

**KEYNOTE ADDRESS**

**THE UNITED STATES AND NORTHEAST ASIA—THE CHALLENGES AHEAD**

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Diversity is the hallmark of Northeast Asia. The nations of this region run the gamut from the bankrupt to the stellar economic performers, from the last Stalinist polity to the promising democracies, from the strategically impotent to the single global superpower. Moreover, the literal application of geography does not suffice. Whether the measure be economic, political or strategic, the United States and the Russian Federation must be included in any evaluation of Northeast Asia.

It may be an exaggeration to assert that global peace and prosperity now hinge upon developments in this area, but clearly, trends within and among the four major powers that are involved in the region--the United States, Japan, China and Russia--will be crucial to conditions elsewhere.

There should be little need to detail the reasons for the importance of Northeast Asia to the United States. U.S. trade and investment in the region are critical to the American economy. The political trends, increasingly in the direction of greater openness, have enabled a progressively more extensive dialogue--bilateral, trilateral, and quadrilateral--on an expanding variety of concerns. At the same time, U.S. strategic alliances in Northeast Asia equal in importance those with Western Europe although differing in nature.

Yet U.S. policies toward the key nations of East Asia are as complicated today as at any time in the post-1945 era, partially because of the multiple uncertainties that relate to those nations, partially because of policy disputes within the United States. Let us start with the bilateral U.S. relationship that appears most stable today, that with Japan. Even here, certain complexities exist. As of the present, Japan remains close to economic recession despite hopes for the near future. The collapse of the bubble economy in the early 1990s continues to cast a shadow over the Japanese economy, with the economic malaise extending for nearly a decade.

Economic reforms have been accelerated in the recent past by the Japanese government. The climate for foreign investment has improved although such investment accounted for only .25 percent of Japanese GDP as of fiscal 1998, whereas it accounted for 8.6 percent of GDP in the United States. Nonetheless, major increases are now being recorded. Modernization of the financial system has been on-going. Greater transparency within the business community is taking place, with structural reforms underway that involve reducing excess capacity, moving workers to appropriate sectors, and getting rid of unprofitable subsidiaries. Japanese foreign investment is once again on the increase. Perhaps most importantly, a young group of business leaders is emerging, bringing with them a stronger independence and entrepreneurial drive. And internet is now moving into the scene rapidly, promising additional changes of major proportions.

Despite these promising developments, questions remain concerning Japan's economic future and its relative economic position in the region and global arena. One critical issue relates to demography. Japanese society is rapidly aging. By the year 2020, 26.9 percent of the population will be 65 years of age or older, and the total population will have declined from

126.9 million to 124 million. By 2050, a further population decrease to 105 million will have occurred, with the aging process continuing to advance. In addition to lengthening the retirement age and bringing more women into the work force, Japan will require more immigrant workers and above all, an accelerating process of internationalization, whereby overseas workers are harnessed to Japanese capital and technology. Yet true internationalization has never been easy for this strongly homogenous, island society with its past proclivities toward introversion.

Meanwhile, the domestic political scene is also problematic. After a lengthy period of one-party dominance combined with policy-making heavily in the hands of the bureaucracy, the so-called 1955 system ended, and in recent years, fragile coalitions and relatively weak leaders have characterized the Japanese political scene, with changes frequent. At the same time, efforts have been undertaken to shift power from bureaucrats to politicians with relation to policy-making, somewhat impeded by the weakness of the latter group. Issues of corruption involving both groups have further troubled the scene.

At the same time, nationalism has risen in certain Japanese quarters as it has throughout Asia. Thus, the national anthem and flag have been given official status, visits of officials to Yasukuni Shrine to honor Japan's war dead have become more common, and a discussion of constitutional revision, including Article 9, the so-called anti-war article, is ongoing in the Diet. In a broader sense, these actions symbolize Japan's quest to be accepted as both a "normal state" and one of the major powers, eligible for a permanent seat in the UN Security Council.

Some of these developments, and occasional inflammatory remarks by officials, such as the assertion by a then Vice Minister that Japan should consider an independent defense policy, and all modern weapons including nuclear ones, concern Japan's near neighbors, and notably China. In fact, however, the great majority of Japanese favor a foreign policy centered on economic and political rather than military initiatives. Only a combination of a greatly increased perception of threat and the loss of American credibility as an ally could significantly change that view.

