would reassure non-Japanese institutions that it would play a responsible role as an efficient and unbiased regulator.

This unease is compounded by lingering distrust of Japan in region, especially in China. For its part, Japan remains wary of China, particularly in light of its authoritarian political system. The kind of political exigencies that fueled the rapprochement between France and Germany after the Second World War appear to be missing from Asia and will limit Asian attempts at greater regional cooperation, at least in the medium run.

Conclusion

Asia has been shaken by its experience during the financial crisis. Among other things, this situation has led to a reappraisal of its relationship with the US Government and the Washington-based multilateral economic institutions. There is a sense of disappointment in both aspects of "Washington." US Government attempts to reshape the policies of the international financial institutions, along with the WTO, are likely to encounter opposition in Asia. Haggling over leadership posts could fuel further resentment of the United States and disaffection with the international institutions.

The virulence of this conflict could intensify, if as is probable, US economic growth slows down and trade issues rise in prominence in US domestic politics. The US political system could be strained by the political need to "do something" about trade, and the constraints on unilateral action imposed by the WTO. Japan and China, because of their large bilateral trade surpluses, would be the most likely targets of US ire.

In such an environment, Asians understandably could intensify efforts at regional cooperation as an alternative, either as a complement to, or a substitute for, multilateral cooperation. The heterogeneity of Asia in terms of levels of economic development, political systems, and culture and ethnicity would appear to greatly raise the "transactions costs" of regional integration. Although Asians exhibit a kind of grudging disappointment in the performance of the US Government and the global multilateral institutions, this does not appear to be sufficient to propel them into significantly greater regional cooperation in the medium run. Rather than expending efforts to construct regional bodies from heterogeneous countries, individual Asian countries may be better off working through global institutions or plurilateral forms of functional cooperation among like-minded countries. To the extent that regional initiatives can be molded in ways consistent with the broader global institutions, Asian countries can follow a two-track approach. If regional cooperation is seen as an alternative to the global order, however, then Asian countries may face a choice. An ASEAN head of state could face the following question: which is likely to yield more gains--AFTA or the Cairns Group within the WTO? That it would be the former is not at all obvious. (See appendix C for references).

CONTENTS

The Perils of Being Number 1: East Asian Trends and US Policies to 2025

by **Robert A. Manning**

The cumulative impact of US global and regional policies and behavior, a broad regional trend of emerging, multifaceted national self-assertiveness, and regional economic dynamics add up to an East Asia in ferment that increasingly will test, if not challenge, US interests and policies in the Asia-Pacific over the coming generation. The degree to which US interests and current policies are likely to be challenged--and the nature of the challenge--will depend in large measure on the outcome of China's unprecedented transformation, the cosmic uncertainty casting a shadow over East Asia's future.

For most of the past decade, East Asia has been a largely static security environment in a slow-motion evolution towards still uncertain new patterns of intra-Asian and trans-Pacific relations. As evident in the accelerating pace of inter-Asian diplomacy (both bilateral and multilateral) and in the political and military patterns of major East Asian actors, there has been a dynamic flow of activity designed to cushion each actor against an uncertain future of the Asia-Pacific. Although the economic crisis has had a sobering and humility-inducing effect, it has perhaps slowed, but not altered, these patterns. Amidst strategic and economic uncertainty, the Asia-Pacific region has witnessed a torrent of summitry (Sino-Russian, Sino-Japanese, Korean-Japanese, Korean-Chinese, East Asia-Europe) and other diplomatic and territorial rumblings over the past several years. The diplomacy highlights a fluid security environment currently defined by increasingly sophisticated hedging strategies on the part of the major powers in the Pacific. These trends, however, could harden into new geostrategic patterns rapidly if potential strategic shocks occur: the reunification of Korea, a conflict over Taiwan, and possible reactions to US missile defense deployment decisions.

There is a discernible shift in the character of East Asian uncertainty about the future from that which existed in the early 1990s. At the end of the Cold War, the largest concern was a fear that, absent its global mission, the United States would begin to reduce its engagement and security presence in Asia. This fear was combined with looming concern about the emergence of China. In recent years, concern about the meaning of a successfully modernized China has grown more acute. Indeed, there is a tendency to discount the present for the future in regard to China, with many acting toward Beijing as though it were already a multidimensional global power. But Asian views of the United States have become more wary and complex in new and paradoxical ways.

- There is a broad recognition that in every measure of national power, US pre-eminence is clear and growing--and that the US role as guardian of global and regional order has, if anything become more central to stability.
- Discomfort with this reality is palpable and increasing, as the United States is viewed as a somewhat capricious actor, (a rogue superpower?) frequently driven

more by narrow domestic interests and ideological imperatives than by common goals or evident strategy. The perception is reinforced by the United States confusing power with norms of behavior and its willingness to impose its values by force in some instances. This situation is exemplified by US rejections of the CTBT, the Kyoto Protocol, and the International Criminal Court, while pressing others to approve and the NATO bombing of Yugoslav, absent UN mandate).

- East Asians see a lack of sustained focus on the region and a renewed Eurocentrism manifested in NATO expansion and long-term obligations in the Balkans, while the locus of both economic dynamism and potential major conflicts is in Asia, most notably, the Korean Peninsula, China-Taiwan, and India-Pakistan.

At the same time, the regional security environment has become more complex, with security challenges and foreign policies becoming more interactive over the past several years. The accidental bombing of the Chinese Embassy in Belgrade in March 1999 was a deliciously illustrative example of how disparate strands in values, interests, and geography can intersect. What in the United States was widely viewed as a humanitarian intervention against Yugoslavia over its behavior toward Kosovo, was viewed discomfitingly as an idiosyncratic, unilateral transgression of sovereignty--absent a UN mandate--by such US allies as Japan and Korea as well as others in East Asia. Moreover, the alleged doctrine of humanitarian intervention was seen as particularly disconcerting by China, raising the spectre of intervention in Taiwan, Tibet, or Xinjiang. Central Asian states bordering Xinjiang all are members of NATO's Partnership for Peace and have been the venue of US-Central Asian joint military exercises proximate to China's Western borders conducted without prior notification. Another example is the unanticipated impact of North Korea's missile program, which catalyzed a new security assertiveness in Japan, which, in turn, adds an element of tension to Sino-Japanese relations.

The discomfort with US idiosyncratic behavior is mitigated by the widely acknowledged reality that there is no viable alternative to the United States as a counterweight to China. It is further mitigated by the continued importance of East Asian trade and investment with the United States, roughly \$530 billion in annual two-way trade and some \$100 billion in Asian direct investment in the United States and vice versa. The net result is a paradoxical situation with many actors in the region seeking to cushion themselves against American unilateralism, even as they rely on the US security presence for stability and find an unspoken sense of reassurance in the display of hi-tech US military power. Thus, East Asia is displaying varying degrees of bandwagoning and balancing at the same time.

- China, most notably in its 1998 Defense White Paper, has articulated a competing vision of the future in which the American role in Asia is greatly diminished. Although Beijing seeks a dominant role in the region, at the same time it has bet its future on integration into the global economy and has increasingly participated in global (such as WTO, NPT, CTBT) and regional (for example, ARF, APEC) institutions. Yet even as it seeks cooperative relations

with the United States, its military modernization and planning centers on attaining capabilities to prevail in a Taiwan conflict in which the United States intervenes.

