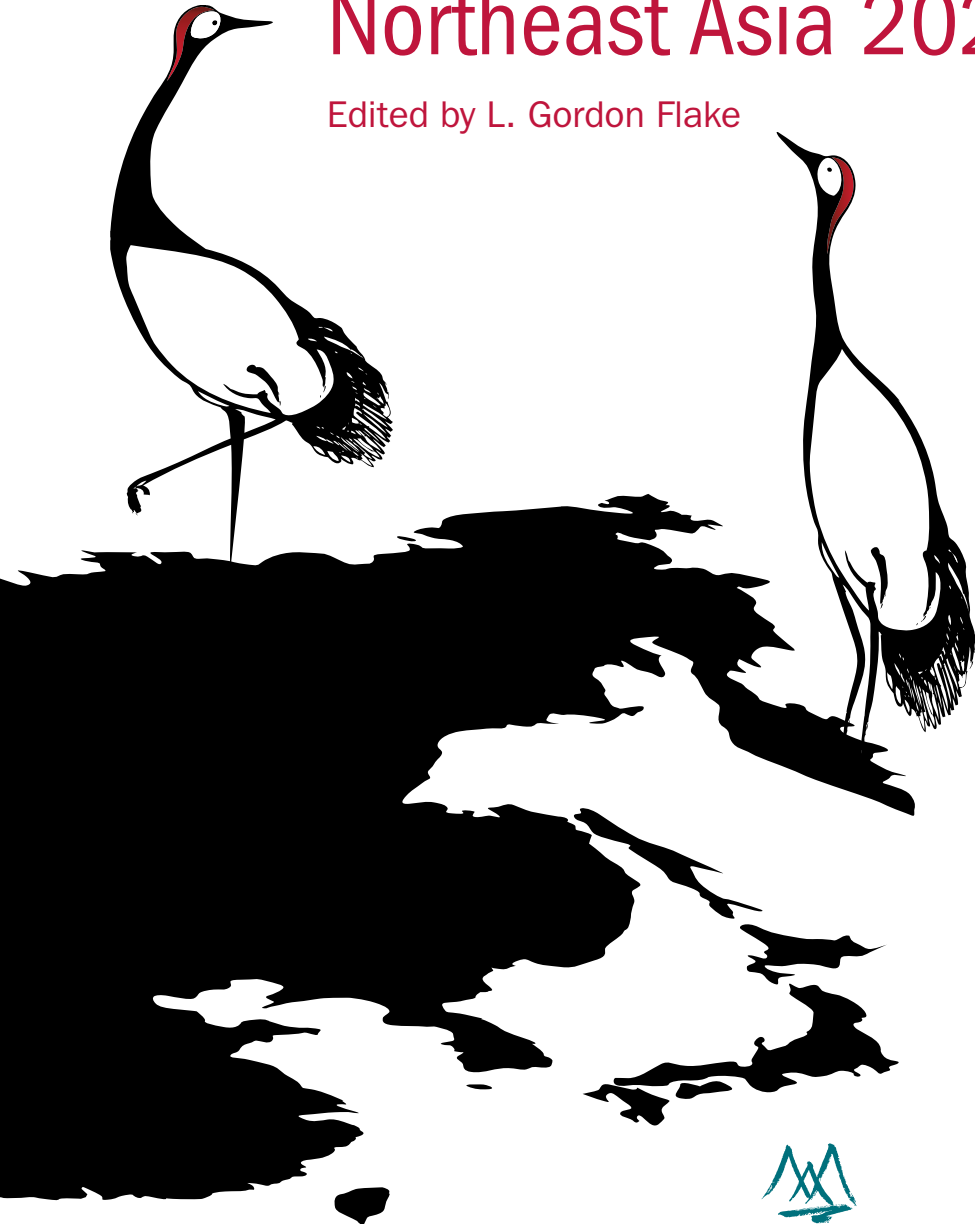


# Toward an Ideal Security State for Northeast Asia 2025

Edited by L. Gordon Flake



THE MAUREEN AND MIKE MANSFIELD FOUNDATION

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*Promoting Understanding and Cooperation in U.S.-Asia Relations since 1983*

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## Contents

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### **Preface**

L. Gordon Flake .....	7
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### **The Impact of the Global Financial Crisis on Regional Economic Integration and the Development of Regional Economic Infrastructure in Northeast Asia**

Wendy Dobson .....	15
Chang Jae Lee .....	31

### **Nationalism, Historical Legacies and Territorial Disputes as Obstacles to Cooperation in Northeast Asia**

Cheol Hee Park .....	45
Alexis Dudden .....	53

### **Exogenous Shocks Such as Terrorism and Pandemics as a Threat to Regional Crisis Management**

Noboru Yamaguchi .....	63
Daojiong Zha .....	77

### **Implications of Climate Change and Energy Security for Regional Integration in Northeast Asia**

Akio Morishima .....	91
Mikkal E. Herberg .....	109

### **Implications of Strategies to Deal with North Korea for Regional Cooperation and Integration**

Hitoshi Tanaka .....	123
Sung-han Kim .....	135

### **The Trajectory and Implications of China's Continuing Rise for Northeast Asian Regional Integration**

Hugh White .....	145
Yinhong Shi .....	161

### **The Future of the U.S. Role in the Region and Northeast Asian Regional Integration**

Ralph A. Cossa .....	177
Wenzhao Tao .....	197



# Preface

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Northeast Asia is often considered to be a “sub-region” of East Asia or the broader Asia-Pacific. In contrast to Europe, North America, or even Southeast Asia, it is characterized by the lack of regional institutions or infrastructure. Yet, Northeast Asia is home to the world’s second and third largest economies, Japan and China, and home to two of the United States’ most important allies in Asia, Japan and South Korea. It also is home to two of the most potentially dangerous unresolved conflicts across the demilitarized zone in Korea and across the Taiwan Straits. Four of the world’s strongest powers, the United States, China, Japan and Russia, have direct interests and involvement in the region. In particular, the United States’ commitment is demonstrated not just in the approximately 100,000 troops and the strong maritime presence that it maintains in the region, but also in the extensive commercial, diplomatic and civil society ties it has with nearly all countries in the region.

With the dramatic economic growth of China and the growing leadership role that countries in the region play in a range of regional and global issues—such as climate change, trade liberalization, and anti-terrorism—there is little question that the importance of Northeast Asia is on the rise. As such, the trajectory of the region, and the prospects for a continued peaceful environment in which the process of economic development and regional integration might continue, is of paramount importance to the United States, the countries of Northeast Asia, and ultimately the world.

Recognizing these trends, the Maureen and Mike Mansfield Foundation, with support from the Defense Threat Reduction Agency (DTRA)



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through the Science Applications International Corporation (SAIC) and in collaboration with the Committee on International Security and Arms Control (CISAC) of the National Academy of Sciences, organized a one-year project designed to identify the “ideal” state of peace and security in Northeast Asia in the year 2025 and further explore issues related to that ideal. The project commenced November 1, 2008 and involved two primary activities, a strategy session in Montana and an international workshop involving experts from throughout the region in Kanazawa, Japan.

### **Strategy Session with Core Group Members**

A central element of this project was securing the participation of a core group of renowned experts from Asia and the Pacific to assist the project planners in defining the “ideal” security state for Northeast Asia in the year 2025 and then going several steps further to identify and prioritize a list of divergent trends or factors impacting that ideal. This core group of regional experts also helped plan the structure and focus of a July 2009 workshop in Japan and helped identify the most appropriate experts from the region to write the research papers for and participate in that workshop.

The initial strategy session for the project was held in Big Fork, Montana on April 30, 2009. In addition to key representatives from the major countries and other stakeholders in the region (China, Korea, Japan, the U.S., Canada, and Australia), the strategy session also included key issue and technical specialists from among the membership of CISAC. Participants in the Montana strategy session included scholars with a broad expertise in the region, an understanding of policy, an ability to think outside of the box, and a known proclivity to actively participate in a strategy/ brainstorming type of meeting. Participants in the Montana meeting included:

- **Paul Bernstein**, Vice President, Science Applications International Corporation (SAIC)
- **Christopher Chyba**, Professor of Astrophysical Sciences and International Affairs, Woodrow Wilson School of International Affairs, Princeton University (CISAC)

- **Peter Drysdale**, Emeritus Professor of Economics and Visiting Fellow in Policy and Governance, The Crawford School of Economics and Government, The Australian National University
- **Paul Evans**, Director, Program for Canada-Asia Policy Studies, Institute of Asian Research, University of British Columbia
- **L. Gordon Flake**, Executive Director, The Maureen and Mike Mansfield Foundation
- **Funabashi Yoichi**, Editor-in-Chief, the *Asahi Shimbun*
- **David Hamon**, Chief Scientist and Senior Research Advisor, Advanced Systems and Concepts Office (ASCO), Defense Threat Reduction Agency
- **Alastair Iain Johnston**, Governor James Albert Noe and Linda Noe Laine Professor of China in World Affairs, Government Department, Harvard University (CISAC)
- **Michael Keifer**, Chief, Advanced Concepts Division, Advanced Systems and Concepts Office (ASCO), Defense Threat Reduction Agency
- **Lee Chung-Min**, Dean, Graduate School of International Studies, Yonsei University
- **Alan Romberg**, Distinguished Fellow, Henry L. Stimson Center
- **Benjamin Rusek**, Associate Program Officer, the Committee on International Security and Arms Control (CISAC) of The National Academy of Sciences (NAS)
- **Zhang Yunling**, Director of International Studies, China Academy of Social Sciences

During the course of the strategy meeting, participants engaged in a frank and active debate over what might constitute the “ideal” state of peace and security in Northeast Asia in the year 2025. Efforts were then made to refine and tighten the definition of that “ideal” into a single bullet point document listing the characteristics of that “ideal.” The text of the consensus ideal as defined during the course of that meeting appears on page 10.

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## **NOTIONAL “IDEAL” SECURITY STATE FOR NORTHEAST ASIA IN 2025**

*On April 30, 2009, with support from SAIC and the Defense Threat Reduction Agency, the Mansfield Foundation and the Committee on International Security and Arms Control convened a meeting in Big Fork, Montana in an effort to identify an “ideal” security state for Northeast Asia in the year 2025. While this “ideal” was geographically focused upon Northeast Asia, the discussion incorporated the role and interests of the United States and broader international factors that impact upon the region. A core group of participants from Australia, Canada, China, Japan, Korea and the United States identified the following characteristics as representative of an ideal security state for Northeast Asia in the year 2025:*

- In the context of regional harmony, all countries are satisfied that their core interests are being respected and that effective mechanisms exist to address other interests as well.
- Interaction among states in the region is characterized by “dependable expectation of peaceful change,” on the basis of increasing economic, social and political integration.
- The North Korea issue is no longer a source of division and the Korean Peninsula as a whole participates in regional cooperation and economic development.
- Northeast Asia has developed an effective framework or an institutional mechanism for addressing and managing security concerns.
- Northeast Asia as a region upholds a common and mutually agreed upon set of international rules, norms, and standards.

- Historical legacies are effectively addressed and no longer destabilize political and diplomatic relations in the region.
- The region agrees upon a set of standards and norms by which to peacefully address and resolve outstanding territorial issues.
- Economic interaction in the region is characterized by open trade and investment and lower barriers to regional cooperation in development.
- Enhancing social, economic and gender equality is recognized as a key element in economic and political development.
- All countries in the region strongly support international efforts and work collaboratively to prevent the proliferation of weapons of mass destruction.
- Bilateral relationships in the region are characterized by cooperation and complement regional relationships.
- The region addresses long-term issues such as energy security, climate change, environmental degradation, and resource depletion collaboratively and cooperatively.
- Governments and civil society in Northeast Asia collectively address non-traditional security challenges including terrorism, pandemics, demographic change, natural disasters, etc.
- While nuclear weapons remain a factor in regional security, their overall salience is low.

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The above “ideal” was not intended to be a stand-alone document, but rather a tool in the overall process of facilitating a more focused and meaningful policy dialogue within the region. Based on this “ideal,” participants in the Montana strategy session then identified a list of divergent trends, obstacles, or other factors that were likely to impact on the defined ideal. They then carefully reviewed this rather lengthy list of divergent trends and other relevant factors and engaged in a prioritization exercise based upon the imminence, importance, and receptivity to policy prescriptions of the listed factors. The product of this exercise was a list of seven key issues related to the ideal, which in turn formed the content of a planned international workshop in Japan in July of 2009. Finally, participants in the Montana strategy session helped to identify highly qualified scholars from throughout the region to conduct research and write policy papers on the core issues on the agenda.

## **Regional Experts Workshop**

Immediately following the strategy session in Montana, fourteen leading scholars from throughout the region were asked to prepare working papers on the following seven topics:

- Impact of the Global Financial Crisis on Regional Economic Integration and the Development of Regional Economic Infrastructure in Northeast Asia
- Nationalism, Historical Legacies and Territorial Disputes as Obstacles to Cooperation in Northeast Asia
- Exogenous Shocks Such as Terrorism, Pandemics etc. as a Threat to Regional Crisis Management
- Implications of Climate Change and Energy Security for Regional Integration in Northeast Asia
- Implications of Strategies to Deal with North Korea for Regional Cooperation and Integration
- The Trajectory and Implications of China’s Continuing Rise for Northeast Asian Regional Integration

- The Future of the U.S. Role in the Region and Northeast Asian Regional Integration

Paper authors joined with participants from the Montana strategy session for a two-day workshop in Kanazawa, Japan in July 2009. Each author was asked to address the state of play of the issue and its relationship to the “ideal,” and to make specific policy recommendations to reduce the degree of divergence between the current trends and the identified “ideal.” The edited chapters below represent papers as modified following a rich discussion in Kanazawa.

The Foundation is particularly grateful to David Hamon and Mike Keifer of the Advanced Systems and Concepts Office at DTRA for their vision in creating this project series and to Paul Bernstein at SAIC for helping us implement that vision. We are confident that you will find the following fourteen papers informative, insightful, and illustrative of the growing importance of Northeast Asia.

L. Gordon Flake  
Executive Director  
The Maureen and Mike Mansfield Foundation  
September 2010



# The Impact of the Global Financial Crisis on Regional Economic Integration and the Development of Regional Economic Infrastructure in Northeast Asia

Wendy Dobson

## **The State of Play**

East Asian economies were relatively well insulated against the financial impacts of the global financial crisis, but their dependence on trade through regional production networks and export-led growth strategies made them vulnerable to the sharp contraction of demand from the North American and European economies. The International Monetary Fund projects sharp real GDP declines in 2009, with Japan's economy shrinking by -6.2 percent, Taiwan's by -7.5 percent, South Korea's by -4 percent and Singapore's by -10 percent; China is the outlier, with positive growth expected to be 6.5 percent. Even so, China has experienced a huge growth contraction from 13 percent in 2007. Japan was hardest hit by the contraction of export markets: its current account surplus is expected to shrink from 4.8 percent of GDP in 2007 to 1.5 percent in 2009. China's will shrink slightly, but Korea's and Taiwan's will expand.

There is a strong reaction in the region to this revealed vulnerability. Governments are asking how they can reduce their dependence on exports to the advanced industrial economies and rely more on regional and domestic demand. This reasoning leads to an emphasis on alterna-



tive growth engines in the region (such as potentially large demand in China and India) and on ways to deepen integration among the region's economies. Unexpectedly, the G20 leaders' summits organized on an ad hoc basis to manage the financial crisis may turn out to be the catalyst for a sharper focus on deeper regional integration.<sup>1</sup> Six Asian economies are members, the three Northeast Asians plus Australia, India and Indonesia, and each is an equal at the global table. This new "definition" of the six as equals in global strategy could be the basis for a more strategic approach to trade and finance in the region that replaces current ad hoc arrangements.

## **Relationship to the Ideal**

In relation to the proposed ideal security state in 2025, Northeast Asia gets high marks for economic openness. Although Northeast Asian governments like other G20 governments took some protectionist measures during the crisis, leaders at the first Japan-China-ROK Trilateral Summit in December 2008 expressed their determination to avoid protectionist actions. Openness to trade and FDI is pursued through ad hoc regional trade agreements which, as discussed below, have mixed implications. Similarly, efforts are underway to create an emergency financing mechanism through the Chiang Mai Initiative (CMI) and to increase the depth and liquidity of regional financial markets through the Asian Bond Market Initiative and the Asian Bond Fund. The participants in these initiatives, as the beneficiaries of peace and stability during most of the past thirty years, are committed to maintaining this state. There are challenges, however, in meeting the ideal in other dimensions, particularly upholding certain international norms and practices in trade and finance. To define these accomplishments and the issues for the future policy agenda, some background is first helpful.

## **Background**

While this brief focuses on Northeast Asia, the larger context is that Asians are increasingly "thinking Asian." For the first time in modern

history they think about the region rather than about their immediate neighbors or foreign powers. In contrast to Europe where countries have common histories, values and political systems, Asia was three sub-regions separated by diverse cultures and economies and politics. Where historical animosity between Germany and France was resolved after World War II, mistrust and competition between Japan and China lingers on, complicating efforts in the region to pull together and to speak with a single voice in world affairs. Even so, regional institutional economic frameworks are in the making, albeit at a stately pace. The oldest institution in the region is the Association of Southeast Asian Nations (ASEAN) founded in 1967, which encouraged new powers to emerge peacefully, avoiding a balkanized Southeast Asia. The other guardian of the peace is the U.S.-Japan Alliance, which since World War II has provided a double peace guarantee to China and Japan and a security umbrella for the region. Under this umbrella countries have been free to focus primarily on their own economic development. Market-driven trade and investment linkages within the region have proliferated, tying the economies ever-closer together.

U.S. interest in the region is motivated primarily by geopolitical concerns. The U.S. government reacted strongly in the 1990s to former Malaysian Prime Minister Mahathir's East Asian Economic Caucus initiative as one that would draw a line down the center of the Pacific to create an inward-looking Asian bloc. For a time, the United States threw its weight behind the Asia-Pacific Economic Cooperation (APEC) forum that included countries bordering the Pacific in Asia as well as North and South America. Since 2001, however, the United States has been distracted, first by the Middle East and terrorism and more recently by the financial crisis.

Asians have nevertheless pushed ahead with their own regional institutions for security, trade and finance to manage the region's growing economic dynamism and to fill perceived gaps in the global institutions. Neither the World Trade Organization (WTO) nor the International Monetary Fund (IMF) are perceived to serve their interests as well as they once did.

Asians recognize they have been major beneficiaries of open markets and trade liberalization in the post-war period. But the difficulties of the Doha Development Round and the increasing reliance by other countries on preferential trade agreements have encouraged them to do the same. Rightly or wrongly they also regard the IMF to have failed them in the 1997–98 Asian crisis.

Some prominent East Asian thinkers see the region at a crossroads. Asia is unique: by 2030 three of the world's four largest economies will be located there and the world's two largest populations live side by side. By 2020 China will produce 44 percent of Asia's economic output and India and Japan will account for 17 and 15 percent, respectively, as estimated by the Asian Development Bank (2008). Together the three will be 20 percent larger than the U.S. economy. As China and India emerge as economic powerhouses they will compete with Japan and each other for influence and leadership of the region—unless a serious commitment to community building creates common goals and channels for closer cooperation. Evolving regional institutions have ASEAN at the core and other countries joining as extensions depending on the purposes of the group. This ASEAN-Plus architecture expanded after the Asian crisis when the heads of the ASEAN economies, Japan, China and South Korea, formed ASEAN + 3 to draw lessons and prevent such a calamity from happening again. Since then ASEAN + 3 has taken both finance and trade initiatives, most of which are bilateral in scope. The East Asian Summit expands the group to include Australia, New Zealand and India, a logical extension on locational criteria, but also one that dilutes China's influence.

Regional financial cooperation deepened after the 1997 Asian financial crisis when it became evident that as long as the region lacked modern capital market institutions such as bond markets much of its substantial savings would continue to be intermediated in international financial centers like New York and London. ASEAN + 3 finance ministers and central bank governors set up the Chiang Mai Initiative (CMI) in 2000 to provide an emergency financing facility for its members. The Asian

Bond Market Initiative followed in 2003, assisted by the Asian Bond Fund, which pooled foreign exchange reserves from member central banks to invest in bonds issued by members in their own currencies. CMI started as a series of bilateral currency swap agreements among members' central banks that totaled \$120 billion in 2009. The long term plan is to pool these arrangements into a common fund run by its members who will have voting power according to their weight in the fund (China, Japan and South Korea are the largest contributors). Since their own funds are on the line members will engage in regular surveillance of each other's economic performance and policies.

Trade barriers have also declined as sub-regional trading arrangements (SRTAs) have proliferated. By December 2007 governments (and ASEAN itself) had initiated 134 such arrangements, with China, India, South Korea and Singapore heading the list with the most initiatives (Asian Development Bank, 2008). These trade agreements are riddled with exceptions and inconsistent rules of origin (which specify the amount of value added in a duty-free product that must originate from among the trading partners), raising questions about governments' intentions (pursuit of foreign policy objectives rather than economic liberalization) and about the net benefits to business (why not pay the tariff and avoid the transaction costs of documenting the origins of a product's components?). Efforts to develop a road map for a pan-Asian FTA have been ongoing since the late 1990s. One possible route is an ASEAN +3 negotiation, another is a series of ASEAN + 1 negotiations (with China, Japan and South Korea) that could be rationalized into a single agreement; yet another could build on a China-India FTA. Progress has been slow because of rivalries, historical mistrust and unwillingness to rationalize key industries such as autos.

## **Implications for Integration and Cooperation**

Asia's variable geometry serves a distinct purpose. By providing channels for cooperation among ad hoc groups with common interests it aids

trust building and cooperation. Regional initiatives in trade and finance are building blocks but they are constrained to move at the speed of the slowest member. Leadership is modest and so are results. Where Europe has created a common house in which members have pooled their sovereignty, Asian rivalries and sovereignty concerns constrain them to living in separate but increasingly connected rooms.

The absence of an acknowledged leader constrains the scope and speed of deeper integration. Without an accepted champion to provide focus and set priorities governments have to be content with incremental change. For some time ASEAN has been regarded as the core, particularly by China, which assumes any initiative it might take would be highly suspect by the smaller countries. Cooperative regional institutions serve China's objective of developing closer friendly relationships in the neighborhood and its desire to counter-balance U.S. influence, but the impetus must be provided by others. Good relationships with its neighbors also allow China to concentrate on its many distractions at home.

Thus the long term prospects for Asia's nascent economic institutions will depend on support from the large players, on consistency with global institutions—and on results. What does China want? Its views are clearest in trade where its FTAs reflect foreign policy objectives rather than economic liberalization. China has also indicated its lack of interest in APEC proposals for a Free Trade Area of the Asia Pacific (FTAAP). More significant liberalization might occur in a Northeast Asian FTA being contemplated by China, Japan and South Korea, and in one between China and Australia. Progress is slow, however, since its trading partners are committed to comprehensive liberalization, which is more ambitious than would be contemplated purely on foreign policy criteria.

In the meantime the proliferation of bilateral FTAs has created discriminatory arrangements, which as Park and Cheong (2008) show produce outcomes that are inferior to region-wide FTAs or to FTAs among the large countries. Baldwin (2008) identifies the “hub and spoke trap” into

which smaller nations can fall in their negotiations with their larger neighbors. European experience shows that the trap can be avoided if the large countries agree among themselves on consistent templates to ensure coherent rules of origin in agreements with smaller countries. The ideal outcome of regional trade liberalization is a region-wide or trans-Pacific FTA. As quantitative studies have shown, the liberalizing gains increase with the size of the agreement. But there are political reservations about including the United States and India, which is less liberalized than its East Asian neighbors and could require the others to wait for it to catch up.

The G20 meetings were both a missed opportunity for regional responses to the crisis and a catalyst for future action. They were a missed opportunity in that governments acted on their own. The CMI swap mechanism was inactive; some even assert that if the common fund arrangements are not finalized by mid-2009 the initiative will be abandoned. National treasuries and central banks responded in uncoordinated fashion. There was no collective Asian strategy that pulled together the domestic, regional and global impacts of the large stimulus packages in China, India and Japan and other members. No prescriptions were forthcoming from the group and there were no targets for their own cooperation. CMI was not drawn upon during the crisis in part because most economies have taken unilateral actions to “self-insure” against financial crises by running current account surpluses and managing their exchange rates to build foreign exchange reserves. At the end of 2008, according to IMF statistics, the combined reserves of China, Japan, Singapore, India and Hong Kong totaled almost \$4 trillion, which is far in excess of any guidelines for protecting against balance of payments shortfalls.

Yet the G20 was a catalyst in addressing the leadership “deficit” in regional cooperation. The membership of six Asian countries confers an expectation that they will think and act in the global interest. This expectation could translate into this or a sub-group providing strategic leadership to replace the ad hoc initiatives of the past. A more strategic approach would serve at least two objectives. One objective is to rebalance the export-led

growth in Asian economies with more regional and domestic demand. The precipitous drops in export demand prompted countries to reduce future risks by shifting away from their unsustainable dependence on export-led growth towards serving regional and domestic demand. But there was little talk about allowing exchange rates to be market determined or to reduce self-insurance. Instead they looked to exploit the vast potential demand in China and India, arguing that more of the region's savings should be intermediated within the region and that intra-regional production networks could be deepened by investing in regional infrastructure to speed up intra-regional shipments, by promoting trade in green technologies and by greater reliance on trade in services.

The other objective is to address the strategic implications of regional trade initiatives. Americans see the regional institutions at risk of becoming an exclusive bloc if tensions were to rise among the large economies or if there were a serious outbreak of U.S. protectionism. Proponents of FTAAP such as Bergsten (2007) see it as a potential new driver of global trade liberalization capable of galvanizing action at the WTO and as a group within which the inevitable tensions between the United States and China can be more effectively buffered and addressed. FTAAP will not succeed if it is supported only by the United States. It has to be endorsed by Japan, China and India.

Regional leadership is further complicated by the relative absence of the United States, which is not part of the ASEAN-Plus institutions and participates mainly on a bilateral basis and through APEC. The United States was not invited to join the East Asian Summit, which organizers see as the kernel of the future (East) Asian community, and U.S. administrations have refrained from signing the Treaty of Amity and Cooperation, a pledge to refrain from interference in each other's internal affairs, which is ASEAN's cornerstone and a condition of membership in the ASEAN-Plus architecture. U.S. engagement on trade is particularly welcome as the regions' economies look for ways to rationalize the proliferating sub-regional FTAs. While China shows no interest in the FTAAP and

protectionist sentiment is rising in the U.S. Congress, the United States is nevertheless looking for ways to promote comprehensive trans-Pacific trade as a strategic initiative. In 2008 the U.S. Trade Representative committed to join the Trans-Pacific Strategic Economic Partnership Agreement, a comprehensive trade agreement known as the Trans-Pacific Partnership (TPP) that New Zealand, Chile, Brunei and Singapore have completed that is designed so that other countries can join. Australia and Peru have applied to join and Vietnam has shown interest. The Obama administration has not ruled out further action on the Trans-Pacific Partnership and has indicated a willingness to sign the Treaty of Amity and Cooperation.

In summary, the G20 opened a new channel for both regional and global cooperation and may serve as a catalyst for strategic leadership within the region. This catalytic role is still playing out since there was no coordinated regional response to the global crisis in 2008–09. The G20 is a convenient and timely band wagon which is still led by the Americans and Europeans.

## **Policy Recommendations**

Looking to the future, the policy agenda has at least five parts that apply to the region as a whole and in which Northeast Asians have a special leadership role to play. In relation to the ideal, the policy recommendations will move regional processes closer to the ideal, which can be characterized as (a) in trade, a free trade area—either a pan-Pacific FTA or a region-wide one (on the grounds that the liberalizing gains are largest in such deals)—that accords with WTO rules; and (b) in finance, at national levels the adoption by governments of more flexible exchange rate regimes and current account balance; at the international level the ideal is a trusted lender of last resort—or a network of regional financial institutions that follow common “rules of the road.” In practical terms the policy recommendations aim to achieve greater scale in trade agreements, reduce governments’ mistrust of emergency financing mechanisms, further strengthen and modernize national financial systems and increase Asians’ roles and voice in the global economic institutions. Of course, none of



these ideals is possible without greater trust and partnership among the Northeast Asian economies (although Asian 6 leadership might provide an alternative that buffers the lingering mistrust and antagonisms).

**1. Regional leadership:** Much of the energy that has been expended on membership in Asia's variable geometry might in future be better focused on the substance of common regional frameworks in trade and finance.

**2. Rationalizing SRTAs:** The numerous sub-regional trade negotiations have increased governments' experience with reciprocal bargaining, something that was lacking in APEC's trade-liberalizing efforts in the late 1990s. There is an opportunity to resurrect these efforts during the 2009–2011 period when Singapore, Japan and the United States host a sequence of APEC leaders' meetings. Negotiation of a comprehensive FTA should be explored that builds on the Trans-Pacific Partnership negotiated by Singapore, New Zealand, Chile and Brunei Darussalam, which the United States applied to join in 2008. Such an initiative could provide the basis for a variable-speed liberalization process that begins with a core group and is open to others who later decide to join.

**3. Strengthening national financial systems:** The Asian 6 should lead the way toward renewed efforts to modernize and strengthen national financial systems through the adoption of common regional standards and principles for prudential oversight and financial regulation that are consistent with global frameworks. A group of eminent economists has recommended intensified supervision of financial institutions in the region engaging in cross-border business and an Asian Financial Stability Dialogue to deepen regional financial integration (Asian Development Bank Institute 2009). Such an initiative could also provide a regional forum for monitoring and peer review of the stability and vulnerability of national financial systems.

**4. Emergency financing:** Governments have been working since 2001 to set up the Chiang Mai Initiative to supply emergency financing on a basis

consistent with evolving IMF practices. If they have more confidence in this mechanism than in the IMF they should be willing to allow a greater role for market forces in exchange rate determination and smaller current account surpluses or even deficits. The external imbalance created by Asia's current account surpluses and foreign exchange reserves is a source of potential global instability as the world economy recovers from the global financial crisis and recession. "Rebalancing" economic activity to put greater emphasis on domestic and regional demand is part of the answer, but it will take time to achieve. Increased domestic consumption will depend on the development of institutions such as social safety nets and rural infrastructure that eventually may reduce households' precautionary saving. Regional demand can also be supported through infrastructure projects that cut the transactions and transportation costs of intra-regional trade.

**5. Northeast Asians in the global institutions:** How to overcome the mistrust that lingers from the Asian economic crisis of 1997–98? One way is to increase the role of Asian governments in, and responsibility for, the global economic institutions. The G20, like other global organizations, particularly the WTO, World Bank and IMF founded at the Bretton Woods conference in 1944, is based on universal principles that promote openness and growth such as transparency, non-discrimination and national treatment on which the WTO is based and monetary cooperation, exchange rate stability and avoidance of restrictions from the IMF.

Asians accept these principles but, with the exception of Japan and India, argue the global economic institutions were created without their input and lack legitimacy because the governing structures fail to reflect their growing economic importance. Thus the G20 is a timely innovation because of the growing list of collective issues that require strategic direction and international cooperation to address, including the conclusion of the Doha Round at the WTO, restoration of the IMF as the quasi-world central bank and lender of last resort, closer cooperation among governments around consistent global rules for finance, and dealing with greenhouse gases and protecting the environment.

The reality, however, is less straightforward. What will the new players do with their increased voice and clout? The principles on which Asian regional institutions are based are carefully aligned with global principles, in part reflecting their dependence on an open world economy. But what about the emerging economic and population giants, China and India? Do they wish to use the global institutions to serve their own objectives? To second-guess the established powers? Or do they have global views and value to add?

The global financial crisis highlighted the reduced credibility of the IMF and Northeast Asians in the G20 helped restore its finances. The G20, not the IMF, managed the global response to the crisis in 2008. But at the April 2009 meeting of G20 leaders IMF finances were restored through a one-time SDR allocation and expansion of its ability to borrow from its members. Japan was a significant contributor, along with the European Union, in lending the IMF \$100 billion to rebuild its funding base. China carved out an unusually high public profile around the April 2009 leaders' summit through its own initiative to buy \$40 billion in SDR-denominated bonds and through its contributions to other financing facilities and publications of perspectives and proposals by the PBOC. China's proposal for the SDR as a new reserve currency gained more puzzlement than action at the time, but the proposal has served the purpose of questioning the established wisdom that the U.S. dollar will continue, despite the serious economic and financial problems, to play the role it has played throughout the post-War period. If China is to attain more clout in IMF governance its preference is for the institution to play a credible global role as a quasi-central bank and lender of last resort.

The global trading system is also under stress. Since late 2008, most G20 members have taken protectionist actions. The United States included "buy America" provisions in its financial stimulus package; India raised tariffs on certain steel products and restricted imports of Chinese toys; many governments, including China's, subsidized the auto industry and channeled stimulus funds towards domestic producers; anti-dumping complaints are also on the rise. The Chinese and Indian governments are

skeptical of the U.S. priority accorded labor and environmental issues in global trade rounds. India was opposed even to starting the Doha Round and China stayed on the sidelines in the Doha negotiations because of the many unilateral changes it made during the accession process. Along with the United States and the European Union, however, both bear responsibility for the collapse of the Round in July 2008 when all were unwilling to compromise on agriculture and some other remaining issues. If global negotiations continue to languish there will be added impetus for a region-wide FTA formed by any one of the sequences among the large Asian countries outlined earlier. A region-wide FTA could have two differing consequences: it could provoke a backlash out of fear that it will divide the world into competing trade blocs; or it could be a catalyst for a new initiative to rationalize all large regional trade agreements to accord with the global rules.

In 2009, preparations for the Copenhagen conference have put the environment high on the international agenda. China faces rising international pressures to commit to global targets for pollution and emissions reductions. China is the world's largest emitter in absolute terms, but even by 2030 the United States will still exceed it as the largest per capita emitter. A 2007 Council on Foreign Relations study of the bilateral relationship concluded that as the world's two largest energy consumers and emitters of greenhouse gases China and the United States have strong common interests in stepping up cooperative R&D efforts on conservation and emissions reduction. Domestic pressures to clean up the air and water are pushing the Chinese government in the direction of participating in the new global architecture and officials have signaled China's willingness to make commitments if the United States does. In preparations for the December 2009 Copenhagen conference Chinese delegates were willing only to commit to what is best for China's development rather than to any global reduction targets.

In conclusion, despite the global crisis' negative impact on trade, it has had a salutary effect of focusing governments' attention on the region's

unsustainable dependence on export-led growth strategies and it has helped redefine the six economies as equals at the global table of G20 leaders. The crisis has also had the effect of beginning to address Asian governments' criticisms of the International Monetary Fund's performance and governance. The region's governments are only beginning to rebalance their economies. The Northeast Asian economies can play a key role in moving the region toward the ideal state if they were to abandon historical antagonisms in favor of what is in the best interests of all in the region. They have an important role to play in rationalizing the many SRTAs into a region-wide or pan-Pacific arrangement. The 2008 "Plus Three" summit was a positive step. They also have a potential leadership role to play in supporting better transportation infrastructure in the region and the diffusion of green products and technologies. If the Northeast Asian leaders are unable to agree, however, it is possible other members of the Asian 6 will move to fill the leadership gap.

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## Chapter Notes

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1. The twenty economies are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, United States and the European Union. Various other participants also attend, one of which is the current ASEAN chair.



# The Impact of the Global Financial Crisis on Regional Economic Integration and the Development of Regional Economic Infrastructure in Northeast Asia

Chang Jae Lee

## Introduction

Northeast Asia is unique in terms of economic integration. Overall, functional economic integration such as trade and investment seems to have proceeded rather smoothly making it a dynamic and prosperous region. However, some Northeast Asian countries still seem to remain isolated from ongoing regional economic integration. On the other hand, when it comes to institutional economic integration, Northeast Asia lags behind other major economic regions. In Northeast Asia, there is not one single free trade agreement (FTA) between regional countries, let alone a region-wide FTA. Although China, Japan, and South Korea have recently signed many bilateral and plurilateral FTAs, they have not concluded any FTAs between them. Moreover, neither North Korea nor Mongolia has any regional trade agreements.

Thus, in Northeast Asia, there exist dual gaps: the first gap is between functional and institutional economic integration, and the other gap is between the core group of countries and the remaining group of countries in terms of functional economic integration.



The global financial crisis that originated in the United States last year has produced an enormous shock to the real economy worldwide. Particularly, the trade volumes have markedly declined in many countries. Its short-term impacts on Northeast Asian economies, and their trade, in particular, have been also quite damaging. Furthermore, given the intensity of the crisis, it may also bring about significant changes in global trade patterns in the long-run. Thus, the crisis is also likely to affect regional economic integration in Northeast Asia in the long-term.

In this paper, after a brief review of both functional and institutional economic integration in Northeast Asia, we will analyze the possible impacts of the global financial crisis on regional economic integration in Northeast Asia. Then, we will discuss how to enhance regional institutional integration to achieve the level that corresponds to the “ideal” security state for Northeast Asia, by proposing a vision and some concrete institutional frameworks for economic integration in Northeast Asia.