At the same time, however, the U.S.-Japan relationship has been gradually moving from that of patron-client to one of partnership, with Japan increasingly taking economic and political initiatives, such as participating in the ASEAN plus Three (China, South Korea, and Japan) meetings and proffering political proposals such as that which earlier ended the Cambodian impasse. Sophisticated Americans will regard this evolution as both inevitable and to be desired. The post-war era is over and the post-modernization era has begun. U.S.-Japan relations must reflect these facts.

Fortunately, the current disputes between the two nations are relatively low key and public attitudes on both sides, as measured in public opinion polls, are strongly favorable, albeit, with a limited sense of intimacy, especially on the part of Americans. Economic issues continue, with the trade balance being strongly adverse to the U.S., but with the American economy continuing its unprecedented strength and Japan now undertaking reforms, admittedly unevenly, the era of Japan bashing has passed, and negotiations are business-like. Moreover, Japan and the United States may be brought closer by the Information Technology revolution now advancing throughout the world. Yet with the U.S. trade imbalance with Japan at an unprecedented level (a \$5.5 billion deficit in January, 2000), pressure for additional market opening will continue, with the intensity depending both on future American economic trends and Japanese reform efforts.

Meanwhile, the United States continues to value Japan as a strategic ally, and welcomed the revised guidelines for the Security Treaty as signaling Japan's willingness to play a more active role in terms of security. The issue of U.S. Okinawan bases, while largely resolved for the

present, will always be an issue as long as the preponderate American military presence is located there. Japanese expenditures for the U.S. presence have been raised, a natural concern in a period of economic malaise, but the indications are that this matter will not reach inflammatory proportions. Cooperation in TMD research is ongoing together with close interaction in terms of military exercises and other defense matters.

While bilateral U.S.-Japan relations are on balance strongly favorable, both nations are increasingly supportive of trilateral, quadrilateral, and broader regional relations, some concentrating on a single issue or a limited number of related concerns. The Korea issue is an example. In so far as the United States is concerned, the Korean issue exemplifies the commitment to a concert of powers, a policy seeking to unite states having common interests around a given issue or problem, working together to resolve or ameliorate the situation. At the same time, the U.S. remains dedicated to a balance of power in East Asia as well as elsewhere, keeping in mind the near universal commitment to military modernization, the unresolved divided state and other territorial issues, and the low level of trust among various Asian-Pacific neighbors. A concert of powers and a balance of power are the twin foundations of U.S. strategic policy today, and Japan is a critical element in both commitments.

One supremely important question lies ahead. What if, in the coming decades, Japan weakens as China strengthens? What if the Japanese economy loses ground, and Japanese political stability remains elusive? Even under optimal conditions, can Japan play the same role in Asia and the world as it did in the 1970s and 1980s? As noted, demographic factors alone raise questions. Perhaps trends will argue for ever greater economic and strategic interaction with the United States on the one hand, and a concentration on reaching and remaining on the scientific-technological frontiers so as to preserve a key position in the East and South Asian regions.

Turning to China, the scene is at least equally complex and fluid as that relating to Japan. Economically, China's accomplishments in the past two decades have been extraordinary, with GDP growth averaging 8-9 percent according to official figures, massive inflows of foreign investment and technology, and favorable trade balances on an expanding scale. Hundreds of millions of Chinese citizens have benefited. Further, China's economic reach into such regions as Southeast Asia is now widely recognized.

At the same time, the Chinese economy is not without its problems, some of them certain to be protracted. The fragility of the financial-banking system; the large under- and unemployment--possibly as high as 200 million--with its social as well as economic consequences; the faltering State Owned Enterprises, stubborn symbols of the old order; agricultural backwardness; the East-West gap; and corruption at every level of the political-economic order.

These problems highlight the political dilemma--how to combine stability and development? China is in the midst of a major political transition. Marxism-Leninism is of increasingly less consequence as an instrument of mass mobilization, with nationalism taking its place to some extent. Yet a crisis of values exists. Further, personalized loyalty is no longer possible. There is no Mao Zedong in contemporary China. The trend is toward collective leadership, with technocrats replacing ideologues. Further, as economic development advances, the issue of an institutionalized federalism looms up, with the need for an appropriate distribution of power among center, region, province, and locality.