- Japan's national desire to carve out its own identity as a major power in its own right (e.g. Asian monetary fund initiative, increasingly independent defense capabilities, constitutional revision debate) playing more of a leadership role in the region occurs even as it simultaneously enhances the US-Japan security alliance;
- South Korea's remarkable middle power diplomacy, evidenced most recently in the unprecedented January 2000 visit of Chinese Defense Minister Chi Haotian and South Korea's complex relationship with Beijing. This, even as Seoul deepens its political and military relationship with Japan in unprecedented ways and remains dependent on the US for its core security.
- North Korea has managed to be at once charity case for, continuing threat to, and new partner of, the United States. While developing ties to the United States, it has maintained its conventional military assets and continued to develop its WMD and delivery systems. At the same time, the DPRK has renewed its ties to China and Russia (witness Russian FM Ivanov's February trip to P'yongyang), while expanding ties to Italy, Australia, and the Philippines and renewing normalization talks with Japan.
- The collective desire of smaller and middle powers, particularly ASEAN states, for East Asian nations to be more independent actors carrying more weight in the councils of global governance, even as they depend wholly on the US military presence and commitment to ensure security and US markets for exports. The November 1999 ASEAN+3 meeting, replete with fantastic visions of EU-type regional arrangements for a free trade area and monetary union, was an expression of this hope, as was support for an Asian monetary fund.

[Vic Chairman Chi Haotian and South Korean Defense Minister Defense Cho Song-tae take the stage for talks.](#)

Consequences of Asia's Emergence

This duality of Asian perspectives and sense, however unrealistic at present, of a tilt toward pan-Asian identity and interests reflects the beginnings of a qualitative shift in established patterns of relations. The cumulative impact of a generation of dynamic economic growth, notwithstanding the 1997-98 economic crisis, are waxing nationalisms seeking validation as fledgling middle-class societies. The Manila ASEAN+3 meeting was but one manifestation of this trend. At the same time there was a surrealistic aspect to the Manila meeting in that regional tensions--whether Sino-Japanese disputes (ostensibly over history), territorial disputes such as the Spratly islands, Taiwan's identity politics and quest for international space, or Indonesian-Malaysian rivalry--all are expressions of these waxing nationalisms beginning to bump up against each other.

Worth briefly summarizing are other expressions of Asia's emergence and its gravity in the world system, a regional economy that in the space of a single generation went from 4 percent of world GDP in 1960 to 24 percent by 1995. There is no shortage of telltale signs of the burgeoning technological, financial, and strategic heft of modern East Asia. Beijing recently launched its first orbiting space vehicle, prelude to a manned space program (with Russian assistance); South Korea is building a satellite launch capability. Greater China (China, Hong Kong, Taiwan) Japan and Korea together hold some \$700 billion in foreign reserves, more than half the world's total, and are three of the world's 10 largest economies. The recent earthquake in Taiwan threatened the world computer industry with semiconductor shortages, as the 1995 Kobe earthquake in Japan threatened liquid crystal computer displays. China alone is the world's second largest consumer of energy--though its per capita energy consumption is ten times less than that of the United States!

With regard to American interests, these trends cut in different directions. On the plus side, an important consequence of East Asia's success has been a broad trend towards democratization over the past 15 years: the Philippines, South Korea, Taiwan, Thailand, and of late, Indonesia. We could argue that structural economic and political change in Japan, in part generational in nature, is also deepening its democracy, in particular, adding a new dimension of civil society and political accountability. Although this regional trend removes a potential values conflict and is a source of public support for US-Asia policy, it also means friends and allies whose respective political systems are more unwieldy to deal with. This situation is manifested in a variety of ways, such as Japan's posture in regard to base and host-nation issues with Japan, and to a lesser extent, with Korea, where the No Gun Ri episode and desire for more capable ballistic missiles (beyond MTCR limits) have introduced emotional new irritants in US-Korean relations.

The trajectory of intra-Asian trade and investment patterns is another important trend that is likely to have a crosscutting impact on US interests. Although the United States remains the first or second-largest market for most East Asian nations, in relative terms, East Asian trade with the United States is a diminishing portion of the region's trade. In 1990, the US market accounted for a third or more of Korean, Japanese, Taiwan, and ASEAN exports. That has gradually diminished to the 20-25 percent range, with the exception of China, which is dependent on the US market for nearly 35 percent of its exports. At the same time, intra-Asian trade continues to grow, now to roughly 50 percent of total Asian trade.

Asia-Middle East Energy Nexus

One important economic trend with strategic implications that is woefully underconsidered is East Asia's energy patterns, which are creating pulls that may lead to a divergence of East Asian and US interests. Already, Asia has a substantial oil deficit. In 1998, the Asia-Pacific imported 11.5 million barrels a day of the 19.1 million barrels it consumed daily, with imports rising to 13.5 million bbl/d in 1999. This amounts to about 62 percent of total petroleum products consumed in the region. Asia-Pacific

import needs are projected to approach 17 to 19 million bbl/d by 2010, and the Energy Information Agency (EIA) forecasts those import needs to rise to 24 million bbl/d by 2020, possibly up to 31 million bbl/d if high-end economic growth projections are realized. China's import needs alone are projected to grow to roughly 3 million bbl/d by 2010, and as much as 5 to 6 million bbl/d by 2020.⁽⁴⁷⁾ Even discounting for the region's economic crisis, by 2020, according to the Energy Information Agency (EIA) of the US Department of Energy, Asian oil demand will still grow two to three times faster than that of the industrialized West.⁽⁴⁸⁾

The vast majority of East Asian oil imports--and much of its rapidly growing natural gas consumption--will come from the Middle East. The workings of the highly efficient globalized oil market tend to be based largely on transport costs. This condition has meant a bifurcated pattern of supply, with the US obtaining most of its oil imports from the Atlantic Basin and/or the Western Hemisphere (North Sea offshore West Africa, Mexico, Canada, Latin America). Already some two-thirds of Persian Gulf crude is exported to Asia, and an oil-thirsty Asia increasingly depends on Gulf/Middle East crude, already nearly 80 percent of its imports. A sign of the times was when [Chinese President Jiang Zemin](#) made the first ever trip by a top Chinese leader to Saudi Arabia last November (declaring a "strategic oil partnership"). Thus, a burgeoning Asia-Middle East energy nexus is taking shape. This trend appears long term and a permanent feature of the oil market. Thus far, it has not altered strategic ties beyond a thickening commercial relationship with Asians investing in upstream Middle East, while Gulf states invest in downstream Asia, both designed to lock in supply and customers, respectively. What the geopolitical implications are of the burgeoning Asia-Middle East energy nexus is an open question explored further below.

Diplomatic and Strategic Trends

The diplomatic and strategic trends in the region range from efforts to attain more independent postures within the framework of a cooperative or alliance relationship (Japan) to the prospect of a peer competitor (China). The military capacities of key actors, particularly China and Japan, which are undergoing qualitative improvements, both foreshadow and raise the stakes of prospective strategic competition. The challenges to US policies and interests range from prospective strategic rivalry to those of adjusting to a less dominant role with more equal partners, transitioning from de facto quasi-imperial metropole to extra regional balancer without risking stability or diminishing American interests.

The China Factor

The most stark and consequential potential divergence of interests with the United States arises from China's continuing military modernization, its irredentist claims and preferences for a Sino-centric regional order. Two decades of double-digit growth have moved China's closer to its highest national goal: economic modernization, the foundation of its 21st century version of the Meiji Restoration slogan: Rich Country, Strong Army. Beijing's long-term objective is to lay the foundation for becoming a

multidimensional great power by attaining a new level of "comprehensive national strength"--the sum of economic, technological, and military power that together define a country's international standing.