## **Northeast Asian Economic Integration Prior to the Global Financial Crisis**

### **Functional Economic Integration in Northeast Asia**

Northeast Asia consists of three groups of countries and regions. Group A includes three core Northeast Asian countries, namely, China, Japan, and South Korea. Group B comprises China’s two Special Administrative Regions (Hong Kong and Macao) and Taiwan, while Group C encompasses two countries (North Korea and Mongolia) and the Russian Far East.<sup>1</sup>

As shown in Table 1, the share of the intra-regional trade among the three countries has risen in general since 1992. It was within Group A that the most visible increase in the intra-regional trade was made. The share of intra-regional trade between China, Japan, and South Korea went up from 14.0 percent in 1992 to 22.2 percent in 2007. During the same period, the trade dependency of Japan and South Korea on Northeast Asian economies increased substantially. Thus, although China’s trade

dependency on Northeast Asia decreased, when it comes to the three core Northeast Asian countries, functional economic integration seems to have proceeded robustly. When Group B is added, the increase was not that impressive, even though the absolute level of the share of intra-regional trade got much higher.

However, Group C did not seem to have contributed to the increase in the intra-regional trade. During the same period, Russia's trade dependency on Northeast Asian economies has been low, while the trade dependency of North Korea and Mongolia on Northeast Asia rather decreased, even though the level of their regional trade dependency has remained high. Therefore, it is difficult to argue that Group C countries are integrated with Group A countries.

**Table 1: The Share of Intra-regional Trade (Unit: %)**

Northeast Asia	1992	2000	2007
Group A	14.0	20.3	22.2
Group A+B	37.7	41.5	41.4
Group A+C	15.3	20.7	23.2
Group A+B+C	37.9	41.1	41.1

Note: In Group C, the trade of Russia was used instead of that of the Russian Far East.  
Sources: IMF, 2009. *Direction of Trade Statistics*; Taiwan's Bureau of Foreign Trade [online].

**Table 2: Trade Dependency of Each Country on Northeast Asian Economies (Unit: %)**

	1992	2000	2007
China	58.1	42.6	37.7
Japan	25.6	32.8	37.6
South Korea	31.9	37.3	42.3
North Korea	61.9	38.5	46.4
Russia	14.3	12.1	10.2
Mongolia	80.0	70.0	77.9

Note and sources: The same as in Table 1

The causes of the low level of integration of Group C countries comprise many factors: economic factors such as low degree of marketization, low level of foreign trade, and lack of infrastructure, and non-economic factors such as security tension (for North Korea), geographic remoteness (for Mongolia and Russia), and lack of community spirit.

### **Institutional Economic Integration in Northeast Asia**

In terms of institutional economic integration, only Group A countries seem to be relevant. China, Japan, and South Korea jumped on the FTA bandwagon belatedly, but they have concluded many bilateral and plurilateral FTAs within a relatively short period of time. Japan signed economic partnership agreements (EPAs) with Singapore, Mexico, Brunei, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, ASEAN, Chile, and Switzerland. South Korea concluded FTAs with Chile, Singapore, the EFTA, ASEAN, the United States, and India. China signed a Closer Economic Partnership Arrangement (CEPA) with both Hong Kong and Macao, and an FTA with Chile, Pakistan, ASEAN, New Zealand, and Singapore.

There are also many ongoing FTA negotiations. South Korea is in FTA negotiations with Japan, Canada, Mexico, the European Union (EU), the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE), Peru, Australia, and New Zealand. Japan is in FTA negotiations with South Korea, Australia, India, and the GCC, while China is negotiating FTAs with Australia, the GCC, Iceland, and Peru. In addition, there are many FTAs under study or preparation involving China, Japan, or South Korea.

Although the three core group countries have pursued rather an active FTA policy, no tangible progress has been made in terms of institutional economic integration. South Korea-Japan FTA negotiations started in December 2003 and have been stalled since 2004, while the official tripartite joint study on a Korea-China FTA, which started in March 2007, has yet to be concluded. Meanwhile, joint research on a China-Japan-Korea FTA has been conducted since 2003 between the Development Research Center (DRC) of China, National Institute for Research Advancement (NIRA)<sup>2</sup>

of Japan, and Korea Institute for International Economic Policy (KIEP). Additionally, negotiations on an investment agreement between China, Japan, and Korea have been under way since March 2007.

Obstacles to institutional economic integration in Northeast Asia consist of both economic factors, including sensitive sectors, and non-economic factors, such as historic remnants, rivalry between Japan and China, and lack of the community spirit. Moreover, in the wake of the Asian Financial Crisis of 1997–8, it is not Northeast Asia but East Asia that has become the main context of regional economic integration.

## **Global Financial Crisis and Its Impact on Northeast Asian Economic Integration**

### **Impact of Global Financial Crisis on the World Economy and Trade**

Most forecasting institutions predict the impact of the global financial crisis on the world economy and trade will become severe and generally more devastating for advanced economies. According to the World Bank, global GDP is expected to contract by 1.7 percent in 2009, which would be the first decline in world output on record, and volumes of world trade in goods and services are expected to drop 6.1 percent in 2009, with a significantly sharper contraction in trade volumes of manufactured products.<sup>3</sup> Then, in June this year, the World Bank announced a gloomier outlook. It predicted that the global economy would decline this year by about 2.9 percent and that the economies in high-income nations would contract by a total of 4.2 percent this year.<sup>4</sup>

According to the International Monetary Fund (IMF),<sup>5</sup> the world output is expected to contract by 1.3 percent in 2009, and volumes of world trade in goods and services are expected to drop 11.0 percent.<sup>6</sup> According to IHS Global Insight,<sup>7</sup> after a 2.6% decline in 2009,<sup>8</sup> the world's real GDP is projected to increase 1.9% in 2010 and 3.4% in 2011. It also predicted that wide gaps between the growth rates of emerging markets and advanced economies would persist. OECD Economic Outlook predicted that the

world real GDP would decline by 2.2 percent in 2009 and grow 2.3 percent in 2010, while it forecasted that the world real trade would shrink by 16.0 percent in 2009 and grow 2.1 percent in 2010.<sup>9</sup>

### **Impact of Global Financial Crisis on the Economies of China, Japan, and South Korea and their Intra-regional Trade**

The economies of China, Japan, and South Korea have already been severely affected by the global financial crisis. Its negative impact was particularly visible for trade volumes. For instance, their trade volumes began to shrink from the fourth quarter of 2008 and contracted markedly in the first quarter of 2009.

All three countries are expected to continue to have hard times, but among them, Japan is expected to suffer the most in the wake of the global financial crisis. According to the IMF, the economies of Japan and Korea are expected to contract by 5.5 percent<sup>10</sup> and 4.0 percent, respectively, while the Chinese economy is expected to grow by 6.5 percent in 2009. Then, the economies of Japan, Korea, and China are expected to grow by 0.5 percent, 1.5 percent and 7.5 percent, respectively, in 2010.<sup>11</sup>

The trade between China, Japan, and Korea showed quite similar trends as their total trade. It contracted from the fourth quarter of 2008, and shrank significantly in the first quarter of 2009. Although the Japanese economy may drag intra-regional trade, intra-regional trade in Northeast Asia is expected to do better than world trade, because both the Chinese and Korean economies are likely to recover sooner than other major economies.

### **Implications for Northeast Asian Economic Integration**

It seems still too early to draw definite implications from the global financial crisis for regional economic integration in Northeast Asia. However, given the expected slow economic recovery of the United States and the EU, this crisis is likely to serve to prompt regional countries to consider more seriously regional economic cooperation and integration, both in Northeast Asia and East Asia.

In the short-term, to compensate the slowing demand in the United States and the EU, a larger regional market will be needed. In the long-term, since the United States is not expected to continue to absorb imports from the Northeast Asian countries, particularly from the two large trade surplus countries, i.e., China and Japan, in order to solve the global imbalance, it will be necessary to create an enlarged regional market, especially for the final goods.

## **How to Enhance Northeast Asian Economic Integration?**

In addition to meeting the challenge brought by the global financial crisis, an enlarged and more integrated Northeast Asian market will be necessary for realizing an “ideal” security state for Northeast Asia. In fact, although non-economic factors are often regarded as main obstacles to Northeast Asian economic integration, it is also true that with closer regional economic cooperation and integration, it is possible to reduce tension, prevent conflicts, and build community spirit in the region. European economic integration shows us a clear example.

Given the particularities of Northeast Asia, in my view, Northeast Asia countries should adopt more gradual and realistic ways to enhance regional economic integration that will be quite different from European or North American models. Considering that there exist dual gaps in terms of economic integration in Northeast Asia, main institutional frameworks to reduce these gaps as well as the vision that embraces them are proposed in the following section.

### **Vision of a Northeast Asian Economic Community**

The debate on Northeast Asian economic cooperation began within academic circles in the late 1980s following the end of the Cold War when trade and investment between the Northeast Asian countries increased substantially. However, the particularities of Northeast Asia, such as diverse political and economic systems, lingering thorny historical and political issues, and disparate levels of economic development, have limited and conditioned the nature of Northeast Asian economic cooperation.

Given these considerations, no serious attempt has been made to consider Northeast Asian economic cooperation as being a case of institutional economic integration similar to the EU or North American Free Trade Agreement (NAFTA). Instead, Northeast Asian economic cooperation has mainly been viewed as consisting of diverse ways of enhancing ongoing informal integration.

As a vision for Northeast Asian countries in terms of economic integration, the Northeast Asian Economic Community (NAEC) has been used most commonly. However, the NAEC, while often considered the ultimate goal for Northeast Asian Economic Cooperation, has not been given a clear definition. The name NAEC probably was derived from that of the European Economic Community (EEC). However, unlike the EEC, which was to create a customs union, the NAEC is generally used to denominate an ultimate stage of economic cooperation among loosely defined Northeast Asian countries and regions. It is time to adopt a new concept for the NAEC with two main pillars: a region-wide FTA and a regional economic cooperation body. In particular, given the fact that military tension in Northeast Asia is still quite high, enhancing regional economic cooperation toward the formation of NAEC will also greatly contribute to bringing North Korea into the international arena and to reducing tension in the region.

### **Region-wide FTA Starting from a China-Japan-Korea FTA**

In order to reduce the gap between functional economic integration and institutional economic integration in Northeast Asia, it is important to start the institutionalization with the core countries first and enlarge it gradually by including other regional countries. As mentioned earlier, China, Japan, and South Korea constitute the core group, and these countries have recently pursued an active FTA policy. Therefore, a China-Japan-Korea FTA (CJK FTA) will be the first target to reach in forming a Northeast Asia FTA.

There seems to exist several possible ways to achieve a CJK FTA. First, the

three countries may go directly for a CJK FTA. In this case, the Trilateral Joint Research that was mentioned earlier could evolve into the official tripartite joint study followed by the negotiations on a CJK FTA. However, it is not likely that we will see the formation of a CJK FTA in the near future. The Japanese government seems to be not ready for a CJK FTA. Even for the Korean government, it would be rather difficult to be involved in CJK FTA negotiations for a while, because Korea must first get the Korea-US FTA ratified, and finish the negotiation on the Korea-EU FTA.

Considering the difficulties in forming a trilateral FTA, it could be reached through a series of bilateral FTAs. For instance, a Korea-Japan FTA and a Korea-China FTA could create an environment leading to a CJK FTA. Lastly, another variable is a region-wide FTA in East Asia. Actually, an East Asia FTA (EAFTA) could result in a de facto CJK FTA. Since all three countries have already concluded FTAs with ASEAN, if a region-wide FTA in East Asia gains momentum and is concluded in the near future, an EAFTA may even precede a CJK FTA. In that case, the rationale for a CJK FTA would be greatly weakened, and consequently the momentum to strengthen Northeast Asian economic integration might be seriously undermined. Thus, it will be interesting to see whether a CJK FTA or an EAFTA will be realized first.

### **Regional Economic Cooperation Entity**

We noticed earlier that some Northeast Asian countries and regions are not closely integrated even functionally with other regional economies. Thus, along with a regional FTA in Northeast Asia, another institutional framework is needed, this time, in order to narrow the gap in terms of functional economic integration by promoting economic ties such as trade, investment, energy development, environment and logistics cooperation, and other economic cooperation issues with less integrated countries and regions.

Given the political situation in Northeast Asia, it seems realistic in building this type of regional economic cooperation body to start with the three core



countries. At the initial stage, the Council for Northeast Asian Economic Cooperation (CNAEC) will be a regional economic cooperation entity where the government officials of China, Japan, and South Korea discuss various economic cooperation issues among them as well as regional issues. Furthermore, in the absence of a regional trade agreement, the council could also provide the three countries with some of the benefits of formal economic integration. In fact, the leaders of the three countries have met regularly since November 1999 within the ASEAN+3 Framework, and there have been also some Ministers and Senior Officials Meetings. However, the first independent Trilateral Summit Meeting between the leaders of China, Japan, and South Korea were held in Fukuoka in December 2008, and the Second Trilateral Summit will take place in China, this year. The CNAEC could be related to the Trilateral Summit.

Other regional countries would join the CNAEC later, when they are ready. In addition, it will be open to non-regional countries that are interested in Northeast Asian economic cooperation. For instance, in order to discuss energy development or North Korea-related development cooperation issues, non-regional countries such as the United States, the EU, Canada, and Australia could join the CNAEC.

## **Other Northeast Asian Economic Cooperation Bodies**

### *Foundation for Northeast Asian Economic Cooperation*

One of the major obstacles to the formation of the NAEC is the lack of community spirit, which can be explained by the lingering historical issues and the newness of normalized diplomatic relations. In order to overcome this fundamental difficulty, a new organization seems to be in order.

While the CNAEC could serve as a regional cooperation body at the government level, in our view, a Foundation for Northeast Asian Economic Cooperation (FNAEC), the focal point of international discussions on the NAEC, needs to be established at the non-governmental level. What is needed at this stage is a private economic cooperative body within which a research institute is the main component. It can also serve as a forum

for business sectors of the region, but its main function will be to raise public interest on the issue of the NAEC, building consensus among the people of Northeast Asian countries.

### ***Northeast Asian Development Bank***

Since the idea of establishing a Northeast Asian Development Bank (NEADB) was first proposed about two decades ago by Dr. Duck Woo Nam, the discussion on its rationale as well as organizational details continued mainly through the meetings and workshops of the Northeast Asia Economic Forum. The main rationale for the NEADB was that Northeast Asia's great development potential could not be realized due to the lack of infrastructure. Existing financial sources can only meet a small portion of financing needs. As a matter of fact, although many development and infrastructure projects have been discussed for the past twenty years, very few of them have been materialized in Northeast Asia. Additionally, the region faces an enormous challenge of inducing North Korea into the world community. So far, due to the political and military nature of the problem, the international community has regarded North Korea essentially as a recipient country of humanitarian aid. However, regional countries as well as the international community should prepare for development assistance to North Korea.

The NEADB, which both regional and non-regional countries participate in, would contribute to reducing the integration gap in the region by meeting various needs of financing development projects in non-integrated parts of Northeast Asia. Most recently, the prospects for the NEADB seem to have become a little bit brighter with China becoming a capital-rich country. However, the future of NEADB is likely to depend ultimately on the improvement of the economic cooperation environment as well as the political atmosphere in the region.

## Concluding Remarks

Although the global financial crisis is expected to prompt Northeast Asian countries to seriously consider regional economic integration, there exists a huge gap between the economic integration level corresponding to the “ideal” security state for Northeast Asia and the current status of regional economic integration with dual gaps: a gap between functional and institutional economic integration, and the other between groups of countries in terms of functional economic integration.

In order to enhance regional economic integration to support the “ideal” security state for Northeast Asia, in my view, Northeast Asian countries should break the vicious circle of political/security tension and low levels of economic integration in the region. From an economic perspective, one can turn the vicious circle into a virtuous circle by enhancing regional economic integration. As a matter of fact, closer economic ties will contribute to alleviating political and military tension in the region.

Therefore, Northeast Asian countries should set the vision of establishing an NAEC consisting of a region-wide FTA in Northeast Asia and a regional economic cooperation entity called the CNAEC. A region-wide FTA can be achieved by starting from a China-Japan-Korea FTA. The council will also begin with the three countries but be open to other regional countries as well as non-regional countries gradually. In addition, an FNAEC was proposed to build the community spirit among the people of Northeast Asian countries, while the merits of an NEADB in integrating non-integrated regional economies were highlighted.

Lastly, a note of caution seems to be in order. In the wake of the Asian Financial Crisis of 1997–8, East Asia has become the main context of regional economic cooperation instead of Northeast Asia. Therefore, unless the importance of Northeast Asian cooperation coming from the close linkage between the security and economic integration issues is fully recognized by Northeast Asian countries, the Northeast Asian economic

integration issue might not regain the momentum, thus jeopardizing the “ideal” security state for Northeast Asia. This message should be clearly known, in particular, to the leaders and people of the core group of three Northeast Asian countries.

## Chapter Endnotes

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1. We may also include Eastern Siberia or the whole Siberia.
2. Since 2009, the Institute of Developing Economies (IDE-JETRO) is the representative institution for Japan.
3. World Bank. *Global Economic Prospects 2009*. Forecast Update, March 30, 2009.
4. It expects the U.S. economy to shrink 3 percent, the euro zone 4.5 percent, and Japan 6.8 percent (*The International Herald Tribune*, June 23, 2009).
5. IMF. 2009. *World Economic Outlook*, April.
6. <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/tables.pdf>
7. *IHS Global Insight* June 2009.
8. According to the United Nations’ forecast, the world economy is also expected to shrink by 2.6 percent in 2009 (UN. *World Economic Situation and Prospects 2009: Update as of Mid-2009*, May).
9. *OECD Economic Outlook*. Volume 2009/1 No.85, June. The economies of the United States, euro area and Japan are expected to shrink by 2.8 percent, 4.8 percent, and 6.8 percent, respectively, in 2009, and grow by 0.9 percent, 0.0 percent, and 0.7 percent, respectively, in 2010.
10. As mentioned earlier, other institutions predicted 6.8 percent contraction.
11. *World Economic and Financial Surveys. Regional Economic Outlook. Asia and Pacific*. May 2009.



# Nationalism, Historical Legacies and Territorial Disputes as Obstacles to Cooperation in Northeast Asia

Cheol Hee Park

## **The State of Play**

After the end of the cold war, we find more, rather than less, conflicts stemming from the collision of nationalism and historical controversies among the countries in Northeast Asia. During the cold war era, bipolar competition centered on the hard power aspect, or military confrontation, drew much more attention. The possibility of cold war developing into real military conflicts was in the mindset of the policymakers. In particular, situations around the Korean peninsula and the Taiwan Strait could never be neglected.

The end of the cold war on the global scale did not bring a comfortable peace in Northeast Asia. The Korean peninsula remains as the lonely island of cold war confrontation. Conflicts between China and Taiwan are not negligible, though we see a rapidly ameliorating relationship between the two parties. However, compared to the past cold war era, chances of military confrontations among Northeast Asian countries are getting lower. Rather than military conflicts, conflicts originating from the gap in historical perception, territorial claims, and diverging nationalist norms became visible and even rampant depending on times.

Before we get into the details of the conflicts, we had better recognize the difference between cold war style confrontation and post-cold war historical, nationalist controversies.

First of all, nationalism, historical controversies and territorial disputes are *not constant* features of the relationship between countries in the region, though those issues become peculiar at certain moment of the times. Depending on the leadership style and strategies of the nations involved, these conflicts can be relatively controlled or intensively politicized.

Second, because these issues are related to norms, beliefs, and identities, conflicts regarding those issues have little to do with the physical capability of the nations involved. Rather these issues are related to the pride and prestige of the nations. Stepping back from the disputes and conflicts is not easy, unlike the case that capabilities are measured by an objective standard and the third party knows who has the upper hand.

Third, unlike the strategic issues that involve a small group of specialists, the mass public shows intensive and emotional responses to the issues. As a result, those issues are easily politicized and the manner that the issues are covered by the media seriously affects the way the issues develop between the two or three parties. In a democratic polity, political leaders can hardly turn a deaf ear to the voices of the people on the street.

Fourth, more often than not, nationalism, historical controversies, and territorial disputes are mixed as sources of conflicts. Gaps in historical consciousness come from the different interpretation of the historical realities, which is strongly influenced by the nationalist sentiment. Territorial disputes also have historical origins. Nationalist sentiments are almost always inflated when it comes to territorial disputes. In that sense, conflicts related to these issues had better be interpreted as an integral whole.

The emergence of nationalism on the political front is related to the end of the cold war. During the cold war period, countries in the region

looked at the strategic landscape of Northeast Asia from a global or regional scale. Cold war confrontation between the U.S. and the Soviet camps framed the way of thinking in such a way. Rather than as a single country, countries were regarded as a part of a bigger coalition, especially in terms of security. However, the disappearance of the Soviet threat and the substantial opening of China changed the map of the region. So far oppressed nationalism emerged to the surface. Countries in Northeast Asia came to acquire a relatively fragmented, rather than integrated, framework. Unlike the European region where regional integration made progress, a nation state became a unit that called attention from the public.

As China made the leap forward in economic development, it became proactive in promoting China-centered regional coalition building. China looked as if it pursued the goal of a rich nation and strong army, which had long been a national goal for Japan. Japan experienced a long-term economic downturn, starting from the early 1990s when China rose. The Japanese public lost confidence in terms of leading the region from an economic angle. Out of an intense sense of competition with China, Japan obtained more of the wounded nationalism. Japan raised the voice for pride about the nation while refusing to apologize about its past. South Korea obtained more confidence after it achieved political democracy as well as economic development.

## **Problems and Challenges**

The rise of nationalism in Northeast Asia has something to do with the historical experience of the region.

First of all, unlike Europe where countries developed the habit of cooperation under the regional community framework, Northeast Asia lacked a historical experience of working together as an entity. Hierarchical order prevailed in the region for such a long time. Until the mid-19th century, China dominated the scene. From the mid-19th century to the end of the 20th century, Japan has been a predominant country in the region.



Northeast Asian countries face the challenge of developing habits of cooperation among equals.

Second, the nation state-centered way of thinking is prevalent in the region as well. The mass in the countries in the region give credit and confidence to the government, while disaffection with the government is increasing. Japan and Korea pursued a mercantilist development strategy for a long time. The Chinese government is also active in promoting economic development. Rather than civil society, government stands at the core of inter-national connections while transnational civil society, which cuts across national borders, is still in its incipient stage of development.

Third, Northeast Asian countries have been slow in developing regional scale institutions of coordination and collaboration. Lacking confidence building measures, countries in the region relied on the third party, rather than directly facing the problems of their own, to resolve conflicts between them. The United States played a role as the last resort. Trouble shooting has been done mostly with the help of the extra-regional partners.

However, this does not mean that Northeast Asian countries have no choice but to collide with each other. Historical controversies, territorial disputes and the contending nationalism are only a part of the story in relationships among the countries in the region.

Despite emotional antagonism among the people in the region, Korea, Japan and China began developing the habits of cooperation, especially after the Asian financial crisis in 1997. Virtual regionalization of the economy began much earlier. Trade interdependence among the countries is increasing. Intra-regional trade is also increasing. Governments in the region developed institutional mechanisms for coordinating their issues of concern together. ASEAN+3 and the East Asian Summit are part of such endeavors. The recently established Northeast Asian Summit meeting among Korean, Japanese and Chinese leaders upgraded the scale of cooperation and broadened the areas of collaboration. Unlike the popular

conception that three countries in Northeast Asia are on the collision course, in reality, cooperation among the countries is deepening despite antagonism.

In addition to the multilateral institutions of coordination, intra-regional networks of cooperation are rapidly on the rise. In addition to the transnational business and trade network, student exchange, tourism, and local governmental exchange programs are expanding in the region. Nationalism-bound conflicts among nations in the region do not necessarily affect the volume of trade or the number of tourists to other nations. What affects the movement of people, goods and services most is the exchange rate among currencies.

Most of all, it should be noted that none of the Northeast Asian countries is a revisionist country at the moment. Though China is rising, it is not yet challenging the regional hegemony of the United States in the region. Japan is upgrading the partnership with the U.S. in an attempt to cope with the rising China. Korea is also improving the relationship with the United States. All the countries in the region are getting more proactive in addressing as well as solving the global and regional scale concerns.

In a word, the conflicts related to nationalism are not all that matters. That is where possibilities of overcoming the conflicts related to nationalism exist.

## **Desirable Status**

In order to move ahead to an ideal security state in the region, it goes without saying that historical controversies and territorial disputes do not inhibit countries in the region from developing habits of cooperation.

Developing a system of not provoking the other parties may be in need. As the issues related to nationalism are flammable, preventive measures are necessary. Without putting them under control in advance, trying to put out the flame of anger and frustration after issues are on the surface is

too late. Prevention of conflicts is the first course of action one can think of to bring an ideal security state in the region.

Also if the preventive mechanism fails to work, governments in the region can coordinate to put the issues under control. Efforts not to link with other issues are crucially important. Coordinated attempts to respond to the conflicts not by a single government but by all the governments in the region may send a signal to the public that those issues are not the main focus of attention.

However, this state is only a passive mechanism of controlling the case. We have to go beyond the passive management of the issue to bring about an ideal security state in the region.

Developing a common conception of history on the basis of sharing historical facts may be a first start for going beyond the nationalist temptation. Designing a common East Asian history textbook from a regional perspective may be a concrete scheme for sharing conceptions about the region. Using them as a sub-text at schools may be possible. What is required is molding the minds of the people in the region in a way that regionalizes the conceptual framework. Imagining a regional, not national, community should come first. Thinking in terms of the region as a unit should be trained and educated. Spontaneous development of such movement may be possible, especially when the region faces imminent crises as we experienced after the Asian financial crisis. However, the way of thinking in terms of a regional community should be actively promoted by political leaders.

Furthermore, envisioning the future together as members of a regional community is the best alternative to history-ridden conflicts. Without regional vision sharing, the nationalist temptation can never be tamed. Such a vision should be founded on the principle of accepting universal norms. The Asian value type of vision may not only invite criticism from outside but also develop into an exclusively closed conception of

the community. That does not serve the interests of the Northeast Asian countries that are fully integrated into the global system.

## **What Should Be Done? Policy Suggestions**

### **Moratorium on the divisive issues of nationalism**

Directly tackling the issue is a must. Shying away from the troubling issues only postpones the case in point. Desirably, at its initial stage, a moratorium on the issues related to historical controversy and territorial disputes can be initiated. This should come from the Japanese side, because non-action on the part of Japan is crucially important. However, restraint on the part of Japan is not enough. China and South Korea should be ready to accept the Japanese shift with tolerance.

It is not possible to control all the movement related to the nationalist sentiments. Even China cannot do it. However, promise about the moratorium can be made among the leaders of the countries. It is enough to make a public statement that the cabinet members and high ranking government officials do not publicly make problematic remarks and actions that other parties perceive sensitively and uncomfortably. As for territorial disputes, the moratorium can take the form of not forcefully changing the status quo.

This spirit of self restraint and tolerance can open a new platform for reorienting the mindsets of the people toward upgrading cooperation among nations in the region.

### **Developing a Transnational Civil Network for Peace and Community Building**

Controlling the issues of concern is not possible only by the government initiatives. There should be civil organizations and networks that support the initiative of building a regional community for peace. Such a network should be a very encompassing one in a sense that it contains various fields, diverse occupations, and different age groups. The intellectual community

can take the lead in weaving the transnational network for community building. An epistemic community that promotes regional cooperation can also become a vision group for energizing the future collaboration. They can also be a watchdog for troublemakers.

When we build a transnational civil network for peace and community building, the principle of transparency and inclusiveness is important. Civil leaders had better be internationally trained people rather than being solely nationally-minded. Their activities should be fully disclosed in public.

### **Institutionalizing Multiple Mechanisms of Regional and Global Cooperation**

Developing institutional networks for promoting regional cooperation can be a way to get attention away from nationalism issues. If we try only to directly face the issues and control them, it ends up with a passive management of the conflicts. Much more proactive and positive actions should be taken to draw people's attention and media focus.

Institutions of cooperation can be set up at multiple levels. Summit meetings are not enough. Ministerial meetings should accompany them. Also, practitioners' meetings and expert group meetings should follow. These institutions should set the long-term goal of going beyond national sovereignty to establish a regional umbrella.

As the Northeast Asian Summit Meeting already suggests, we can start from soft, regional issues of common concern. Mostly they are related to non-traditional security threats like climate change, water supply, energy, food, pollution, disease control, etc. These issues are directly related to human security that goes beyond the area of traditional security concerns.

# Nationalism, Historical Legacies and Territorial Disputes as Obstacles to Cooperation in Northeast Asia

Alexis Dudden

## *Nationalism* *Historical Legacies* *Territorial Disputes*

This almost haiku is also trying to be a syllogism. Nationalism would be the major premise, historical legacies the minor one, and territorial disputes the conclusion. If it worked, reconciling the islands contests between Japan and China and Korea and Russia logically would bring rational calm to the fractious remains of the region's twentieth century, making possible the ideal proposed to us for 2025: namely that "all countries are satisfied that their core interests are being respected and that effective mechanisms exist to address other interests as well."

The immediate problem, however, is that each of these three things has become so interconnected that one could easily take the place of another (not simply capture its essence) and collapse them all into one big messy heap. In short, Aristotle would not be pleased.

Much of today's excitement about Northeast Asian security points to

North Korea as the bad guy to a stable future. While not discounting the immediate hurdles involved, the North Korean problem would more productively be understood as yet another outbreak along the regional chain of historical wounds turned cancerous. Failure to treat the “history problems” as the most important piece of the regional security puzzle will only come at greater and greater cost to future stability. Ironically, these are also its least expensive parts.

The “history problems” and the apology politics that go along with them have been in play and gathering strength in different ways since August 1945 when the Japanese empire collapsed in total defeat, immediately creating the problem of how to tell of its existence. Since that moment all involved—which very much includes the United States because of how it ended the war and began regional occupation—have woven their respective national stories into a tapestry of apologetic narrative in which blame and denial masquerade as history.

During the past 15–20 years, the terms “history problems” and “apology problems” have gained global resonance and have engendered countless policy suggestions. The most recent suggestion would have the Japanese government desist altogether from future apologies. Although the apology policies thus far have failed—Japan has apologized yet its apologies have failed—this idea will not work either. In one fell swoop, it wills away the collective and individual voices of victims asking for an apology, which would only harden the perception of the initial wrongdoing regardless of the circumstances. Furthermore, no one has the right to tell anyone who perceives of him or herself as a victim not to ask for an apology.

The problem with the “history problems” is not so much in the practice of apologizing for them, however, but in how to approach the history at their core. On all sides, a “winner-take-all” view is now the name of a zero sum game that, in turn, has spawned a separate history of the “history problems.” The history of the “history problems” thus compounds and confuses the histories in question, and, moreover, empties the most

contentious elements of their content entirely. “Yasukuni,” “Nanjing,” “Dokdo”—these words themselves now stand in for the history of the twentieth century and are markers in the contest among all involved to win its narration.

Regardless of personal belief, leaders on all sides find it in their national interests to foster and sustain this approach, and therein is both the danger and the possibility for change. Glaring misstatements of fact cause the most headlines and uproar (“the Nanjing massacre was a fabrication,” for example, defines such statements that are known collectively as “bogen” in Japanese). While egregious, such intentional wrongs are fairly manageable. The more difficult problem stems from the view of history as background music to the present rather than the never-ending, complexly layered sequence that it is. Those who fan the fires of the history wars plunder the past as if it were an inert space, at once flattening historical time and making it even and interchangeable with the present. During moments of tension, then, history thus understood becomes an easy and powerful means with which to summon an immediate reactionary consciousness instead of any learning for the future.

There is hope, however. Allowing a place of dignity for the uncomfortable stories in each nation’s narrative would enable the region to move securely forward. Nothing short of a radical shift in thinking will bring this about though: in short, we need a Kyoto Protocol for the “history problems” because they are that threatening to our collective future.

Before offering any ideas for the twenty-first century, I want first to take a brief detour into the eighteenth, and, in particular, into the thinking of two men, Ando Shoeki (1703–1762) and Ogyu Sorai (1666–1728). Shoeki and Sorai operated in what is now called a neconfucian order (a different kind of “neocon,” if you will). Both men critically observed the world around them in an effort to stabilize it, not to tear it apart. What each saw as potentially calamitous to the security of the Tokugawa system would prove remarkably prescient yet would define each



as heterodox and even heretical. There was no reason, after all, that Tokugawa advisors would want to pay positive attention to men who criticized a system and its rulers known as “The Great Peace Under Heaven,” which theoretically would forever be.

Shoeki and Sorai wrote from wholly different vantage points. Shoeki was a physician and ecological thinker in northern Japan while Sorai was a schoolteacher to merchants’ sons in Osaka, the world’s largest city of his day, and was dead by the time Shoeki wrote much down. It would be wrong—historically speaking—to force their ideas onto today, yet what they saw then and why they urged change might usefully allow us to think freshly about our problems now.

Ando Shoeki was among the first writers anywhere to record the idea that famine is not always the result of bad weather or bad luck but could also be politically induced and sustained through bad government planning. Among various techniques that Shoeki used to criticize Tokugawa policy was to skew the readings of various Chinese characters to give well-known expressions radically different meanings. So doing, Shoeki could make his points without being jailed or worse. One of the most far-reaching and trenchant of his intentional misreadings concerned one of the most prevalent terms of the day: “nature.” Instead of reading the word as a noun, Shoeki insisted it become a verb form and spelled it out to mean “person doing.” Shoeki’s understanding of nature as an active place ran in stark contrast to the static view of it as the beautiful backdrop to sages and rulers in Chinese poems and paintings. Moreover, wise men and kings claimed their legitimacy from nature traditionally conceived, but what Shoeki saw around him could not have revealed a more different reality: people—namely the hungry peasants—worked the natural world to grow the rice that the shogun’s men took from them as taxes. As far as Shoeki could see, failure to secure the people’s survival undermined the principle of governance. Unsurprisingly, hungry farmers would form the foot soldiers for the revolutionary and millenarian movements that made the Tokugawa house ripe for toppling when the western gunboats showed up over a century later.

For his part, Sorai was concerned with understanding “virtue,” the ruling ethical and moral precept of the day. The Tokugawa shoguns and their advisors initially established order for “The Great Peace Under Heaven” through a rigid, 4-class hierarchy: samurai, peasants, artisans, and merchants. Defined at its bottom, merchants were incapable of generating their own virtue because they handled money. They were to exist solely in the pale glow reflected by samurai norms and behavior. By 1700, however, the reality in Osaka’s burgeoning market economy made Sorai more than aware that this law was already moot because cash flowed in such massive volume around the rice exchange as daimyo and samurai converted their privileged rice stipends (the peasants’ taxes) into usable currency. Sorai understood that the merchants thus performed a far more critical role than their definition decreed—as well as an only increasingly powerful one—and he urged that the shogunate redefine merchants as capable of virtue. Their category in life, after all, was to strive for profit. If they did so ethically, Sorai held that this activity be understood as virtuous for the sake of the realm. Continuing to insist that merchants were intrinsically “dirty” for doing their job was in gross contradiction to the reality of life around him. For Sorai, this was incompatible with virtuous rule and would spell doom for the peace of the realm. Only by granting merchants and money a positive place in the order could the Tokugawa house guarantee it, which ultimately happened, only far far too late to preserve it.

Nations today are the most powerful idea going. They would appear always to have existed, and as far as almost everyone is concerned they are the only way to live. Clearly, however, the global economy has already run roughshod over the nation’s geographic boundaries, which may be why the territorial disputes are potentially the most volatile of the “history problems.” Globalizing capital has caused the nation’s gatekeepers to redouble their efforts to shore up their narratives lest they lose control entirely, all of which would help explain the recent trend of apology politics. Saying sorry for certain histories gained traction once those making the apologies discovered a means with which to reinstate the nation in the international system.

Practicing apologies in such a way does not necessitate that they ring hollow, yet the current way of apologizing has largely fallen short because its scriptwriters often find themselves so deeply ensconced within prevailing national myths that they cannot tell enough of the truth to make the apology hold. What we should notice, however, is that those seeking apology in the first place are seeking dignity within the narrative eliding or maligning them in the first place. In other words, they want inclusion in—not further exclusion from—the history that would write them away.

The real threat posed by those seeking apology for wrongs they suffered last century is that each nation has woven such a tight story of national existence that to allow one strand to come loose (i.e. recognizing real validity to the claims made) would likely unravel the whole. Thinking entirely about the present—yet speaking in terms of “facing the future”—leaders and their advisors tighten their pull on the past and summon certain parts of the non-living world without context, making it almost impossible for one national group to speak productively with another about a shared past (In 1905, Japan incorporated today’s disputed islands into Japan because at the same time in 1905 Koreans found themselves and their land sold into imperialism. The “truth” of today’s territorial contests becomes even more problematic in 1945 when Japan’s empire ended and atomic weapons were involved... and so on and so forth. It does not end).