In its recent foreign policy, China has sought to improve bilateral relations with all of its neighbors, perhaps in part to create a buffer against perceived American "hegemonism." Most significant perhaps has been the formation of a "strategic partnership" with the Russian

Federation, with both nations dedicated to support the sanctity of national sovereignty and oppose "unipolarism." It does not take a genius to discern the party in mind. Yet this partnership is not likely to become a solid alliance. It is based on a commonly perceived threat, but there is no ideological glue and no close cultural affinities. Further, economic ties are weakened by Russia's current economic condition, with military sales being the primary exchange. Indeed, for economic reasons, both nations desire a positive relationship with the United States, criticisms notwithstanding. Demographic factors also constitute concerns. The eight million citizens of the Russian Far East look down to find 1.3 billion Chinese below them, with economic penetration thus a mixed blessing.

China's relations with Japan are a mixture of cooperation and contention, with the legacy of history still hanging heavily over the relationship. When the issues are economic, common interests prevail. Japan and China are major trading partners, and Japan is a key source of technology. On the strategic front, however, suspicion runs deep. China takes every occasion to warn of the possible restoration of Japanese militarism, and decries such developments as U.S.-Japan TMD cooperation as well as the revised guidelines, with the allegation that they are aimed at China and Taiwan. For its part, Japan is increasingly--though silently--concerned about the rising military strength of China, and its future intentions in the region.

As China's economic and military strength continue to grow--a virtual certainty--Japan's worries are likely to increase. Whether this results in a stronger commitment to the strategic alignment with the United States or a rising demand for independent military power--or a combination--remains a question for the future, with much dependent upon China's future course, as noted.

For its part, the United States wants a relationship with China that is on balance positive, recognizing that this relationship will have an influence upon every issue in Asia-Pacific. Thus, administrations of different political casts have followed a policy of "constructive engagement" in the years beginning with the Nixon era. Yet American-Chinese relations have been marked by significant pendulum-like swings, with tension high at certain points due to contention over specific issues. Illustrative of this fact, the second half of 1999 and early 2000 witnessed such crises as the NATO bombing of the PRC Embassy in Belgrade; the difficulties over PRC entry into the WTO and normalized trade relations; TMD, especially as it related to Japan and Taiwan; charges of Chinese spying; both old and new human rights issues; and Taiwan--repeatedly identified by China as the most critical issue the bilateral relationship.

Thus, the future is difficult to predict. The United States gambles on the premise that the PRC will observe in deeds its words proclaiming its commitment to the Five Principles of Peaceful Coexistence. It seeks to involve China in a concert of powers on such issues as that relating to Korea, and steadily augments its economic ties--as witness the passage of the Permanent Normal Trading Relations Act--despite fierce opposition from certain elements in Congress. The United States also pushes forward with military to military ties, and high level civilian consultations. Yet should these efforts prove in vain, it maintains a balance of power through a series of strategic alliances in East Asia despite China's opposition.

Unquestionably, Taiwan constitutes a critical issue for the future. Although it has adhered to the One-China principle and acknowledged that Taiwan is a part of China, the United States also insists that the issue should be resolved peacefully, and pursues a policy of calculated ambiguity with respect to what it would do, should China use force under current circumstances. Moreover, it continues to furnish Taiwan with military equipment, periodically upgrading such equipment as is deemed necessary to Taiwan's defense. A recent secret NSA report rating

Taiwan's defense capabilities as inadequate may exacerbate this issue in Sino-American relations. In Taiwan's Chen Shui-bian era, moreover, no one can be certain of developments.

In sum, U.S. relations with China in the decades ahead are likely to be a key to the broader Asian-Pacific scene. Will the combination of continuing domestic challenges of a serious nature and rising economic interdependence with the region serve to underwrite a cooperative, negotiatory Chinese posture, with force abjured even with respect to Taiwan? Or will the nationalist tides mount, with China returning to a Middle Kingdom complex, demanding that its position be accepted? More particularly, will the insistence on "reunification of the Motherland" lead to the use of force against Taiwan? The verdict is out, with the evolution of both domestic and international factors likely determinants.