Yet for China, the terrible symbolism of US bombing of the Chinese Embassy in Belgrade underscored China's weakness. It also illuminated the degree to which China's core assumptions about international trends (for example, a multipolar world, United States in decline, China ascending) have been shattered since the mid-1990s. The Yugoslav war, revealing still more improvements in US precision-guided weapons since the Gulf war, deepened China's perception of a growing technology gap and sense of frustration and impotence. Such military prowess, combined with the strengthening of US alliances in Europe and Asia and a penchant for values-based intervention has left China frustrated and overwhelmed by US power. At the same time, India's moves to become a full nuclear weapons state has still further complicated China's security calculus. The net effect of the 'Kosovo shock' has been to accelerate the pace of military modernization, particularly in hi-tech areas such as cruise missiles and laser weapons and China's strategic and political cooperation with Russia.

This reality reflects China's contemporary conundrum: its highest goal of economic modernization makes it highly dependent on the one power that can impede its aspirations to be the dominant power in East Asia. At the same time, the United States also stands between China and its reclamation of sovereignty disrupted by Japanese and Western imperialism during its 150 years of humiliation--reunification with Taiwan and its historic claims in the South China Sea. Indeed, there is a lingering fear that the United States is quietly erecting a structure of containment around China's periphery to mitigate its modernization and limit its freedom of action.

The March 1996 Taiwan Strait crisis reinforced China's fears. The unanticipated arrival of two US aircraft carrier battle groups off Taiwan dramatized the military-technological gap while bringing into sharp relief the possibility of a conflict with the United States over Taiwan. The fact that one month later, the United States and Japan announced new defense guidelines updating the US-Japan alliance, began to deepen Beijing's concerns that not only was multipolarity not the dominant trend, but that the US bilateral security network was reinforcing US pre-eminence. One important aspect of the Taiwan Strait crisis worth noting is that only Japan and Australia publicly supported the US gunboat diplomacy. This reflects the ultimate strategic nightmare for East Asia: having to choose between the United States and China. Nonetheless, the presence of the two carrier task forces were a sobering reminder to Beijing of the magnitude of US military power in the Pacific.

To balance its near-term economic goals and longer-term security agenda, China has evolved its own hedging strategy, one beginning with efforts to neutralize potential threats along its enormous borders. As the strategy has evolved, two phases are discernible: 1989 to 1996 and 1996 to present. Since the 4 June 1989 Tiananmen tragedy and ensuing distancing from the West, China has crafted a diplomatic strategy designed to solidify ties to its neighbors. In the early 1990s, it normalized relations with

Singapore and Indonesia. It has cultivated ties to ASEAN nations, forging particularly close ties to Thailand, Malaysia and Burma. Beijing made progress on border talks and trade with New Delhi and enhanced political and military/technical ties to Russia.

In response to its predicament, China also increasingly has sought to foster its own security network as a counter-hedging strategy. This approach has taken the form of bilateral "partnerships" and new concepts of multilateral security structures. At a conceptual level, since 1997, Beijing has begun to articulate what it calls a "New Security Concept," as part of an effort to discredit and attenuate US alliances and ostensibly replace the de facto situation with a collective security framework. As spelled out in its July 1998 Defense White Paper, the new concept incorporates Beijing's emphasis on noninterference and respect for sovereignty embodied in its traditional five principles of peaceful coexistence. Added to this is the notion that, "security is mutual, and security dialogues and cooperation should be aimed at promoting trust, not creating confrontations" ⁽⁴⁹⁾ This concept largely has been a rhetorical and diplomatic device and has not prevented China from demonstrations of military force in instances such as in the South China Sea. The most conspicuous manifestation of this approach has been its "cooperative strategic partnership" with Russia. Though still largely a military supply relationship, for both countries, it has become therapeutic and for the US, potentially obstructionist: Sino-Russian summit communiqués routinely denounce US "hegemonism" and call for "multipolarization of the world and the establishment of a new international order." ⁽⁵⁰⁾ But fledgling Sino-Russian strategic cooperation is discernible and appears to have grown significantly in response to the US/NATO Yugoslavia war: Beijing and Moscow have increasingly found common cause in denouncing US efforts to amend or scrap the Anti-Ballistic Missile Treaty (ABM) and build ballistic missile defenses; some 2000 Russian technicians are employed in Chinese military research institutes; joint use of Russia's GLONASS GPS system, which would aid PRC targeting is under negotiation. In 1997, China has signed protocols with Kazakhstan, Kyrgyzstan, and Tajikistan governing armed forces along borders, an agreement hailed by Beijing as a "new model for security." More recently, China has signed bilateral amity and friendship accords with Thailand and Malaysia. ⁽⁵¹⁾ Together, these individual elements are aimed at stabilizing the international environment in East Asia, advancing China's national goal of economic modernization, bolstering China's strategic capabilities, and attenuating the US position in the region.

Beijing's assertive diplomacy has unfolded in parallel with its conventional and nuclear military modernization program. A series of recent acquisitions and deployments have the effect of significantly raising the cost of conflict in the one scenario where direct military confrontation is imaginable--Taiwan--as well as reducing US freedom of action. Beijing has begun to acquire 48 Su-27 fighters, along with 200 to be assembled in China under coproduction with Russia. In addition, during his December 1996 visit to Moscow, Premier Li Peng finalized a deal to purchase two Sovremenny-class, missile-carrying destroyers for \$400 million each, (the first was delivered in February 2000) along with Sunburn antiship missiles. These ships were developed in 1980 by the Soviets to counter US aircraft carriers, and the PLA Navy very likely sees such hardware as necessary if it plans to counter US aircraft carrier task forces in the future.

Moreover, Beijing has signed a \$2 billion contract for some 30 to 60 150 Sukhoi Su-30MK multirole fighters and is negotiating to buy more advanced Su-37 models. China also has deployed some 200 M-9 and M-II missiles in Fujian Province, across the strait, and US projections are that Beijing may deploy some 700 missiles there by 2005-6. At least another 10 to 15 years will be needed before China obtains significant air and amphibious force capability to sustain force projection beyond its borders.⁽⁵²⁾ At the same time, China is the only nuclear weapons state quantitatively and qualitatively expanding its arsenal, with the DF-31 mobile missile near deployment and the DF-41 likely to be deployed by 2010. These medium- and long-range missiles can carry multiple independent re-entry vehicles (MIRVs).

For US interests, these first fruits of Chinese military modernization already complicate and raise the cost of any US military intervention in the event of a conflict in the Taiwan strait, the most likely, if not the only, scenario that can be envisioned pitting the United States and China in a direct military clash. In broad terms, China's incremental development of force projection capabilities is beginning to circumscribe US freedom of action in the Pacific. In its diplomacy, China is positioning itself to influence the future of the Korean Peninsula and the security architecture in Northeast Asia. In Southeast Asia, it is accentuating a geopolitical divide between continental and peninsular ASEAN states. The challenge to both Washington and Beijing is to avoid a cycle of action-reaction that pushes the relationship in an adversarial direction and to maintain the ambiguity of their respective hedging strategies until the outcome of China's transformation is evident.

Japan's New Nationalism

While China is an important factor catalyzing a remarkable evolution in Japan's strategic culture, the quickening pace of change in Japan's national security policies is unfolding in a larger crucible of social, economic, and political ferment. These changes come as a decade of economic stagnation has demonstrated to most Japanese that the "development state" post-WW 2 model in Japan has been outgrown and is being superseded gradually in a process of structural change. In broad terms, Japan's evolving security policies reflect identity politics writ large--in redefining individual's relationship with society and localities' relations with Tokyo, as well as Japan's regional and global role. In tempting shorthand, Japan is becoming a more normal nation.