Shoeki’s insistence that nature was an active verb is helpful here. In today’s nationally defined world, leaders summon history (not nature) to justify themselves and their control over the national body. Re-reading the “problems” part of “history problems,” therefore, as a “process of interrogation” and not as a solid object would be a very productive change. It would surely bring disagreements into the foreground, yet as practiced now “history” is used solely to afford affirmation. We need somehow to guide those guiding policy to ask questions of the past, not to demand answers for the present.

Building from this to include Sorai's observations, I would like to ask that we rethink how history fits into national interests at their most basic level. National leaders would appear to believe that the region's economies are so intertwined that this secondary "history stuff" is negligible, or at least is certainly not as important as nuclear weapons. This is extremely shortsighted, however. If history is to profit the nation—which has been its most valued form throughout modernity—then surely granting dignity to those continuing to seek a place within the nation's story would prove far more profitable to national interests over the long term than even the risk of another devastating war.

Although it might sound outlandish to some at first, the war scenario is not overstated when the territorial disputes enter in. Noticeably, this is most true in the island dispute with the least actual economic value: the islands contested between Japan and Korea. For all the focus on North Korean missiles at the moment, it remains stunning that in the undesirable event that Japan and Korea should trip up over the island issue—not so far-fetched given the density of navies and private boats involved and confusion of passions—the United States might find itself having to defend the islands for both countries because of the separate security treaties it has with each. What then?

My two-pronged suggestion for regional stability and security by 2025 thus centers on Japan and Korea, not because I think this territorial dispute is more important than the others, but precisely because the most recent geologic surveys demonstrate that oil and gas reserves do not complicate matters while a wholly surreal security structure remains in force.

Ideally on the same day the following two things will happen: 1) the Japanese government will make a formal, official parliamentary apology with compensation to those seeking restitution for twentieth century wrongs; and 2) the South Korean government together with Japan will formally propose through United Nations mechanisms to transform

the islands known as Dokdo in Korean and Takeshima in Japan into a transboundary peace park called “Mudo” (“nothing” and “island” in Chinese characters, at once mutually referential and also pointing to the possibility of “enlightenment” in so doing).

For Japan to make credible claims as an international leader of any sort, its leaders today must be able to make clear the nature of Japanese democracy. This, in short, is why Japan should take the lead on the “history problems” problem instead of propelling its wars into the future. In March 2007, in the wake of Abe Shinzo’s “comfort women” statements, a little research revealed that the Japanese government using Japanese taxpayer money had already paid more money to American lobbying firms to block American congressional discussion of the “comfort women” than it would need to compensate the women. This matters to what counts as Japanese society domestically—where most would likely be very surprised to learn this—as well as to Japan’s place in the world. How can the nation claim the ability to lead into the future when it is so nervous about its past? In short, playing the waiting game until all the victims of this past are dead will only fuel future fires in wildly unpredictable ways.

My suggestion to turn Japan and Korea’s contested islands into a peace park may lead some to think I am crazy even to raise this. I could not, however, be more serious. I firmly believe that now is the best possible time for the South Korean government to see its own place in the “history problems” and to make the generous first move through UNESCO at the behest of Ambassador Ban Ki-moon. Working together with Japan’s newly appointed head of the IAEA, Ambassador Amano Yukiya, the nations’ leading international diplomats could make real their governments’ perpetual promises to “overcome the unhappy past and face the future together.” These empty words have now emptied the histories involved into weapons, yet changed into something productive and tangible the region’s two most vibrant democracies would take a real step towards stabilizing the entire ocean between them and the others (real and

metaphorically speaking). Following the UN's guidelines to bring about such a transboundary space would moreover allow a small way in for the new North Korean leadership to come to terms with its neighbors.



# Exogenous Shocks Such as Terrorism and Pandemics as a Threat to Regional Crisis Management

Noboru Yamaguchi

As the Quadrennial Defense Review released by the U.S. Department of Defense in February 2006 described, the world is filled with a set of various types of security challenges such as traditional, irregular, catastrophic, and disruptive dangers. These challenges include: 1) risks of conventional military confrontation such as the one we used to witness during the Cold War between NATO and the Warsaw Pact; 2) irregular challenges posed by groups of terrorists, extremists and rogue nations; 3) catastrophic dangers with terrorist groups or rogue nations resorting to the use of weapons of mass destruction, namely nuclear, biological and chemical devices; and 4) disruptive challenges such as the one caused by fundamental shifts in the balance of power in totally new domains of competition like outer space. In addition, certain types of phenomena such as pandemic diseases, climate change, and large-scale natural or manmade disasters may pose serious security challenges to the world and require the international community to work together.

Northeast Asia is not an exception. The region is in a serious state facing all these kinds of dangers. While many of these regional dangers have global implications, global threats such as terrorism keep attracting



regional concerns. In other words, the region is full of crises as this paper later describes. Crisis management classes at universities teach that the origin of the English term “crisis” is a Greek word meaning a ridge between peace and war from which the situation can go either way. Northeast Asia can quickly become more peaceful and stable or more devastating. In Chinese on the other hand, crisis or “wei ji” means both “wei” (i.e. dangers) and “ji” (i.e. opportunities). In short, the region is full of challenges and opportunities. Although the former may seem graver than the latter and present a sense of hopelessness, the region must not only prevent further deterioration of the situation but also take every opportunity to improve it.

## **Reviewing the State of Play**

While unconventional challenges such as terrorism and pandemics are posing serious threats to the region, Northeast Asia has unique characteristics with a variety of security challenges. In accordance with the template QDR 2006 provided, these challenges can be categorized as conventional, irregular, catastrophic, and disruptive dangers.

### **Conventional Challenges**

In contrast to Europe, where direct military confrontations between opposing powers are not conceivable after the demise of the Soviet Union and the Warsaw Pact, Northeast Asia has sources for the possible breakout of conventional military conflicts. There are nearly 1.5 million DPRK and ROK troops facing each other around the DMZ. With tension caused by the recent activities of North Korea, such as tests of nuclear weapons and medium- to long-range missiles, dangers for a clash between conventional military forces are extremely serious. When recalling the events along the Northern Limit Line (NLL) in the Yellow Sea, where two navies engaged in firefights in 1999 and 2002, it is easy to conceive that any accident or incident can lead to a dangerous military confrontation between the two Koreas and even aggravate the regional security environment in the near future. Furthermore, the Taiwan Strait is notable for its continuous military

buildup on both sides of the Strait. Though the tension between the mainland and Taiwan seems to be calmer than it used to be, the remnants of Cold War type military confrontation over the Strait is still of concern.

Territorial disputes are also the source of concern for conventional security challenges. Japan itself has several unsolved security issues, including the dispute over the Northern Territories with Russia, Takeshima/Dokton with Korea and Senkaku/Yuetai and the EEZ in the East China Sea with China. Even though they are not likely to lead to immediate military conflicts, it is urgent for the concerned parties to work hard for better confidence building measures. Since the East China Sea in particular has the potential for energy development, both Japan and China are deeply interested in the area and a lot of maritime activities are going on. Japan and China should work diligently to avoid any accident that may lead to unnecessary tension between the parties.

### **Irregular Challenges**

Northeast Asia has its own set of problems that are characterized as irregular challenges. For example, Japan per se faces irregular challenges. In March 1999, two speed boats presumably operated by North Korean special forces violated Japanese territorial waters, which led to the first-ever maritime security operation by the Maritime Self Defense Force to dispatch destroyers and patrol aircraft in an attempt to chase those boats in support of the Japanese Coast Guard. In December 2001, a North Korean armed boat exchanged fire with a Coast Guard vessel in the water southwest of Kyushu Island. In addition, there have been a great number of illicit activities conducted by North Korean special forces in and around Japan, such as drug trafficking. The Japanese public is also extremely sensitive about North Korea's past activities of abducting Japanese nationals for the purpose of supporting North Korea's covert operations.

The region is under the influence of global challenges posed by terrorist or extremist groups, pandemic diseases, and natural and manmade disasters. While Islamic extremist activities in Northeast Asia are less significant

than those in the rest of the world, no one can predict that the violence will not pervade the region. Right next to the region, Islamic extremists such as those affiliated with Jemaah Islamiyah are active in Southeast Asia and there are increasingly high concerns in China over religious and ethnic uprisings in the various parts of the country such as Xinjiang Uygur and Tibet.

### **Catastrophic Challenges**

North Korea's continuous attempt to become and to be recognized as a nuclear weapon state has grave implications both regionally and globally. Along with its missile development programs, it poses a direct threat to neighbors including Japan as well as the ROK, whose territories are within the coverage of missiles. In addition, it is a threat to the rest of the world since North Korea has been an exporter of weapons of mass destruction, missiles and related technologies. If North Korea's nuclear weapons or related technologies fall into the hands of terrorist groups or rogue nations, it will pose what QDR2006 characterizes as catastrophic danger to the entire world. The world as a whole as well as the region should not miss any opportunities to prevent further proliferation of weapons of mass destruction and their delivery means caused by North Korea.

Pandemic diseases such as bird flu have been warning factors in causing severe damage not only to the health of regional populations but also to economic, social, and political aspects of regional communities. If the world fails to correctly address the issue, it may result in catastrophic consequences. The world is now experiencing the impact of swine flu or H1N1 influenza that is strongly pandemic but less lethal. Northeast Asia is also learning that it is extremely hard to contain such diseases within or outside of the respective countries, and it is extremely important to prevent further spread to save people's lives. The current swine flu with its less lethal nature may have provided the region with a good set of lessons for the future, when more pandemic and more lethal diseases are anticipated.

### **Disruptive Challenges**

As to disruptive challenges, anti-satellite weapons tested by China in January 2007 followed by the U.S. in January 2008 imply a new domain of military competition. Along with the significant rise of China, there are concerns within the region that a drastic shift in the balance of power might make the regional situation disruptive. As the QDR 2006 suggests, the regional players should cooperate in shaping the international order towards a more cooperative rather than a confrontational direction.

### **Implications for Regional Integration and Cooperation**

As Northeast Asia is facing various kinds of security challenges, including those similar to what the world experienced during the Cold War period, a traditional approach for regional peace and stability continues to be essential. Namely, a combination of deterrence, arms control, and confidence building measures as traditional security policies is still relevant to the region. Meanwhile the region obviously needs to seek new solutions for newly emerging security challenges such as proliferation of weapons of mass destruction, global terrorism, and pandemics. On the other hand, non-traditional cooperative approaches are more feasible and necessary than they used to be during the Cold War period because of the cooperative nature of the post-Cold War environment and ongoing crises in the region such as the one with North Korea. In short, the region is filled with various kinds of dangers and opportunities. While the continuous crisis on the Korean peninsula poses the gravest danger to the region, the region should not fail to make full use of the opportunities.

### **Deterrence, Arms Control, and Confidence Building Measures in an Old Context Are Still Relevant to the Region**

As mentioned earlier, the DPRK and ROK concentrate their military forces around the DMZ, totaling some 1.5 million troops. Most of North Korea's artillery pieces and short range missiles are readily deployed along the DMZ so that Seoul is within the range of such fire power. While a

one-sided victory can never be expected by the north, it would also be extremely difficult for the south to keep its capital intact once an all-out war broke out on the peninsula. In addition, North Korea with its medium to long-range missile force has Japan within its reach. In the worst case, the Japanese population as well as U.S. forces deployed in Japan would be in serious danger. North Korea's nuclear programs make the case even worse. To avoid the worst and to prepare for an ideal state, a set of issues should be considered.

Firstly, deterrence in a traditional sense continues to be the key for the issues on the peninsula. For the time being, the U.S.-ROK alliance as well as the U.S.-Japan alliance will play a central role not only for defense of Korea and Japan but also for avoiding further deterioration of the region and the rest of the world. Conventional forces of the ROK and the United States deployed on the peninsula will continue to provide a key function to avoid a breakout of war and to quickly respond to any kinds of military or non-military contingencies. In addition, the cooperative relationship between the ROK and Japan is also important due to the geographical proximity of the two countries and their close relationship with the United States. In the mid-1990s, trilateral security cooperation was once rapidly promoted to deal with possible dangers caused by North Korea. It seems to be the right time to revitalize such a cooperative relationship between Japan and the ROK. While this type of cooperation should be emphasized in the years to come, it should not be seen as exclusive and should be promoted in a mutually reinforcing way with other international setups including multilateral frameworks such as the Six Party Talks. Whenever Japan and the ROK along with the United States work on security cooperation, it must be clear that such cooperation is in the regional interest and it must be accountable to other players in the region.

Having witnessed North Korea's attempt to become a nuclear weapon state, deterrence against the use of nuclear weapons in the region is now far more important than ever. In this context, questions on extended deterrence provided by the U.S. to its allies, ROK and Japan in particular,

should be correctly addressed. There are a number of questions related to this, such as whether deterrence will work in the case of North Korea, whether the U.S. will be determined to extend its conventional and nuclear deterrence to its allies, and whether there will be any possibilities for the ROK and Japan to seek their own capabilities. If the region fails to answer these questions, there will be turmoil within the region caused by anxiety among players regarding the reliability of the alliances with the United States, suspicion about Japan going nuclear, and so on.

Secondly, the region should pay close attention to arms control and confidence building in both the old/confrontational context and new/cooperative context. Problems with North Korea's nuclear programs in particular should be dealt with in a broader context of introducing global de-nuclearization and preventing further proliferation of weapons of mass destruction. Efforts to make a non-nuclear Korean peninsula through the Six Party Talks will remain the core issue for the future. Having noticed that it is not an easy task to stop and reverse North Korea's nuclear programs, the region should make a clear distinction between acknowledging that North Korea has developed nuclear weapons and recognizing internationally that North Korea has become a nuclear weapon state. The region should never give up the ultimate goal of eliminating nuclear weapons from the peninsula. If the region fails to show determination in this case, the rest of the world will surely lose the incentive to seek a nuclear-free world in the long run and prevent further proliferation of weapons of mass destruction in the short run. If the efforts centering on the Six Party Talks succeed and expand to other parts of Northeast Asia, the region will become a mid-term ideal state.

On the other hand, global movement towards de-nuclearization will have significance for the region as well. President Obama has been clear about the administration's firm will to seek a nuclear-free world in the long run and work for reducing the number of nuclear warheads as a short- to mid-term goal. The administration has already started working with Russia for a bilateral agreement replacing the Strategic Arms Reduction Treaty

and the so-called Moscow Treaty, which limit the number of strategic nuclear warheads up to 2,200. It has been reported that the two countries may seek for a number as low as 1,500. Such an effort to reduce nuclear weapons by nuclear powers will make it easier for the rest of the world to mobilize the international community to prevent further proliferation, including issues associated with North Korea's nuclear and missile programs. Likewise the world's efforts to review the Non-Proliferation Treaty scheduled next year will have global and regional significance. In this context, U.S. ratification of the Complete Test Ban Treaty along with the Russo-U.S. negotiation stated above will have a positive impact on the NPT review process.

Regional confidence building measures are as important as they used to be in Europe during the Cold War era for a number of reasons. For example, some kind of agreement between navies and coast guards of regional players seems to be necessary to avoid unnecessary incidents in the region, where a greater number of maritime activities have been observed in recent years. The United States and China have been working together on naval CBMs since a number of potential military confrontations have been observed, such as the collision of a U.S. Navy patrol aircraft and a Chinese fighter in 2001. Japan as well has good reasons to work with China in the East China Sea area. While Chinese maritime activities have intensified in the area, there are unresolved issues between the two countries on energy development. In response to such Chinese maritime activities, Japan may increase the activities of the Maritime Self Defense Force or the Coast Guard. This increases the risks associated with a greater number of Chinese and Japanese ships and aircraft operating simultaneously in the same area. This is where CBMs are essential. In particular, an incident-at-sea agreement involving two countries' navies and coast guards, and a hotline between air forces, navies, and coast guards will be of great importance. This kind of attempt may, at the early stage, provide the concerned countries with additional channels for communication between their militaries and governments.

### **The Region Should Pursue a Cooperative Approach for a Better Security State**

While posing serious dangers, recent crises have provided the region with opportunities to work together. The Six Party Talks with a great contribution from China, for example, is what we could never have conceived during the Cold War period. While the Six Party Talks seem to have a long way to go to achieve the ultimate goal of a non-nuclear Korean peninsula, all of the six countries may have common interests in dealing with the immediate risks of pandemic or global terrorism. Such non-sensitive issues as pandemics can work as a catalyst for closer regional cooperation. The Six Party Talks and other ad hoc or permanent arrangements—including trilateral setups among the regional countries such as U.S.-China-Japan and U.S.-China-Korea, along with wider international schemes such as the ASEAN Regional Forum (ARF)—may mutually reinforce efforts to address regional security issues.

### **Recent Experience Should Be Reflected in the Immediate Future**

In case of actual crises where international cooperation is the key, it is important for countries involved to know who should communicate and coordinate with which countries on what issues. The case of pandemics is a good example. While the recent swine flu has not been too lethal, the way the disease spread is to be closely reviewed. We have been warned that more lethal pandemics such as bird flu are not a matter of if, but when. The lessons learned through our recent experience should be shared with partners to be better prepared for the next event. It will be extremely beneficial for countries situated in the same region to work together on such questions as how individual countries should deal with such diseases, how they should share real time information, how they should coordinate and cooperate, and what measures should be taken collectively. This will involve different organizations of each country including government and non-government or military and non-military organizations as well as organizations in charge of border control, medical treatment, decontamination, and criminal investigation.



This type of international cooperation may apply to other cases such as operations related to law enforcement activities in dealing with the spread of global terrorism, the Proliferation Security Initiative (PSI) to check the trafficking of weapons of mass destruction and related technologies, and humanitarian relief operations to relieve public suffering from large-scale natural or manmade disasters. In these cases, militaries may play an important role that will be better executed if regional militaries could work side-by-side along with other non-military organizations. In August this year, the U.S. Army and Japan's Ground Self Defense Force are scheduled to co-host the Pacific Army Chief Conference in Tokyo, where top leaders of ground forces in the region will discuss issues related to international military cooperation during large-scale natural disasters. Such an event and other occasions for regional militaries to plan, train, and operate together will be of great importance in future crisis management.

### **Recommended Policies**

This paper has tried to examine the complex nature of the regional security outlook and its implications. Based on this discussion, the set of policies listed below should be immediately taken.

#### ***1) Swine Flu After-Action Review and Follow-Up Table-Top Exercises:***

There are several concrete steps that would correctly address the issues discussed so far. In order to share the recent experience in dealing with swine flu, several policies are recommended for immediate implementation. Firstly, it is urgent to hold a series of sessions among countries centering on those in Northeast Asia to share their experience. What other countries have learned from recent events will be useful for the rest and what the international communities have done successfully and failed to do will give good ideas for the future. Joint after-action review within a regional framework will be useful for every participating country to be better prepared nationally and to form a basis for future international cooperation and coordination. Secondly, table-top and field exercises involving different organizations of each country are useful not only to train possible responders, but also to build networks among responsible

organizations and their mother countries. Such events can be more successful in a Track II environment where subject matter experts, policy makers, military planners, first responders, and scholars can freely share their ideas. Thirdly, Northeast Asia can, in doing so, work either within the region, or together with other sub-regional arrangements such as ASEAN, or within broader arrangements such as the ARF. Even the Six Party Talks or a separate arrangement with similar participants could expand its scope from a non-nuclear Korean peninsula to other non-traditional security issues. If this happens, the Six Party Talks may play an important role in establishing the so-called Northeast Asian regional security architecture discussed below.

### ***2) Virtual Regional Security Architecture:***

It is recommended that countries form virtual regional security architecture by adapting, reinforcing and connecting new and currently existing arrangements. The United States and its allies should adapt respective alliances to match future requirements and try to connect them as well as to fit them into broader regional and international arrangements. The U.S.-Japan security arrangements as well as the U.S.-ROK alliance may provide the region with valuable assets including extremely capable teams of well trained, coordinated and equipped groups of people in what are called “military operations other than war.” While such teams should fit into a multinational setup, they may work as a driving force for broader cooperation. The PSI should be accelerated in order to prepare the region along with the rest of the world in dealing with immediate threat of further proliferation. This will have spin-out effects in promoting cooperation among regional militaries for other kinds of operations such as those for counter-piracy, disaster relief, and humanitarian assistance.

### ***3) Discussion on Extended Deterrence:***

As North Korea’s nuclear programs have been posing a grave threat to the region, issues related to deterrence against the use of nuclear weapons have become more important for the region than ever. Extended deterrence provided by the United States is one of the key issues in this context.

Candid discussions between the United States and its allies and friends are extremely important. Since perceptions on this issue differ from one country to another, bilateral discussions between allies should, to some extent, be open for better understanding of others. Koreans and Japanese are the most seriously concerned and anxious about the credibility of U.S. extended deterrence. Meanwhile, the nature of the two alliances and geo-strategic conditions in which Korea and Japan are situated are significantly different. Therefore, their different perceptions of U.S. extended deterrence would be worth sharing. Even under the confrontational environment of the Cold War, theories on nuclear/conventional deterrence used to be openly discussed from the perspective of the nature of deterrence that requires understanding of the opponents. Under the current and more cooperative environment, the U.S. and its allies must be able to make a considerable part of bilateral dialogues on deterrence more open.

***4) Regional Cooperation for Global Responsibilities:***

Finally, it is noted that the region with the world's largest militaries, economies and the most influential political entities is highly responsible for global affairs as well as the security of the region. Global terrorism offers an excellent example. China, Russia, Japan, the ROK, and the United States are all beneficiaries from peace and stability in the Middle East and other terrorism-affected regions such as Southeast Asia. The region should play an important role in the international community in combating global terrorism with respective countries mutually cooperating in the short run and possibly integrating in the long run. In addition to the hard powers of the Northeast Asian countries, which are essential to regaining security in such countries as Iraq and Afghanistan, their soft powers (including economic, cultural, and social assets) should be fully mobilized. Economic assistance for development, security sector reform, and the establishment of capable governance may well be the areas where the Northeast Asian countries can contribute efficiently with cooperative efforts by mobilizing all available assets within the region. The regional security architecture of an integrated group of countries in Northeast Asia may be the most beneficial framework for Japan. With such security arrangements and its

membership, Japan will more freely and more responsibly work for the international community as Germany has done for the rest of the world within the NATO framework.

## **Conclusion**

The world including Northeast Asia is facing one of the most serious economic difficulties since more than a half century ago. In addition, countries like Japan, as you are well aware, are in problematic situations in domestic politics that restrain their governments from taking strong initiatives for international affairs. These factors may well lead most of the countries to become more and more inward looking exactly when they are strongly required to go to the opposite direction. Regional and global security challenges, as noted earlier, require nations in the world to work more closely with other countries. The region as a whole should take care of its own security problems with the rest of the world, and share the responsibility for security issues in global terms on which the region's future relies. Urgent needs for international cooperation to solve the existing acute issues of regional and global peace and stability, along with the more cooperative nature of the post-Cold War world, should be regarded as driving factors. Importantly, it is noted that problems out of the security arena in any sense should not be used as an excuse for not working to solve the life or death questions, they should be taken care of simultaneously.



# Exogenous Shocks Such as Terrorism and Pandemics as a Threat to Regional Crisis Management

Daojiong Zha\*

## Introduction

Crisis management is an art, not a science. As a phenomenon left to scientific inquiry, a crisis can be categorized as natural or man-made. But as a routine in government policy response, the division is easily blurred: every crisis demands skillful and effective management. On the domestic front, a government's handling of a crisis needs to be satisfactory to the people of its own society, including those who do not have a direct material stake. Internationally, a government's handling of a crisis constitutes an important element of a country's "soft power" (the extent to which it wins a sense of affinity from other societies).

Yet, a perfect mix in crisis management is difficult to make. The occurrence of a crisis—the breakout of a sudden incident/accident that takes or threatens to take a massive toll in human lives, wealth and property—is so commonplace that, over time, the public's sense of urgency can be

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easily replaced by one of fatigue. On the one hand, few would challenge the immediate imperative to mount as many resources as possible to save lives. On the other hand, as one World Bank study finds, in developing and industrial countries alike, there is a twin concern about pursuit of policies that respond to irrational fears—to the “disaster of the month”—rather than address more fundamental problems.<sup>1</sup>

Worse still, when right in the middle of a crisis, it is usually those directly affected who're better at heeding the government's call for cooperation and sacrifice. The rest can require some real motivation, positive and/or negative, before taking action to partake in programs intended for the common good. Across national boundaries, solidarity and support are certainly not automatic and gestures of assistance cannot be taken for granted, either. In addition, as is frequently the case, hard-ball politics/diplomacy targeting a particular government does have a life of its own in what is euphemistically called “humanitarian” assistance to the people of that society.

In East Asia, competing memories of history easily make the top of the list of “irrational” motivations for not having seen a level of institutionalized cooperation comparable to that in other parts of the world. The premise here is that institutionalized mechanisms of cooperation are preferable to ad hoc arrangements because disaster mitigation requires solid prior preparation. But there is a limit to the history explanation. Europe, for example, also experienced horrific warfare among the nations sharing the same neighborhood in a geographical sense. A more plausible yet unspoken explanation, in my mind, can come from the dictates of geography.

Unlike Europe, nations in East Asia are not very conveniently served by land transport routes. Just take a quick look at a map indicating the locations of the “10+3” countries, i.e., the ten member countries of the Association of Southeast Asian Nations and China, Japan, and Korea. “Ten plus three” is the most inclusive format of regularized government-to-government dialogue/cooperation in the region. Ocean water is the medium that

connects virtually all these countries, with the only exception being land-locked Laos. The border regions China shares with Indo-Chinese states are made of formidable chains of mountains. This means that in history people of one country had to rely primarily on vehicles suitable for maritime transportation to be able to come in contact with those of another country. In this context, sometimes it is easy for us to forget that it was only a couple of decades ago when aviation began to take over as a major means of international travel.

Let us contrast geographical features in East Asia with those of continental Europe. In Europe, one does not have to rely on such means of mass transportation as a ship or airplane to be physically in another country. Even before the advent of speed trains and the undersea tunnel connecting France and Britain, boat travel across the English channels was not that formidable. With the convenience of travel comes freedom of movement and interaction across national boundaries. Stereotypes are easier to break down and a sense of solidarity stands a better chance of growth and sustainability. The North American continent is very, very unique. In the entire world, it is difficult to find two countries/societies that have as many similarities as Canada and the United States do.

Such observation brings me closer to a bias I wish to make clear at the outset. It is a lofty goal to have a better coordinated response to the outbreak of calamities, natural and/or human-incurred, in East Asia. However, one needs to bear in mind that geography matters. More precisely, geography, perhaps more than memories of history (yes, politicized, but that's the norm virtually in all nations, is it not?) joins the long list of challenges in a national government's mobilization of resources to assist another society when the latter is experiencing a time of distress. In other words, we just have to guard against over ambition when talking about visions for region-wide cooperation to promptly and effectively address such non-traditional security challenges as earthquakes, pandemic disease, and, indeed, a major act of terrorism.



In the rest of this note, I first try to make a few observations about where we stand in terms of region-wide collaboration to deal with the outbreak of calamities. This is done by being bookish, as I am truly a new student on this topic. The picture I can manage to put forward is anything but comprehensive and probably not even fair. Then, I try to discuss two recent cases of inter-regional solidarity (and its lack thereof): the Wenchuan earthquake of 2008 and China's response to the H1N1 flu. This is a try because a seriously solid discussion of such matters (i.e., being capable of making independent yet informed judgment) would require a solid grasp of the hard science, a capacity I regretfully do not have. Furthermore, I have to rely on my knowledge (limited and not that professional, either) of Chinese experiences/stories, since it would require much in-depth research to be able to cover situations involving the understanding of other countries. On the basis of discussing these two cases, I attempt to offer a few words of generalization, to address the question assigned to me: what can be done?

## **East Asia's Disaster Management**

In 2003, one research paper published in the academic journal *Natural Hazards* offers the following observation:

Literature on the relationships between development and disaster is typically haphazard and disparate. A comprehensive survey on the topic is not yet available, nor are the current reference materials and tools presented in useable form. Moreover, because public sector disaster management is a newly emerging area, most of the Asian and Pacific countries until now have not paid serious attention to 'disaster management' per se, especially in terms of mitigation, preparedness, response, and the recovery cycle. Information and analyses of public sector disaster management in this region are therefore meager.<sup>2</sup>

Isn't such harsh/negative observation reflective of just one particular

scholar's peculiar perspective? Never mind that. But a fairly extensive key word search of library records indicates that it was not until the end of the 1980s that the first books to address 'Asia' and 'disaster' in one volume were published. Sponsors of the study are the Asian Development Bank (ADB) and the United Nation's Economic and Social Commission for Asia and the Pacific (ESCAP), based in Bangkok, Thailand.<sup>3</sup> This result is actually a good indication of the predicament in hand when we try to have a sense of the scope of the challenge on hand. In East Asia, the absence of a standing government-sponsored regional institution to conduct basic research—comparable to that of the OECD, for example—can easily ensure that lead scholars and officials try to get a handle of the overall situation but inadvertently result in either over-stating or under-stating it.

Meanwhile, there is reason not to be too harsh on progress made in East Asia. Worldwide, if we use the United Nations as a benchmark institution, coordination in responding to natural disasters came late, too. Only in December 1987 did the United Nations General Assembly pass a resolution to specifically put disaster mitigation on its routine policy agenda. Based on a 1974 resolution to investigate 'the relationships between population, resources, environment and development,' Resolution 169 designated the 1990s as the 'international decade for natural disaster reduction.' Under the arrangement, U.N. coordination was meant to foster international co-operation to reduce the impact of such natural disasters as earthquakes, windstorms (cyclones, hurricanes, tornadoes, typhoons), tsunamis, floods, landslides, volcanic eruptions, wildfires and other calamities of natural origin.<sup>4</sup>

On the other hand, we do know for sure that disaster mitigation is, for decades, on the active agendas of bilateral cooperation between governments in East Asia. For instance, the establishment of the Japan International Cooperation Agency in 1974 was, in part, to create an agency to provide disaster relief, education and training, technical and other forms of assistance.<sup>5</sup> China, while for many decades on the receiving end of international assistance from such multilateral agencies as

the United Nations and a through a host of bilateral arrangements, has made provision of aid relief for earthquakes and other natural calamities an active component of its foreign assistance packages. In 2001, China established a national earthquake rescue team. A key component of the team's mission is to partake in rescue missions overseas. For the United States, the Office of U.S. Foreign Disaster Assistance, within the USAID, coordinates U.S. provision of aid (again, material and technical) to countries in need, including those in East Asia.

The point I am trying to make here is that under bilateral arrangements, programs of mutual learning do take place. It is just that the scope of actions is not yet that readily available for us to conduct a regional stock-taking in a convenient manner.<sup>6</sup>

So, understandably, there is bound to be a high degree of subjectivity in trying to map out a vision of what kind of state of affairs we would like to see in intra-regional collaboration in dealing with natural disasters, which are less controversial diplomatically for a government to take action in providing cross-border assistance. Sensible disaster mitigation has to be built on solid scientific foundations. For that reason, we need to know better where we are before we can meaningfully talk about our goals for the future.

## **The Wenchuan Earthquake of 2008**

In any given year, China experiences just about the entire spectrum of natural disasters one can name: floods, droughts, forest and grassland fires, typhoons, landslides, earthquakes, etc. The country is particularly vulnerable because more than 70 per cent of its cities and 50 per cent of the population are located in areas that are often afflicted with major meteorological, geological and maritime disasters.

But the Wenchuan earthquake of 2008 merits a discussion when we try to get a feel for the future directions of inter-national collaboration for

dealing with another major disaster, in China or elsewhere in East Asia. As a general rule of the thumb, when there is an earthquake,

- The greater the density of population in a community and the number of vulnerabilities in the community's buildings and infrastructure, the greater the potential for a disaster.
- The precise occurrences of earthquakes cannot be predicted reliably; therefore, prevention mitigation and preparedness are the principal strategies to protect people and property.
- Vulnerability to earthquakes is often greatest for the poorest members of society and in those nations in a period of development.<sup>7</sup>

Wenchuan County, in the south-west of Sichuan Province, was in the epicenter of the May 12, 2008 earthquake, which had a magnitude of 8.0 on the Richter scale. The earthquake ranked as the most devastating disaster in China's 59-year history. Still, when we bear in mind the fact that some 29.6 million people call the entire quake-hit area home, one can see a good deal of luck in the relatively low population density in the epicenter.

Assessment of the quake from a multitude of professional angles has just begun. In December 2008, the Committee on Disaster Risk Reduction, of the UN body ESCAP, completed a preliminary study of China's policy response measures.<sup>8</sup> The 20-page document results from the Hyogo Framework for Action 2005–2015, adopted at the 2005 World Conference on Disaster Reduction held in Hyogo, Japan. Of symbolic relevance is that Hyogo is near the epicenter of the Hanshin/Awaji earthquake that hit in January 1995. The symbolism is that governments can come together and learn from the past. In any case, as time passes by, more studies of the earthquake are going to be conducted by the professionals, generating new lessons.

In one very important respect, China's response to the Wenchuan earthquake was a marked departure from how the government handled natural disasters on its soil. The 1976 earthquake of Tangshan, which

led to a quarter of a million deaths, was the worst in recent history. In its immediate aftermath, the Chinese government chose not to either request or allow in international relief assistance. As a matter of fact, it was only in 1981 that authorities of Tangshan requested assistance from the United Nations to help take care of the children of the disaster five years before.<sup>9</sup> Indeed, it was only in the early 1990s that China became comfortable with seeking and accepting humanitarian assistance from abroad to deal with floods and other natural disasters.

In addition, in 2008, the government at different levels and the society at large demonstrated an apparent willingness to pull their resources together in the immediate aftermath of the quake. In the age of satellite television, images of China organizing self-help in such times of a major crisis get transmitted worldwide instantaneously. China's prime minister was on an airplane to the quake-hit province within two hours after the quake took place. This message was in and of itself a rallying gesture to the general populace in China. Non-governmental entities in provinces as far away as Guangdong organized themselves and plunged into the rescue mission in Sichuan, even faster than some programs organized by the government could reach the ground. Contrasted with images conveyed in stories about lack of sufficient attention and care in China, that change of perception probably won over a great deal of sympathy at the societal level in other countries. In turn, that sympathy provides an important background for leaders of other governments to leave aside the usual diplomatic bickering and extend a helping hand to the victims in China.

The search and rescue phase of response to the quake turned out to be a theatre of amity between average Chinese on one side and the rescue team members representing goodwill from their respective fellow countrymen. In this regard, the presence of rescue teams from Japan, a problematic neighbor when it comes to national-political identities, served as a good reminder about how political differences can be overcome in times of a crisis. Still, amid the general mood of solidarity, there were reminders of the existence of diplomatic/political tensions as well. China did object to

Japan using its Self Defense Forces' Air Force cargo jets to deliver relief supplies, although it did allow U.S. Air Force cargo flights from Hawaii, on the same mission, to land in Chengdu, capital of Sichuan province.

One likely lesson the Chinese government is going to learn from responding to the Wenchuan earthquake is to increase investments to bring up the People's Liberation Army Air Force's capacity in future disaster operations. Different units of the military sent to the rescue site did not have heavy-lift helicopters. Vital equipment like excavators and cranes had to be brought in on roads obstructed by landslides. Lack of equipment slowed the pace of the rescue operations. Furthermore, with the few helicopters in hand, it took the air force an entire 44 hours before reaching Wenchuan. Although one can argue that China can pursue a program to drastically increase its helicopter fleets and capacity without necessarily requiring the upgrading of its military capacity (something China's East Asian neighbors can easily become uncomfortable with), given the country's domestic political-economic structure, it is difficult to envision an alternative route to increased capacity for disaster relief either.

A short conclusion at this point is that in spite of the demand for/focus on goodwill when it comes to such challenges as disaster relief across national borders, it requires political skills, both domestically and internationally, to be able to have some of the theoretical pool of material resources, technical expertise, and human goodwill on the ground assisting those in dire need. This holds true for China and other countries as well.

## **China and the H1N1 Flu**

Cross-border migration of communicable diseases has a long history and the search for a coordinated global response has been ongoing for nearly a century as well. There is no standard tool book to follow, other than that a government must take timely but *appropriate* measures. In short, a government needs to be viewed as acting on the basis of science and solidarity.

When it comes to the issue of solidarity, China features large, on both domestic and international fronts. In the spring of 2003, China's initial response to the Severe Acute Respiratory Syndrome (SARS) was a disappointment to both its domestic population and the outside world at large. The country paid a heavy price for going through an awkward change of basic policy positions: from denial, to cover-up, and then to panic response. Unofficial estimates put the economic costs of SARS to be 1% of GDP for mainland China and 2.5% for Hong Kong in 2003. In terms of China's international diplomacy, its sluggish response to SARS in the initial phase invited demands from the rest of the world to be considerate about others, in addition to being more responsible for its own people. This is true in spite of the obvious bias in international press reporting about SARS—a virus for which the professional health community still has not identified a clear source or effective medicine yet, as of 2009—and a China that is just incapable of doing anything right when faced with a major public health challenge.<sup>10</sup>

In April 2009, the outbreak of the H1N1 flu in Mexico and the United States came at a testy time for China's public health capacity. In February, just when human infections with the H5N1 virus (avian influenza in birds) were winding down globally, China had the first human case in its territory. The country's health officials were watching for a possible resurgence of that disease.