Meanwhile, the United States watches and waits to see how an unknown leader will govern Russia. Vladimir Putin comes to power with a reputation as a strong man, and at present, a majority of Russians are more interested in leadership than institutions. Yet his policies remain largely a mystery at this point.

In the past, the United States generally supported the Yeltsin administration because it gambled that this administration would remain committed to economic reform based upon market principles, and to political democracy. Yet within Russia, the initial pro-Western orientation waned as the United States was blamed for economic policies that were too abrupt and such threats to the traditional Russian buffer system as the expansion of NATO.

A staunch nationalist like Evgeny Primakov launched an effort to restore Russia as a global power, with an orientation toward the East at least as strong as that toward the West. While this effort was premature, what will the future hold? As Russia returns to major power status--and this occurrence is inevitable given that nation's educated people, its resources, and its geopolitical position--will it tilt Westward, Eastward, or seek a balance?

As noted earlier, Russian-Chinese relations while strong at present, do not constitute a full-fledged alliance nor is this likely. Relations with Japan lag, with the Northern Territories (South Kuriles) the stumbling block to a peace treaty, despite earlier pledges to achieve this before the end of 2000. With Russian economic recovery, however, the Russian Far East will play an important role in a Natural Economic Territory (NET) encompassing the Sea of Japan (East Sea), involving western Japan, the Korean peninsula, and northeast China. Indeed, it is possible that Russia will have a bifurcated foreign policy, with its Far East increasingly interdependent with East Asia while western Russia looks more to West Europe and the United States, at the same time seeking to prevent further separatism and strengthening its relations with those states once a part of the Soviet Union.

Prior to some generalizations regarding U.S. foreign policy in Northeast Asia, let us examine the situation with respect to the smaller states of the region, notably the two Koreas and Mongolia. For the moment at least, new hope exists with respect to the Korean peninsula. As a result of Kim Dae-Jung's Sunshine Policy--and South Korea's strong economic recovery--the North first warmed to expanded economic and cultural relations with the South, and in April, 2000, unexpectedly accepted President Kim's proposal for a summit meeting, with Kim scheduled to go to Pyongyang in mid-June for a meeting with Kim Jong-il.

Meanwhile, the North is seeking to expand its international status by continuous negotiations not only with its prime targets--the United States and Japan--but with various European and Asia-Pacific nations, among them Italy, France, Germany, Canada, Australia, and the Philippines. Italy has already established diplomatic relations with the DPRK, Australia has reestablished relations, and similar moves by others appear in the offing.

DPRK relations with both the United States and Japan remain highly complex despite continuing negotiations. The North wants the United States to take the DPRK off its list of terrorist states and remove remaining economic barriers. It also desires greater efforts to speed up the KEDO program, blaming the United States for its current severe energy shortage. The issues of acknowledgement of guilt and compensation for Japanese colonialism hang over the Pyongyang-Tokyo talks. And in both Japan and the United States, as well as in South Korea, domestic critics decry efforts at improving relations with the North as "appeasement" and policies that may strengthen the DPRK military.

After a lengthy period of uneasiness, Sino-North Korean relations have improved recently, with the likelihood that top level visits between the leaders of the two countries are in the offing. China remains a key aid giver as well as trade partner of the DPRK, and despite its new ties with the South, the North's only quasi-ally. Russian efforts to reestablish favorable relations with the DPRK have also been partially successful, with a new treaty signed in early 2000. While the treaty does not promise military aid in case of conflict, it avers friendship and cooperation in the usual terms. Thus, with its traditional allies, the North has improved relations even as it seeks to reach further.

The signs multiply that Kim Jong-il and a portion of the elite around him are now committed to economic change and an accelerated turning out, shifting from policies reflective of Korean traditionalism to those more attuned to the modern world. Yet caution will prevail, and moves backward as well as forward are likely, since the elite realize the risks implicit in economic change for the political system.

Meanwhile, the South has scored a series of gains in its relations with external powers. Relations with China are more positive than at any time in modern history, with a NET established between the ROK and Northwest China, close interaction with respect to policies toward the DPRK, and the onset of military to military interactions. Russia also has improved its relations with the South although these are still modest, given Russian economic and political conditions.