[Chinese Su-27SK—note PLAAF markings on the tail](#)

In the security realm, it reflects the perception of a Northeast Asian security environment more menacing than during the Cold War, a perception fostered by North Korean behavior during the 1990s as well as a sense of defining a Japanese international role and personality. North Korea's first missile test, into the Sea of Japan in May 1993, hinted at Japan's vulnerability to ballistic missile attack, and the possibility of conflict on the peninsula, potentially involving Japan, was brought into sharp relief during the spring 1994 nuclear crisis. In terms of mass public opinion, P'yongyang's August 1998 Taepo Dong test over Japanese territory was roughly equivalent to the

psychological impact of the Soviet Sputnik launch on the United States in 1957-58. Similarly, beginning around 1993-94, Japanese perceptions of China began to change. Prior to this time, Japan considered economic aid, trade, and investment to assist China's economic development and to foster internal political stability as adequate to manage China. But the cumulative effect of two decades of double-digit economic growth--particularly set against the background of Japan's own decade-long economic stagnation--began to raise questions about the balance in Sino-Japanese relations and the limits of "checkbook diplomacy."

These concerns were reinforced by China's accelerating military modernization program, the 1995 controversy over nuclear testing, and by its increasingly assertive behavior on issues relating to sovereignty: the 1995 occupation of Mischief Reef South China Sea, actions--and persisting contention--over the disputed Senkaku/Diaoyutai islands, and most dramatically, during the 1996 Taiwan Strait crisis. At the same time, China repeatedly has warned of the destabilizing effects of Japan's participation with the US in ballistic missile defense R&D systems. The implication that China was actively targeting Japan came as a shock to many Japanese. The palpable discord in the October 1998 Sino-Japanese Summit, with Japan refusing to give [Jiang Zemin](#) the full and perpetual apology demanded as the price of Sino-Japanese harmony was a reflection of Japan's new wariness of China.

Faced with this set of challenges, Japan moved initially to strengthen its alliance with the United States, which has been--and continues--to serve as the foundation of its diplomacy and security policy. At the same, Tokyo has moved towards bolstering its independent military capabilities and coterminously, sought to forge an independent diplomatic posture and solidify its economic network in the region. Thus, we have seen the April 1996 reaffirmation and updating of the US-Japan alliance during Clinton's visit to Tokyo, the new defense guidelines defining Japan's support role in a regional crisis, Japan's decision to build an indigenous intelligence satellite, joint research on theater missile defenses, and moves toward attaining air-refueling capabilities.

Japan's "rearming" as the often heard refrain goes, is not the question. Japan already has the second or third largest defense budget in the world, \$45 billion--depending on the value of the Yen. Even without the United States, Japan possesses the most capable hi-tech air and naval forces in East Asia, including F-15J and F-4EJ fighter interceptors, E-2C Hawkeye early warning radars, AWACS, a fleet of destroyers, Aegis cruisers, and 100 P3C antisubmarine patrol planes, and a C3I system interoperable with that of the United States.⁽⁵³⁾ In addition, there is a host of areas where Tokyo is creating an independent defense base: Japan's decision to pursue an independent satellite reconnaissance capability; its satellite launch program, which gives it a potential ballistic missile capability; it has four of the world's most advanced supercomputers; and its plutonium reprocessing program, which makes it in the eyes of some, a virtual nuclear power.

But perhaps more important is the 'software' of Japan's new assertiveness. The defense guidelines issue is part of a larger Japanese debate about the limits of Japan's

willingness to engage in military action, indeed, over the interpretation and/or revision of its constitution. This in turn, is a source of Chinese anxiety, particularly that Japan is laying the foundation for an independent military capability under the US security umbrella. In any case, former Prime Minister Obuchi's popularity went up when Japanese ships fired their first shots in anger in March 1999 at intruding North Korean spy board. In several opinion polls over the past three years, a majority favored revising the constitution. And in terms of outward trappings, the Diet passed legislation making official the *hinomaru* flag and making the *Kimigayo* the national anthem. Japan's drift toward a posture of collective self-defense is reflected in the July 1999 Diet decision to establish a commission to study revision of the constitution.

Although Japan's alliance with the US is viewed as critical leverage in any counterbalancing strategy, the days of *gaiatsu*, of a top-down command US-Japan relationship are in eclipse. Japan is aware it has no alternative to the US-Japan alliance. But it is seeking a more equal partnership, one that is likely to have growing sets of issues on which there is disagreement (for example, Burma and Iran). At the same time, Japan's assertive diplomacy is aimed at countering the possibility of declining US political/military involvement in East Asia. To this end, Japan has made some headway in repairing problems of the past. In October 1998, former [Prime Minister Keizo Obuchi](#) extended to South Korea's visiting president, Kim Dae Jung and agreed to a "cooperative twenty-first partnership."⁽⁵⁴⁾ Signs of a Japanese-Korean rapprochement are visible in economic and security relations. A month later, Obuchi's visit to Moscow yielded the Moscow Declaration of a "creative partnership between Japan and Russia" and a reaffirmation of commitments, made previously by President Yeltsin and then [Prime Minister Ryutaro Hashimoto](#), to reach agreement on a peace treaty and on the future of the disputed Northern Territories.⁽⁵⁵⁾ Both Japanese efforts were designed with China very much in mind. In the case of Korea, Tokyo has sought to influence future geopolitical directions Korea may take; in the case of Russia, a range of cooperative endeavors, particularly regarding oil and gas from Sakhalin and also eventually from Irkutsk, bolster Russia and offer it alternatives to strategic cooperation with China. Japan's Russia policy is part of a larger "Eurasian diplomacy" extended to Central Asia with oil and gas resources as much the objective as geopolitical positioning.

In Southeast Asia, throughout the 1990s Japan has worked to strengthen ASEAN and its institutions. Japan's recent overtures to Burma, which put it at odds with the US again appear aimed at counterbalancing Chinese influence. Although Japan has become more realistic about the limits of current efforts at multilateralism over the past three to four years, its support for various multilateral ventures reflects a broader aspect of Japan's hedging strategy--the fostering of new multilateral regional institutions to compensate for any diminished American role while seeking to showcase Tokyo's role. Thus, Tokyo has called for a six-party forum in Northeast Asia (United States, Japan, Russia China, and North and South Korea.) Similarly, Japan's proactive response to the Asian financial crisis was in this vein, proposing an Asian fund in October 1997 as the Thai baht foundered. And Japan had no qualms about actively participating in the ASEAN+3 meeting in Manila contemplating an EU-like future for the Asia-Pacific.

In sum, Japan is no less committed to the US-Japan alliance than at any time in the past, but it is more assertive in redefining its role within the alliance, is building an independent defense industrial base, and is positioning itself for potential future shocks that could render the US force presence in Japan more problematic, if not the alliance itself. This approach does not suggest any sudden or visible breakpoint or even a strategic distancing. Rather, in the current environment of universal hedging and incremental change, it is largely a matter of alliance management problems and will require more creative, flexible approaches on the part of Washington (for example, a 15-year base agreement with a renewal clause based on the security situation or joint use of bases).