Unlike SARS, breakout of H1N1 cases took place in Central and North America, thousands of miles away from China. But the challenge for the country's public health apparatus to deliver an effective response is not in any way less monumental. Politically, after SARS, avian flu, and the Wenchuan earthquake of 2008, a sluggish response can easily be politically costly for the government. In addition, the outbreak of H1N1 coincides with the end of the school year for most North American universities, where thousands of Chinese students study. These students' return for their summer holidays brings the virus much closer to the ground in China.

The Chinese government acted swiftly. On April 28, the same day the WHO raised its pandemic alert phase from Three to Four, China's prime minister convened a cabinet meeting for the specific purpose of organizing a set of response measures. The timing of the meeting was significant in that there had been no reported case of the illness in China, nor had a similar virus been found in pigs in China. In other words, the government was obviously displaying a determination to be responsive as early as possible.

On April 29, a Mexican passenger flew from Mexico City to Shanghai and continued to Hong Kong. A day later he was tested positive for the H1N1 virus and treated there. In Hong Kong, public health officials took prompt action to quarantine (for seven days since the evening of May 1) the guests and staff of the hotel where the patient had stayed.

While on transit through Shanghai, the said passenger's health situation received no particular alert. So, health authorities in Hong Kong had received no prior warning, either. This prompted concern and criticism in Hong Kong about the mainland's health authorities paying lip service to an emergent pandemic, or worse still, a "déjà vu" situation reminiscent of the early days of SARS.

Trying to address such concerns in Hong Kong and the mainland itself, China's government television aired footage of surveillance videos taken by quarantine officials of the said passenger's passage through the airport checkpoints in Shanghai airport. Understandably, a person's body temperature changes at different times of the day.

On May 2, China suspended the Mexico City-Shanghai flight, the only direct passenger air service between the two countries. Chinese health authorities scrambled to locate the one hundred plus passengers—already scattered around eighteen different provinces across China, but with the majority in Shanghai, Beijing, and Guangzhou—who had shared the same flight with the affected passenger and put them under a mandatory seven-day quarantine program.



Among those quarantined were dozens of Mexican nationals who were NOT diagnosed with the flu. Major international newspapers like the *Wall Street Journal* and *Financial Times* reported about the Mexican foreign minister's unhappiness with China's quarantining of those Mexican nationals. China's foreign ministry officials, in response, emphasized that passengers of all nationalities, Chinese included, on that particular flight were undergoing the same quarantine program.

By May 4, China and Mexico reached an agreement to repatriate their respective nationals stranded due to the suspension of the only direct flight between the two countries. Each government flew back its nationals (number 130) by chartering its own aircraft.

Against the backdrop of media reports about Chinese and Mexican officials' unhappiness with each other, there was little mention of China sending two cargo plane loads (worth four million U.S. dollars) of medical supplies as a donation to Mexico. A window of opportunity for fostering a sense of shared community between the Chinese and Mexican peoples was, effectively, lost.

Then, on July 3, came news headlined 'China apologized to Mexico for tough swine flu stand.'<sup>11</sup>

The diplomatic spat between China and Mexico is indicative of the fragility of overall ties between the two countries and societies. A case in point is that it was only in May 2008 that direct flights between Shanghai and Mexico City (the only such line between the two countries and indeed China and the entire Central America) opened. With regards to the H1N1 flu, another government that took to the international media to complain about China's quarantine program is Canada, whose ties with China have seen a significant drop in scope and vitality over the last decade as well.

In short, the occurrence of each pandemic is a uniquely new challenge, in science and policy, for putting together an appropriate response. This recounting of one episode of China's reaction to the H1N1 flu (and its unintended impact on Sino-Mexican ties, however limited and temporary) serves as a useful reference in our search for accepted international norms in responding to a public health scare.

## **Towards a Conclusion**

Non-traditional security issues are important and international collaboration can make a difference in preparing a country to effectively deal with the outbreak of natural disasters. There is no question about that. Governments, international organizations, non-governmental organizations, the private sector, among other actors, play active but sometimes competing roles in fostering collaboration among countries in East Asia. Now and in the future, it is difficult, if possible at all, to identify parameters of *sufficient preparation* or *appropriate* response, due to the never ending fluidity of each situation.

A couple of possibilities are in order, in thinking toward making policy recommendations:

- Institutionalize an East Asian mechanism, with the OECD as an obvious example, for tracking, analyzing the past and researching future policy options.
- Support programs that foster learning by the security/diplomacy research communities of those engaged in technical cooperation, lest political positioning plays an inordinate role and gets into the way of humanitarian solidarity.
- Make self-help a key component of capacity.

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# Implications of Climate Change and Energy Security for Regional Integration in Northeast Asia

Akio Morishima

## **1. Energy Consumption and Energy-Related Carbon Dioxides Emissions in Northeast Asia**

In this paper I will discuss only China, South Korea and Japan and not North Korea, Mongolia, Taiwan and Siberian Russia in the Northeast Asian region due to the availability of statistical data for energy and CO<sub>2</sub> emissions in the region. In spite of the above methodological limitation, this paper hopefully will cover the issues of climate change and energy security in the region since China, South Korea and Japan account for most of the energy consumption and carbon dioxide emissions in Northeast Asia.

### **Economic Growth in Northeast Asia**

The economic growth of Northeast Asia, in particular that of China, in the last two decades is outstanding in the world economy. In 1990 the total sum of GDP of China, South Korea and Japan was 15.6% of global GDP, and in 2006 it surpassed 17%. While Japan's GDP has increased by 23% in those 16 years, the South Korean economy has grown more than twice as much and the Chinese economy has grown by nearly five times (Fig. 1). Having achieved extremely high economic growth in the past 20 years, China is expected to continue its high growth over the

next 20 to 30 years as well. In 2025 China alone is projected to comprise over 11% of global GDP while the economic growth of Japan and South Korea will gradually become lower (Fig. 1). In coming years India with its expanding population will grow rapidly economically and share the issues of climate change and energy security with China. While China and India have been experiencing rapid economic growth, their economies still remain quite small in terms of per capita income compared with developed countries. For example, per capita income in China in 2005 is at one-sixth of the U.S. level. To alleviate poverty in those countries and other developing countries in Asia they still need to attain economic growth in the coming decades.

### **Energy Consumption in Northeast Asia**

Unprecedented economic growth in the last few decades in this region has been accompanied by a rapid increase in the energy consumption of the region. The projections of energy consumption predict if China (and India) continue the current economic growth trends, these two countries will account for more than the half of the world total primary energy demand increase between 2006 and 2030.<sup>1</sup>

According to the International Energy Outlook 2009, in 1990 and 2006 Japan's primary energy consumption levels were 18.7 (quadrillion Btu) and 22.8 and South Korea's were 3.8 and 9.4, while China's were 27.0 and 73.8. Between 1990 and 2006, primary energy consumption in Japan was still increasing while the pace of increase in China and South Korea was much speedier. Projections of energy consumption between 2006 and 2030 predict that, while Japan's average annual percent change of energy consumption during that period will be 0.0 % and South Korea's 1.4 %, China will record the world's highest (3.2 %) annual increase (Fig.2).

In 2025 Chinese primary energy consumption is projected to reach 140.7 (quadrillion Btu), which accounts for 22% of the world total energy consumption. As shown earlier, China's primary energy consumption in 2006 was 2.7 times as much as that in 1990. China has already been

importing crude oil since 1993 and the volume of oil imports is increasing year by year. In 2008, 15 million tons of oil were imported monthly, which accounted for nearly half of the country's oil consumption.<sup>2</sup> However, coal is the main energy source in China. Coal accounts for 70% of its primary energy consumption and is projected to account for 64% in 2025 (see Table 2 and Fig. 4). Coal is extensively used for electric power generation. Forty-eight percent of coal supplied was used to generate electric power in 2006, and 56% is projected to be used in 2025. With respect to the end-use sector, 53% of total energy was used by the industrial sector in 2006 and 49% is projected in 2025. Half of the energies are used by the industries in China.<sup>3</sup>

### **Carbon Dioxide Emissions in Northeast Asia**

As a result of rapid economic growth coupled with increasing energy consumption, carbon dioxide emissions in this region have been sharply rising. Japan accounted for 5% of world CO<sub>2</sub> emissions in 1990 and 4% in 2006, while China 10% in 1990 and 20% in 2006 (see Tables 1, 2, and 3). China's further projected economic growth will be accompanied by a yearly increase of CO<sub>2</sub> emissions. The Energy Information Administration predicts in its reference scenario that total CO<sub>2</sub> emissions from China may nearly double by 2025 relative to 2006 levels. While the total amount of CO<sub>2</sub> emissions from China was 2,244 million tons in 1990 and 5,648 Mt in 2006, it is projected to increase to 10,996 Mt in 2025, more than 28% of world total CO<sub>2</sub> emissions (Table 2).

Looking at the statistical data for the increase of CO<sub>2</sub> emissions from China and other developing countries (including India), we may notice that in those countries the growth rate of CO<sub>2</sub> emissions is much higher relative to that of energy consumption. This has at least two implications. First, in developing countries the lower energy efficiency of their technology relative to energy efficient countries means a larger volume of CO<sub>2</sub> is discharged from similar facilities burning the same unit of energy (oil, gas or coal). Look at Fig. 5 and Fig 6. These graphs show the CO<sub>2</sub> mitigation potentials in the power generation sector and the iron/steel

industry sector by countries. When you examine these graphs you may get the idea that, if China and other energy inefficient countries improve their energy efficiency to the level of more efficient countries like Japan, they can reduce CO<sub>2</sub> emissions to produce products with the same units of energy. At the same time CO<sub>2</sub> emissions can be reduced more cost-effectively on a global scale. However, it is not easy for developing countries to make advanced technologies available to improve energy efficiency to the level of the best available technology due to their financial difficulties and technological underdevelopment. Second, the major energy source of these countries, in particular of China, is still carbon intensive coal and it produces more CO<sub>2</sub> than any other type of fuels. Since coal reserves are abundant not only in Asia but also all over the world and the price of coal is relatively stable and low, coal is still widely used in this region in spite of its high CO<sub>2</sub> emissions and other chemical pollutants caused by its burning. As indicated earlier, China, which depends on coal for 70% of its total primary energy consumption, and where coal dependency will increase in the future, can achieve a massive CO<sub>2</sub> emission reduction if low-cost technologies for decarbonization of coal gas and/or carbon capture and storage are available.

## **2. Challenges of Northeast Asia**

### **Increasing Energy Demands vs. Insufficient Energy Reserves Except Coal**

Asia has been experiencing rapid economic growth, but most countries in the region still have to alleviate the poverty of their population. In Northeast Asia Japan first took the initiative to industrialize its country in the 1960s followed by South Korea and Taiwan in the 1970s, and China since the 1980s. These countries have year-by-year increased demands for energy to meet the needs of their extremely fast industrialization. However, these countries, with the exception of China, do not have sufficient energy resources to meet their country's needs in their own country. China has enough coal reserves for its energy use, but currently depends on imports from abroad for almost half of its crude oil. China is

making efforts to develop natural gas drilling sites in international waters and to make investments in the oil development business in foreign countries to meet future expanding energy demands. Japan and South Korea almost entirely rely on imports for their energy supplies, and in order to secure their energy supply both countries have made all efforts to make investments in energy resource countries.

However, efforts by all countries in this region to meet each country's increasing energy demands often result in severe competition to secure energy in the energy market and sometimes in even political conflicts among countries. Since the last half of the 20th century oil has been extensively used for fuels and petrochemicals in industrial countries, and the world including Asia has shifted energy sources from coal to oil. But incidents, such as the oil embargo by Middle East oil countries in the 1970s, the oil price hikes in the oil market, and crude oil production controls by oil producing countries (OPEC), have made particularly this region with insufficient energy reserves realize that the stable energy supply needed to meet each country's increasing demands is the national security issue with the highest political priority. It is estimated that remaining proven oil reserves are equivalent to over 40 years of current rates of oil consumption and those of natural gas are around 60 years of current natural gas production.<sup>4</sup> Of course, current rates of oil consumption and natural gas production will not be the same in the future. In any case, oil and natural gas reserves are very limited. Besides, oil and natural gas resources are highly concentrated in a small number of countries and fields. They are located mainly in the Middle East and Russia. Northeast Asia is geopolitically in an unstable position to secure oil and natural gas energy. To resolve this problem one option is to shift energy sources from oil and gas to other energy sources such as renewable energies, hydropower, nuclear and coal. However, each energy source has its own difficult problems to be solved before it can replace oil and gas. For example, burning coal, as noted earlier, discharges chemical pollutants and CO<sub>2</sub> with relatively high density.



## **Pressing Impacts of Climate Change vs. Needs for Improving Energy Efficiency Technology**

According to the IPCC 4th AR, the impacts of climate change on Asia (including Northeast Asia), will be extremely severe toward the end of this century. In East Asia, for every one degree Celsius rise in surface air temperature expected by 2025, water demand for agricultural irrigation would increase by 6–10% or more.<sup>5</sup> Rice yields are projected to decrease up to 40% in irrigated lowland areas of central and southern Japan under doubled atmospheric CO<sub>2</sub>.<sup>6</sup> Increases in endemic morbidity and mortality due to diarrheal disease primarily associated with floods and drought are expected in East, South and South-East Asia.<sup>7</sup> Around 30% of Asia's coral reefs are likely to be lost in the next 30 years due to multiple stresses and climate change.<sup>8</sup> If this region keeps on emitting CO<sub>2</sub> as the reference scenario of World Energy Outlook 2008 shows (Tables 1, 2, 3), the global temperature might rise over 2 degrees Celsius even in the middle of the century, and serious impacts on human life such as water shortage, epidemics, and famine would prevail in the region. Ecological refugees will go across borders to seek safer living space. All people of our generation are responsible for taking immediate action for future generations to halt climate change before it reaches an irreversible stage.

As described earlier, future increases of energy consumption and CO<sub>2</sub> emissions in developing countries will be much more than those in developed countries. IEA estimates that China will discharge 10,996 Mt CO<sub>2</sub> in 2025 if no reduction efforts are made, and it alone accounts for 28% of the world CO<sub>2</sub> emissions (Tables 1, 2). If the world total CO<sub>2</sub> emissions in 2025 reach such a high level as IEA estimates (38,687 Mt CO<sub>2</sub>, which is almost twice as much as the 1990 level), the impacts of the climate change could be so serious that the effects would be irreversible.

In view of the risks of the unrestrained rapid increase of CO<sub>2</sub> emissions, in particular from developing countries, it is urgent to induce developing countries to take measures to reduce CO<sub>2</sub> emissions. Energy efficient technology cannot only save energy or produce the same unit of product

or service with less energy, but also reduce CO<sub>2</sub> emissions and mitigate climate change co-benefits. Renewable energy technologies such as solar photovoltaic power and wind power are options for energy sources that mitigate climate change. These two renewable energy technologies have been developing most rapidly and are expected to overtake natural gas to become the second-largest source of electricity, next to coal, soon after 2010.<sup>9</sup> The cost of renewable energy technologies is still high, but some countries in Asia, including Japan, are introducing institutional mechanisms such as taxes, subsidies, and other incentives to deploy renewable energies.

However, developing countries have great difficulties in reducing CO<sub>2</sub> emissions. In developing countries in the region not only are technologies in all industrial sectors still by and large energy inefficient and conventional (see Fig. 3), but also financial resources for existing technologies to be converted to energy efficient technologies are not readily available. In this region Japan, South Korea and Taiwan have some energy efficient technologies. Those countries, particularly Japan, could provide technological supports to other countries including China because it will be impractical for developing countries with less technological and financial capacity to conduct technological development on their own.

### **3. Is There Any “Ideal” State?**

#### **Low Carbon Society or Recycling Society**

Here I refrain from discussing in detail the idea of the low carbon society. Much has been written on this subject in the last couple of years. The gist of the low carbon society is as follows: in order to stabilize GHG concentration in the atmosphere at the level of 450ppm CO<sub>2</sub> eq to avoid irreversible effects on ecology and human beings, it is necessary to build a society that uses fuels with no CO<sub>2</sub> emissions. Recycling Society is a similar idea. By reducing, reusing and recycling materials (3Rs), natural resources including energies will be saved and CO<sub>2</sub> emissions will also be reduced. “Green growth” and “green new deal” are also similar ideas that promote energy efficient technology development and deployment

to reduce CO<sub>2</sub> emissions to halt global warming. When the low carbon society is realized, CO<sub>2</sub> emissions are reduced to the level of stabilizing GHG (greenhouse gas) concentration by deployment of energy saving technologies and renewable energy sources. However, these ideas presuppose a large sum of investments to develop innovative technologies and to change the social system. For example, Stern Review proposes that 1% of global GDP investment is required every year to cope with global warming even in its early action to stabilize CO<sub>2</sub> concentration at the level of 500– 550ppm.<sup>10</sup>

Developing countries are not well prepared to convert their society to a low carbon society or recycling society because they claim that they are not responsible for the current climate change. They need to develop more to alleviate poverty, and advanced technology and finances are not available for them to cope with climate change. Although climate change will have serious impacts on developing countries in the long run, it is not taken up as a high priority policy issue by them for the time being. There are several other urgent issues for them to solve before they face long term global problems. In addition to those reasons, because of the unavailability of technologies and financial resources, developing countries cannot implement climate change policy by themselves without support from developed countries even if they decide to take measures to mitigate climate change for future generations.

Energy saving or energy efficiency improvement policy (low carbon society) and material recycling policy (3Rs) aim directly at economic benefits from saving resources, but at the same time have the effect of reducing CO<sub>2</sub> emissions by using less energy. Improving energy efficiency implies mitigating climate change: these are co-benefits. Developing countries that may not have room now to introduce climate policy are likely to implement energy saving policy measures to grow their economy. In fact, China has realized energy supply and material recycling are national security issues necessary to continue its economic growth and introduced 20% energy efficiency improvement targets in the proposal of the 11th Five Year

Guidelines for National Economy and Social Development (from 2006 to 2010) in 2006 to save its energy resources. Even though the proposal of the 11th Five Year Guidelines does not directly aim at reduction of CO<sub>2</sub> emission, it has the effect of reducing CO<sub>2</sub> emissions as well. India is also interested in energy efficiency improvement policy measures.

### **Regional Cooperation to Realize the Low Carbon Societies**

As we have seen in Sections 1 and 2, Northeast Asia has geopolitical problems in energy security and CO<sub>2</sub> emissions. High economic growth in the region requires increasing energy demands and large amounts of energy consumption while insufficient energy resource reserves in the region, particularly for oil and natural gas, and low-energy technology in developing countries have made the region realize the energy security issues and impacts of global warming. Each country alone cannot resolve any of these difficult problems.

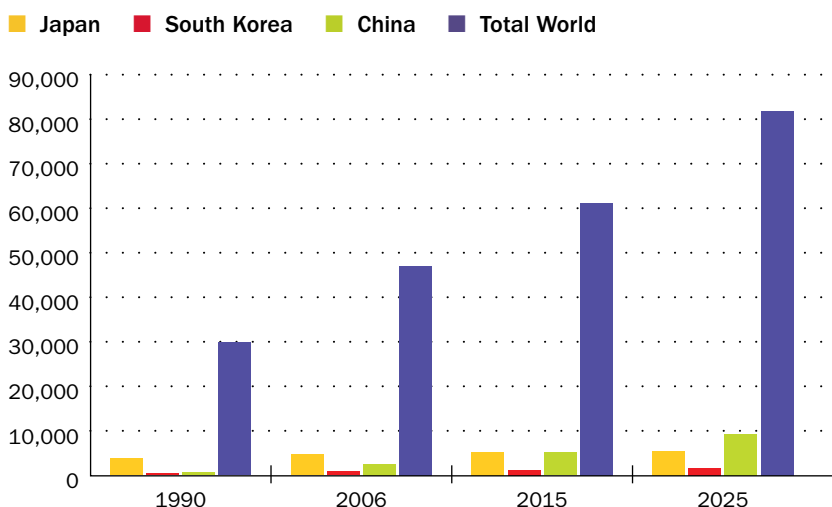
Northeast Asia as well as Asia as a whole does not yet have a regional organization in which countries in the region cooperate to cope with any key issues for the region. The Asia-Pacific region has APEC for its economic cooperation. On the other hand, in the Northeast Asian region, due to historical and political reasons, organizational cooperation in the region has not been successful so far among countries at different economical and technical development stages. The region's economic and political situation is very different from the European Union. Up until the 1980s, stages of economic development among Northeast Asian countries were so diverse that there were no common economic interests to formulate mechanisms for cooperation. Then, in the last three decades economic competition among Northeast Asian countries, in particular among China, Japan and South Korea, has been so severe that there was no opportunity to negotiate how to cooperate for energy and other natural resource security. However, unless some kind of cooperative mechanism is formulated as soon as possible to maintain and even improve order and harmony in the region and among other regions, Northeast Asia will be soon be in conflict as each country seeks energy resources and food for its people.

Even if it is difficult at this stage to realize an integrated cooperative mechanism in this region, cooperation between a developed country and developing country with common interests on a specific subject could be possible. Building a low carbon society is a subject of this kind. Japan is interested in it to mitigate climate change while China to save energy. There are some other co-benefits policy examples. Up to now some rather ad hoc bilateral or multilateral cooperative efforts have been made in the environmental area. For example, China-South Korea-Japan ministerial meetings (Tripartite Environment Ministers Meeting) have been held annually since 1999 to exchange information on each country's environmental policies and discuss environmental cooperation among the three countries. On the basis of these meetings and other bilateral negotiations, Japan has extended technological and financial assistance to China. Japan and China concluded a memorandum to conduct a co-benefit model project (such as transportation system, waste disposal) in China. The United States initiated APP, the Asia Pacific Partnership, in 2006 to promote technological development in eight energy intensive industrial sectors in the Asia-Pacific region. China, South Korea and Japan are among the seven partner countries. Japan is in charge of energy efficient technology transfer of steel mill and cement industries. But APP activities have not been active since the U.S. administration changed.

In June of 2008 Japan's Ministry of Environment announced the idea of a Clean Asia Initiative (CAI) to create an economic and environmental community in Asia in cooperation with UNESCAP, UNEP/ ROAP, ADB and other regional networks. CAI, on the basis of Millennium Development Goals and the Singapore Declaration on Climate Change, Energy and Environment adopted by the East Asian Summit in 2007, will establish a long-term sustainability target for the region and formulate strategy to achieve the target in the most effective way with the limited resources in the region. However, in order to implement this initiative to realize a low carbon and low pollution-material recycling society in Asia, there are so many issues to solve. Under the current economic depression the most realistic issue is who will bear the costs and how. Intellectual property

rights are also a difficult problem to resolve between developed countries and developing ones. Yet all these cooperative efforts have just started in Asia. The beginning is always difficult, but we must work hard with hope for the future generations.

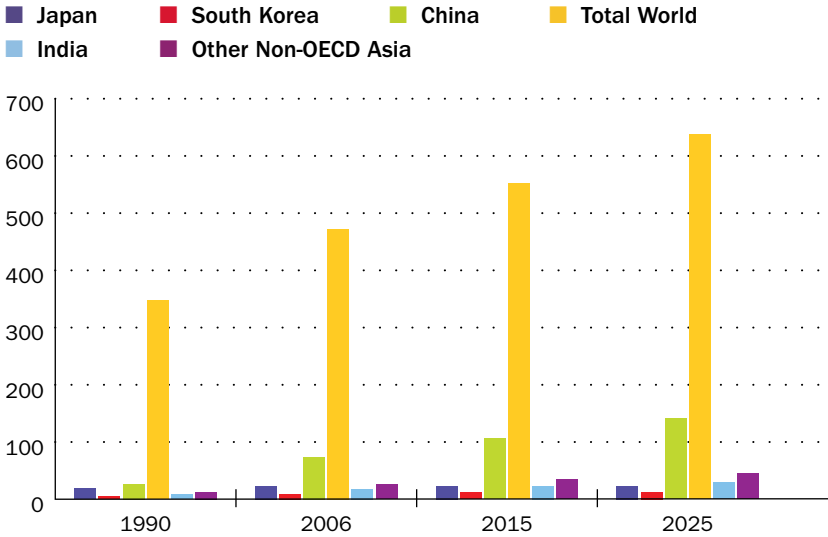
**Fig. 1: World Gross Domestic Product (GDP) by Region Expressed in Market Exchange Rates, Reference Case, 1990–2025**  
(Billion 2005 Dollars)



	1990	2006	2015	2025
<b>Japan</b>	3,791	4,668	5,223	5,517
<b>South Korea</b>	351	832	1,203	1,609
<b>China</b>	525	2,496	5,106	9,324
<b>Total World</b>	29,823	47,014	61,140	81,787

Source: Energy Information Agency (EIA), “Reference Case Projections Tables (1990–2030),” Table A1, *International Energy Outlook 2009*; Report #:DOE/EIA-0484(2009), (May 2009).

**Fig. 2: World Total Primary Energy Consumption by Region, Reference Case, 1990–2025**  
(Quadrillion Btu)



	1990	2006	2015	2025
<b>Japan</b>	18.7	22.8	22.9	23.2
<b>South Korea</b>	3.8	9.4	11.6	12.7
<b>China</b>	27	73.8	105.9	140.7
<b>Total World</b>	347.7	472.4	551.5	637.3
<b>India</b>	7.9	17.7	22.9	29.6
<b>Other Non-OECD Asia</b>	12.5	26.1	34.4	45.1

Source: Energy Information Agency (EIA), "Reference Case Projections Tables (1990–2030)," Table A1, *International Energy Outlook 2009*, Report #: DOE/EIA-0484 (2009).

Table 1: World

	CO <sub>2</sub> EMISSIONS (Mt)						SHARES (%)		GROWTH (% p.a.)
	1990	2006	2015	2020	2025	2030	2006	2030	2006-2030
<b>Total CO<sub>2</sub> emissions</b>	20,945	27,889	34,003	36,399	38,687	40,553	100	100	1.6
<b>Coal</b>	8,309	11,678	15,402	16,702	17,890	18,628	42	46	2.0
<b>Oil</b>	8,824	10,768	12,079	12,663	13,193	13,670	39	34	1.0
<b>Gas</b>	3,812	5,443	6,523	7,033	7,603	8,254	20	20	1.7
<b>Power Generation</b>	7,484	11,435	14,803	16,005	17,116	18,050	100	100	1.9
<b>Coal</b>	4,928	8,336	11,113	12,101	12,942	13,507	73	75	2.0
<b>Oil</b>	1,198	882	852	774	713	647	8	4	-1.3
<b>Gas</b>	1,358	2,217	2,839	3,129	3,461	3,895	19	22	2.4
<b>Total final consumption</b>	12,449	15,118	17,635	18,663	19,625	20,475	100	100	1.3
<b>Coal</b>	3,246	3,135	3,996	4,218	4,403	4,527	21	22	1.5
<b>Oil</b>	7,062	9,220	10,501	11,121	11,687	12,210	61	60	1.2
<i>of which transport</i>	4,390	6,263	7,292	7,796	8,249	8,680	41	42	1.4
<i>of which marine bunkers</i>	358	582	634	665	697	731	4	4	1.0
<i>of which international aviation</i>	255	397	485	530	580	635	3	3	2.0
<b>Gas</b>	2,141	2,763	3,139	3,324	3,536	3,739	18	18	1.3

 Source: International Energy Agency (IEA), *World Energy Outlook 2008*; Reference Scenario.



Table 2: China

	CO <sub>2</sub> EMISSIONS (Mt)						SHARES (%)		GROWTH (% p.a.)
	1990	2006	2015	2020	2025	2030	2006	2030	2006-2030
<b>Total CO<sub>2</sub> emissions</b>	2,244	5,648	8,828	10,004	10,996	11,706	100	100	3.1
<b>Coal</b>	1,914	4,670	7,236	8,123	8,823	9,229	83	79	2.9
<b>Oil</b>	304	872	1,373	1,605	1,839	2,089	15	18	3.7
<b>Gas</b>	26	107	218	277	335	388	2	3	5.5
<b>Power Generation</b>	652	2,829	4,654	5,342	5,861	6,232	100	100	3.3
<b>Coal</b>	598	2,758	4,542	5,210	5,709	6,055	97	97	3.3
<b>Oil</b>	52	53	58	59	56	56	2	1	0.2
<b>Gas</b>	2	18	53	74	96	120	1	2	8.3
<b>Total final consumption</b>	1,507	2,615	3,848	4,239	4,597	4,894	100	100	2.6
<b>Coal</b>	1,265	1,789	2,482	2,628	2,714	2,725	68	56	1.8
<b>Oil</b>	225	753	1,225	1,436	1,674	1,930	29	39	4.0
<i>of which transport</i>	83	357	669	836	1,038	1,261	14	26	5.4
<b>Gas</b>	17	73	141	175	208	239	3	5	5.1

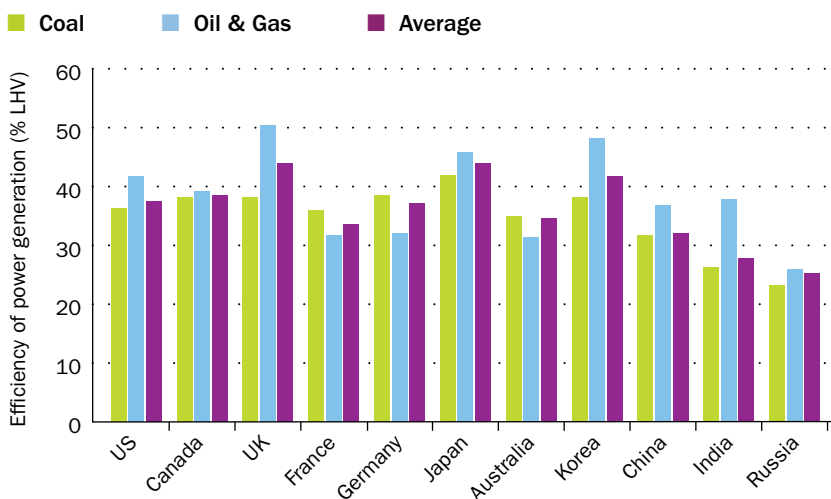
Source: International Energy Agency (IEA), *World Energy Outlook 2008*; Reference Scenario.

Table 3: Japan

	CO <sub>2</sub> EMISSIONS (Mt)						SHARES (%)		GROWTH (% p.a.)
	1990	2006	2015	2020	2025	2030	2006	2030	2006-2030
<b>Total CO<sub>2</sub> emissions</b>	1,071	1,208	1,171	1,154	1,115	1,064	100	100	-0.5
<b>Coal</b>	298	431	442	444	425	405	36	38	-0.3
<b>Oil</b>	658	587	522	478	443	408	49	38	-1.5
<b>Gas</b>	115	190	206	233	247	251	16	24	1.2
<b>Power Generation</b>	363	456	469	475	462	439	100	100	-0.2
<b>Coal</b>	128	271	281	282	265	247	59	56	-0.4
<b>Oil</b>	156	68	64	43	37	29	15	7	-3.5
<b>Gas</b>	78	116	125	149	161	163	26	37	1.4
<b>Total final consumption</b>	662	711	663	642	616	588	100	100	-0.8
<b>Coal</b>	154	146	146	147	146	143	20	24	-0.1
<b>Oil</b>	473	493	436	412	385	358	69	61	-1.3
<i>of which transport</i>	208	244	221	205	186	167	34	28	-1.6
<b>Gas</b>	35	73	81	83	85	87	10	15	0.8

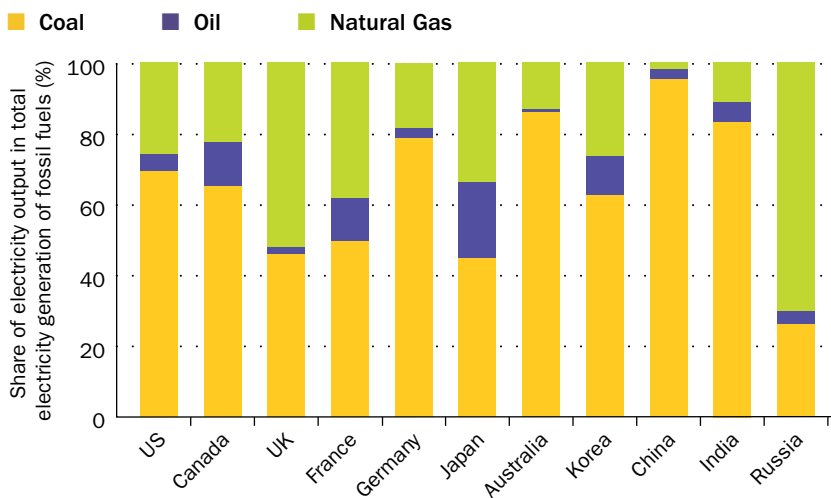
Source: International Energy Agency (IEA), *World Energy Outlook 2008*; Reference Scenario.

**Fig. 3: Comparison of energy efficiency of fossil fueled power generation of 2005 by region**



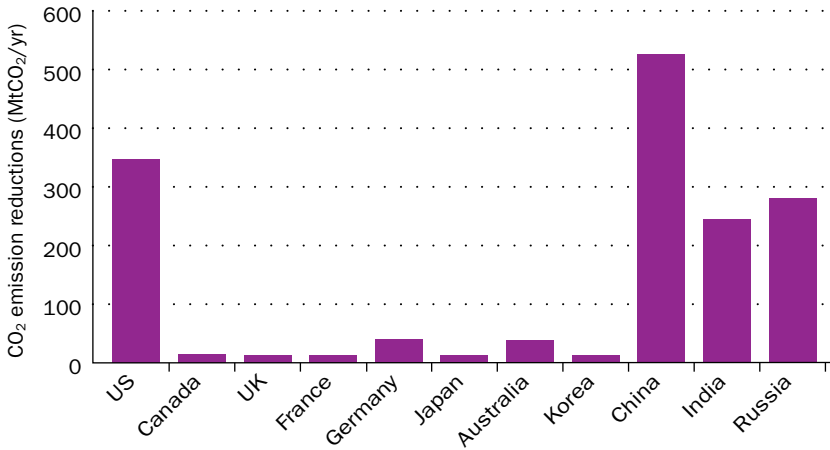
Source: Research Institute of Innovative Technology for the Earth, Systems Analysis Group, *International Comparisons of Energy Efficiency (Sectors of Electricity Generation, Iron and Steel, Cement)*, 2008.

**Fig 4: Comparison of fossil fuel share for power generation of 2005 by region**



Source: Research Institute of Innovative Technology for the Earth, Systems Analysis Group, *International Comparisons of Energy Efficiency (Sectors of Electricity Generation, Iron and Steel, Cement)*, 2008.

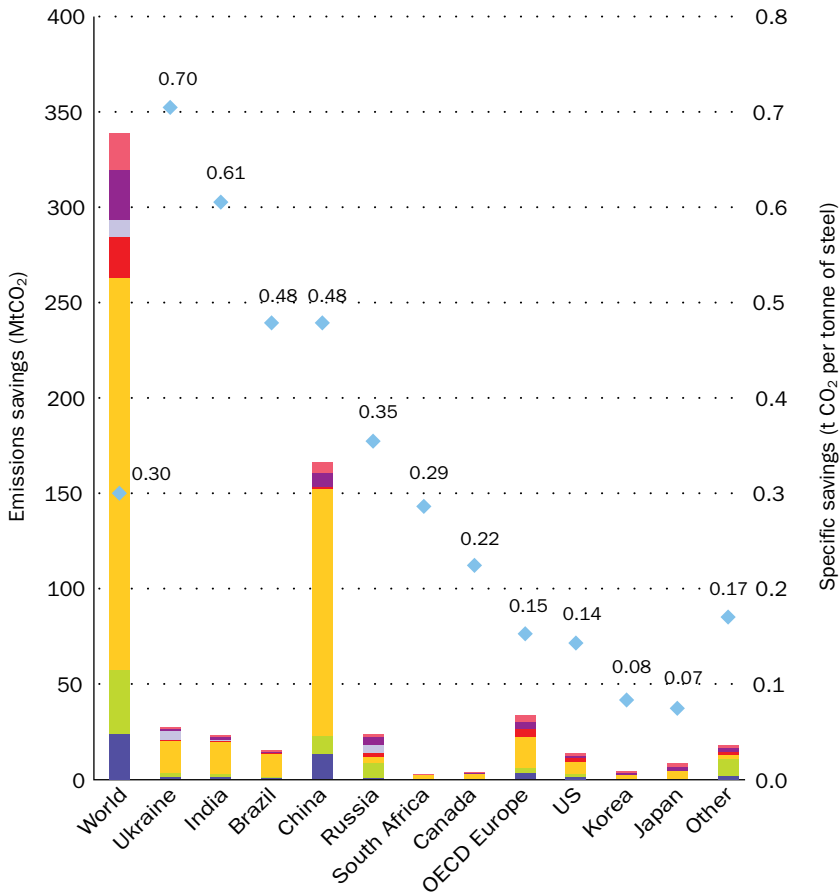
**Fig. 5: CO<sub>2</sub> emission mitigation potentials of fossil fuel power generation in case of efficiency improvement to the current level of Japan**



Source: Research Institute of Innovative Technology for the Earth, Systems Analysis Group, *International Comparisons of Energy Efficiency (Sectors of Electricity Generation, Iron and Steel, Cement)*, 2008.

**Fig. 6: CO<sub>2</sub> reduction potentials in iron and steel in 2005, based on best available technology**

- CDQ (or advanced wet quenching)
- Blast furnace improvements
- Switch from OHF to BOF
- Steel finishing improvements
- COG recovery
- Increased BOF gas recovery
- Efficient power generation from BF gas
- ◆ Specific savings potential



Source: International Energy Agency (IEA), *Worldwide Trends in Energy Use and Efficiency*, 2008.

## Chapter Endnotes

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3. International Energy Outlook 2009, Table F13
4. The World Energy Outlook 2008, pp. 41–42
5. Climate Change 2007: Impacts, Adaptation and Vulnerability, IPCC 4th Assessment Report, 2007, p. 481, Figure 10.4. “Hotspots of key future climate impacts and vulnerabilities in Asia”
6. *supra* note 5
7. *supra* note 5
8. *supra* note 5
9. The World Energy Outlook 2008, p. 39
10. The Stern Review Report on the Economics of Climate Change, 2006

# Implications of Climate Change and Energy Security for Regional Integration in Northeast Asia

Mikkal E. Herberg

Energy and climate change represent enormous future political and economic challenges for Northeast Asia and the U.S. Energy security has been a critical issue to the states in the region over the past 30 years, particularly in the run-up in oil prices that began in 2000 and culminated with \$147 per barrel prices in mid-2008. Although oil prices have dropped sharply and are now hovering around \$70 per barrel, concerns about the availability, reliability, and price of future oil supplies to fuel Northeast Asia's economies remain high on the strategic and economic agenda from Washington D.C. to Beijing to Tokyo to Seoul. The major states in the region have strong mutual interests in energy security defined generally as adequate and reliable energy supplies and reasonable energy prices. However, a highly nationalistic competitive atmosphere in Northeast Asia regarding securing control over energy supplies has been the significant source of regional tensions over the past decade and has often undermined prospects for greater regional integration and cooperation.

Climate change has also been rising on the strategic and energy agenda of the Northeast Asian states as the scientific evidence of rising temperatures and climate impacts continues to mount and as the international community accelerates efforts to forge a global climate pact to succeed

the Kyoto Protocol in 2012. China, the U.S., and Japan are three of the five biggest carbon emitters globally, meaning that their decisions will be central to achieving effective measures to cap the rise of carbon emissions. However, deep differences exist among the large regional emitters over the balance of national responsibilities for addressing the climate threat that have made strong cooperation regionally and globally difficult. In terms of the potential impact of rising global temperatures, among the Northeast Asian states China stands to suffer the most from the environmental effects of climate change in terms of rising sea levels, coastal inundation, agricultural failures, increasingly severe typhoons, and flooding in many areas where the poor are concentrated.

Measures to improve energy security and achieve carbon reductions are also strongly inter-active. In some cases, policies aimed at enhancing energy security can undermine efforts to reduce carbon intensity. For example, extremely high oil and natural gas prices have prompted Northeast Asian governments and energy companies to emphasize other fuels such as cheaper, domestically abundant, carbon-intensive coal, which undermines efforts to reduce carbon emissions. Alternatively, some measures can enhance both goals. Efforts to develop and promote hybrid and electric vehicles to slow the rise in oil demand can both reduce dependence on imported oil and also help reduce the growth in carbon emissions from vehicles. These policy trade-offs can be most effectively managed through regional cooperation as each country's decisions have powerful impacts on the other countries in the region.

Enormous progress will be required in order to reach an "ideal" security state by 2025, defined as "the region addresses long term issues such as energy security, climate change, environmental degradation, and resource depletion collaboratively and cooperatively." For the most part, energy security and climate change have been sources of regional tensions rather than integration and cooperation. The task for the region is finding ways to shift from the existing sharply competitive energy and climate regional dynamics toward a more cooperative approach to the region's energy and environmental challenges.

This paper will proceed in three parts. Because the two topics are somewhat distinct, the first section will review the current “state of play” regarding energy security and also discuss the second issue of how this issue is impacting regional integration and cooperation. The second section will similarly discuss climate change dynamics in the region and then discuss how these issues are impacting regional integration and cooperation. Third, there will be recommendations for near and medium term measures that need to be taken in the region to encourage both energy and climate policies to help support the broader goal of regional integration and cooperation.

## **Current Energy Security Dynamics in Northeast Asia**

The U.S., China, Japan, and Korea are all heavily dependent on imported oil, with import dependence for the U.S. of roughly 60%, Japan and Korea both virtually 100%, and China now 50% and rising rapidly. Moreover, Japan and Korea are virtually 100% dependent on imports for their natural gas needs, in the form of LNG (liquefied natural gas), and for coal supplies. China has only recently begun importing LNG but is expected to become up to 40% import dependent for gas over the next 20 years, including both LNG and pipeline imports. Between 50–90% of oil imports to the Northeast Asian states originate in the unstable Middle East, while the U.S. gets roughly 25% of its oil imports from the Mid-East. Much of Northeast Asia’s imported LNG comes from Southeast Asia, Indonesia, Australia, and Malaysia, but a growing share is coming from unstable areas in the Middle East and Africa. Energy security concerns are much less salient to Canada and Australia; Canada is a large oil and natural gas exporter to the U.S. while Australia is a major supplier of LNG and coal to Northeast Asia.

The enormous oil price run-up over the past 9 years since 2000 also drove LNG prices sharply higher, as well as imported coal prices for Japan and Korea, aggravating the energy security concerns of the region’s govern-



ments. Although oil, LNG, and coal prices have dropped sharply due to the global financial crisis and recession, the energy price shock galvanized new efforts by the Northeast Asia states and the U.S. to reduce their exposure to future shocks amidst continuing concern over the potential for rapidly rising prices once again when the global economy recovers from the recession.

Governments in the region have responded to energy security fears with a range of policies and effectiveness. Domestically, Japan and Korea have intensified their efforts to improve domestic energy efficiency, particularly in oil use, with new and more aggressive efficiency targets for vehicles, heavy industry, buildings, and appliances. However, in both cases, energy use is already quite efficient, especially for Japan, so there is limited scope for improvement. Japan, Korea, China, and the U.S. have also stepped up their efforts to develop renewable energy sources, such as wind and solar power, and to boost development of nuclear energy. China, in the face of enormous rises in oil and energy demand over the past 15 years, has huge scope for efficiency improvements and has begun to raise energy prices and promote better efficiency, mainly through national programs to reduce energy intensity of the economy. Even the U.S., traditionally the laggard in energy efficiency, raised fuel economy standards under the latter Bush administration and has now launched major new energy efficiency and renewables development programs under the Obama administration.

Internationally and regionally, governments have responded by seeking to gain more secure national control over oil and LNG supplies around the globe, as they have done regarding other key resources. China has led this charge by using its political, economic, and financial muscle to promote the expansion of its National Oil Companies (NOCs) to “go out” to secure oil and energy supplies to meet China’s growing needs. Japan has also stepped up its energy diplomacy efforts, begun back in the 1970’s, to support Japanese oil companies in securing new oil supplies, while Korea has also increased support for KNOC in its international

expansion and investment. China, Japan, and Korea have also been active in promoting their own new oil and gas pipeline projects to bring oil and gas to Northeast Asia from areas other than the traditional unstable supply areas of the Middle East and Africa. These include from Russia's East Siberia, Central Asia's Kazakhstan and Turkmenistan, and new supplies via pipeline routes through Southeast Asia. The U.S. relies more heavily on market access to oil and gas supplies and has no NOCs to promote, but rather has continued to advocate increased investment in global oil supplies by the major producer countries, more open policies toward investment by international commercial oil companies (IOCs), many of the largest based in the U.S., and enhanced international cooperation in managing global oil shortages through the International Energy Agency (IEA), the G-8, and other global emergency energy management fora. On a regional basis, there have been modest efforts in Asia to improve energy cooperation through APEC and its Energy Working Group, ASEAN, and other one-off efforts such as a regional energy meeting convened by China in late 2007 including the other key Northeast Asian states and the U.S. to discuss common energy security concerns. In perhaps the strongest sign of cooperative impulses, governments in the region have also launched several bilateral energy dialogues to promote collaborative energy efficiency initiatives, including U.S.-China, China-Japan, and U.S.-Japan.

Despite the fact that the U.S. and Northeast Asia have fundamentally mutual energy security interests in stable global energy markets, secure and free access to energy supplies, reasonable prices, and reliable energy transit, high prices and a growing sense of supply scarcity have, on balance, undermined regional integration and cooperation. Rising *energy nationalism* in the region has fed an atmosphere of "zero-sum" national competition over access to energy supplies and control over transportation corridors. *Resource nationalism* among the major exporting countries further aggravates Northeast Asia's fears over supplies as they compete among themselves rather than working together to pursue their mutual interests in more stable and reliable global energy markets. Although there have been some efforts to deal with these issues cooperatively on a bilateral

and regional basis, these collaborative efforts have been outweighed by competitive and strategic approaches to common energy problems.

Consequently, energy security fears have added new tensions to an already complex strategic environment in Northeast Asia. Energy rivalries between the key powers, China, Japan, the U.S., and Korea, tend to mirror and reinforce the existing strategic rivalries in the region. U.S.-China relations have been undermined by tensions over the 2005 attempted CNOOC acquisition of Unocal, which was effectively killed by hostile, nationalistic congressional opposition, and by constant U.S. criticism of China's expansive energy diplomacy, as well as its growing energy investments in pariah states like Iran, Sudan, and Myanmar. Sino-Japanese relations have been roiled by competition to control the routing of a proposed Russian oil pipeline from East Siberia to Northeast Asia. China now appears to have won the initial round on this, with the pipeline now under construction to Northeast China on the heels of a huge \$25 billion loan to Russia's Rosneft and Transneft. Sino-Japanese tensions are also continuing to simmer over competing claims to offshore natural gas fields being developed by China in the East China Sea. Although an agreement to share in the fields' development was forged in June of 2008, it has not been implemented and there is growing concern over its future. Sino-Korean relations have also been affected by concerns in Seoul and among Korean energy companies that Chinese oil companies are using heavily subsidized state financing and aggressive Beijing energy diplomacy to outbid Korean companies for major oil companies and fields up for bid around the globe. KNOC was outbid on Sinopec's recent \$8.2 billion acquisition of Addax Petroleum, the largest Asian NOC energy acquisition in the past decade. Moreover, Russia's capricious and inconsistent policies on building new oil and natural gas pipelines to Northeast Asia have further aggravated the region's energy security fears and intensified the atmosphere of competition over access to Russian energy supplies. Increased apprehension over control of key maritime energy transit routes in the South and East China Seas has also aggravated broader existing tensions over control of East Asia's vital sea lanes of communications (SLOC). Concerns are growing among

the U.S., Japan, and the Southeast Asia maritime powers over China's long-term intentions as it expands its naval and maritime modernization and increasingly identifies safeguarding its energy supply lines in the South China Sea and Indian Ocean as a central PLA Navy strategic mission. These new tensions in the strategic realm and the drift towards national mistrust are, in turn, spilling back over into energy relations and undermining efforts at energy cooperation.

## **Current Climate Change Dynamics in Northeast Asia**

Northeast Asia and the U.S. are increasingly at the center of global climate change negotiations due to the size of the region's emissions. China and the U.S. are the two biggest emitters by a huge margin, while Japan is the fifth largest emitter, just behind India and Russia. Each of the key countries is approaching the upcoming Copenhagen meetings aimed at forging a successor to Kyoto for the post-2012 period from a position reflecting their national circumstances and interests. Japan, the fifth largest emitter, has been at the forefront of the climate change process due to its role in forging the 1997 Kyoto Protocol, which committed the developed countries (Annex 1 countries) to reduce emissions by an average of 6% below 1990 levels by 2012. However, Japan has been at a disadvantage in accomplishing carbon reductions because of its hard-earned, very high levels of energy efficiency and relatively low carbon intensity, i.e. emissions per unit of GDP, compared with any other developed country. Improvements therefore are very expensive, which means Japan is effectively penalized for already being highly energy efficient. Japanese industry has, not surprisingly, resisted the Japanese government making new commitments for large reductions on the same level as the U.S. and other less efficient countries. Its latest official commitment during the final days of the Aso administration to the UN conference preparing for the upcoming Copenhagen meetings was to reduce emissions by 15% by 2020 based on 2005 as the base year, which would be a far more lenient commitment compared to a much lower emission base of 1990.

China is only beginning to seriously address climate change and emission concerns. China is now the largest emitter annually and the latest IEA forecast suggests that on its current rapid growth trajectory China could account for nearly one-half of future global emissions between 2005 and 2030. As a Non-Annex 1 country under the Kyoto agreement, China has no required emission reduction commitment pending the Copenhagen deal. Although total emissions are high, on a per capita basis they are very low, equal to less than one-fourth of the U.S. and less than one-half compared even to efficient Japan. Total historic emissions also are far lower than Japan or the U.S. Consequently, Beijing argues that while it accepts that climate change is a serious threat, it is primarily the responsibility of the developed countries to reduce future emissions, as they have “polluted their way to prosperity” while the developing countries need to maintain a focus on economic growth, development, and reducing poverty. China is consistent in its use of the phrase in the Kyoto Protocol stating that states have “common but differentiated responsibilities” in reducing the threat of climate change. China should not be subject to carbon caps or targets that could slow its economy and undermine the alleviation of poverty. From Beijing’s perspective, there needs to be large scale financing and technology transfer provided by the developed countries to help the developing countries reduce their future carbon emissions. Beyond this, China touts its growing energy efficiency improvements and plans for huge increases in the use of renewable energy sources and nuclear power as its fair contributions to reducing the growth in its future emissions.

Despite having been the largest emitter annually until recently and being, by far, the largest emitter historically, the U.S. has also only just begun to seriously address climate change following the Bush administration’s rejection of the Kyoto agreement. The Obama administration has made reducing climate change a central policy goal. It has enacted important legislation to improve U.S. energy efficiency and boost the share of renewable energy sources, while currently pressing hard to pass new, domestically controversial legislation that would implement a cap-and-trade system. The administration endorsed the targets agreed to at the

recent G-8 meeting in Italy for a reduction of 80% in carbon emissions by the developed countries on the way to reducing total global emissions by 50% by 2050. It also agreed to the long-term goal of limiting the increase in global temperatures to 2 degrees centigrade. Two large regional groups of states in the U.S. have also established their own regional cap-and-trade systems. However, there is very strong domestic opposition to a new cap-and-trade system that would be a minimum step to hope to achieve future emission reductions, as it would inevitably raise domestic energy costs. It remains unclear whether the administration can get a bill passed before the Copenhagen meeting and, without one, will have only limited credibility in calling for the developing countries to commit to their own targets in reducing the growth in future emissions. Getting the legislation through the Congress depends heavily on whether the major developing countries, particularly China and India, agree to significant commitments or targets to reduce their future emissions.

Finally, South Korea is somewhat in-between on climate and emissions policy. Korea is not a large emitter on a global scale but has a relatively high emissions intensity compared to other developed economies due to its heavy industry bias. Under Kyoto, Korea was classified as a developing country (Non-Annex 1 country) and therefore has had no formal commitments to reduce emissions. However, Korea's economy is now much more similar to the developed countries than it is a developing country. Therefore, Korea sees itself as a bridge between the two groups and appears increasingly open to accepting emissions reduction caps under a new Copenhagen agreement.

Emissions and climate change have tended to be a globally negotiated issue, but regionally, there have been limited efforts to promote climate policies. Most significant has been a U.S.-sponsored grouping called the Asia Pacific Partnership for Clean Development and Climate (APPCDC) established in 2006, including the major economies of the region, the U.S., Japan, China, India, South Korea, Australia, and Canada. The group has been only modestly active and criticized as an attempt by the Bush

administration to side-track the global climate negotiations. Under the Obama administration, U.S. efforts have re-focused back on the global negotiations.

While there is now agreement across the region that climate change is a serious threat, differing perceptions in Northeast Asia of which countries have prime responsibilities for reducing future emissions have tended to contribute to existing strategic and political divisions and undermine broader regional integration and cooperation. The region mirrors the sharp global division on the issue between developed and developing countries, particularly accentuated since Northeast Asia contains three of the top five emitters (four of the top five for Asia more broadly defined if India is included). On one side sits the U.S. and Japan and on the other is China, with Korea somewhat in the middle. Fundamental climate policy disagreements, as in the case of energy security, also tend to mirror regional strategic rivalries. Most importantly, deep climate disagreements increasingly bedevil the U.S.-China relationship. Domestic constraints on both sides mean that neither country is willing to step up to strong but painful measures without first seeing substantial action by the other. But the two countries are worlds apart on their views of the other's responsibilities, as recent bilateral meetings between their climate officials have shown. There is a significant risk of a major disagreement over the issue between the U.S. and China in the run-up to the Copenhagen meetings in December.

Similarly, there are deep divisions between China and Japan over the issues that continue to feed into Sino-Japanese regional rivalry. When the Aso administration announced in June its proposed 15% carbon emission reduction commitments from the 2005 base year for the upcoming Copenhagen meetings, China's foreign affairs officials publicly reacted sharply and negatively saying the commitment was completely insufficient. China, along with the U.S., is relatively unsympathetic to Japan's concerns that it will be penalized economically by its energy efficiency if it makes the same scale commitments to reduce carbon as the other, much less efficient developed countries. At the same time, Japan continues to press China

to consider much stronger commitments to reduce the rate of growth in its future emissions in order to have any chance to put together an effective global agreement. Japan's position has shifted significantly with the historic election of the new Hatoyama DPJ government. Hatoyama has said that Japan must commit to much larger carbon emission reductions, which should help reduce some of the Sino-Japanese tensions over climate policy. Nevertheless, Japan's major industries and utilities remain strongly opposed to more ambitious emission commitments and it is unclear to what extent Hatoyama will be able to get consensus on larger cuts.

While it is reasonable to assume that each country is offering minimal commitments so far and reserving its final negotiating offers until the crunch time at Copenhagen in December, climate politics have had a generally negative impact on regional integration efforts as we head towards Copenhagen.

## **Greater Cooperation and Regional Integration on Energy and Climate**

Progress towards an “ideal” security environment in Northeast Asia by 2025 requires reversing the drift towards mistrust and national competition over energy and climate politics. This can only be accomplished with a new focus on the region's common energy security and climate challenges and finding ways to turn these issues into sources of regional and global cooperation rather than national competition and politicized markets. Northeast Asia needs to find collective ways to build trust in negotiating regional energy development, manage and contain the impulse toward energy competition, begin working together to promote new and more environmentally-sustainable energy supplies, build new regional energy infrastructure, and work collaboratively on ways of reducing the rise of carbon emissions.

This needs to be done at both the regional and bilateral levels. Regionally, the U.S., China, Japan, and Korea need to forge a new regional energy



and climate dialogue on common concerns with the initial goal of de-politicizing the issues. It would be wise to include Russia in this dialogue since it is the major potential energy supplier in the region. This dialogue should be aimed at confidence-building and improving mutual trust about the energy security and climate policy intentions of the major regional powers. It should be built on the premise that each acknowledges the legitimacy of the others' concerns and perspectives premised on different circumstances and histories. In terms of energy security, it should focus on common interests in stable and open global oil and energy markets, supporting market competition, rather than national strategic competition for control over supplies, and on demonstrating that in a globalized energy market no country can achieve energy security unilaterally. As this dialogue matures, it can potentially begin to support regional oil and natural gas production and pipeline development that can only be achieved in the context of a regional coordinating process. This forum would also provide a better means for discussing collective regional approaches to security in the key energy sea lanes of East and Southeast Asia.

Such a regional forum would also be effective in gradually de-politicizing and promoting collaboration on climate policies and commitments. Again, it is vital to accept the legitimacy of others' concerns and circumstances in order to create a more effective cooperation process. The U.S. will need to accept that China is still a poor country and that it cannot be expected to make the same emission targets as the developed countries. China will need to accept that, although it should not make commitments to the same targets, it must make clear and substantial national commitments to policies designed to reduce emissions, policies more substantial than those currently on offer. The U.S. and China will need to recognize Japan's historic progress in energy efficiency and low carbon intensity and find ways for Japan to contribute in ways that are cost-effective and perhaps on a lower scale and more technology-based than commitments made by the U.S. Korea can be an effective mediator in this forum given its intermediate position between developed and developing countries. Improved collaboration within Northeast Asia can support more positive

outcomes for the global climate negotiations given how central the region is in emissions scale and impact.

Bilaterally, all the countries need to raise the importance of and resources available to their various bilateral energy and strategic dialogues. For example, bilateral mechanisms are often the best mode for promoting joint clean energy technology development and transfer. This is already a key goal of both the U.S.-China and China-Japan bilateral arrangements. This is an area where major projects like carbon capture and storage (CCS), and vehicle technology development can be carried out more efficiently.

Through both these regional and bilateral processes, energy security and climate policy can be coordinated in a classic “win-win” outcome. Cooperative development of renewable and clean energy sources can both help achieve climate goals as well as enhanced energy security. For example, collaborative development of improved vehicle technology and viable battery technology can accelerate the arrival of fully electric vehicles, reducing oil demand growth and, hence, reduce vulnerability to unstable supplies of oil. Developing cleaner coal-burning technology and CCS can allow China, Japan, Korea, and the U.S. to make use of plentiful coal supplies to meet electricity demand, thereby reducing pressure on global gas and LNG supplies. Development of nuclear energy can also help diversify electricity generation sources, provide a non-fossil, cleaner fuel, reduce pressure on gas and coal, and allow a more orderly pace of development of renewables, such as wind and solar, which are far more cost-challenged.

In concluding, it is important to note that these regional and bilateral processes will only work gradually as they build trust and confidence. It will probably take until 2025 for these efforts to fully bear fruit. In the meantime, the U.S., China, Japan, and Korea will need to continue to focus on carefully managing the existing areas of tensions over energy security and climate while moving toward a more collaborative energy future. These current tensions are real and are fueled by powerful nationalism

and the lack of a broad security architecture for the region. A new regional cooperative security architecture would make these energy and climate disagreements far easier to mediate over time. But a national commitment by each of the major Northeast Asian states to work together to address their common energy and climate challenges can bring the region closer to the “ideal” security state on which this conference is predicated.

# Implications of Strategies to Deal with North Korea for Regional Cooperation and Integration

Hitoshi Tanaka

## **A Historical Perspective**

North Korea's nuclear weapons program has posed a clear and present danger to peace and stability in East Asia for the past two decades. In order to effectively contextualize current circumstances, it may prove useful to first present a brief overview of the issue's origins.

First revealed in 1989, North Korea's nuclear ambitions fomented the first North Korea nuclear crisis in 1993–1994, an event which pushed the United States and North Korea to the brink of war. Former U.S. President Jimmy Carter's visit to Pyongyang in 1994 helped to defuse the crisis and subsequent bilateral negotiations led to the Agreed Framework that October. This agreement led to a gradual reduction in tensions over the next several years. Beginning in 1998, South Korean President Kim Dae-jung's "Sunshine Policy" toward the North allowed for a historic North-South summit meeting in June 2000, at which time the two sides issued the North-South Joint Declaration calling for economic cooperation, reunification, and humanitarian exchange.

Unfortunately, at the same time that inter-Korean ties were convalescing,

North Korea's relations with Japan and the United States were rapidly deteriorating. On August 31, 1998 North Korea abruptly test-fired a *Taepodong-1* missile over the Japanese archipelago. This provocative act terrified the Japanese public, strengthened domestic support for a hard-line policy toward Pyongyang, and led the Japanese government to accelerate BMD cooperation with the United States. In stark contrast to several diplomatic overtures toward Pyongyang in the waning days of the Clinton administration, President George W. Bush came into office in 2001 advocating an uncompromising approach toward North Korea—as manifest in his notorious “axis of evil” statement during the 2002 State of the Union address. Constructive dialogue with North Korea ground to a halt during the Bush administration's first term.

In a bid to ease tensions between Japan and North Korea, a summit meeting was held in September 2002 between Prime Minister Junichiro Koizumi and Kim Jong-Il. This meeting resulted in the signing of the Pyongyang Declaration, in which the two sides agreed on a set of basic principles for diplomatic normalization. Kim pledged to extend a moratorium on missile testing, admitted that North Korean agents had abducted Japanese citizens in the 1970s and 1980s, and promised to comply with international agreements on nuclear issues. This salubrious development ushered in a period of relative optimism. Within a year the first round of the Six-Party Talks was held in Beijing.

Unfortunately, the Six-Party Talks were unable to forestall North Korea's July 2006 missile tests and October 2006 nuclear weapons test. In the United Nations' strongest censure of North Korea since the end of the Korean War, Security Council Resolution 1718 unanimously condemned the nuclear test and authorized economic and commercial sanctions against the North Korean regime. Resolution 1718 was followed by a resumption of the Six-Party Talks and bilateral discussions between the United States and North Korea in Berlin, two developments which effectively paved the way for the third phase of the fifth round of talks in Beijing and the subsequent release of the Six-Party Joint Statement on February 13, 2007.

Although there was a great deal of optimism immediately following the February 13 Joint Statement, and indeed North Korea blew up a cooling tower in June 2008 in keeping with an earlier agreement, circumstances have since rapidly devolved. North Korea's recent provocations—its April 2009 “satellite” launch and public declaration that it would expel IAEA inspectors, reactivate the Yongbyon nuclear reactor, and “never” again take part in the Six-Party Talks do not augur well for North Korea's denuclearization. North Korea's second nuclear test on May 25, 2009 essentially nullified the accomplishments of the Six-Party Talks over the past six years. Further complicating an already volatile situation, Kim Jong-il's declining health has raised concerns about succession and what impact his death would have on North Korea's future.

Needless to say, twenty years of negotiations with Pyongyang have failed to achieve the international community's basic objective: an end to North Korea's nuclear weapons program. There are three fundamental reasons why the North Korea issue remains unresolved despite the considerable diplomatic resources that have been dedicated to addressing it: 1) the nature of the North Korean regime, 2) differing assessments among the major powers involved in the Six-Party Talks regarding the degree and exigency of the threat posed by North Korea, and 3) inconsistencies in the approaches toward North Korea adopted by different administrations in the United States, South Korea, and Japan.

## **Divergent Strategic Interests**

### **North Korea**

First, the government of Kim Jong-il represents arguably the most despotic and reclusive regime in the world. Its leaders are plagued by a siege mentality that has convinced them that the rest of the world (or at least the United States) is intent on destroying their nation. They see nuclear weapons as the only insurance powerful enough to deter a “hostile foreign power.” As a result, they neglect their starving people and invest North Korea's limited resources disproportionately into the military, including

its nuclear program. Short of the United States and its allies offering an ironclad security guarantee, it is unclear what actions could be taken to change this mindset. In fact, its leaders seem to be so plagued by distrust for the outside world that even a security guarantee might do little to change their behavior. Now that North Korea has acquired what seems to be at least a minimally-functioning nuclear deterrent, it will be very difficult to convince its leaders to denuclearize. Leaving moral judgment aside, it is not very difficult to understand why Pyongyang behaves the way it does. The North Korean leadership places regime survival above all else and has sought nuclear weapons and advanced missile technology as a deterrent against what it perceives to be belligerent outside forces.

The second major obstacle to resolution of the North Korea nuclear issue can be attributed to differing threat perceptions and interests among the major powers involved in the Six-Party Talks.

### **China**

Many Chinese do not believe that North Korea's nuclear program poses a direct threat to China's interests. Rather, Beijing is primarily concerned about the possibility of regime collapse, a development which it fears could dramatically increase tensions on the Korean peninsula and potentially trigger a massive flood of North Korean refugees across the Chinese border. In a worst-case scenario, regime collapse could also force a precipitous reunification of the two Koreas. Since this development would most likely result in South Korea absorbing North Korea, many Chinese fear that the loss of a strategic buffer (a role North Korea has played for more than half a century), together with the possibility that U.S. troops currently stationed in South Korea would be deployed near the Chinese border, would have serious ramifications for China's national security. Additionally, it should be noted that many Chinese see China's experience since 1978 as a model for North Korea. They take a long-term view of the nuclear issue and see "reform and opening up" as the only practical way to bring the North Korean regime out of its international isolation and eventually achieve peace and stability on the Korean peninsula. This belief has been one of

the main drivers behind Beijing's efforts to boost trade with North Korea and encourage market-oriented economic reforms.

### **South Korea**

Although many South Koreans still see North Korea as a conventional military threat, most are not overly intimidated by North Korea's nuclear weapons program. Generally speaking, South Korean leaders are aiming for a "soft-landing" in order to minimize the possibility of sudden regime collapse. Abrupt reunification would have serious negative consequences for South Korea's economy. However, it should be stressed that public sentiment in South Korea about its northern neighbor is very complex.

### **Japan**

Of all the countries involved in the Six-Party Talks, Japan is probably the country that feels most threatened by North Korea's nuclear program. Many believe that if North Korea were to use a nuclear weapon Japan would be the probable target. In addition to the existential threat posed by North Korea's nuclear and missile programs, Japanese public sentiment about the abductees issue should not be trivialized. In fact, the abductees issue is arguably the single greatest factor behind the hard line that Tokyo has taken toward Pyongyang over the past several years. This approach was manifest most recently in Japan's April 2009 decision to unilaterally reauthorize and strengthen economic sanctions against North Korea.

### **United States**

Although the United States is certainly concerned about North Korea's nuclear weapons program, many—particularly in Japan—fear that the main priority of the United States has shifted from denuclearization to nonproliferation; i.e. preventing Pyongyang from sharing its missile and nuclear weapon technology with other nations or non-state actors. However, President Obama's April 5, 2009 speech in Prague in which he called for a "world without nuclear weapons," coupled with U.S. indignation in the wake of North Korea's nuclear weapons test seven weeks later, seems to evidence a clear shift back to a focus on denuclearization. Nevertheless,



there is no doubt that the United States is preoccupied with other domestic (e.g. the economic and financial crisis) and foreign policy priorities (e.g. Iraq, Afghanistan, and Pakistan) and has thus far paid little attention to the issue of North Korea.

The lack of continuity in North Korea policy between successive administrations in the United States, Japan, and South Korea represents a third major obstacle to solving the nuclear issue. For example, during the first term of President George W. Bush the United States took a very hard line against the North Korean regime, to the point that there were even less-than-subtle threats that the administration would use military force to remove Kim Jong-il from power. In contrast, during the Bush administration's second term, the United States was much more open to engagement—both through the Six-Party Talks and bilateral negotiations. Over the past eight years the Japanese government's approach to North Korea can be summarized as shifting between engagement (Koizumi), a hard line (Abe), engagement (Fukuda), and a hard line (Aso). Meanwhile, in South Korea the more hard line “non-nuclear, openness, 3000” policy of the current Lee administration contrasts sharply with the active engagement and summit diplomacy pursued by his predecessor—the late Roh Moo-hyun.

The absence of a united front and policy consistency among the five parties has created an environment of indecisiveness, allowing the North Korean regime to effectively exploit policy differences and play governments off one another to great effect. Henceforth, more extensive collaboration—as well as greater cohesion and consistency in policy—among the states involved is absolutely essential.

## **Short- and Medium-Term Policy Recommendations**

The current North Korea nuclear crisis is significantly more serious than that which occurred in 1994. Not only is North Korea's nuclear program now far more advanced, its two nuclear tests represent clear violations

of its past commitments to denuclearize. There is a narrow—and rapidly closing—window of opportunity in which the international community has a chance to prevent North Korea from becoming a nuclear state. Beyond the obvious deleterious effect that a nuclear-armed North Korea would have on regional stability, the international community’s failure to stop its nuclear program would also deal a significant blow to the nuclear Nonproliferation Treaty (NPT) regime and potentially encourage other states to follow North Korea’s example. The damage would be particularly pronounced in the wake of U.S. President Obama’s celebrated speech in Prague mentioned above in which he called for “a world without nuclear weapons.”

Furthermore, persistent media reports of Kim Jong-il’s health problems, as well as domestic political issues related to the transfer of power to Kim Jong-un, Kim Jong-il’s third son and putative successor, have added an additional dimension to the threat posed by North Korea and significantly exacerbated long-existing concerns about regime stability. A transfer of power to a new leader could be a positive development and create an opportunity for a fundamental reversal in Pyongyang’s nuclear policy, or it could have a negative impact if the new regime seeks to consolidate support within the North Korean military through the pursuit of an even more “hard-line” and confrontational policy. The unfortunate reality is that it is simply too early to determine what impact regime change will have on the nuclear issue and whether it will result in changes in the manner of North Korea’s interactions with the international community.

In light of these circumstances and given divergent strategic interests, the common policy objective of the major parties involved should be a soft-landing process that aims to achieve denuclearization and a change in North Korea’s policy toward the outside world concomitant with the power transition currently taking place in Pyongyang. Unfortunately, it may not be realistic to hope for North Korea to make a strategic decision to give up their nuclear devices in the short-term. However, it is clear that the North Korean regime will not be able to survive in the long-term without a set

of measures including normalization of relations with the United States and Japan, the establishment of a peace regime on the Korean peninsula, and economic cooperation with outside powers. This reality may compel North Korean leaders to eventually make a strategic decision to abandon their nuclear weapons. It is essential that the major nations involved in negotiations properly manage this soft-landing process. Success or failure of this effort will have serious implications for regional cooperation and integration. If managed well, the Six-Party Talks may emerge as a significant sub-regional security cooperation mechanism. It is important that the following policy recommendations be seen in this context.

### **Recommendation 1: North Korea Must Never Be Recognized As a Nuclear State**

The international community must not treat North Korea's nuclear tests as a *fait accompli* and recognize Pyongyang as a nuclear power. Doing so would seriously undermine the credibility of the United Nations Security Council, the NPT, and the Six-Party Talks. Some observers have suggested that in the wake of North Korea's first nuclear test in 2006 the focus of U.S. policy has shifted away from denuclearization and toward counter-proliferation, i.e. rather than aiming to end North Korea's nuclear program once and for all the United States is now merely seeking to prevent Pyongyang from selling nuclear technology to third parties. Any such perceived shift in U.S. policy will inevitably give rise to debates in Japan about the credibility of U.S. extended nuclear deterrence, a development which could potentially have a destabilizing effect on the security environment of East Asia. The Obama administration must continue to make unambiguous statements denying these rumors and unequivocally state to both Pyongyang and the international community that the United States will never recognize North Korea as a nuclear power. The joint statement released during the recent summit in Washington between President Obama and South Korean President Lee is a fine example of what is necessary.

**Recommendation 2: Policy Consistency Among and Within the Five Nations Is Essential**

The absence of a united front and policy consistency among the five parties has created an environment of indecisiveness, allowing the North Korean regime to effectively exploit policy differences and play governments off one another to great effect. The five parties must learn from experience. The past six years have clearly demonstrated that disparate policies between different administrations *within* the United States, Japan, and South Korea and the lack of a policy consistency *among* the five nations have seriously enervated denuclearization efforts.

Henceforth, more extensive collaboration—as well as greater cohesion and consistency in policy—among the states involved will be absolutely essential. Faithful adherence to UN Security Council Resolutions 1518 and 1874 by the five parties—in particular China and Russia—will also be crucial. Tensions may deepen among the five nations as North Korea openly challenges the Security Council’s demands. However, it is imperative that the UN resolutions be effectively implemented, particularly as it concerns intercepting North Korean ships suspected of carrying banned weapons and technology. In the event of another North Korean provocation it will be necessary for the five nations to demonstrate a united front by holding a high-level five-party dialogue (to which North Korea will not be invited).

**Recommendation 3: Contingency Planning Is Imperative**

Given that North Korea sees everything through the mirror of power and incessantly threatens military responses to various “acts of war” supposedly committed against it by the international community, the five parties must always be prepared for the possibility of open conflict. It is imperative that trilateral contingency planning—not only concerning military tactics but also with regard to how to evacuate noncombatants and respond to a possible refugee crisis—be carried out in an earnest and discreet manner among Japan, the United States, and South Korea. During the 1994 nuclear crisis efforts to engage in trilateral planning failed to get off the ground. Instead, discussions were held bilaterally

between the United States and its alliance partners. This time, trilateral contingency planning, coupled with regular consultations with China and Russia concerning these plans, will be essential.

#### **Recommendation 4: A Comprehensive, Negotiated Settlement Is the Only Practical Way Forward**

In order to make a negotiated settlement possible, the five parties must demonstrate a willingness to present a united front and assertively counter any provocations by North Korea. At the same time, the five parties must also show that they are willing to provide a comprehensive settlement that will address North Korea's concerns. In exchange for verifiable denuclearization and a clear commitment from North Korea to seriously reform the manner of its interactions with the outside world, the five parties must provide a number of carrots, most importantly: 1) normalization of relations between North Korea and the United States and Japan and 2) the establishment of a permanent peace regime on the Korean peninsula.