Similar types of behavior characterize South Korea and ASEAN. But for the scope of this paper, US, Japan, and China relationships and behavior largely define the security environment. At most, Korea is a middle power that can be a factor in shaping the strategic balance depending on which direction it tilts, and ASEAN security is largely derivative of Northeast Asian security, that is to say US-China, US-Japan, and Sino-Japanese relationships. The exception, of course, is Southeast Asian security challenges growing out of internal crisis (for example, Indonesia unraveling).

In any event, Asia is reaching a stage where probable events and policy choices made in pursuit of respective national strategies may soon begin to foreclose options in regard to the future geopolitical architecture of the region. Three probable decision points are just over the horizon, any one of which could transform the region: decisions made in the process of Korean reunification, possible conflict over the future of Taiwan, and in regard to the deployment of missile defense systems by the United States and its allies. Each of these developments holds the possibility of irreversibly reshaping the geopolitics of the Asia-Pacific. Already, all three issues--Korean reunification, Taiwan conflict, missile defense deployments--are being factored into the security calculus of every actor. The potentially tragic prospect is that fateful decisions may be forced prematurely, before key factors fostering uncertainty--most importantly, the outcome of China's transformation--warrant such choices. Thus, the necessary geopolitical ambiguity characterizing this interim period could harden into new strategic configurations.

The Korea Factor

Most prominently, the impending reunification of Korea suggests it will play as much of a defining role in catalyzing Asian geopolitics in the 21st century as imperial rivalries did at the end of the last century. The resolution of the Korea question probably will force a shift from respective hedging strategies to new diplomatic patterns and political configurations that will shape the region into the mid-21st century.

One key variable will be the then nature of Sino-American relations and the health of the US-Japan alliance. Under the best of circumstances, a stable, nonadversarial relationship with Washington, Beijing will not greet with enthusiasm the prospect of a unified, democratic, free market Korea allied with the United States with forward-

deployed American forces on its border. Potentially conflicting approaches to regional security will make Korea a seminal case in establishing the possibilities of mutual accommodation and defining their future roles in East Asia. The point here is that the present congruence of US and Chinese interests in Korea--a desire to avoid war, collapse, and nuclear proliferation--is unlikely to endure after reunification, at which point they will begin to diverge.

Sino-American differences, both on the nature of forward-deployed US forces on the Peninsula and on the future of the US-Korean relations, will be brought into sharp relief at the point of reunification, if not before. Certainly, any postreunification US-Korean relationship in which Washington maintains a military presence in Korea will require some clear understanding with Beijing. In lieu of some new understandings, a polarization and ensuing tension probably will result.

China can be expected to exert tremendous, if subtle, pressure on the government of a unified Korea to forego any continuing US military presence. This situation, in turn, would leave Japan as the only country in Asia with forward-deployed US troops, and almost certainly at a minimum, spark a debate there, and may attenuate the US-Japan security alliance. If Beijing is heavy-handed in its efforts regarding the US-Korea linkage, however, the result could be counterproductive and reinforce a Korean desire for close security ties with the United States lest the 21st century begin to resemble the beginning of this century.

At the same time, a newly unified Korea will watch closely the strength of US-Japan security relations in gauging its approach to regional security. A strong US-Japan alliance, one that constrains Japanese power projection would have a confidence-building effect on Seoul's strategic vision and force development. Conversely, a diminished or more problematic alliance, and movements by Japan toward autonomous capabilities, could spur strategic competition in Northeast Asia. Certainly, any diminution of the US forward-deployed presence in Korea probably would trigger more heated debate in Japan about the US force presence there, if not begin to reconfigure the US forward-deployed presence. That, in turn, would force Korea to rethink its security options.

The nuclear temptation has been underappreciated by most analysts in assessing postunification security options. But South Korean efforts to attain nuclear weapons in the 1970s, when there was a less ambiguous US security umbrella and far less Japanese capability (for example, no potential delivery system or source of fissile material) warrant such postunification concern. Discussions with South Korean officials and writings of the scientific and military elite reveal a continued interest in acquiring fuel cycle capabilities--reprocessing--with a clear intent of maintaining at least the technical capacity.⁽⁵⁶⁾ The status of any US nuclear guarantee will be an important factor shaping the attitude of an a reunified Korea towards such weapons. The experience with NATO expansion, for example, the absence of US troops in Poland, the Czech Republic or Hungary, suggests the possibility of maintaining such a nuclear umbrella

without forward-deployed forces if a treaty relationship continues, whether the current treaty or a successor.

Unified Korea's Security Options

Four possible alternative future scenarios for the regional security posture of a unified Korea can be envisioned:

- Neutrality along Swiss lines.
- Strategic independence.
- Sino-Korean entente.
- Continued alliance with the United States.

Neutrality for Korea does not comport well with history. At the time of unification, a relatively weak and vulnerable Korea probably would harbor too much distrust of its larger neighbors to place its security on good faith alone. This vulnerability makes difficult envisioning a unified Korean Government entrusting its security to cooperative arrangements not resting on a foundation of military balance. Indeed, President Kim Dae Jung makes a compelling realist argument for the continuation of a US presence after unification, namely that a small Korea exists tenuously between powerful continental and maritime powers. ⁽⁵⁷⁾

Strategic independence, although more appealing than neutrality, is unlikely to be the option of choice. Yet inevitable changes in the US-Korean security relationship following reunification could push Seoul in such a direction. Worth noting is that a Korean posture of strategic independence holds a realistic possibility of renewed efforts to obtain nuclear weapons capability. From a Korean perspective, this situation is not a wholly unreasonable quest. Perpetual fears that Japan is a virtual nuclear weapons state and the reality of being surrounded by China and Russia offer a window into Korean logic. Moreover, Seoul probably would inherit intermediate- (and possibly long-range) missile capabilities, chemical and biological weapons capabilities, and possibly also an opaque or overt nuclear capability.

Perhaps the most unstable possible outcome would be a Sino-Korean alignment. In its most extreme form, it could define a heartland-rimland polarization either to counter or ensure against the US-Japan alliance. Given China's historic relations with Korea, or even the evolution of PRC-ROK ties since the 1995 unprecedented [Jiang Zemin](#) six-day visit to Seoul, Korean fears of a kind of neotributary status suggest that this option would not be preferred by Seoul. ⁽⁵⁸⁾ The rapid expansion of Sino-Korean relations in the early 1990s, in large part related to Seoul's efforts to build leverage against P'yongyang and Beijing's strategic decision forge ties to Seoul while maintaining ties to P'yongyang to enhance its leverage on the peninsula. Beijing's decision to embrace Seoul initially produced a Sino-Korean relationship that also was anti-Japanese in overtone in during Jiang's 1995 visit. Should the US-Japan alliance fray and Japan move to strengthen its independent military posture, a Korean alignment with China cannot be ruled out.

From a US perspective, the best case that is in the realm of the possible will be some variation or combination options two and three. US and Korean interests overlap in Seoul's desire to balance the major powers. One can envision access, propositioned equipment, joint training, and exercising in the context of a revised security treaty up to, and perhaps including, a small logistic unit sustained in Korea. Moreover, recent trends have seen South Korea tilting more toward the United States and Japan, in large measure as a consequence of the persistent North Korean threat.

A large spectrum of options exists between the current status quo and no security relationship with Korea. Four possible models can be envisioned: an alliance absent ground troops and smaller air and naval presence; a reconfigured alliance with emphasis on access, logistic support, propositioned equipment, and joint training and exercising; a Singapore model, small logistical presence, joint training and access; a Philippine model, a security treaty with no presence or regular access, but joint training. Indeed, the future US security relationship with Korea must be viewed in the context of a larger US strategy toward East Asia--sustaining US access to and some credible presence in the region. The key external independent variable in the equation once again will be the outcome of China's unprecedented transformation and its posture towards the region.