#### **Recommendation 5: The Six-Party Process Must Continue; Informal Negotiations Will Be Necessary Before the Six-Party Talks Can Resume**

It is unrealistic to expect that North Korea will abruptly decide to come back to the negotiating table and resume the Six-Party Talks. Rather, informal dialogue will be necessary in order to lay the groundwork for meaningful negotiations. To this end, when circumstances are appropriate for dialogue the United States must engage in a series of bilateral talks with North Korea concerning its nuclear development and the process of normalizing bilateral diplomatic relations. Negotiations between North and South Korea must also be restarted. For its part, Japan must be prepared to negotiate diplomatic normalization based upon the 2002 Pyongyang Declaration. As far as the abductees issue is concerned, the two sides must establish a fair and verifiable process to investigate the truth about those Japanese citizens still unaccounted for by Pyongyang. Parallel dialogue

on these issues conducted under the umbrella of the Six-Party Talks is the only realistic way to achieve a comprehensive settlement.

In order to have any hope of success these informal talks must be convened at a sufficiently high-level with the full and complete backing of each nation's top leadership.



# Implications of Strategies to Deal with North Korea for Regional Cooperation and Integration

Sung-han Kim

## **Multilateral Efforts toward Denuclearization**

The Six-Party Talks (SPT) on the North Korean nuclear problem reached a significant agreement on September 19, 2005. It bolstered the relevant parties' hopes to resolve the nuclear program through rational dialogue and negotiation. Since the September 2005 agreement relied on "creative ambiguity," however, many difficulties have ensued in the process of clarifying the ambiguity.<sup>1</sup>

Initially, the Bush administration took a very hard line stance vis-à-vis North Korea, rejecting bilateral talks, but seeking a Libya-style, "one sweep" CVID (complete, verifiable, irreversible dismantlement) of the nuclear program, and all nuclear material and weapons. However, all this changed when the Bush administration reversed its position after the testing of a nuclear weapon by North Korea in October 2006. The United States was then able to reach an agreement with North Korea by pursuing bilateral negotiations and by agreeing to follow a step-by-step approach in the denuclearization process. This agreement required that North Korea freeze its nuclear activities, and declare and disable its nuclear facilities and nuclear program. In return, the United States would provide food



and energy, take North Korea off the list of states supporting terrorism, and provide security assurances.

The U.S. decision to take North Korea off the terrorism blacklist and the verification protocol that was negotiated between the United States and North Korea had both merits and demerits. With this agreement, the Bush administration managed to keep the game going—that is, keep the framework of negotiation operative. Before the end of the Bush administration, the United States had also accomplished a freeze (and possibly the continuous disabling) of the plutonium part of the DPRK nuclear program. It had also managed to prevent an additional “crisis” such as another bomb-testing, or the complete reversal of disablement.

However, the agreement fell far short of what many in South Korea, Japan and the United States thought was necessary. Among several short-comings, it failed to directly address the uranium enrichment and nuclear transfer issues; required mutual consent for inspection of undeclared sites; and most significantly glossed over the issue of nuclear bombs that North Korea was supposed to possess. As such, South Korea reluctantly accepted the agreement; Japan reacted negatively towards it; and China was the only country that probably genuinely welcomed it.

Nevertheless, many were hopeful that the Obama administration would pick up quickly where the Bush administration left off on the nuclear issue. However, at some point, North Korea seems to have decided to start producing nuclear materials and building nuclear facilities again, and decided to turn their nuclear and missile programs into a full-blown reality.<sup>2</sup> Despite the “friendly” gesture from the Obama administration, which was epitomized as “tough and direct diplomacy,” North Korea test fired a long-range rocket on April 5 and conducted another nuclear test on May 25 in the year of 2009. As a result, North Korea has faced the United Nations Security Council resolution 1874, which marks the most potent set of sanctions since the outbreak of the Korean War. It seems that North Korea is not interested at present in any grand bargain

with the United States and that its top priority is to be recognized as nuclear weapons state.

## **North Korean Nuclear Problem and Prospects for Northeast Asian Integration and Cooperation**

### **No More Salami Tactics**

A strong message was delivered from the Rose Garden to Pyongyang. “We agreed that under no circumstance are we going to allow North Korea to possess nuclear weapons,” South Korean President Lee Myung-bak told reporters after he and President Obama held a morning-long summit meeting on June 16. Obama was equally emphatic about the need to defang the North Koreans by saying that “we will pursue denuclearization on the Korean peninsula vigorously.”

In addition, both leaders agreed that North Korea’s provocations have been ‘rewarded’ as the international community offered fuel, food and loans in exchange for promises of good behavior that are eventually broken. They said in a single voice that “we are going to break that pattern.” President Obama also said that North Korea would not find security or respect through threats and illegal weapons. This was a firm warning message against North Korea, which has been relying on the so-called ‘salami tactics’ that slice an issue into pieces so that it may maximize its benefits through negotiations over each sliced issue. In this light, the United States and other participating countries of the Six-Party Talks are expected to explore a package deal, not a step-by-step deal, by putting all issues on the table and striking a deal all at once. They already purchased North Korea’s horse twice through the Geneva Agreed Framework of 1994 and the February 13 Agreement of 2007, which means they will never buy that horse (the “freezing” of the nuclear weapons development program) a third time. North Korea must dismantle nuclear facilities and eliminate nuclear weapons in a complete and verifiable manner.

The final goal in the resolution of the North Korean nuclear problem is the realization of a “denuclearized, WMD-free Korean peninsula.” This

includes comprehensive arms control: conventional and biochemical weapons as well as nuclear dismantlement. Hopefully, this will lead to the creation of new peaceful order in the region through the normalization of tri-national relations among South and North Korea and the U.S. The principles of the settlement of the North Korean nuclear weapons problem are as follows: 1) Both North Korea's possession of nuclear weapons and war on the peninsula must be prevented; 2) North Korea's nuclear weapons issue is not only limited to its relations with the U.S., but also to those with South Korea; 3) While based on cooperation among South Korea, Japan and the U.S., efforts should also include help from other related countries; 4) Both carrot and stick should be used; 5) There should be preparations for the worst-case scenario in which North Korea turns down the dialogue and chooses nuclear armament. The North Korean nuclear issue is accepted as part of the international agenda beyond the issue of Korean peninsula. Thus, instead of "Korean exceptionalism," the concept of "international universalism," which is based on denuclearization and non-proliferation, should be applied.

For the past several years, South Korea and the United States have focused upon the North Korean nuclear problem from a "technical" perspective. They did not have a "macro perspective" in which they may discuss how to deal with such issues as the North Korean humanitarian situation, political contingencies, conventional military threats, etc. The uni-dimensional focus on the nuclear issue has led to perception and policy gaps between Seoul and Washington, thereby hampering a comprehensive and strategic approach to the "North Korean question" as a whole. While the nuclear issue was the basis for continued need of the alliance, i.e., proof that the "threat" is real, they differed on understanding of the matter and the solution. While the U.S. North Korea policy focused on nuclear non-proliferation, South Korea's main concern was the possibility of a war on the peninsula if diplomatic efforts should fail. Policy priorities thus showed a clear difference. In this light, all concerned parties, let alone South Korea and the United States, from now on need to deal with North Korea in terms of the North Korean question.

### **Slim Prospects for Northeast Asia Peace and Security Mechanism**

For the Northeast Asian peace and security mechanism (NEAPSM) to be materialized, the North Korean nuclear problem should enter the stage of nuclear dismantlement. Then, SPT and the Peace Forum may produce a synergistic effect to realize denuclearization and to establish a permanent peace regime on the Korean peninsula.

In Northeast Asia, bilateral security arrangements will remain the backbone of Northeast Asian security for a considerable period of time. Despite the strategic uncertainty and prevailing bilateralism, Northeast Asia needs to search for such a multilateral setting as the Northeast Asia Security Dialogue (NEASED) that was proposed by the Korean government in 1994. The United States, Japan, and South Korea should try to make it feasible and also actively participate in the multilateral activities at the Track-II level.

When the Northeast Asia multilateral security dialogue is launched, Korean peninsular issues will be discussed. But they will not be the sole or central issue of discussion. The multilateral dialogue in Northeast Asia will deal with a broad range of issues related to regional security including traditional political and military issues as well as non-traditional trans-border security threats.

By the way, a Northeast Asian peace and security mechanism should be pursued in a way which is consistent with and conducive to the progress on the North Korean nuclear problem. A charter of the NEAPSM emphasizing multilateral security cooperation and non-aggression could be used by North Korea to legitimize its nuclear power status. As long as inter-Korean relations remain unstable, real peace and stability in the region will be remote. Tangible progress in inter-Korean relations should be the precondition to guaranteeing the stability of Northeast Asia. For South and North Korea, participation in such a multilateral security mechanism could contribute to establishing a solid peace regime on the Korean peninsula.

## **Policy Recommendations**

### **Making Diplomacy Workable**

The Six-Party Talks constitute the place in which each party, except North Korea, is fully committed to diplomatic resolution of the North Korean nuclear problem. That diplomacy, however, needs to be engineered so that North Korea may not be tempted to buy time for its own sake even if North Korea returns to SPT. In this sense, the elements of “coercive diplomacy” should be considered in policy consultation processes among the concerned parties. For “coercive diplomacy” to work, it is necessary for the coercer to set clear objectives and to show strong leadership so that its message may not be disjointed.<sup>3</sup> The message is that the United States is seeking both denuclearization and non-proliferation and that it would not allow North Korea to become a nuclear power at any cost. The United States should make every effort to get this message to be shared by its allies and friends.

In this light, the United States and other concerned parties including Russia should be clear regarding the precise terms of settlement in the crisis. If specific conditions are not clearly spelled out, the target of coercive diplomacy may continue to resist. The carrot and the stick should thus go together. Inducements or punishments are the key. Carrots for North Korea may include economic and energy assistance, security assurance and diplomatic normalization, while sticks such as international pressure and economic sanctions will be toughened, if North Korea continues to resist.

### **Inducing China to Use Leverage**

There are two variables in China’s Korean peninsula policy: 1) China needs to avoid confrontation with the U.S. over Korean peninsula issues so that it can maintain continued economic growth; and 2) China needs to keep its strategic leverage over North Korea and it thus sends the message to the U.S. that the U.S.-N.K. relationship, even if normalized, should not replace the China-N.K. special relationship and that China instead would not seek the China-ROK relationship as a substitute for the U.S.-ROK alliance relationship.

Then, questions arise: 1) To what extent is China willing to exert its influence over North Korea?; 2) Does China want ultimate resolution of the North Korean nuclear issue or just to try to “manage” it?; 3) Is the U.S.-China cooperation over the North Korean nuclear issue strategic or tactical?; and 4) Is the North Korean issue coupled with the Taiwan issue from the perspective of the U.S.-China bilateral relationship?

Washington first of all needs to go beyond its recognition of North Korea as a sovereign state. In addition to providing some preview clips for a blockbuster, it needs to send a message that Washington can take the path of rapid decline. With a louder whisper that is both sincere and determined, then, Beijing can continue to convey the messages that North Korea cannot be a nuclear nation even though Beijing understands North Korea’s concerns and will conditionally continue to support the DRPK if Pyongyang negotiates and reforms its economy.<sup>4</sup>

### **Being Prepared for Failure of Diplomacy**

What if North Korea closes the window of opportunity? It won’t be able to survive the nuclear deadlock. North Korea’s future is not to be assured by the U.S. or others because North Korea, like the former Soviet Union, is facing systemic contradictions. The real threat for North Korea could come from within, not from outside, unless its own fallacies are well managed. It is true that North Korea is changing as we can see in the cases like the introduction of capitalist economic measures and the participation in the industrial project with the South in *Gaesung*. South Korea is willing to help North Korea to be successful in the *Gaesung* project. But, this would not be possible without North Korea’s cooperation on the nuclear problem.

Being prepared for the failure of negotiations also will be important. The prospect of a North Korea with a growing nuclear weapons arsenal could create new stresses for the ROK-U.S. alliance as well as the major powers relationship in Northeast Asia. The danger will be another perception and policy gap, this time between Washington’s fears of nuclear exports and Seoul’s concern that it will have to live with a nuclear North Korea.

Things could be worsened if North Korea takes the path of becoming a nuclear power and continues to make the stakes higher. The reality is that a nuclear North Korea is likely to be virtually isolated from the international community. In this sense, Washington and Seoul should also be prepared to deal with the consequences of a possible collapse of North Korea. While such joint planning has taken place in the past, it should be updated to deal with key humanitarian, political/legal, security and economic issues. Regional cooperation will be essential in coping with these potential problems.

Against this backdrop, North Korea should take the opportunity to become a responsible member of the international community rather than trying to buy time to improve its nuclear capability. When all five concerned parties of the Six-Party Talks agree that the failure of enhanced diplomacy is attributable to Pyongyang, they will have no other options but to transform the Six-Party Talks into a punitive coalition against North Korea.

### **Realizing Multilateral Security Cooperation**

Many advocate multilateral security cooperation, believing that a bilateral military alliance is an anachronism and a vestige of the post-Cold War era. They call for the establishment of the Northeast Asian Multilateral Security Dialogue to include South and North Korea, Japan, China, Russia and the U.S. It is essentially a scaled-down version of OSCE (Organization for Security and Cooperation in Europe). There are two different views: Some say that the ROK-US alliance should be replaced by multilateral security cooperation, while others want a complimentary role for such multilateral cooperation within the framework of an alliance with the U.S.

While it may sound paradoxical, a “healthy” alliance with the U.S. is a prerequisite to realize multilateral security cooperation in Northeast Asia. The U.S. did not oppose the expansion of OSCE because Europe acknowledged the “privilege” of the U.S. in Europe by keeping NATO alive even after the end of the Cold War. The same applies to Northeast

Asia: multilateral security cooperation in Northeast Asia can be realized when the U.S. has confidence in its alliances with South Korea and Japan. Since multilateral security cooperation can be instituted only when the ROK-US alliance is well maintained, South Korea's security policy should be so directed. When a strategic alliance covers the human security issues that are being dealt with mainly by the multilateral forum, it is more likely to be compatible with multilateral security cooperation mechanisms.<sup>5</sup>

## Chapter Endnotes

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1. For example, there is no disagreement that the ultimate aim is to denuclearize the peninsula. However, the meanings the participants attach to the words differ significantly. When South Korea and the United States say the peninsula must be denuclearized, they mean complete dismantling of all North Korean nuclear programs encompassing weapons-usable plutonium and a suspected uranium enrichment program. North Korea, on the other hand, feels that once it dismantles all its nuclear programs, including power facilities, then South Korea must do the same. The North also alleges the U.S. troops stationed in the South have nuclear weapons.
2. Han Sung-Joo, "North Korea's Hard-Line Behavior: Background & Response," *Korea Chair Platform* (July 2009, CSIS).
3. Regarding prerequisites for the success of coercive diplomacy, see Alexander George & William Simons, eds., *The Limits of Coercive Diplomacy* (Boulder, CO: Westview Press, 1993).
4. Anne Wu, "What China Whispers to North Korea," *Washington Quarterly*, Spring 2005.
5. Kim Sung-han, "Searching for a Northeast Asian Peace and Security Mechanism," *Asian Perspective*, Vol.32 No.4, 2008, pp.127-156.





# The Trajectory and Implications of China's Continuing Rise for Northeast Asian Regional Integration

Hugh White

## Introduction

If it can be sustained, China's remarkable rise constitutes one of the great geopolitical transformations of history. Its trajectory and implications are central both to East Asia's future, and to why that future matters so much to the rest of the world. It is hardly an exaggeration to say that the global order of the new century will most probably be made, or broken, in Northeast Asia, on the basis of how this region adjusts to and accommodates China's rise. The notional "ideal" security state for Northeast Asia developed at the April workshop in Montana provides an excellent framework for considering critical questions about how this may happen, and what we should do about it. The aim of this brief and informal paper is to help nourish discussion at our Kanazawa meeting by doing three things: describe the issues for Northeast Asia's regional order posed by China's rise; examine the alternative futures which these issues might lead to; and identify the steps that could be taken over the next few years to make good outcomes more likely and bad ones less so.

This analysis will take seriously the project's 2025 time horizon. This is important. Discussion of the best way to respond to China's rise is often

framed in unrealistically short timeframes, focusing on the analysis of current trends and the management of contemporary issues. Indeed we often consider the future of U.S.-China or China-Japan relations on the basis of the tone of the relationship in recent years and the success or otherwise of efforts to manage contemporary bilateral, regional and global issues.<sup>1</sup> Of course the management of current issues is an important, indeed necessary, foundation for long-term harmony. But it is not sufficient: the deeper and in the end more demanding and more important requirement is to start now to build new ways of dealing with China which take account of its growing power and will provide a framework for long-term stability in Asia and beyond, not just a palliative for current headaches. Surely it is the laying of these deeper foundations of future peace and order which should be the highest priority for statesman and policy analysts alike.

***By 2025...***

By 2025, if it keeps growing, China could have overtaken the U.S. to become the richest country in the world in PPP (purchasing power parity) terms,<sup>2</sup> or be so close to it that China's eventual ascent to the pinnacle of the global economy seems simply a matter of time. Of course this is not certain. It remains quite possible that China's growth will falter, for any one of a large number of reasons: political, social, economic, environmental, or a combination of some or all of these. If so we will face some important challenges, but they will be in a sense familiar ones. The world has dealt before with a weak and dysfunctional China, and though some of the specific problems that a future weak China may pose for Northeast Asia may be new, the overall situation would be one we have managed before within the present global system. This is not so of the challenges we may face if China keeps growing. By 2025 China would then present to the world an entirely new phenomenon: a country of well over one billion people with per capita incomes approaching OECD levels. We have no idea how the modern international system deals with such a state. So while there are risks if China's growth stalls, there are much larger risks if it does not.

Moreover the likelihood that China will keep growing is quite high. The basic engine of China's growth is the shift of people to higher productivity jobs, and that process is not yet half completed. China still has hundreds of millions of low-productivity workers yet to be drawn into the high-productivity economy. They embody the potential for a lot more growth yet, if the process of transition can be sustained. It is natural to think that China's authoritarian political system is too fragile to do that, but what is the evidence for that? We can no longer assume that China's unique mixture of Leninist politics and market economics is an unsustainable anomaly. Over the past thirty years successive generations of Chinese leaders have proved as effective and adaptable as any in history. They have identified problems and responded to them as necessary to keep the growth going, and in the process the leadership itself has evolved. Where is the hard evidence that China's leaders will be less adaptable and effective in future?

So this essay adopts as a working hypothesis that China will keep growing fast enough to overtake the U.S. in economic power within a few decades. This will have profound implications for Northeast Asia's order. American strategic primacy has been the foundation of Northeast Asian stability and order for a century, and since the early 1970's the fact that U.S. primacy has been uncontested by other Asian major powers has underwritten the most stable and prosperous era in Asia's history. The sources of American strategic primacy are complex, but ultimately it seems hard to argue that the most fundamental source of American strategic power and political influence is economic strength. If so, then as China's economy grows, America will no longer enjoy the strategic and political advantages that its unchallenged economic primacy has provided for so long. This suggests that the U.S.-led order that has been instrumental in Northeast Asia's decades of peace and prosperity cannot be expected to survive in its present form—or perhaps at all. Indeed it suggests that attempts to preserve the U.S.-led order as China's power grows may run more risks of competition and conflict than constructive and deliberate efforts to adapt the order to new power relativities by conceding some measure of leadership to China.

To many of us in and around Northeast Asia—and not just Americans—this will seem an unwelcome, counter-intuitive conclusion. Certainly from an Australian perspective there is no doubt that continued U.S. primacy would be by far the preferred outcome. The question however is not whether in 2025 a U.S.-led order is desirable, but whether it is achievable as China's power grows, and whether attempts to sustain U.S. primacy in the face of China's growing power might not do more harm for regional stability and order, and make it harder to achieve an "ideal state," than allowing it to be replaced by something else that allows China more elbow-room. Some will call this defeatist. I would say it's simply realistic, because there is simply no reason to believe that China will continue to accept a subordinate position to the U.S. in Northeast Asia's strategic order as its power approaches and eventually overtakes America's. There are very few examples in history of powerful countries refraining from seeking political strategic power as their economic power grows. Post-war Japan is perhaps the only relevant one. To expect China to continue to accept U.S. primacy as the basis for order in Asia as its power grows is to expect it to behave like Japan. That is both improbable, and also in a way unreasonable. Viewed from China's perspective, why *should* they refrain from seeking the political and strategic benefits of their economic achievements? Of course one good reason would be that such a move would threaten regional order. But from China's perspective their leadership would pose no threat to regional order. They no doubt believe that Northeast Asia could build a perfectly stable order in which China plays a larger leadership role. Indeed from their perspective, the risk to regional order might come not from China's desire to expand its leadership role, but from America's determination to thwart it.

## **Optimists and Pessimists**

These are tough issues. Much of our thinking about Northeast Asia's strategic future is polarised between optimism and pessimism about how they might be resolved. The optimists expect that in an era of globalization, when prosperity so obviously depends on peace, the invisible hand

of mutual self-interest will steer states towards a stable and sustainable order in which the risks of strategic competition and conflicts are sharply reduced by tacit mutual consent, and without any special effort on anyone's part. There is something in this: clearly all states have an immense shared interest in maintaining a regional order which allows trade, investment and integration to flourish. But to assume that this makes the emergence of such an order inevitable is to underestimate humankind's capacity to act contrary to its own clear interest. Moreover to assume that such an order will emerge automatically underestimates the compromises and sacrifices that would be needed to bring it about.

The pessimists, on the other hand, believe that conflict is inevitable when rising powers challenge established ones.<sup>3</sup> They see no alternative to intensifying strategic competition between the U.S. and China as China's power grows, and therefore see little point in efforts to avoid it, especially if those efforts involve compromises and concessions to a country that they expect to become a strategic adversary in the more or less near future. It is notable that the pessimists seem to remain relatively optimistic about the course and outcome of such competition; they expect that it can be relatively quickly and easily settled—in their side's favour. I suspect they are wrong on both counts. There is no reason to assume that Northeast Asia cannot peacefully build a new cooperative strategic order which accommodates China's power and protects the key interests of all the other stakeholders. Nor is there any reason to assume that if they don't, and sustained strategic competition breaks out instead, it can be contained within 'acceptable' limits and resolved to anyone's advantage. More likely it would escalate into a prolonged, debilitating Cold War, or worse a prolonged and inherently unwinnable hegemonic conflict with the most appalling consequences for the whole region and beyond.

## **The Alternative**

Both the optimistic and the pessimistic perspectives on Northeast Asia's future have their own distinct appeal. It is seductive to think that peace

will flourish without the need for us to make difficult compromises and sacrifices. Likewise to many there is something bracing and uplifting about the prospect of an approaching competition which is inevitably conceived in Manichean terms. Both perspectives offer the great advantage that they preclude the need for anything to be done now. But neither offers a credible route to the kind of ideal future for Northeast Asia that we are exploring here. For that it seems—as the first clause of our blueprint makes clear—that we need to envisage a future for Northeast Asia in which strategic power is shared between the strongest states in a way that protects and respects the most vital interests of each of them, and protects the interests of the less powerful states as well.

There is a ready model for a regional order like this—the Concert of Europe of the nineteenth century. Many authors have noted how it might serve as a starting point for thinking about a stable strategic order in Northeast Asia that accommodated China's future power.<sup>4</sup> My focus here will be to explore what such an order might mean in practice, and what would be involved in building it. Let's start by looking at the idea of a concert-based order. Its essence is a sustained consensus among a group of states that avoidance of conflict or debilitating competition among them is the most important interest for each of them. A concert is therefore an order which elevates the preservation of peace above all other values and interests—not just status and profit but justice too. Whether this is sustainable depends on how serious any breakdown of order might be, and how egregious the violations of justice that need to be tolerated to prevent such a breakdown. This is of course the perennial dilemma of statecraft—at its worst, the fateful choice between Dachau and Verdun.

To keep the peace, a concert of power must incorporate all the major powers in a strategic system. Indeed we might define a major power as one who must be engaged in a concert if it is to succeed in keeping the peace. In Northeast Asia today that means China, Japan and the United States. In future this small group might expand. Today Russia, though clearly an important player, lacks the strength and engagement to be a

major power in Northeast Asia. That could change by 2025, but for the time being we can leave it out. Likewise by 2025 India's power could have grown to the point that it becomes a major power in an expanded Asian strategic system. But in the first instance the challenge is to build a stable concert of power covering the U.S., China and Japan, and this will be my focus in what follows.

The first requirement for a concert is equal status among the parties. A concert is fundamentally a set of relationships among equals, and to build and maintain a concert means to develop and sustain relationships of equality between the parties. What does that mean in practice? First, each party must absolutely accept and respect the legitimacy of the political systems, institutions and governments of the other parties. Second, each must accept, within wide limits, the inherent legitimacy of the international interests and objectives of the others, even where they run counter to their own. The nature and scope of those limits is of course a key issue, to which we will return. Third, each party must accept that the others will build armed forces to defend and promote their legitimate interests, and that others' forces will constrain one's own strategic options. Finally, each party must be confident that the others remain committed to the concert—in other words that they remain concerned to keep the peace above all else. This requires the maintenance of a rough balance of power among them, and implies that a concert is best seen as a special case of a balance of power system, rather than an alternative.

## **Composing a Concert**

There is nothing inherently difficult about building a concert system encompassing the U.S., China and Japan between now and 2025. However the practical and political obstacles are formidable, because the choices and sacrifices involved for each of these three countries are very demanding, going to core questions of national identity and aspiration. These questions are not to be avoided as Northeast Asia is transformed by China's rise. It is often tempting to think that adjusting the regional order to new power



relativities is simply a matter of redesigning the region's institutions and multilateral forums. But regional institutions reflect rather than create or constitute the regional order, and to remake the order itself it will be necessary to change the expectations and approaches which the individual states themselves bring to their interaction with others, not just the forums in which those interactions take place. A good way to explore how to approach our ideal security state for Northeast Asia in 2025 is therefore to consider the choices and options that each of the region's three major powers will have to address if they are to construct a concert of power between them.

### **United States**

It is appropriate to start with the U.S., for it faces the hardest and most pressing choices. This may seem an unexpected judgement: most discussions of Asia's future pay more attention to China's choices, on the assumption that China has first to decide how it will use its power, and only then need America decide how to respond. But this is not entirely so. As the established leader, still with the most power and still with the most to lose, America's choices seem likely to do more to shape China's than vice-versa. As things stand today, and in the light of what we already understand of China's trajectory, it is for America to decide how it responds to China's rise. But because this is not widely accepted, the nature of America's choices is not much discussed. Indeed the need for America to make fundamental choices at all is seldom acknowledged. It is assumed that America's aim is to preserve the uncontested primacy it has exercised—to everyone's benefit—for the past four decades or more. The question is seen to be how that can best be done in the new circumstances created by China's rise. The real questions—whether it can be done at all, and if not what should be done instead—are hardly considered.

One reason is a reluctance to accept that China's rise does mean the end of U.S. primacy. One can sympathise with this scepticism to some extent. American decline has often been predicted, usually by those who hope to see it happen. It is easy to dismiss today's debates as reruns of these old tunes.

But that would be a mistake: this time the challenge is different, based for the first time on a fundamental shift in economic power. True, America may stay ahead in the hard power of armed force and the soft power of ideas and culture for some decades after it loses economic primacy to China, but will that be enough? Can American arms compel acceptance of its leadership when American wealth can no longer command it? And can America assume that others, including even China itself, will accept that only American primacy can ensure peace and prosperity? I wouldn't bet on it. Most people in the Western Pacific welcome U.S. primacy as a source of stability, but that does not mean they cannot conceive stability based on anything else. Indeed the risk for them, and for Americans themselves, is that U.S. efforts to preserve primacy might actually come at the price of stability and order.

This suggests that the U.S. does indeed face a basic choice about how it responds to China's growing power. Does it slowly abandon a leading strategic role in Asia, as the Europeans did? Does it contest China's challenge to its primacy, aiming to preserve that primacy despite the shift in economic weight across the Pacific? Or does it retain a strong role in Asia, but abandon primacy and agree to share power with China and other major powers? Let's look briefly at each of these options.

Most of us dismiss the possibility of a U.S. withdrawal from Asia. That question, it seems, was settled in the 1990s when, after the Cold War, the U.S. reaffirmed its enduring commitment to Asia despite the collapse of the Soviet threat. But in strategy no question is ever closed for good, and it might be a mistake to think that this one could not be reopened. Of course America will always have interests in Asia, but will those interests be of a scale and nature to justify the costs and risks of sustaining a leading strategic position here? Twenty years after the Cold War ended, the question remains: what on this side of the Pacific matters enough to America to risk losing Los Angeles? It was one thing for America to choose to remain engaged in Asia when it enjoyed uncontested strategic primacy here: quite another to do so in the face of China's challenge. So, while

this is by far the least likely of the three choices America could make to China's rise, it cannot be ruled out that by 2025 the U.S. may have begun a slow process of retrenchment in Asia.

It is much more likely that America will choose to compete, contesting China's challenge to its primacy in Asia. There is a risk this becomes the "default" option—the option America ends up with if it does not make a conscious choice. Elements of this approach have emerged in recent years, through the incubation of the idea of a coalition of democracies in Asia including Japan, South Korea, Australia and India. It is natural to think that with these countries' support America could meet China's challenge. But there are real questions about it. Would these countries—especially India—be willing to subordinate their regional roles and aspirations to support American leadership? Would they be willing to pay the costs in terms of worsening relations with China? And how comfortable can we be that the ensuing strategic competition would be managed well enough to prevent escalation to conflict, or indeed that in the long run America could win it? The default option turns out to be high-risk.

Which brings us to the third choice—the one that would help build a new concert of power in Asia—sharing power with other major powers. This is the option that would do most to promote the ideal security state in Northeast Asia in 2025, but it is also the hardest to deliver. Consider what would be involved. It would presuppose that the U.S. would treat China as a full equal in every dimension of international relations. It would have to accept unreservedly the legitimacy of China's political system and government, of its international interests even when they conflicted with America's interests, and of its growing military power even though it significantly limits U.S. strategic options. None of this would be easy. It would be a significant step back from the primacy that America has exercised in recent decades, and which many have expected it to exercise in the new century. It would probably be unprecedented for the U.S. to build a relationship with a major power on these terms.

And it would only make sense if the alternative of strategic competition would be worse. But that is a real possibility in the Asian century. As Asia changes, America's choices are changing too. For many decades, America has not faced a choice between primacy and peace in Asia, because primacy has been the foundation of peace. In future Americans may face a choice between primacy and order. And that will pose the question: is primacy an end in itself, or just the means to a higher goal?

Of course none of this could be unconditional. U.S. acceptance of China as a legitimate equal would depend on China's willingness to conform to accepted norms of international conduct. But what are those norms, and where are the limits? What conduct by China should be considered unacceptable? Two possible answers come to mind. On the one hand, China could be required to accept the international order in Asia as it has worked in recent decades: that is, to accept U.S. primacy. Alternatively, China could be held to a much broader set of norms—essentially those that are set out in the UN Charter. This choice of norms is another way to frame America's choice about how it responds to China's rise. Does it regard U.S. primacy as necessary for a peaceful and stable order in Asia? Or would it be satisfied with an order that supports the norms embodied in the UN Charter? I would suggest that if U.S. primacy can only be maintained at the risk of systemic strategic competition and conflict, then we'd be better settling for an order that met the standards of the UN Charter. Is that possible? Much here depends on China's choices.

### **China**

What will China want to do with its power as it grows? Of course no one knows, but nearly four decades after Nixon went to Beijing we have some basis for prediction. Clearly China has a big stake in order, and will seek an order that suits its interests, balancing aspirations, costs and benefits. The question is what kind of order that might be. Nothing in China's international conduct over the past four decades—even, I would argue, its approach to Taiwan—gives grounds for fear that China expects or intends to build a hard hegemony in Asia backed by armed force, on the model of

Soviet rule over Cold War Eastern Europe. On the other hand, as we have seen, it would be strange if China did not seek some kind of leadership role in East Asia as its power grows. Its ideal outcome may well be to establish in the Western Pacific something like the kind of soft hegemony that the U.S. has enjoyed for so long in the Western Hemisphere—a kind of Monroe Doctrine for East Asia. That would provide China with clear regional leadership and a sphere of influence which nonetheless broadly conforms to the UN Charter's norms for international conduct—provided that the other countries of the region acquiesced to it.

There of course China has a problem. Almost every country in East Asia could probably be brought to accept Chinese soft hegemony on the Monroe model—except Japan. Chinese analysts often tend to underestimate Japan's strategic weight, and hence its ability to frustrate Chinese aspirations, but it must be clear that Japan is too powerful to ignore, or cower. China must also recognize that if the U.S. chooses to stay engaged in Asia, it can prevent the emergence of a stable regional order under Beijing's leadership. China too then, like America, faces a potential choice between primacy and order. We might hope then that China's leaders will understand that the establishment of a Chinese-led order would be more trouble than it would be worth. On balance their interests too would be better served by a Concert of Asia. So it seems reasonable to expect that China could be persuaded to settle for an equal role in Asia's new order.

However, just as building a concert in Asia would require big concessions from America, so too would it require big concessions from China. Beijing would have to forgo aspirations for Monroe-style primacy, and accept instead a position of one among equals in Northeast Asia's leadership structure. It would have to accept the limits that U.S. power would impose on China's freedom of maneuver. Harder still, it would also have to accept Japan as an equal partner, and a legitimate major power in its own right. That would be very hard for China indeed. To see why it would be necessary we need to look at Japan's situation.

## Japan

As China's power grows, Japan's strategic situation becomes more and more awkward. Notwithstanding the improved tone of relations in recent years, China has been much less successful in reassuring Japan about its growing power than any other country in Asia. We all understand the historical background to this. But the fact remains that for good and understandable reasons, Japan fears that the more powerful China becomes, the more its freedom of manoeuvre will be limited and its interests threatened. Japan today depends on the U.S. to protect it from China's growing power. The credibility of that policy depends on Japan's confidence that the U.S. would always put Japan's interests ahead of China's when they conflicted. The closer U.S.-China relations become, the less confident Japan can be of that, and the less secure it feels. Viewed from Tokyo, in other words, Japan's security depends on the U.S. and China not becoming too close. That means Japan finds itself depending for its security on a certain level of tension between its two most important trading partners. This hardly seems sustainable for Japan.

It also poses an acute dilemma for America. Its position as Japan's security guarantor is fundamental to its leadership role in Asia, and "losing" Japan would be a huge setback. But to keep its status as Japan's protector, America cannot build the kind of close, cooperative relationship with China that would seem essential to a peaceful future for Northeast Asia. Moreover we can hardly imagine a concert of equals in Northeast Asia in which the U.S. and Japan come to the table together. Japan and the U.S. together are not strong enough to resist China's pressure for a more equal role in Asia's future order, but they are too strong to work together with China in a system of equals. This leads to the disquieting conclusion that a stable future for Northeast Asia may require Japan to emerge from its post-war posture and begin to function again as an independent great power in its own right. To many this will seem risky, but those risks would be minimised if a strategically-independent Japan operated within the constraints imposed by a concert structure. That may come to seem preferable to the risks inherent in the status quo, if as I have suggested

the current U.S.-Japan relationship precludes the development of a stable cooperative U.S.-China relationship.

This too then poses big choices for Japan, which has hitherto shown little capacity to explore its future strategic options in a calm, effective way detached from highly emotive and sometimes inflammatory interpretations of the past. There is no inherent reason why Japan should not function as a fully responsible independent great power in Asia, but there is no sign that it has thought much about how to do it and what would be required. Letting go of America would be the hardest thing Japan has done for many decades.

## **Conclusion**

My key theme in this paper has been to suggest that a necessary condition for the kind of ideal security state in Northeast Asia envisaged by this project is the evolution of a new strategic order which accommodates China's growing power. This judgment is based on the view that the U.S.-led order which has served Asia so well since the Vietnam War cannot be sustained as China's relative power grows. We should not be too pessimistic about our ability to build a new order that preserves the stability of recent decades while accommodating China's power, but nor should we be complacent about how hard that would be. It would require major compromises and concessions from all parties. Reaching those compromises would pose real political challenges domestically in each of the major powers. It may be that the essential first step to building a stable new order in Asia is to start to educate publics throughout the region about the magnitude of the changes we face, the seriousness of the risks if the transformation of Asia is not well managed, the very real prospects that we could manage them effectively, and the necessity therefore for substantial compromise from all sides. It's a big ask.

## Chapter Endnotes

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1. For a recent example of this approach, see Thomas J. Christiansen "Shaping the Choices of a Rising China: Recent Lessons for the Obama Administration" *The Washington Quarterly* June 2009 pp. 89–104.
2. The Australian Government's recent Defence White Paper predicts, presumably on robust rounds, that China may overtake the U.S. as early as 2020. Commonwealth of Australia *Australia's Security in the Asia-Pacific Century: Force 2030* Department of Defence Canberra 2009 para 4.23.
3. See for example John J. Mearsheimer *The Tragedy of Great Power Politics* Norton, New York, 2001.
4. See for example "U.S.-China Relationship and Asia-Pacific Security: Negotiating Change" *Asian Security*, Vol. 1, No.3, December 2005, pp.216–244 and Nina Hatchagian and Mona Sutphen: *The Next American Century: How the U.S. Can Thrive as Other Powers Rise* Simon Schuster New York 2008. In some ways this view of America's future in Asia might seem to resemble the offshore balancing role proposed by Layne and others (For example, Christopher Layne, *The peace of illusions: American grand strategy from 1940 to the present*, (Ithaca, NY: Cornell University Press, 2006)). But my impression is that Layne at least envisages a greater degree of enduring U.S. primacy than I suspect is sustainable.





# The Trajectory and Implications of China's Continuing Rise for Northeast Asian Regional Integration

Yinhong Shi

## I.

The discussion here is to promote cooperative security in East Asia, especially Northeast Asia, which is so closely connected with the issue of the relationship between China and security multilateralism in the region, a more concrete and foreign policy oriented topic required to be elaborated upon after we have talked about the inherited histories and the approach we should take to deal with them in a mainly “philosophical” and principled way.

Security multilateralism is both a way to construct the international security regimes for the common security of the international community, therefore also national security of the individual member states, and a national strategic or foreign policy instrument for pursuing national interests “traditionally” defined. The purpose and values on the part of China on multilateralism are also in these two fundamental aspects.

Starting from such a perspective, one can conceive a kind of important “platform” very helpful to the Asian international security and China’s peaceful rise. That is various subregional multilateral security regimes

in Asia, within which China at least with other most important member states jointly play a kind of leading role, together with subregional multilateral regimes for economic and other non-political cooperation in Asia. The primary stage for China's peaceful rise will always be in Asia, especially East Asia and secondary Central and (in a lesser extent) South Asia. To construct gradually such multilateral regimes in these areas is an imperative in the mid- and long-term for mitigating lastly or even eliminating gradually various geopolitical "security dilemmas" China and other related nations have been involved in, and an imperative for creating and exploiting the opportunities for increasing China's mid- and long-term economic, political, and strategic influences.

Another kind of "platform" in the nature of multilateralism that is very helpful to China's rise with a more responsible international role to be played by her is various international organizations, with increasing numbers and in general more and more important functions. Several basic factors are making this kind of "platform" almost vitally important for China at the present and even more in the future: China's enormous magnitude as a nation-state, her rapid pace of economic and social development, and the almost extraordinarily great momentum of the increase of her influences, both international and transnational; the legalized special great power status China possesses as one of the permanent members of the U.N. Security Council; and the more opportunities for playing roles and expanding influences provided to China as the No. 1 developing power by the multiplication and the escalation of importance of the "global issues" or "non-traditional security problems" in the epic wave of globalization. Moreover, more and more this kind of international organization will emerge in East Asia, the No. 1 area for China's security and rise. Besides its other values, this kind of "platform" is a most important stage where China is able to join in the formation of international norms and rules for both her national interests and the common purposes of international society, where what is required is not only a full recognition, as discussed and realized more and more in China in the recent years, of the importance of active involvement in such "rule-making," but also the talent or skill to

do so as effectively as possible. This type of diplomatic ability includes the various complex operations or management in the “politics of interdependence,” the grasp and skillful application of the enormous specialized know-how in the various functionary areas, and the sensitivity together with the efficiency of operation in the global or regional “rule-making.” All these are what China still needs to learn and improve.

The general context for judging the relevance and significance referred to here may be several difficulties particularly relating to China in the making of multilateral security regimes in East Asia. The Chinese leaders recognize more and more in these years the beneficial functions and effects of international regimes or institutions in general. This, combined with their willingness to develop China's constructive influences in East Asia, has indeed led them to hope in principle that the East Asian multilateral cooperative regimes could be gradually created and developed. However, what they have seriously considered and practiced up to now are more in the economic sphere, leaving their thinking and practice on mitigating and gradually solving the East Asian security problems through multilateral security regimes not frequent and concrete enough, except about the Six-Party Talks on the North Korea nuclear problem.

Moreover, statesmen frequently encounter the opposition between idea and reality. They know in theory the benefits of multilateral security regimes, but things often become not so simple when they encounter concrete international security issues. For example, at the present the concrete issues in this field are first of all the disputes about maritime territories, territorial waters, and rights over exclusive economic zones in South and East China Seas. In theory, the principles of international cooperation and security regimes are especially fitted to deal with this kind of matter, but in practice the traditional international politics are still the essential rule of the game, and domestic opinions in disputing countries far from quite willing to pursue the untraditional and more hopeful approach of international cooperation.

Even more important in impeding the development of security multilateralism in China's foreign policy is the protracted strategic suspicion and other negative elements in the China-Japan political relations. They influence in a negative sense almost the whole range of China's East Asian multilateral cooperation, whether in the economic or security area, although the situation has been much improved compared with about two years ago. In addition to this, the United States focuses her policy attention on the bilateral military alliances in the region and shows remarkable passivity toward the pan-regional or sub-regional multilateralism in this part of the world, while the "energy obsession" of several countries in the region is complicating international relations. All of these are definitely unfavorable to the creating, fostering, and development of security multilateralism in East Asia.

Another problem that negatively influenced China's pro-active inclination to build up East Asia multilateral regimes has become somewhat remarkable. Especially since around the East Asian Summit held in December 2005, Washington has developed its concern that China might use multilateralism and the integration process to reduce and finally exclude American power and influence out of East Asia. In fact, partly from their own worries and partly under American influence, in negotiations leading up to the summit, Japan, Singapore and Indonesia fought hard to broaden the membership to include Australia, New Zealand and India. America's worry in turn has made China reduce her endeavor of East Asian multilateralism to avoid the U.S. feeling of being challenged by "the Chinese expansionism," which may develop to damage China-U.S. political relations. This embodies a precaution on the part of China that will last surely into the predictable future.

Lastly but far from least important, it should be pointed out that the lack of China-U.S. systematic and institutional strategic negotiation, and thereby the lack of a related system of norms, on the most critical strategic bilateral issues between these two great powers (Taiwan, strategic weapons, China's security relations with the U.S. military presence in East Asia and the

West Pacific, and with the U.S.-Japan and the U.S.-ROK military alliance, the Sino-American long-term strategic mutual mistrust, etc.) makes in fact the emergence of the East Asia multilateral security regime difficult or even impossible.

## II.

The idea that the Six-Party Talks on the North Korea nuclear problem could transform into a more formal cooperative mechanism seems quite premature, and indeed, for some regional experts, it also seemed inappropriate to the broad agenda confronting the region. However, that problem and the related Six-Party Talks had been anyway the first (and up to now the only) “experimental ground” for multilateral addressing of major issues of North East Asian regional security. What one could learn from this “experimental” process with its increasing frustration and limitation would be helpful for looking more realistically at the present and more wisely forward to the future.

As to the relevance and significance of China's experience of multilateralism on the North Korea nuclear problem, what we at present can say is that they depend a great degree upon what kind of final result will be produced by the Chinese government's protracted and hard efforts, on the one side, to sponsor the Beijing Six-Party Talks and, on the other, to pursue Pyongyang and Washington (as well as to deal with Seoul, Tokyo, and Moscow) through so many bilateral diplomatic contacts and meetings. The final result will probably be very much mixed, i.e. some limited success, or to say in another perspective, some limited failure. The developments in the recent months and strictly predictable future have made even this cautious prediction appear too optimistic. Moreover, what kind of memory is left with the Chinese government about the behaviors of the U.S. as well as Japan during the process of solving the North Korea nuclear problem up to now? No doubt, this memory is complicated and far from quite good. So, both of the above two major factors are certainly not very encouraging to China in her perception of the feasibility of East

Asia security multilateralism on the most important regional security issues. Whether it would obtain a more positive memory in this respect is not certain at all.

What is most suggestive from a deeper review of China's behavior and experiences in the past six years in dealing with the North Korea nuclear problem in particular and the peninsula in general is perhaps not her multilateral but bilateral or even unilateral approach, bilateral and unilateral in quite a positive and commonly beneficial sense. If one at large only discusses China's treatment of the North Korea nuclear problem since late 2002 and her direct gains and losses during the process, one can indeed hardly be able to make a very high appreciation of the quality of her directly related policy. However, all of these can also be placed in a broader and deeper perspective, that of the holistic structure and the longer term future of the regional geo-politics and geo-economy, and the picture that emerges will certainly appear to be far more favorable to China.

The most decisive major development is China's rapid rise in recent years, having become an almost first-rate economic great power with enormous international trade connections, and therefore having been equipped with such resources for international influence that cannot be at all compared in terms of magnitude and available effectiveness to those possessed by herself ever before. This is combined with China's more widespread, more active, and still generally prudent international involvement, and in an environment within which the power and security role of the United States in East Asia is gradually shrinking and Washington's requirement for (and even dependence upon) China-U.S. selective security cooperation is increasing. These factors seem to lead somewhat undoubtedly to a prospect that China will sooner or later become the most influential power over the Korean peninsula, which is much smaller in magnitude and very proximate in geography, even if China has up to now repeatedly suffered hardship and frustration in the North Korea nuclear problem and her role over that problem has remarkably reduced in the recent two years. This kind of phenomenon can be often found in history: enormous

advantages in nation-state magnitude and in power development can, in longer terms, far sufficiently compensate for the short term strategy absence and policy faults.

They are both undisputable facts: advantages of magnitude and power development on the one hand, and strategy absence and policy faults on the other. As to the latter, the primary one may be the absence of the relatively conscious and systematic strategic speculation on the future of the peninsula, or in other words the lack of elaborate thinking on the related grand strategic end, together with the fundamental approach for its realization or promotion. This means, starting from the vital interests of striving for China's future sustainable security and world power status, to consider elaborately what kind of peninsula structure China requires and would require, and how to endeavor for that. The expectation China has now about the future of the peninsula is, in one's best knowledge, ambiguous, undefined, or even fragmentary. Except for that the peninsula depends upon China as its primary economic partner, China's expectation is likely only confined to a few "nos": The peninsula must not threaten China's security by its internal disruption or chaos; must not function as a strategic fortress for U.S. "containment" against China; and must not damage China's territorial and national integration by any irredentist and "Pan-Korean" aspirations driven by extreme nationalism in the peninsula.

This strategy absence is due to the general prudence or conservatism of the contemporary Chinese strategic culture, as well as to the fact that the issue of the peninsula as a whole intimately relates to a xenophobic totalitarian DPRK, China's volatile and hard-to-deal with "ally," an issue so sensitive within China that the related discussion and policy consultation have always been confined to an exceptionally narrow and quite confidential extent. As a result the "input" and transmission of ideas and opinions, so often an indispensable condition for the making of strategy, have been greatly limited.<sup>1</sup>

As to the policy faults, besides some major ones involving China's behavior



toward North Korea and its nuclear problem, which are already pointed out above, they mainly exist in China's policy toward South Korea (ROK) and result from insufficient or lack of attention, sensational obstacles, strategic suspicion, or scruples over North Korea's reaction. Partly due to these faults, China's political relations with the ROK have been kind of bizarre: bizarre in the sense that they are by no means intimate, as one can largely use this word to characterize the economic and human exchange relations between these two countries. Since the establishment of bilateral diplomatic relations, national governments in Beijing and Seoul have almost always maintained a sort of very polite posture toward each other, but never gone above that. Policy elites know clearly the much developing alienation between these two allies. But for many of them when they think about the reunification of the peninsula, the U.S.-ROK military alliance always contributes a lot to a reluctance to accept, let alone to welcome, that prospect, though China's top leaders declared more than once in recent years that China will welcome the autonomous and peaceful reunification of the peninsula. Moreover, since 2004 the dispute over ancient history (primarily that of the Goguryeo kingdom), together with the less prominent one over a few pieces of current territory, have emerged at times. They disturb seriously the development of bilateral relations, especially as a primary factor having lead to and aggravated the mutual suspicion, resentment, and even disgust between the two peoples.<sup>2</sup>

However, despite the above-mentioned absence and faults, one still can definitely regard that in their major aspects China's policy behaviors toward the two Koreas are advantageous to the maintenance, accumulation, and build-up of China's influence over the peninsula. China has continued to avoid or reject total alienation from North Korea for its denuclearization, searched for every chance to improve relations with Pyongyang after their occasional sufferings, endured year after year with exceptional stamina North Korea's arrogance, exaction, and even blackmail and factual hostility; China has insisted in sending assistance to that country as its biggest aid provider, while conducting trade and direct investment in increasing volume, far ahead of all other countries in these respects;

China always hopes and tries to seize the chance to stimulate real reform of North Korea, a prospect that up to now it has never realized but still has reason to hope for.

With South Korea, China has not only actively developed economic relations, to the extent that she has already become ROK's biggest trade partner, but also tried to control occasional political tensions and endeavored to mitigate or even erase the disputes over history and a few small territorial pieces. Moreover, China in the past one or two years quite actively promoted political relations with the ROK, especially when it declared with the government in Seoul in May 2008 an escalation of the bilateral relationship, raising it to the level of "the partnership of strategic cooperation."<sup>3</sup>

China's policy efforts on the "parallel friendships" with both the DPRK and the ROK suggest one major point: Beijing has been pursuing "gently" her long-term interests and influence in the peninsula while maintaining and expanding the range of future policy options, all with a kind of almost unique patience and stamina. China's deep involvement in the international efforts to solve the North Korea nuclear problem (including her initiating and sponsoring the Six-Party Talks) is also quite advantageous, because it has greatly increased the frequency and intensity of her political intercourses with both Koreas, thereby substantially increasing her political "presence" in the peninsula, and (with, of course, the prominent China-U.S. consultations on the North Korea nuclear problem) strengthening her recognized status in the international politics about the peninsula. "Distance tests a horse's strength": perhaps this Chinese idiom is the best analogy for the prospect of China's peninsula policy and the future of the regional inter-state politics.

### III.

The China-Japan relationship has been a key for the prospect of Northeast Asian common security and regional stability, which underwent a severe crisis from early 2004 to late 2006. However, crisis implies a chance for

mitigation, arising primarily from fear of conflict as well the particularly intensive learning curve during the crisis, with the case of China-Japan political relations in the above period just the same. Shinzo Abe, the primary candidate for the president of Japan's Liberal Democratic Party and thereby the new Prime Minister, feared a lot and learned a lot. Although he was in the past consistently hard toward China as a politician on the rightist side pursuing nationalist ideals, in the context of domestic divisions over Koizumi's China policy and Japan's increasing isolation on the international stage, whenever the subject was the historic dispute relating to her past aggression or recent China-Japan relations, he decidedly set a distinct "Abe orientation" for Japan. That is to soften attitudes toward China while pushing vigorously Japan's "military normalization" and vitalizing nationalist political culture through the process of revising the Constitution and Law on Education.

China's top leadership, inclined to improve bilateral relations in the first place and worried more and more about the multiple costs or risks of protracted confrontation with Japan, sensed clearly the emerging "Abe orientation" and its broad context in which some elements are definitely advantages to China. Shortly after Abe became Japan's Prime Minister, Hu Jintao himself decided to make a determined "strategic experiment" to change the situation: accepting Abe's desirous suggestion to visit Beijing and trying to start a dramatic improvement of bilateral relations on a critical implied mutual understanding of "shelving" the historic dispute, while for the first time determinedly controlling the anti-Japanese opinion in China.<sup>4</sup> This strategic experiment had effectively broken the stalemate, setting a beginning of a thaw and its quite vigorous initial momentum. From the Chinese perspective, it has strongly pushed Abe and the Japanese government further in softening their attitude toward China, put in advance a major restraint upon their possible "retrogression," especially Abe's revisit to Yasukuni Shrine in the future, and effectively improved China's image and status in international opinion whenever it concerns China-Japan political relations.

Since Abe's visit to Beijing on October 8, 2006, both Beijing and Tokyo have been extremely careful to prevent any major move to spoil the beginning of the thaw and done nearly as many as possible "secondary" things to consolidate and strengthen the improved atmosphere and broaden the space and chances for possible bilateral cooperation, while at the same time trying to bypass the major disputes between the two countries, which are still far from being resolved. This is virtually a kind of significant modification of the fundamental strategy toward each other by China and Japan. This strategy emerged almost at the same time in Beijing and Tokyo.

It was against this backdrop that the "ice-thawing visit" to Japan by China's Premier Wen Jiabao took place in April 2007. The trip was conducted according to the emerging strategy, and achieved broader results than anticipated thanks to Wen's statesmanship and charm.<sup>5</sup> The China-Japan Joint Press Statement, based on talks between the two leaders, lays out the principles for a strategic relationship of mutual benefit between the two nations. It significantly expands the range of China-Japan relations as well as the basic rules. The relationship moves from being limited to the issues of history and Taiwan to including East Asia security, energy and environmental protection, military exchanges, building mutual trust, and economic and technological cooperation to further global stability and development. This has opened up a prospect of great significance: the possibility of China-Japan relations heading into the new political stage described by Wen.

In the context of the recent dramatically emerged beginning of improvement of the bilateral relationship, we should begin to pursue a real long-term normalization of the China-Japan relations. That means first of all to prepare to accommodate the respective core interests, national sensibilities, and aspirations of both China and Japan by partially restructuring the fundamental regime of the bilateral relations ("the 1972 regime").<sup>6</sup>

For three decades since 1972, when China-Japan diplomatic normalization dramatically began and was quickly realized, until the most recent years

and months, there had been a political and almost legal regime for China-Japan relations that was defined and most authoritatively demonstrated by the Sino-Japanese Joint Statement of September 29, 1972 as well as the Sino-Japanese Treaty of Peace and Friendship concluded on August 12, 1978 as the former document's legal completion.

This regime, called "the 1972 regime" by many prominent Japanese scholars and political leaders as well as some Chinese experts on the Japanese studies, takes its stipulation on the issues of history and Taiwan as its core norms, which defines in both words and spirits Japan's war against China in the 1930s and '40s as totally unjustifiable armed aggression and Taiwan as part of China and under China's sovereignty. As to the broader power realities that generated such a regime three decades ago, U.S.-China rapprochement and the so-called "Nixon shock" suffered by Japan are the most important. And the strategic purpose of both sides then in checking the Soviet geopolitical power and "hegemonism" had provided one of the major dynamics for the regime. It is obvious that the 1972 regime has been highly favorable to China (and one might also say much more so to China than to Japan), whether in consideration of its core norms or of its power relationship background and even the primary strategic purpose held by both sides at the time of its birth. It has been more so because of the passiveness and reactivity of the Japanese government in the related decision-making under the international political circumstances that drastically emerged following Nixon's visit to China.

Since then, due to China's dramatic rise in recent years, the structure of the power relationship between China and Japan has changed and continues to change, becoming much more favorable to China even than what it was temporarily like in the 1970s due to the particular circumstances that existed then. However, the 1972 regime that had been highly favorable to China has not been strengthened or more solidified, but on the contrary impinged upon seriously by the various actions of the Japanese government under Koizumi in the past three years or so. Why? Because not only has there been no common strategic purpose between China

and Japan since the drastic decline and then collapse of the Soviet Union, but these two nations, in the context of the rise of the former and the increasing change of national will of the latter in a rightist and nationalistic direction, have been developing mutually conflicting strategic purposes. In terms of the 1972 regime, China is a one hundred percent status quo power, while Japan has become one that strongly inclines to revisionism. Moreover, it has virtually begun to treat, both explicitly and implicitly, the revision of this regime with its core norms on history and Taiwan as a major component of its new state will to pursue political status and military rights as a “normal state.”

The 1972 regime very clearly stipulates and upholds two of the vital interests of China in her relations with Japan—those on the issues of history and Taiwan. However, it seems not to do so (or at least far from in a same degree) for Japan. The vital interests of Japan defined by herself were ambiguous at the time of regime birth and are recently in a major change or redefining. The 1972 regime is bound to be difficult to maintain intact without change, because of both the change of Japan's basic willingness and changes in most of the fundamental circumstances since 1972. It would not be possible to maintain the status quo one hundred percent. However, the problem of this regime is definitely not that it has become fundamentally out of date, or even that it needs any change in its stipulating and upholding the vital interests of one of its parties (China), or whether China could tolerate that change. Any possible new regime of China-Japan relations must still provide and uphold China's lasting vital interests on the issue of history and Taiwan in her relations with Japan, and therefore must inherit the principles provided by the 1972 regime on these two major issues. Otherwise there will be no possibility that China would consider or accept any new regime for her relations with Japan or that she should do it at all.

But on the other hand, because of the changes that have happened for most of the fundamental circumstances in the past three decades, the 1972 regime has indeed become quite insufficient or inadequate. It

should be expanded. In other words, beside the existing core norms on the issues of history and Taiwan, three sets of new norms should be added, or at least the following first set of new norms added as soon as possible: (1) the norms for controlling the China-Japan confrontational dynamics and establishing “crisis management;” (2) those for helping to produce the constructive political/strategic effects from the economic interdependence between China and Japan, and for cooperation in the fields of energy, environmental protection, technological cooperation, and global development; (3) those for participating and promoting regional and sub-regional multilateral cooperation among nations in East Asia; and (4) those concerning East Asia security, involving the military strengths and their development in the two countries, China’s relations with the U.S.-Japan military alliance, the scope and extent of Japan’s “military rights” that could be accepted by China, peace and stability in the Korean peninsula, and regional non-proliferation. Of course, this last set of norms is the most difficult to be constructed, with the most numerous and greatest uncertainties. Meanwhile, on the precondition that she respects China and conducts normal peaceful relations with China, Japan’s aspiration to become a “normal state” with peaceful normal relations with its neighbor countries, together with her legitimate rights as not only a sovereign state but also one of the very important nations in Asia and beyond, should be recognized and respected in the expanded new regime.

#### **IV.**

Anyway, China is still and even in an increasing degree committed in principle to the multilateral cooperative security in the region, despite the frustrating experience in dealing with the North Korea nuclear problem. China knows clearly that for both the common interests of international society and the particular interests of herself, China is engaging in recent years in various efforts for security multilateralism, with a remarkably much more pro-active posture than what she adopted previously. What are still left to be desired in this respect are even broader vision, more innovative conceptions, and increased endeavors. The most critical

area is still Northeast Asia. What are especially needed for China are comprehensive long-term strategic thinking and firmer determination in practice over the critical difficulties in these respects, just as those for other major actors.

If we look for a “grand strategy” for international society to strive to stabilize, mitigate, and transform various dangers to regional security and stability, we should do it in “grand strategic way” characterized first of all by a holistic approach of political efforts and actions. This means that we should endeavor (1) to mobilize much more determinedly and effectively traditional or “classical” bilateral diplomacy, which is characterized by mutual compromise in accommodating conflicting national interests and reducing excessive mutual suspicion and competition, (2) to create, foster, consolidate, and develop regional and sub-regional multilateral security institutions and regimes, not only to mitigate and solve the concrete and particular major issues, but also to have a general institutional framework within which the dynamics of “power transitions” could be controlled and strategic suspicions reduced as much as possible, (3) to help regional security and stability by way of promoting further economic interdependence and regional and sub-regional economic integration, thereby achieving the political and security “spill-over” of economic cooperation, (4) to promote further human and cultural exchanges between peoples to increase their mutual understanding and even good feelings, including those on historical disputed issues. In this aspect the first and most important thing is to increase very substantially the exchange and intercourse between students, professional peoples, and opinion or policy making “elites” among the countries in this region, (5) to develop and extend a regional “great power concert,” transforming it from the present still rare and ad hoc state to a much more permanent, stable, and wide-purpose practice or even institutional arrangement.



## Chapter Endnotes

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1. There is a famous example: the journal *Strategy and Management* had in several years without suspension discussed various major issues in an open and innovative way, thereby obtaining very broad domestic and international respectful attention, but a single article strongly criticizing North Korea, published in August 2004 at that journal, led almost instantly to its close by the order of the government. See “A Chinese Journal Closed for Publishing Article Criticizing North Korea,” Channel NewsAsia (Singapore) (Chinese version), September 22, 2004; John J. Tkacik, Jr., “China’s ‘S & M’ Journal Goes Too Far on Korea,” *Asia Times*, September 2, 2004.
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4. Cf. Mure Dickie, David Pilling, and Anna Fifield, “Accords Clears Way for Abe Visit to China,” *Financial Times*, October 4, 2006; “Japan’s Abe Eye Asia Trip But Won’t Budge on Shrine,” Agence France Press, October 3, 2006; “Abe to Visit China, S. Korea Sun., Mon. for 1st Summit,” Kyodo, October 4, 2006.
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6. The following ideas have been largely expressed in the following two articles by this author: “A Reconstruction of Regime of China-Japan Relations” (in Korean), *Dong-a Ilbo*, December 15, 2006; “The Rise of China and the Strategic Situations of Her Relations with U.S. and Japan” (in Chinese), *China Review* (Hong Kong), issue of June 2007.

# The Future of the U.S. Role in the Region and Northeast Asian Regional Integration

Ralph A. Cossa

This paper looks at two distinct but related topics: the future of the U.S. role in Northeast Asia and Northeast Asian regional integration. The two are clearly linked, at least from an American standpoint, since the United States has long seen itself as a major actor and “resident power” in Asia and sees the ideal regional security architecture—both for Northeast Asia and East Asia writ large—as one that not only builds upon (rather than replaces or renders obsolete) the existing U.S. bilateral security alliances but also sees the United States as a member of any future Northeast Asian security community.

It should be noted, however, that the notional “ideal” security state for Northeast Asia in 2025, prepared by the Mansfield Foundation core group of participants and which forms the basis upon which this project is built, fails to fully define just what constitutes Northeast Asia and whether or not the United States is an integral part of this region or just impacted by events there. For the purposes of this paper, the going in assumption is that the U.S. is of Northeast Asia, even if not geographically in Northeast Asia, and will and wants to remain a major player in the region, even if others may see the “ideal” Northeast Asia as one in which the U.S. is less

engaged. When I address Northeast Asia regional integration, therefore, I am talking about the Korean peninsula (today but hopefully not always comprised of both the ROK and DPRK), China, Japan, Russia, and the United States. I am also inclined to add Mongolia to the mix and only somewhat less inclined to add Canada, even though both will be ignored for the purpose of this discussion.

What should not be ignored, but frequently is, is Taiwan, which must be factored in, since it remains a “core issue” between Washington and Beijing and a key factor in assessing both regional stability and the role of (or concerns about) the U.S.-Japan alliance, at least from Beijing’s perspective. Simply put, there can be no long term regional stability or true regional integration without a successful resolution of the Taiwan issue. Again, for the purposes of this paper, Taiwan will not be dwelled upon, beyond periodic reminders to the reader that it cannot be ignored.

The future and fate of the U.S. alliance network is also not specified in the notional “ideal” Northeast Asia security state; it is neither ruled in nor ruled out. Instead there is only the base assumption that “all countries are satisfied that their core interests are being respected and that effective mechanisms exist to address other interests as well.” Again, for the purposes of this paper, I will assume that the “effective mechanisms” in place to protect U.S. core interests are and will remain Washington’s bilateral security alliances with Tokyo and Seoul, while recognizing that others may see things differently.

This does not imply a continued significant military force presence or base structure in Northeast Asia. If, as our “ideal” state evolves, “the North Korea issue is no longer a source of division” (more on this later), then U.S. force levels will and should be adjusted accordingly. But the alliance relationships themselves are, in this author’s opinion, critical for future regional stability and thus should remain. One should look at the U.S.-Australia relationship today as one potential model for future U.S.-Japan and/or U.S.-ROK alliance relations. There are no large U.S.

bases in Australia, nor are there significant numbers of American military forces based there on a permanent or even rotating basis. But the alliance remains strong. The two sides exercise and fight together and remain highly interoperable. With a benign security environment in Northeast Asia, similar relationships can be sustained with Tokyo and Seoul. These, in turn, will help sustain the benign security environment.

## **Current State of Play**

In this section, I will first look at U.S. views toward, and the status of, regional cooperation and community building today and will then briefly look at the current state of Washington's alliances with Seoul and Tokyo and the impact of the continuing stand-off with North Korea on these key relationships. Finally, I will examine the current state of play of Sino-U.S. relations, since how Washington and Beijing relate to one another and to the region at large continues to be a primary factor in determining regional stability and the prospects for future cooperation.

### **Regional cooperation**

At the broad conceptual level, I would argue that (from a U.S. perspective) Northeast Asia regionalism is seen as a possible means toward the end of promoting regional stability but has thus far generally been viewed as a tool with only limited utility at least to date. This is not due to a rejection of regionalism per se but due to the difficulty of creating a broad regional approach to security in Northeast Asia, given the diversity of the states involved and their varying degree of confidence in the United States and in one another. This is not expected to change appreciably in the Obama administration. The experience (or lack thereof) of the Six-Party Talks has reinforced rather than changed the view regarding both the difficulties and limitations of Northeast Asia regionalism.

There was a period of time during the George W. Bush administration when developing a Northeast Asia architecture seemed to enjoy a degree of prominence; rumor had it that Secretary of State Condoleezza Rice

had attached a certain degree of priority to pursuing this objective. Ironically (but perhaps not coincidentally), that interest waned about the first time she participated, along the sidelines of an ASEAN Regional Forum (ARF) meeting, in an informal session with her other six-party foreign minister counterparts.

For its part, the Obama administration seems committed to keeping the Six-Party Talks (involving North and South Korea, China, Japan, Russia, and the U.S.) going, but this does not equate to broader institutionalized Northeast Asia regional cooperation (just as signing the ASEAN Treaty of Amity and Cooperation—which the Obama administration did at the July 2009 ARF meeting—does not necessarily equate to joining the East Asia Summit, which is the primary architecture building mechanism in East Asia writ large). Discussions of Five-Party Talks (sans North Korea) are likewise more aimed at dealing with a specific issue (North Korean denuclearization) than the establishment of a broader approach toward regional cooperation or institution building.

In examining the current state of play, one must acknowledge a number of regional institution-building efforts currently underway with varying levels of U.S. support/involvement and varying definitions of “the region.” At the broader Asia-Pacific level there is the Asia Pacific Economic Cooperation (APEC) “gathering of economies,” which involves a number of Latin America participants; the East Asia Summit (EAS), which involves Australia, New Zealand, and India, as well as ASEAN and its Plus Three partners (China, Japan, and the ROK); the ASEAN Regional Forum (ARF), which involves a growing number of South Asian nations as well as all potential Northeast Asian actors (except Taiwan); plus a large number of other regional initiatives including at the track two (non-governmental) level the Shangri-La Dialogue and the Council for Security Cooperation in Asia Pacific (CSCAP).

Looking more specifically at Northeast Asia, there is the afore-mentioned but now moribund Six-Party Talks, which contains within it a Northeast

Asia Peace and Security Mechanism Working Group (chaired by Russians) that is supposed to be addressing the question of a future regional security architecture; the six-party Northeast Asia Cooperation Dialogue (NEACD) at the track 1.5 level; CSCAP's North Pacific Security Framework Study Group (involves all Six-Party Talks members plus Canada and Mongolia and open to participation by others—including Taiwan scholars in their private capacity—as interested); and a number of trilateral groupings including the Plus Three Dialogue (Japan, ROK, China), which used to be linked specifically to ASEAN but which is now tentatively venturing out on its own; the Trilateral Coordination and Oversight Group (TCOG) involving the U.S., Japan, and ROK (and aimed primarily at coordinating policy toward the DPRK) and the embryonic U.S.-Japan-China Dialogue, which was supposed to have been initiated this past month but is now apparently on hold.

U.S. involvement in and/or support for these various mechanisms is mixed and the level of enthusiasm varies with and within administrations. One thing has been consistent, however: the current Asia-Pacific alliance structure (which includes alliances with Australia, Thailand, and the Philippines as well as the ROK and Japan) enjoys pride of place; multilateral and regional cooperative and community building efforts are only supported to the extent that they do not interfere with or undermine the traditional bilateral alliance structure. This is the way it has been for the past several decades and it is not expected to change with the Obama administration, its general receptivity to multilateral cooperation notwithstanding. (If one does a word search of Secretary of State Hillary Clinton's Senate confirmation transcripts or her scene-setting Asia Society speech prior to her first visit to Asia, for example, you will find zero hits for regionalism, architecture, etc.)

### **Alliances and the North Korea threat**

If Washington's alliances with Tokyo and Seoul provide the "foundation" upon which current (and future) U.S. Asia policy is built, that foundation, while generally solid, seems in need of reinforcement and reinvigoration

today, especially (but not exclusively) in light of the threat posed by North Korea's unrepentant and apparently relentless pursuit of nuclear weapons. Even during the period in the last two years of the Bush administration when some progress on the Korean peninsula denuclearization front seemed to be in evidence, there were serious questions raised as to whether or not Pyongyang had made the "strategic decision" to give up its nuclear weapons program in return for security guarantees and significant economic "incentives." Today, all but the most hard core optimists (or DPRK apologists) have concluded, based on definitive statements and actions by Pyongyang, that that decision has been made. As the North's KCNA news agency stated unequivocally (in response to UNSC Resolution 1874, which was itself in response to Pyongyang's May 2009 nuclear weapons test): "It has become an absolutely impossible option for the DPRK to even think about giving up its nuclear weapons."

If UNSCR 1874 was meant to send a "strong signal" to Pyongyang that it must give up its nuclear ambitions and return to the six-party negotiating table, the message got lost somewhere in transmission. North Korea's response to this "vile product of the U.S.-led offensive of international pressure" was to promise three "countermeasures": first, the "whole amount of the newly extracted plutonium will be weaponised"; second, "the [long denied] process of uranium enrichment will be commenced"; and third, any attempted blockade "will be regarded as an act of war and met with a decisive military response."

Earlier, ostensibly in response to a UNSC "Presidential Statement" condemning its early April "satellite launch" (which violated earlier UNSC Resolutions), Pyongyang had declared that it "will never participate in the talks any longer nor will it be bound to any agreement of the Six-Party Talks." It also threatened to "bolster its nuclear deterrent for self-defense in every way" and to restore its currently "disabled" nuclear facilities at Yongbyon "to their original state . . . putting their operation on a normal track and fully reprocess the spent fuels churned out from the pilot atomic plant as part of it."

“In every way” included threatening to conduct a second nuclear weapons test (the first took place in October 2006); a promise it made good on in late May. While the act itself came as no surprise, its timing was. While the North claimed that the test was forced upon it by Washington’s “hostile policies,” most technical specialists concluded that preparations had to have been under way for several months, if not longer, putting the lie to Pyongyang’s claim that the test was a direct response to the “U.S.-instigated” UNSC Presidential Statement.

In my opinion, Pyongyang had made up its mind to end the six-way dialogue and restart its nuclear weapons test program even before President Obama announced his “outstretched hand.” The missile launch and anticipated reaction provided the vehicle for doing this and the UNSC declaration the excuse. There was (and perhaps still is) an operational need to test its various missile systems. The same may hold true for nuclear weapons, since the first test is generally believed to have fizzled and analysis of the second test appears incomplete (or is being withheld). Therefore, we should not be surprised by additional missile or weapons test. My guess is that Pyongyang will return to the negotiating table when it perceives it in its best interest to do so and fully expects, based on past performances, that whatever “tough” sanctions are imposed between now and then will be lifted or ignored once it returns to the negotiating table (even if not in good faith).

In the meantime, concerns continue to be expressed both in Tokyo and Seoul about the credibility of the U.S. nuclear umbrella and U.S. extended deterrence amid fears that Washington might yield to DPRK demands and accept North Korea as a *de facto* nuclear weapons state. Similar concerns are being raised by other U.S. friends and allies and by China as well (although Beijing is not yet fully prepared to take the type of actions necessary to compel Pyongyang to come back to the negotiating table).

### **Sino-U.S. relations**

The U.S.-China relationship is one of the most important bilateral relationships in the world. Of this there can be little doubt. Even before the



global financial crisis, the bilateral relationship was becoming more and more complex and its impact was being felt throughout Asia and beyond. Today, the two nations face a growing number of political, economic, and security concerns which can best, perhaps only, be solved if there is cooperation between Beijing and Washington.

The good news is that U.S. President Barack Obama and Chinese President Hu Jintao both are aware of and accept the shared responsibility and necessity for a cooperative approach toward dealing with the global financial crisis. In the April 1, 2009 “Statement on Bilateral Meeting with President Hu of China” put out by the White House, fully half of the memorandum focused on economic cooperation and the need “to help the world economy return to strong growth and to strengthen the international financial system so a crisis of this magnitude never happens again.”

This is not to imply, however, that the two, working alone, can solve the crisis by themselves. For important geopolitical and security as well as economic reasons, Washington cannot appear to be ignoring or overlooking Tokyo or its European partners, even as it reaches out to broaden and deepen its economic cooperation with Beijing. If the bilateral U.S.-China relationship is among the world’s most important, many in Washington would assert that the U.S.-Japan relationship (echoing former Ambassador and U.S. Senator Mike Mansfield) is still “*the* most important bilateral relationship in the world today—bar none.” This is not to imply a “zero sum” game between Tokyo and Beijing; from a U.S. perspective, both relationships are critical.