The Taiwan Conundrum

The Taiwan problem may be the ultimate symbol of clashing US-China interests and values. A Cold War remnant, Taiwan captures the divergence between China's new security concept and the reality of US dominance in the Pacific. Perhaps most starkly, the Taiwan issue illuminates a perception gap, with the United States viewing it as a case of defending a democracy and free market partner, while China sees only claims of national sovereignty denied by 150 years of imperialist humiliation. For the United States, a cross-strait military conflict is almost certainly a lose-lose proposition. If the United States did not come to Taipei's aid in the event of an invasion, profound doubts would be raised in the minds of allies as to the credibility of the US security umbrella. Yet a US military response would force choices polarizing East Asia, put its alliances at risk by forcing the region to make choices, and harden an enduring enmity, and a probable new Cold War with China. This possibility was painfully evident in the responses of East Asians to the March 1996 Taiwan crisis.

The current situation also illustrates what might be called "one country, two policies," in regard to US policy toward the Taiwan issue. Contrast Clinton's "three no's" statement during his June 1998 China visit, with Congressional legislation, most recently the Taiwan Enhancement Act. These pull in precisely opposite directions, with the Clinton position reinforcing the post-1971 "one china" policy framework of the three communique, and Congress, in its inimitable way, essentially saying to defend Taiwan democracy. Both send the wrong signals to both sides and compromise US strategic ambiguity that has been important to the preservation of cross-strait stability. Clinton's position reverses the posture of wanting China to think the United States would intervene in certain situations, while the behavior of Congress could be read in Taipei as a green light to pursue moves toward formal independence. This aspect is one of the

post-Cold War breakdowns of the bipartisan consensus on China policy. It also is read by some in the region as an illustration of Washington's seeking to export its values and the United States redefining the role of sovereignty in international relations.

Missile Defense

The Taiwan question overlaps with the third potential decision point that could create new polarization between the United States and China, if not others in East Asia. China has made the US provision of Aegis cruisers and PAC-3 theater missile defenses a red line in Sino-American relations. Rhetoric about PAC-3, still under development, could have the unintended consequence of leading China to consider military action before the balance of military forces becomes less favorable. But in any case, virulent Chinese opposition, as is the case with the Taiwan Security Enhancement Act, reflects a near-term political fear: obtaining TMD might lead to a US-Taiwan quasi-alliance that could embolden Taipei to formally declare independence.

More broadly, such strategically capable systems as THAAD, and Navy Theater Wide also are having a impact on Chinese military planners and the outcome of its nuclear modernization program. Chinese nuclear managers are beginning to do worse case planning against the possibility that their modest nuclear deterrent might be neutralized by US ballistic missile defenses. The risk is that this perception may lead Beijing to pursue a more robust and MIRVed nuclear force than otherwise might be the case. So far, the absolute numbers have not risen substantially. Whether the newly deployed DF-31 or DF-41, when they becomes operational in the 2010 time frame, will result in only modest additions--beyond replacement of existing forces or part of a significant nuclear buildup is unclear. If so, the unintended consequences of looming missile defense decisions could be less strategic stability. This situation also could foreclose possibilities for arms control between the US, Russia, and China. Moreover, part of China's response apparently is increased cooperation with Russia. A MIRVed China with penetration aids and countermeasures, together with regional deployments of a US-Japanese missile defense-- depending on what architecture is chosen--could reinforce a polarization in Northeast Asia.

Conclusion

For the near term, the trends described above will not qualitatively alter the basic structure of relations in East Asia. Over time, however, even if precipitous events do not force change, there will be a gradual erosion of US influence in the face of waxing nationalism and enhanced economic and strategic capabilities. At a minimum this situation requires more coherent US policy approaches and more "enlightened self-interest" adjustment to new realities. Apart from possible decisions on missile defense systems over the coming year or two, the other two seminal developments may not occur for some time, and in the case of Taiwan, the possibility of a peaceful resolution can not be ruled out. On missile defense systems, the nature of the decisions taken and the architecture decided upon will determine the Chinese response.

A key question is whether the US and China can sustain an ambiguous relationship where both are hedging against uncertainty until China's transition to a post-centrally planned economy produces a more clear economic and political outcome. A China where the iron rice bowl is broken and some form of a constitutional rule-of-law system is established alters the possibilities for US-China relations, and hence, the geopolitical equation. A China that is a corporatist, authoritarian system--also a possible scenario--would have very different implications.

More broadly, the net result of the interplay of the executive branch and the Congress--that is to say, the multitude of crosscutting single issue interests--is US policy appearing to many imperious and confused. To argue that all this is matter little in a world of overwhelming American power and influence is tempting. Yet, actions have consequences. The US global advantage is impermanent. During the next quarter century, the role of other powers, Europe, China, perhaps even Russia will increase. The American challenge is to husband its advantage wisely. That means fostering a global structure of relations that advances US long-term interests in which other major players feel they have more of a stake in cooperating than in obstructing. Recent actions of US allies and others indicated that message we seem to be sending is less one of norms and rules than of arbitrary power. The irony is that global trends are largely beneficial to US interests and values--democratization is spreading in Asia, deregulation and privatization continue apace.

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Appendix A: Conference Schedule

9:00 - 9:05 a.m. Welcome

Robert L. Worden, Chief, Federal Research Division,
Library of Congress

9:05 - 9:15 a.m. Opening Comments

Robert G. Sutter, Moderator, National Intelligence
Officer for East Asia, National Intelligence Council

9:15 - 10:45 a.m. Panel One

**Japanese and South Korean Attitudes and
Approaches**

Susumu Awanohara--"Japanese Attitudes and
Approaches Toward US Policies and Presence in the
Region" **Scott Snyder**--"US-ROK Relations: Trends at the
Opening of the 21st Century"

Commentators--**William Heinrich, Timothy Miner, and**

Guy Arrigoni

11:00 a.m. - 2:30 p.m. Panel Two
Chinese and Southeast Asian Attitudes and Approaches
Bonnie Glaser--"Trends in Chinese Assessments of the US, 2000-2005"
Marvin Ott--"Southeast Asian Perspectives"

Commentators--**Greg Knight, Paula Causey, and James Ellis**

2:00 - 3:30 p.m. Panel Three
Political and Economic Issues
William Watts--"East Asia and the United States-- Current Status and 5-Year Outlook: Convergence/Divergence in Political Interests, Values, and Policies"
Marcus Noland--"Economic Interests, Values, and Policies"

Commentators--**Mary Tighe, Dean Carver, and Craig Hoepfl**

3:45 - 5:15 p.m. Panel Four
Security Issues and Wrap-Up
Robert Manning--"The Perils of Being No. 1: East Asian Trends and US Policies to 2025"

Commentator--**Donald Kilmer**

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Appendix B: Participants

Guy Arrigoni, Defense Intelligence Agency

Susumu Awanohara, Medley Global Advisers

Dean Carver, specialist on East Asian economic issues

Paula Causey, Department of State

James Ellis, specialist on East Asia

Bonnie Glaser, independent specialist on China

William Heinrich, Department of State

Craig Hoepfl, specialist on East Asia

Donald Kilmer, National Security Agency

Greg Knight, Department of State

Robert Manning, Council on Foreign Relations

Timothy Miner, National Security Agency

Marcus Noland, Institute for International Economics

Marvin Ott, faculty of the National War College

Scott Snyder, Asia Foundation

Robert Sutter, National Intelligence Officer for East Asia

Mary Tighe, Deputy National Intelligence Officer for East Asia

William Watts, Potomac Associates

Robert L. Worden, Chief, Federal Research Division, Library of Congress

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Summers, Lawrence H. 1999. "The Right Kind of IMF For a Stable Global Financial System," remarks to the London School of Business, London, England, 14 December.

CONTENTS

Footnotes

(1) Wang Jisi, director of the Institute of American Studies under the Chinese Academy of Social Sciences, asserted in an interview that, "A general estimation is that the United States' status as the sole superpower in the world will remain unchanged until the first quarter of the next century [2000-2025]. We do not have sufficient data to predict what the situation will be after that." *Liaowang*, no. 52, December 27, 1999, FBIS, January 13, 2000.

(2) Lu Qichang and Ding Sheng, "Viewing the American Global Strategy from the Atrocity of NATO," *Contemporary International Relations*, vol. 9, no. 6, June 1999.

(3) For a relatively balanced analysis of the US economy see Gu Wenyan, "US Economy: What's Ahead?," *Contemporary International Relations*, vol. 9, no. 12, December 1999.

(4) Lu Zhongwei, president of the China Institute of Contemporary International Relations, wrote: "Economic globalization benefits our country, but is logic of borderless economy will definitely challenge our state control and sovereignty." "Global Economic Scene Vs. Economic Security at the Turn of the Century," *Contemporary International Relations*, vol. 9, no. 8, August 1999.

(5) Shi Xiaohui and Xu Hongzhi, "Although Some New Characteristics Have Been Shown in International Situation, Peace and Development Still Remain Main Themes of Our Time--Roundup of 1999 Symposium on International Situation," *Renmin Ribao*, December 2, 1999, FBIS, January 1, 2000.

(6) Li Bin, "China's Security Environment in the Early 2000s," interview with Jiang Lingfei, Deputy Director of the International Relations Department of the National Defense University, *Beijing Review* (Internet version), no. 2, January 10, 2000.

(7) Bonnie Glaser and Banning Garrett, "China and the US-Japan Alliance at a Time of Strategic Change and Shifts in the Balance of Power," published by the Asia/Pacific Research Center, Institute for International Studies, Stanford University, September 1997.

(8) HR 1838, The Taiwan Security Enhancement Act (TSEA) passed the House of Representatives 341-70 on 1 February 2000.

(9) Lu Junyuan, "Taiwan's Geostrategic Value Makes Reunification Essential," *Taiwan Yanjiu* [*Taiwan Studies*], no. 33, March 20, 1996, FBIS-CHI-96-171, 4 September 1996.

(10) "If the US sells advanced weapons and technology to Taiwan, then China might be forced to reconsider its commitments to arms control agreements, such as the Missile Technology Control Regime (MTCR)," warned a senior colonel from China's National Defense University privately in October 1999.

(11) While it is true that cueing from US satellites would allow for earlier detection of an incoming missile and thus increase the chances of interception, there are other early warning options that can be implemented that do not involve surveillance from US satellites. See "Report to Congress on Theater Missile Defense Architecture Options for the Asia-Pacific Region," at [_ HYPERLINK "http://www.defenselink.mil/pubs"](http://www.defenselink.mil/pubs).

(12) During the January 24-26, 2000 Defense Consultative Talks in Washington, Deputy Chief of the General Staff Gen. Xiong Guangkai reportedly warned that "a sale of antimissile systems to Taiwan would, in China's view, violate the 1979 pact in which the United States agreed to recognize Beijing's government, sever its defense pact with Taiwan, and withdraw US military forces from the island." Steven Mufson, "Chinese Military Leader Objects to US Missile Sale to Taiwan," *The Washington Post*, 27 January 2000.

(13) Dr. David M. Finkelstein and Rear Admiral (Ret.) Michael McDevitt, "Competition and Consensus: China's 'New Concept of Security' and the United States' Security Strategy for East Asia-Pacific Region," CNA Project Asia Issue Paper, December 1998, Center for Naval Analyses Corporation, Alexandria, Virginia.

(14) Bonnie Glaser and Banning Garrett, "China's Pragmatic Posture Toward the Korean Peninsula," *The Korean Journal of Defense Analysis*, vol. IX, no. 2, Winter 1997-98.

(15) Yearender by Xu Baokang, *Renmin Ribao* editor; Zhao Jiaming, *Renmin Ribao* reporter stationed in DPRK; and Wang Linchang, *Renmin Ribao* reporter stationed in ROK: "Peace Process in the Korean Peninsula--The Burden Is Heavy and the Road Is Long," *Renmin Ribao*, 22 December 1999, FBIS, December 25, 1999.

(16) *The Korea Times*, 10 December 1999, FBIS, 10 December 1999.

(17) For an interesting set of discussions on different scenarios of China's future, see China's Future: Implications for US Interests, Conference Report, 24 September 1999, Library of Congress, sponsored by the National Intelligence Council and Federal Research Division, Library of Congress, CR 99-02, September 1999.

(18) See, for example, Condoleezza Rice, "Promoting the National Interest" and Robert B. Zoellick, "A Republican Foreign Policy," *Foreign Affairs*, vol. 70, no.1, January-February 2000.

(19) Robert B. Zoellick, "A Republican Foreign Policy."

(20) "A National Security Strategy for a New Century," December 1999, The White House, released on January 5, 2000, _ HYPERLINK "<http://www.pub.whitehouse.gov>" _www.pub.whitehouse.gov_.

(21) Condoleezza Rice termed China "a strategic competitor, not the 'strategic partner' the Clinton administration once called it." She also criticized the "three no's" as a policy that tilted toward Beijing and created uneasiness in Taiwan. Condoleezza Rice, "Promoting the National Interest."

(22) An unnamed senior PRC official in Washington was quoted as saying, "For its own defense needs, if the United States wants to develop a [theater missile defense] system, that's its own business. What we don't want to see is TMD covering Taiwan. That would... damage US-China . . . relations." Steven Mufson, "Chinese Military Leader Objects to US Missile Sale to Taiwan," *The Washington Post*, 27 January 2000.

(23) In the body of this paper, I will make frequent reference to a recent Potomac Associates survey and analysis of the attitudes of Americans toward Asia and US policy/interests in the region, *Americans Look at Asia, A Potomac Associates Policy Perspective*, by this writer. The study was undertaken with a grant from the Henry Luce Foundation, with fieldwork carried out by Opinion Dynamics Corporation, Cambridge, Mass. Copies of the full report are available upon request from Potomac Associates.

(24) Members include Australia, Brunei, Canada, Chile, China, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Taiwan, Thailand, the United States, and Vietnam. It is headquartered in Singapore.

(25) For discussions of possible bubbles or bubblelike phenomena in US asset markets, see Miller, Weller, and Zhang (1999) and Makin (2000).

(26) This is not inevitable--the US could experience a "soft landing." See Mann (1999).

(27) See Noland (1997).

(28) See Noland (1996).

(29) With regard to Japan, see Noland (1997). With regard to China, the vast majority of Chinese exports to the US compete primarily with exports from other sources, not US domestic production (Noland, 1998). In particular, a removal of quota restrictions on Chinese textile and apparel trade with the US could be expected to increase China's bilateral surplus with the US for the simple reason that imports that are currently sourced from third countries, such as South Korea or Kenya, would in the future come from China, reflecting a more rational locational pattern of production worldwide. That is to say, even if the overall US trade balance remained unchanged, the pattern of bilateral balances would change. The bilateral deficit with China would increase, and bilateral deficits (surpluses) with other countries would decrease (increase) to offset this change.