As important as economic cooperation is today in the face of the global economic challenge, this represents just a small dimension of the overall Sino-U.S. relationship. We face a myriad of challenges where our mutual interests are threatened and where common solutions or approaches are the best—but regrettably not always the only—way forward. As noted, there has been increased cooperation between Washington and Beijing in pursuing the common goal of Korean peninsula denuclearization and

the two sides have reached a kind of consensus on keeping stability in the Taiwan Strait. But different approaches and priorities between the two governments make future tensions over both issues all too possible.

The situation across the Taiwan Strait has improved significantly in the last year largely as a result of the change in government in Taipei and current President Ma Ying-jeou's less confrontational stance toward the Mainland—including his acceptance of a “one China, different interpretations” formula based on the “1992 consensus”—and China's more flexible, enlightened response. But fundamental differences still exist between Washington and Beijing over the ultimate solution and how it should be (or not be) achieved; the U.S. says it must be peacefully while China will not rule out the use of force. In addition, while the U.S. acknowledges that reunification is an option (if people on both sides of the Strait agree), China sees it as *the only option*. A continued Chinese military build-up opposite Taiwan (which appears to have continued unabated despite the improved cross-Strait atmosphere) will likely prompt continued U.S. arms sales “to help Taiwan defend itself.” This adds to the “lack of strategic trust” which remains the biggest problem influencing current and future relations.

The Korean peninsula and Taiwan are two of the most important and obvious areas where either trust-building or a significant deterioration of relations can occur, depending on how both sides cooperate and, most importantly, depending how each responds to actions by others that are outside of either one's control (as Pyongyang, in particular, eagerly demonstrates). But the relationship has become more global and thus more complex. Ten years ago, a Sino-U.S. strategic dialogue would have focused almost exclusively on these two topics, while economic discussions would have been driven almost exclusively by balance of payments issues. Today when the two meet, Iran or Darfur, or Africa, or Latin America could just as easily be on the agenda and in all these areas Washington and Beijing do not necessarily see eye-to-eye. Add to this disagreements over Burma (where China sees the non-interference

principle as trumping the responsibility to protect) and Tibet (where both sides acknowledge Chinese control but the U.S. joins many in the international community in expressing concern over how that control is exercised), to name but a few. There is no shortage of issues that could further complicate the relationship.

Again, the good news is that both sides seem committed to trust-building and enhanced cooperation. The April 1 White House statement notes that during the Hu-Obama meeting, both leaders “agreed to work together to build a positive, cooperative, and comprehensive U.S.-China relationship for the 21st century.” They agreed to establish a “U.S.-China Strategic and Economic Dialogue” with Secretary of State Clinton and Chinese State Councilor Dai Bingguo chairing the “Strategic Track” and Treasury Secretary Timothy Geithner and Chinese Vice Premier Wang Qishan chairing the “Economic Track.” What a difference the word “and” makes. During the Bush administration there was a “Strategic Economic Dialogue” but the focus was almost exclusively on “economic.” Now, the dialogue can truly become strategic, assuming that all the above-mentioned security issues will now be put on the table and seriously discussed.

The two leaders also expressed a shared commitment toward the “continued improvement and development” of military-to-military relations, which still lag behind the other aspects of the bilateral relationship and are the first to be affected and last to recover when things go wrong. Such words are important, but reports of particularly aggressive actions by Chinese naval vessels responding to a U.S. surveillance ship off China’s coast in March of this year remind us of how easily things can go wrong—a collision between a Chinese fighter aircraft and American surveillance plane in April 2001 got the Bush administration off to a very bad start when it came to Sino-U.S. relations and helped to sour mil-mil relations for years.

In his first appearance at the annual Shangri-La Dialogue as a member of the Obama administration—he had twice represented the Bush administration at this unofficial gathering of the region’s senior-most defense

officials in Singapore—U.S. Secretary of Defense Robert Gates set a positive tone. Unlike previous Shangri-La speeches by himself and especially his predecessor, Gates hardly mentioned China at all. When he did—in one brief paragraph—it was all cast in positive terms, noting how the U.S. and China were working together on common challenges and that it was “essential” for the two sides “to find opportunities to cooperate whenever possible.” In previous years, China had been criticized for lack of military transparency. This year Gates merely observed that it was essential for both sides to be transparent “both to each other and the rest of the world, about our strategic goals, political intentions, and military developments.”

By contrast, the senior Chinese official at the meeting, Deputy Chief of the General Staff, Lt.Gen. Ma Xiaotian, complained about the threat posed by U.S. alliances and Washington’s “cold war mentality,” while barely acknowledging that North Korea’s nuclear test “further complicated the situation on the Korean peninsula.” If the Obama administration is trying to set a new tone in its relationship with Beijing, the PLA thus far appears to remain tone deaf.

## **Implications for Regional Integration and Cooperation**

In examining the relationship of the current state of play to the ideal, one must start with the prospect that “all countries in the region strongly support international efforts and work collaboratively to prevent the proliferation of weapons of mass destruction.” One has to wonder how many more nuclear or missile tests Pyongyang must conduct before “all countries” decide on a common approach to compel Pyongyang to give up its nuclear ambitions. Until that happens, the hope that “the North Korea issue is no longer a source of division” appears to be a pipe dream. In fact, one could argue that North Korea will have to experience a profound leadership attitudinal change (or cease to exist) before “the Korean peninsula as a whole participates in regional cooperation and economic development.”

While cooperation among the other five does not guarantee success in dealing with North Korea's nuclear program, a failure of the five to speak with one voice seems a sure recipe for failure; it has thus far allowed Pyongyang to play a very effective balancing game. Ironically, while bad behavior on North Korea's part has had the (no doubt unintended) consequence of at least temporarily bringing the other five members closer together, it has had the opposite (intended) effect in South Korea itself, normally deepening the divide between progressives and conservatives and creating strains on public support for the U.S.-ROK alliance.

On the plus side, the initiation of the Strategic and Economic Dialogue between Washington and Beijing has at least opened the door for the building of a future strategic partnership and the willingness (not yet fully acted upon) of Beijing, Washington, and Tokyo to engage in high-level trilateral dialogue will help ensure that improved Sino-U.S. strategic ties do not put strains on the "world's most important bilateral relationship" between Tokyo and Washington. Ever since normalization, U.S. presidents have believed that it was possible—indeed necessary—for Washington to simultaneously have good relations with both Tokyo and Beijing. The George W. Bush administration, for all its faults elsewhere, did a pretty good job of balancing the two bilaterals, providing a good basis upon which the Obama administration appears intent on building.

While Northeast Asia has not "developed an effective framework or an institutional mechanism for addressing and managing security concerns," North Korea has provided the necessary incentive to at least seriously consider this possibility. In fact, it might be easier to start the building process without North Korea than to create a mechanism built on a common denominator low enough to include Pyongyang. The fact that China and Russia—while still not fully persuaded—appear more receptive today than ever to initiating five-way talks to deal with North Korea's continued lack of cooperation also increases the prospects both of developing habits of cooperation essential to institutionalized regionalism and also to speaking with one voice in response to Pyongyang's threats. (As a case in

point, Secretary of State Clinton apparently used their common presence in Thailand to meet with the other four six-party foreign ministers—but not with Pyongyang’s representative—to craft a joint response calling on Pyongyang to give up its nuclear weapons.) In addition, the various trilaterals and broader efforts (at the governmental and track two levels) are also creating habits of cooperation that can provide a foundation for future Northeast Asia regional cooperation.

The area where current trends appear to most closely be approaching the ideal is in the apparent willingness of current multilateral mechanisms and even bilateral dialogues to address non-traditional security concerns and issues such as climate change and environmental degradation. These are less controversial areas where habits of cooperation can and are being built. Even the ARF, long branded as a “talk shop,” recently conducted a disaster relief exercise involving navies and coast guards from around the region. While the Obama administration cannot claim credit for discovering these issues, its receptiveness to seriously addressing them has opened new doors of cooperation that can pay future dividends in terms of regional confidence and trust building.

## **Short to Medium Term Recommendations**

Allow me to begin with some specific recommendations aimed at dealing with the crisis *de jure* before also looking at some steps that Washington and Beijing should be taking to get the broader relationship in order.

### **Dealing with Pyongyang**

For starters, Washington and its allies need to reconsider the current “dialogue at all costs” approach and ask if a full-fledged containment policy doesn’t make more sense, at least until Pyongyang sends some signals that it is serious about living up to all its past promises. Simply calling for the Six-Party Talks to reconvene is not a strategy. While the Talks might provide additional confirmation of Pyongyang’s strategic decision not to denuclearize, this is not likely to get us any closer to the overall

objective, which should be the *complete, verifiable, irreversible elimination* of North Korea's nuclear weapons capabilities. Under no circumstance should Washington or any of the other parties give the impression that there is a willingness to accept North Korea as a nuclear weapons state.

While Pyongyang's decision to walk away from the Six-Party Talks and restart its nuclear weapons programs clearly represents a major step backwards, it is not cause for immediate alarm. Estimates are that it will take six months to a year or more to get Yongbyon back into full operation, after which it could at best produce about one bomb's worth of plutonium annually (to add to the 6–8 bombs worth they are believed to already possess). This may have some psychological value to the North but has very little if any military significance. As a result, a smart, well coordinated response is thus much more important than a quick one.

Perhaps the best thing to do now with Pyongyang is to do nothing. President Obama should consider taking a page out of the Dear Leader's play book. He should announce that the U.S. will be unable to engage in direct dialogue until Pyongyang ends its "hostile policy" toward its neighbors and that the only way to demonstrate its willingness to do this is to pick up where the Six-Party Talks left off in December 2008, with discussion of the modalities of a denuclearization verification regime. Until then, Washington will have no option other than to make sure that whatever is produced in North Korea stays in North Korea and that means tightening up sanctions (and their enforcement) under UNSCR 1874. This should include a pledge of no direct *negotiations* between Washington and Pyongyang outside the context of the Six-Party Talks. This does not rule out an eventual "special envoy" visit or use of the "New York channel" or other venues to deliver a firm joint message; it does rule out the type of bilateral negotiations that resulted in former U.S. six-party negotiator Christopher Hill announcing a verification agreement, only to have the North claim in joint session that no such agreement was ever reached.

As noted above, but to stress, what's needed at this point is a clearly

expressed policy of containment aimed at keeping what's in North Korea in North Korea and which keeps anything else that would help the regime develop its nuclear or missile capabilities out. This does not mean that Washington (or anyone else) is prepared to recognize North Korea as a nuclear weapons state. The goal still remains the complete, verifiable, irreversible elimination of Pyongyang's nuclear weapons capabilities. It does recognize that this will be a multi-stage process and the counter-proliferation is a major step in this process. So is tightening the noose around Pyongyang to increase the political, military, and economic costs associated with going down the nuclear path.

As part of this North Korea containment policy, Seoul should examine the continued wisdom of pumping money into the North through the Kaesong industrial complex. The North seems to take great delight in periodically restricting access to Kaesong or employing harassment techniques against South Koreans working there but it has more to gain (or lose) from Kaesong than does Seoul, despite the considerable investment already made there. Given the South's economic slowdown, wouldn't those jobs be put to better use in the South? A "temporary" shutdown of Kaesong by Seoul, until such time as the North resumed good faith negotiations, would send a powerful message.

The U.S. alone cannot contain North Korea. It takes a coordinated international effort. But Washington, together with Seoul and hopefully Tokyo (since the three are more in synch today than in many years on how best to deal with Pyongyang), must set the tone. Most effective of all would be a decision by China and Russia to get on board the containment train. Beijing could send a powerful signal to Pyongyang (and the rest of the world) about its commitment to non-proliferation by joining the Proliferation Security Initiative (PSI), a "coalition of the willing" formed during the Bush administration to help ensure that weapons of mass destruction did not fall into the hands of non-state actors or others who would do us harm. (Japan is a charter member. Russia joined in 2004, but has not been an active participant in PSI exercises in recent years. Seoul joined after the May nuclear test.) Beijing, as Six-Party Talks host, should also schedule



a plenary session, invite Pyongyang to attend, but make it clear that the meeting will take place regardless. The time is long since passed for the other five to continue giving Pyongyang a veto over its activities.

Pyongyang will return to the negotiating table when it perceives it in its best interest to do so. There are two ways to bringing this about. The tried and true way is to dangle more carrots. This might get the Dear Leader back to the table temporarily, but only until he has once again eaten his full. He will then surely walk away. As one senior statesman quipped, “Clinton bought Yongbyon once and Bush bought it twice, why shouldn’t the ‘Dear Leader’ think he can sell it a few more times to Obama?”

An alternative approach, which requires close cooperation among Washington, Seoul, and Tokyo at a minimum, with Beijing, Moscow, and others preferably on board, is to increase the costs involved in his staying away through stricter enforcement and an incremental strengthening of UNSCR 1874, until Pyongyang is “persuaded” to once again cooperate. One vehicle for doing so is the initiation of Five-Party Talks to determine the best way to persuade Pyongyang to come back to the table and, in the interim, to contain North Korea’s nuclear aspirations and capabilities. UNSCR 1874 is supposed to help achieve this objective. But the key will not be merely strengthening sanctions but actually enforcing them, to demonstrate that bad behavior has serious, enforceable, and long-lasting consequences.

### **Improving Sino-U.S. relations**

Let me now offer some advice to both sides on how best to achieve the “positive, cooperative, and comprehensive” relationship both Washington and Beijing now profess to seek. I draw my recommendations from a comprehensive report on *The United States and the Asia-Pacific Region: Security Strategy for the Obama Administration*, produced by the Honolulu-based Pacific Forum CSIS and four Washington-area think tanks. In the spirit of full disclosure, I was one of the primary authors of the report, which is available on the Pacific Forum CSIS web site [[www.pacforum.org](http://www.pacforum.org)] as *Issues & Insights 09-1*.

The report calls for a “clear, pragmatic China policy,” one that should include: a U.S. commitment to continued prosperity and stability in China and a welcoming of political liberalization; an offer to increase information sharing on military modernization and as regards maritime security issues and concerns; continued engagement in Cabinet-level bilateral dialogue and cooperation on finance and trade-related issues (while still playing hardball when necessary on matters such as product safety, and protection of intellectual property rights); and encouraging bilateral cooperation on climate change, energy security, and other overlapping areas of concern.

It calls for a realistic and pragmatic policy that: recognizes and accepts China’s growing political and cultural influence in the Asia-Pacific; focuses American strategy away from visions of military conflict and toward the arenas of economic, political, and cultural cooperation and competition; and prioritizes areas of policy concern, recognizing that human rights, military modernization, energy competition, and environmental issues all require “different tools and different levels of effort and emphasis.” The opportunity—and the need—for cooperation in these nontraditional security areas has never been greater.

The Obama administration has already clearly signaled that dealing with the challenges posed by climate change and energy independence (and the two are not unrelated) will be a top priority. It is also an area that offers many opportunities for Sino-U.S. cooperation. Here the term G2 might be more appropriate since the U.S. and China together account for over 40 percent of the world’s total greenhouse gas emissions and both are significant sources of the earlier rising demand for energy resources, a trend that has temporarily abated with the cooling of the global economy but which is destined to return as a serious global challenge in the future. Both sides recognize the severity of the challenge. The question is, can they cooperate to find the solution?

There are other ways in which the two sides can cooperate. While the term may pass from the lexicon, the United States (and the rest of the

global community) will still be looking to China to be a responsible stakeholder, one that contributes to the spread of accepted norms and values, supports international institutions, and helps solve international problems and challenges. This will require greater Chinese transparency, not just militarily but in its overseas activities. Another key challenge for both Beijing and Washington is to move from cooperation in managing problems such as the North Korean nuclear challenge to cooperation that produces concrete results.

Beijing also needs to recognize the law of cause and effect. The best way to discourage additional U.S. arms sales to Taiwan, for example, is not through bluster or threats but by a diminution of the threat posed by the PLA against a government that is clearly waving olive branches in Beijing's direction. Meanwhile, the Obama administration needs to remember that the most fruitful way to move China down the path toward democracy and greater adherence to the rule of law will remain patient engagement.

A final suggestion for the Obama administration (and the key recommendation in the afore-mentioned Asia Pacific Strategy Report) is the development and articulation of America's future vision for Asia writ large and how China fits into this greater picture. As Richard Armitage and Joseph Nye have argued, "how do we get China right?" is the wrong question. The Obama administration needs to "get Asia right," by putting its enduring alliances, its support for regional multilateral cooperation, and its diplomatic, economic, and military presence in context. It also needs to rebuild its "soft power"—the attractiveness of American values, culture, and ideals—by demonstrating its commitment to those values which made America great in the first place. The best way for the Obama administration to develop a "positive, cooperative, and comprehensive" relationship and build mutual trust with Beijing in a way that encourages, rather than worries, its other Asia-Pacific friends and allies, is through the articulation of a new Asia strategy and vision statement which outlines how Sino-American relations fit in the broader long-term vision.

The following is a brief summary of some of the other policy recommendations contained in the Strategy Report:

***Reassert Strategic Presence:*** Articulate a clear Asia-Pacific vision and security strategy; sustain military engagement and forward presence.

***Reaffirm/Reinvigorate Alliances:*** Reaffirm extended deterrence; follow through on transformation commitments; develop/implement joint visions through genuine consultation; broaden and deepen security relationships, including in nontraditional security areas. (More than 100 specific recommendations for Washington, Tokyo, and Seoul are contained in the report.)

***Prevent Nuclear Proliferation:*** Sustain Six-Party Talks, employing special envoy; promote nuclear stability and disarmament; pursue strategic dialogues; develop an effective regional export control regime; focus on 2010 NPT review conference; provide security assurances to non-nuclear weapons states.

***Support Regional Multilateral Efforts:*** Show up (APEC, ARF); re-validate/expand U.S.-ASEAN Enhanced Partnership; expand cooperation on nontraditional security challenges; sign the ASEAN Treaty of Amity and Cooperation; support East Asia community building and the East Asia Summit; promote trilateral cooperation (reinvigorate U.S.-Japan-ROK talks; institute China, Japan, U.S. dialogue).

***Promote Open and Free Trade:*** Encourage free trade agreements and similar frameworks that ensure greater interdependency and economic growth; avoid protectionism; pass the Korea-U.S. Free Trade Agreement.

***Strengthen American Soft Power:*** Broaden and deepen diplomatic, economic, and cultural engagement; invest in professional competence/capacity building; provide leadership in addressing climate change and energy security; rebuild public diplomacy capabilities.

***Counter Radical Islam:*** Provide intelligence and law enforcement assistance; develop regional information sharing technologies and networks; strengthen legal systems; train counter-terrorism forces.

# The Future of the U.S. Role in the Region and Northeast Asian Regional Integration

Wenzhao Tao

Regional integration in Northeast Asia is now taking place, although with a much slower pace than Europe, and with many difficulties. At recent conferences I attended my American colleagues have expressed a kind of concern whether the United States will be excluded from the integration. I think that will not be the case. On the contrary, the United States will be a player in the integration. The question is which role will the U.S. play, positive or negative.

## **I. The United States will not be excluded from the Northeast Asian regional integration mainly for the following reasons:**

- A. The historical reason. The United States has been deeply involved in the Northeast Asian region since the 19th century, especially after Secretary of State John Hay put forward the Open Door Doctrine at the end of the 19th century. During the Pacific War the U.S. played a decisive role in defeating Japanese navy and air forces, making a tremendous sacrifice both in material and human resources. It is understandable that the U.S. has historical and traditional interests in the region.

- B. China has no intention to expel the U.S. from the region. Some advocates of the “China threat theory” claim that China’s ultimate goal is to expel the United States from the region. This is a groundless accusation. In the past thirty years China achieved a huge economic development and social progress. It means that the present power structure in the region does not hinder China’s economic growth and, similarly, China can make further development under the present power structure. And as we know, Mr. Deng Xiaoping left us with a teaching “never be ahead.” That means that China should not compete with the U.S. for supremacy in the region as well as globally. China is not in a position to challenge the U.S. presence in the region, and has no intention to do so. China recognizes the U.S. presence in the region and welcomes the U.S. to play a positive role here. China does not export ideology and revolution. China wants stability at home, and also wants other countries, especially our neighbouring countries, to maintain stability. As former Deputy Secretary of State Robert Zoellick said, China is not the Soviet Union of the late 1940s. China will stick to the road of peaceful development. That is why China has put forward the notion of a harmonious world. China, of course, wants to live together harmoniously with the United States.
- C. Japan and South Korea are half-century-long U.S. allies, and they certainly do not want to exclude the United States from the regional integration. After the end of the Cold War the alliances have undergone some transformations. But the result is the strengthening rather than weakening of the military ties between them.
- D. There are five working groups in the Six-Party Talks framework, and one of them is about the Northeast Asia security regime. It implies that during the process of solving the DPRK’s nuclear issue the parties concerned will turn the talks into a regional security regime. Since the United States is a member of the talks, the Northeast Asia security regime will naturally include the United States. Although the Six-Party Talks are now at a standstill, the framework is still there.

**II. To be a modest participant and to build a true partnership.**

The United States should “engage, listen, and consult,” as Vice President Joe Biden suggested.

The United States is the only superpower in the world today, and will remain so probably for the foreseeable future, let’s say, for about two decades. The Bush administration emphasized too much the ideology in U.S. foreign policy, and the role of military forces in pursuing foreign policy goals, took a unilateral approach towards many issues, and left a lot of troublesome tasks for this administration. President Obama and his team seem to have very different views on the world, and on the relationship between the U.S. and the world. Secretary of State Hillary Clinton has made it clear that “foreign policy must be based on a marriage of principles and pragmatism, not rigid ideology. On facts and evidence, not emotion or prejudice. Our security, our vitality, and our ability to lead in today’s world oblige us to recognize the overwhelming fact of our interdependence.” This is a much better elaboration of the U.S. foreign policy principle today.

The United States should be a modest participant in the regional integration on the basis of mutual respect and mutual interests. The U.S. should be an equal partner in the integration, rather than arrogant commander. The U.S. should not impose its own ideology on the other and interfere with other country’s internal affairs, as President Obama said in his famous speech in Cairo on June 4th that “no system of government can or should be imposed by one nation by any other.”

**III. To help defuse tension and remove flash points in the region.**

There are two flash points in the region that we must face in the process of regional integration, that is, the DPRK’s nuclear issue and the Taiwan issue. How these two issues evolve is extremely important for regional security and stability at present and in the near future. Let’s talk about the Taiwan issue first.



The Taiwan issue involves China's core national interests. Actually, I have long been of the opinion that there is no other single issue in China-U.S. relations which could possibly destroy the whole relationship, except for the Taiwan issue if it goes wrong.

During the Bush administration the Taiwan authorities' political provocation made cross-Strait relations really tense. The Bush administration made it very clear that to maintain the stability in the Strait was in the interests of the United States, and in this regard the U.S. and China had overlapping interests. The Bush administration openly criticised the Taiwan authorities' willingness to change the status quo unilaterally, and strongly opposed the referendum on Taiwan's membership in the United Nations in the name of Taiwan. This had a positive impact on Taiwan's election and referendum in March 2008. So the one-China consensus was further consolidated in the past few years.

The Obama administration has not yet systematically elaborated its policy towards Taiwan. But from some brief remarks of the president and secretary of state Hillary Clinton, we can summarize it as the following:

- To stick to the one-China policy and observe the three joint communiqués between China and the United States;
- To carry out the Taiwan Relations Act, including selling defensive weapons to Taiwan;
- To encourage peaceful solution of the Taiwan issue and the improvement of the cross-Strait relations;
- To support Taiwan's democracy;
- To support Taiwan having more international space.

That is to mean that since the normalization of China-U.S. relations there has been a basic framework of the U.S. policy towards Taiwan, and the new administration will continue its policy within the framework, and continue to keep the status quo in the Strait. For the time being this

policy is okay, since the Chinese mainland implements a policy of peaceful development of cross-Strait relations.

But there are still two major differences between China and the U.S. over the Taiwan issue.

First of all, The Taiwan Relations Act. This is the major source of China's strategic mistrust towards the U.S. As long as the Act is there, most Chinese cannot be free from the thinking that the U.S. tries to use Taiwan as a card to curb China, to check China's development, or even to keep China divided.

Secondly, despite China and the U.S. having overlapping interests in keeping stability in the Strait at present, the two sides differ in the ultimate goal. China is determined to realize the final unification of Taiwan with the motherland. But the U.S. side always says since the normalization of China-U.S. relations that the U.S. takes no position towards the issue of whether Taiwan should be reunified with the Chinese mainland or should be independent. What the U.S. cares about is that the process of the solution must be peaceful and the final solution must be acceptable to the people on both sides of the Strait. Actually, in many American officials' and scholars' minds Taiwan's final status is still uncertain. Dennis Wilder, the NSC senior director for Asia under the second Bush administration, clearly said that when he was criticising Chen Shuibian's referendum scheme in August 2007.

Although these differences will be there for considerable time, and the author understands that the time is not ripe yet for abolishing the Taiwan Relations Act, this does not mean that the President can attempt nothing and accomplish nothing. It is still up to the President to decide which weapons, how many, and when to transfer to Taiwan. The President can delay a certain kind of weapon even for more than a decade as in the case of F-16 fighters. So the first thing President Obama can do with regard to Taiwan is to be very careful with any new arms transfer to Taiwan so

that it will not interfere with cooperation between the two countries in various aspects.

The second thing the U.S. can do is to discourage the Taiwan secessionist forces. Although KMT is now the ruling party, the secessionist forces still exist and will be there for the foreseeable future. If these forces make some trouble in cross-Strait relations, then we will see a surge of tension again in cross-Strait relations, which will do no good to U.S. interests. Some American scholars may say that it is not our business, it is a Taiwanese internal affair. But the fact is whether KMT or DPP, they all have to win over the support of the United States. So there are still possibilities for the U.S. to discourage their independent activities.

The third thing the U.S. can do is to encourage the peaceful development of cross-Strait relations. The cross-Strait relations since Ma Ying-jeou took office in May 2008 got on the track of peaceful development. The Taipei-based Taiwan's Straits Exchange Foundation (SEF) and its mainland counterpart Association for Relations Across the Taiwan Strait (ARATS) have signed nine agreements and realized "three links." And later this year the two sides will have the fourth meeting, and some new documents on agricultural and fishery cooperation, and investment protection will be signed. There will also be preliminary discussions about the Economic Cooperation Framework Agreement. The development in cross-Strait relations is very encouraging, which is beneficial to the people on both sides of the Strait, and also in the interests of the United States. We hope that the present and the future administrations will further encourage this trend.

The fourth thing is to announce that the U.S. position is "do not oppose" the peaceful reunification of Taiwan with motherland. As I mentioned before, the U.S. policy is peaceful solution of the Taiwan issue. Then there may be three possibilities: peaceful independence, which China resolutely opposes; maintaining the status quo, which cannot last indefinitely and the situation finally has to change; and peaceful reunification. If it is still premature to ask the U.S. to abolish the Taiwan Relations Act, if it is still

difficult for the U.S. to openly express support for peaceful reunification, then “do not oppose peaceful reunification” should not be regarded as an excessive request. Actually, when Dr. Kissinger visited China in 1971 and President Richard Nixon visited China in February 1972, they all agreed to solve the Taiwan issue peacefully within the one-China framework. Dr. Kissinger even predicted that the Taiwan issue could be solved within the near future, that when the United States would decide to withdraw its troops from Taiwan and stop political support of Taiwan, Taiwan would have no choice except to accept a certain kind of reunification. So to ask the U.S. side to say “do not oppose the peaceful reunification” is not an unreasonable request. If the U.S. side can say so, it will further promote the mutual trust between China and the U.S., and very much facilitate the development of bilateral relations.

**IV. The second flash point that is much more dangerous to the region’s peace and stability at present is the DPRK’s nuclear issue.**

After the DPRK’s recent launch and nuclear test the Six-Party Talks again came to a standstill, and we do not know how long the standstill will last, whether the DPRK will come back to the negotiation table, or whether the talks can achieve the goal of denuclearization even if they resume. And people have various analyses or speculations about the real intention of the DPRK. The situation in the DPRK is very unstable and its future development can have a very serious and profound impact on the whole security situation and geopolitical landscape of the Northeast Asia. The situation in the DPRK, together with its nuclear weapons, is the biggest uncertain factor in the regional integration. I am not going to make further speculations.

As for what the U.S. should and can do, I would like to suggest the following:

- A. To continue to remain calm and restrained. Generally speaking, the Obama administration’s reactions to the DPRK’s recent launch and the nuclear test are calm and rational. The Obama administration has not

taken actions as some people like John Bolton have suggested. And I hope the administration will continue to remain restrained to avoid further deterioration of the situation.

- B. To continue to cooperate with countries concerned. Historically the Korean peninsula was a place for the great powers' competition. A very significant meaning of the Six-Party Talks is that now the powers around the Korean peninsula can cooperate to solve a very complicated security issue here instead of competing for self-interests among them. This is the outstanding character of the fundamental change of the pattern of great power relationships in Northeast Asia. Although we are not certain yet whether the Six-Party Talks will be resumed in the coming months, the spirit of the talks—to solve the issue though political and diplomatic means, through consultation and cooperation—is still valuable. The U.S. should continue to cooperate with powers in the region in seeking the solution of the issue, and avoid taking a unilateral approach.
- C. To continue to reduce its own nuclear arsenal. President Obama has put forward a notion of a world without nuclear weapons, which caused warm repercussions throughout the world. And recently the President visited Russia and signed a framework agreement on further reduction and limitation of strategic weapons together with the Russian president. This is a step forward towards a world without nuclear weapons, and it should be welcomed. But 1500 nuclear warheads are still too many, which could destroy the whole world twice or more. The President has also called for a summit on a world without nuclear weapons sometime next year. I think the U.S. should take some unilateral measures to further cut down its nuclear arsenal, to show the world that it is sincere in realizing the dream. Anyway, the U.S. is in such an advantageous position in both defensive and offensive weapons, in both nuclear and conventional weapons, even if the U.S. unilaterally cuts down much of it, it will not harm the U.S. security position. And this will strengthen the U.S. position vis-a-vis the DPRK's nuclear issue.

D. To be cautious in its military relations with Japan and South Korea. After the DPRK's recent launch and nuclear test the U.S. has strengthened its military cooperation with Japan and the South Korea. I think it is understandable. But I would like to advise that the three should be cautious in this regard, as any military manoeuvres can cause the DPRK's further reactions and the result will be continuous degradation of the security situation in the region. So the U.S. should be cautious in future upgrading of its military cooperation with Japan and the South Korea.

**V. To be neutral in any historical and territorial disputes in the region.**

There are historical disputes between China and Japan, between both North and South Korea on one side and Japan on the other. There are territorial disputes between China and Japan, between South Korea and Japan, between Russia and Japan. There is some positive development, for instance, negotiations between China and Japan on cooperative development in some disputed area in the East China Sea has reached a certain consensus. But generally speaking, these issues are very sensitive and complex, and will probably take a long time before they can be finally solved.

The U.S. is not involved here, and these issues are not the U.S. business. The U.S. should take a neutral position towards these issues and advise the countries concerned to take a low profile towards the issues rather than instigate nationalistic feelings, and to use political and diplomatic efforts to solve them. The U.S. should advise the countries concerned not to let the issues become a hindrance in their bilateral relations and the regional integration.

**VI. To develop a more balanced triangular China-U.S.-Japan relationship.**

The stability of the triangular relationship is very important for the stability of the Northeast Asia. In this relationship the U.S.-Japan

relationship is the strongest one, while the China-Japan relationship is the weakest. Some U.S. scholars have been suggesting trilateral talks for quite some time, and the talks will be realized soon. It will provide another platform for the three to exchange opinions on regional integration and various problems. The U.S. is in an advantageous position in the dialogue to help the other two sides to narrow their differences and improve their relations.

### **VII. The U.S. should also encourage more economic cooperation between China, Japan and South Korea.**

The ongoing financial crisis has accelerated the three countries' cooperation, and the notable example is the meeting of Chinese Premier Wen Jiabao, Japanese Prime Minister Taro Aso and South Korean President Lee Myung-bak in December 2008 in Fukuoka, Japan. They discussed a wide range of questions, reached an Action Plan on Cooperation, and decided to have regular meetings in the future. This is the first meeting of the three countries' leaders outside the framework of the 10 plus 3 mechanism and symbolizes the establishment of a new mechanism of three leaders' meetings. This is a milestone in Northeast Asia's integration and may have a profound impact on the regional integration. The United States should welcome this development and encourage the three countries to have more cooperation in various fields.

### **VIII. To build stronger and more balanced economic ties with the region.**

The United States is an important economic partner for China, Japan and South Korea, and these countries are important economic partners for each other. And the economic interdependence will be further deepened as long as globalization still continues. But there are also some problems in the economic relations between the U.S. and the other countries. This relationship is an imbalanced one, with the U.S. as a big debtor, and China, Japan and South Korea, especially China, as large creditors. To have a sustainable development of their economic relationships this pattern should be changed.

- A. The U.S. and Northeast Asian countries, especially China, should both make efforts to change their economic life. The U.S. should have more saving, and China should have more consumption. But this is by no means easy. From the longer point of view, both countries must change their economic patterns, in spite of how difficult and painful it is.
- B. After the global financial crisis broke out, people have been talking about the status of the U.S. dollar as the major foreign reserve currency in the international financial system, and various suggestions have been put forward, including the President of the Chinese Central Bank Mr. Zhou Xiaochuan's proposal about a non-sovereign currency as a foreign reserve currency. This is interpreted by some economists as China's challenge to the position of the U.S. dollar. Actually, China does not challenge this. As the biggest holder of American treasury bonds, any weakening of the position of the U.S. dollar means a big loss of Chinese dollar assets. And we know that there is still a long way to go for the Chinese RMB to be an international currency. So the U.S. does not have to worry about RMB's challenge. Actually, the status of the U.S. dollar cannot be replaced by any other currencies for a considerable time. It is a long term goal to set up a more diversified international financial system. The U.S. should facilitate the internationalization of RMB. When RMB becomes convertible, the global financial system will be more stabilized and there will be fewer economic disputes between the U.S. and China.
- C. The U.S. should oppose any trade and investment protectionism and further strengthen its economic ties with the region. APEC provides a larger framework for economic integration, with liberalization of trade and investment of developed countries by 2010, and developing countries by 2020, known as the Bogor goal. But because of the impact of the present financial crisis, it is a big problem whether this goal can be achieved. The U.S. should push hard for the progress of the plan. And a more pressing question is WTO's Doha round talks. The U.S. should make great efforts to relaunch the talks and not to let the talks fail. If the U.S. takes the lead, then Europe has to follow.



**IX. To establish a more balanced military relationship in the regional integration.**

Whether in China's bilateral relations with the U.S., Japan or South Korea, or in the regional integration, military ties lag behind, and they are imbalanced. The U.S. military ties with both Japan and South Korea are very strong, while China has very low level military exchanges with those countries. And there is a serious lack of mutual military trust between the U.S. and China, China and Japan. This probably is the weakest as well as most asymmetrical aspect in the regional integration. To have a comprehensive integration this side should get more attention. The United States can do something in this regard.

- A. The U.S. is militarily the strongest country in the region, and no country can challenge this position, and actually no country tries to do so. While maintaining this position, the U.S. should try to dispel other countries' worries about its military presence, which sometimes seems excessive. During the Bush administration the U.S. launched a global military redeployment, reducing the military forces in the Atlantic, and increasing the military presence in the Pacific. Now it seems to many Chinese that there is too much concentration of U.S. naval and air forces around Guam, which cannot but cause a lot of speculation about the true U.S. intention towards China, and provides fresh evidence for military mistrust. The further expansion and consolidation of the Guam military base certainly is not a favourable factor for the regional integration.
- B. To continue the present security consultation mechanism and gradually upgrade it to a higher level. We have had an Asia Security Conference in Singapore since 2002, which focuses on various security issues, traditional and non-traditional, and includes representatives from more than 20 countries. And there are also military-to-military dialogues between Northeast Asian countries. These dialogues are useful channels for communication and promoting mutual trust. They should be continued.

- C. At the Asia Security Conference in Singapore this year Secretary of Defence Robert Gates said that China and the U.S. should cooperate wherever possible and should talk to each other when they have differences. I think this is a forward-looking suggestion. And this spirit should be generally accepted and applied to the military relations between Northeast Asian countries.



The Maureen and Mike Mansfield Foundation honors Mike Mansfield (1903–2001), a remarkable public servant, statesman and diplomat who played a pivotal role in many key domestic and international issues of the 20th century as U.S. congressman from Montana, Senate majority leader, and finally as U.S. ambassador to Japan. The Maureen and Mike Mansfield Foundation was created in 1983 to advance Maureen and Mike Mansfield's life-long efforts to promote understanding and cooperation among the nations and peoples of Asia and the United States. The Foundation sponsors exchanges, dialogues and publications that create networks among U.S. and Asian leaders, explore important policy issues, and increase awareness of Asia in the U.S. The Mansfield Foundation's geographic focus is Northeast Asia and India as it relates to that region. The Foundation receives support from individuals, corporations and philanthropic organizations. It also provides support to The Maureen and Mike Mansfield Center at The University of Montana.

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