(30) See Noland (1995) for more substantiation of this argument.

(31) Just the opposite: The developing countries believed that they had been taken to the cleaners during the Uruguay Round, the previous round of negotiations, and were skeptical about taking on further trade liberalization commitments. They were far better prepared to defend their interests in these negotiations. Similarly, Asia was still recovering from its financial crisis, and policymakers there believed they already had enough issues with which to grapple. Japan showed its lack of interest in further trade liberalization by blocking the Early Voluntary Sectoral Liberalization effort in the Asia Pacific Economic Cooperation

forum (APEC). And in the US, President Clinton has been unable to secure "fast-track" trade negotiating authority from the US Congress.

(32) In contrast, Thailand, the Philippines, Indonesia, and Malaysia are members of the Cairns Group of self-identified, nonsubsidizing agricultural exporters, which generally takes positions similar to that of the US in the agricultural trade negotiations. For a more detailed analysis of Asian countries' positions on agricultural trade issues, see Noland (1999).

(33) These include the possible extensions of the 31 December 1999 deadline for developing countries to implement WTO agreements on intellectual property, investment measures, and customs valuation.

(34) See Noland (1998) and Bergsten (2000a) for more on the PNTR issue.

(35) In his January 2000 State of the Union address, President Clinton indicated that he would like to a vote on PNTR this year, and Republican Congressional leaders voiced mild support for this initiative. However, China has yet to reach a bilateral accession agreement with the EU. Once the bilateral agreements are complete, observers expect the WTO secretariat to take about six months to compile the various bilateral accords into a single accession protocol. Given the US electoral calendar and the relatively short Congressional session, it is unlikely that the Congress could vote on PNTR this year--if it waits for the Chinese WTO accession protocol to be completed. The Congress could, however, vote on PNTR before the WTO process is complete, presumably on the basis on the US-China bilateral agreement.

(36) ASEAN was founded in 1967 as a Cold War response to the war in Indochina. In 1992 it began talks leading to the creation of AFTA. The original members were Singapore, Indonesia, Thailand, Malaysia, and the Philippines. Brunei joined in 1984. Ironically, Vietnam joined in 1995 and was followed by Laos (1997), Myanmar (1997), and Cambodia (1999). ASEAN initially attempted regional industrial ventures that failed; in 1978 it put into place a preferential trade agreement (10 to 15 percent preference margin on designated items). A free-trade agreement was discussed, but rejected, at the time. The impact of the policy was insignificant. Important items were excluded, and, in one infamous case, Indonesia granted its partners a preference on snow removal equipment. A decade after the deal, it covered less than 3 percent of actual trade.

(37) See Frankel (1997).

(38) Many in Asia regard the IMF as a front for the US Government, and do not distinguish between the actions and positions of the two entities. In part this reflects ignorance, but in part it is an understandable response to the predominate influence the US wields in the Fund, and the fact that in the case of South Korea, the Fund program conditionality included items of direct mercantilist interest to the US, which were of questionable relevance to the financial crisis.

(39) The US participated in the "second line of defense" associated with the second IMF program in Thailand. However, even this participation was purely symbolic inasmuch as the US Treasury fought the actual use of "second line" funds and has never disbursed a dime.

(40) To cite but one example, Joseph E. Stiglitz, at the time the chief economist of the World Bank, contemporaneously put forward serious criticisms of the IMF programs. See Stiglitz (1998, 1999).

(41) In the interest of brevity, these statements blur distinctions among Asian countries. In Indonesia, in particular, some segments of the society actually welcomed the IMF, which was regarded as less cozy with the Suharto regime than was the World Bank. At the other extreme, a widespread view in South Korea is that the IMF program was a deliberate attempt to subvert the South Korean economy, which was believed to pose a threat to the US in sectors such as automobiles.

[\(42\)](#) Frankly, the US position is unclear on this point. Some have interpreted this ambiguity as reflecting a desire by the Clinton administration, in general, and the Treasury, in particular, to pre-empt the strongly market-oriented critique expected from the Congressionally-appointed International Financial Institutions Advisory Commission (known colloquially as the Meltzer Commission after its chair, Professor Allen Meltzer), while at the same time preserving support from Congressional members concerned with labor, human rights, etc.

[\(43\)](#) The traditional quota constraint on borrowing was bent for Mexico in 1994 under US pressure, and was broken dramatically during the Asian crisis, when South Korea was permitted to borrow nearly 20 times its quota.

[\(44\)](#) Indeed, the problem with quota reallocation would not be giving Asia a greater share, it would be how to reduce the European share while preserving the historical prerogatives of individual countries. Simply treating the EU (or, alternatively, the ECB members) as a single member could result in the European quota exceeding that of the US. This situation would not only be unacceptable to the US on diplomatic grounds, but it would also require moving the IMF and the World Bank headquarters to Brussels (which no one wants), since the charter states that the organizations' headquarters must be located in the capital of the largest member.

[\(45\)](#) To cite a mild example, while in the midst of "campaigning" for the job, Sakakibara publicly blasted, Masaru Hayami, Governor of the Bank of Japan, as "incompetent" and called for Hayami's resignation. Sakakibara would presumably need the Bank of Japan's support to get the managing director position. Some have speculated that Sakakibara's ultimate goal is Hayami's job, not Camdessus's.

[\(46\)](#) The problem for Japan is that there is no other Asian country able to provide major support for a Japanese candidacy at the IMF in exchange for Japanese support in the ADB.

[\(47\)](#) Author's calculations based on IEA forecast, EIA, and Fereidun Fesharaki of the East West Center (1998).

[\(48\)](#) US DOE, Energy Information Agency, *International Energy Outlook*, 1999. p.141

[\(49\)](#) See "China's National Defense," Beijing: State Council of the People's Republic of China.

[\(50\)](#) See Sherman Garnett's study of Sino-Russian relations, "Limited Partnership," Carnegie Endowment for International Peace, Washington, DC, 1998, for a full discussion of the bilateral relationship.

[\(51\)](#) See BBC Summary of World Broadcasts, "China and Malaysia sign Joint Statement for Future Cooperation", June 2, 1999.

[\(52\)](#) See Ronald Montaperto, "Reality Check: Assessing the Chinese Military Threat," Defense Working Group paper No. 4, PPI, April 1998, for a sober view. Also the US Department of Defense Report to Congress, "China: Future Military Capabilities and Strategy," Washington, DC 1998.

[\(53\)](#) See James E. Auer, "Japan's Military Capability in 2015," SAIS Policy Forum, December 1998 for a full discussion of Japan's military capacity and approach to security.

[\(54\)](#) See Japan-Republic of Korea Joint Declaration; Tokyo, Japanese Foreign Ministry, 8 October 1998.

[\(55\)](#) See Moscow Declaration, Japanese Ministry of Foreign Affairs; November 1998.

[\(56\)](#) See Foreign Broadcast Information Service (FBIS) Special Memorandum, "South Korea's Emerging Nuclear Potential," 22 February 1996 for a sampling of views among the Korean intelligentsia.

[\(57\)](#) Remarks to Council on Foreign Relations Task Force, Seoul, May 1998, Remarks to Council on Foreign Relations Task Force, Seoul, May 1998.

[\(58\)](#) See Robert A. Manning "Will The Koreans Play the China Card?" *The International Economy*, March/April 1997, for a discussion of these potential alignments.