In addition, ROK relations with Japan have been greatly strengthened in recent years. Kim's visit to Tokyo resulted in a fulsome Japanese apology for colonial misdeeds, and in return, Kim permitted Japanese cultural features including videos and motion pictures to come into the South. To be sure, the relationship with Japan continues to be complex. Here too, the legacy of history remains alive, and issues of discrimination are recurrent. Japan's Korean population has long been deeply split politically, with approximately one-third pro-North, one-third pro-South, and one-third neutral or non-involved. Yet on balance, Japan-ROK relations have entered a new, more promising era.

U.S.-ROK relations are also stronger than at any time in the recent past, with consultation and interaction on a range of political and strategic issues. The Clinton administration through the Perry Report has rendered support to Kim's Sunshine Policy. Further, it has strongly approved Kim's economic reforms and cooperation with such international agencies as the IMF and World Bank. Anti-Americanism is not absent from the South Korean scene, since some ardent nationalists argue that Kim's reforms permit foreigners to take over portions of the economic sector, but such voices constitute a relatively small minority at present. On security matters also, while there are differences such as over issues of jurisdiction over American soldiers charged with crimes, and practice target zones, the commitment to continuing the security alliance is strong on both sides.

Mongolia represents a very different picture than that of the Koreans. This nation--small in population but large in territory--is sandwiched between two giants, China and Russia. Moreover, it is landlocked, with its economy heavily dependent on animal husbandry, and nearly 40 percent of its population nomadic.

Historically, Mongolia was subject to domination by one or the other of its big neighbors. Up to the early 20th century, the dominant force was China, but as China weakened, the new Soviet Union stepped into the vacuum, aiding young nationalists who wanted independence from China. Subsequently, the USSR implanted its system on every aspect of Mongolian society, with liberation coming only after the collapse of Russian Communism.

In recent years, a young group of Mongolians have assumed political authority, and against great odds, have sought to move their nation toward economic and political openness. Recent adverse weather conditions resulting in the deaths of hundreds of thousands of livestock have added to the difficulties. Yet at present, Mongolia's young leaders remain committed to bringing their nation into the modern world, seeking international assistance and adjunct membership in such bodies as the PECC.

The effort is also to maintain positive relations with both China and Russia while seeking safety in numbers by increasing the involvement of Japan and the United States, as well as such neighbors as the two Koreas. Mongolia, in sum, seeks a foreign policy that is based on both equidistance and internationalism.

Finally, let us return to the United States and seek to examine the future as well as the present, advancing certain key issues. The United States is the most revolutionary society in the world at present in terms of the pace and consequences of change. Hence, every American citizen is confronted with a host of pressing issues from those of values to those relating to livelihood and personal security. Family relations and life in the community are vital concerns in this era, and the most immediate threats are those near to one's home--local crime, inadequate educational facilities, pollution, congestion, and the future of such programs as social security and medicare.

Thus, foreign policy assumes a minor role in the consciousness of the average American except in times of crisis. Further, most politicians, from the President to the members of Congress win or lose on the basis of domestic issues. Consequently, even in this era of unprecedented economic prosperity, a debate has ensued regarding whether the United States is bearing too heavy a responsibility for the international order in terms of risks and costs. Only in its most extreme form should the adherents to cutting back be termed isolationists. However, there can be little doubt that a mood less internationalist is growing, product of post-modern America. Should the U.S. economy develop serious problems, unquestionably, down-sizing the U.S. international commitment would find much greater public support.

One central issue, in sum, is not the capacity of the United States, but the will of the American people. In terms of economic and military power, the United States will remain preeminent, at least for the decades immediately ahead. But what portion of this power will Americans be willing to expend in quest of a peaceful, prosperous global order? For example, in what peace-keeping missions should the United States be involved and where should it place the responsibility on others?

This question leads to another. What steps are necessary if the United States is to continue to play a meaningful international role? Clearly, both domestic and international actions are required. First, future U.S. Presidents must be prepared to play a stronger educational role, continuously emphasizing the interrelation between America's well-being and a peaceful,

prosperous world, but with the appropriate variations accepted. In recent times, that responsibility has not been adequately met.

At the same time, it is essential that international and regional organizations be strengthened, giving them a greater capacity to play the role of peace-maker and peace-keeper more effectively. For example, reform of the United Nations is required, with the unanimity rule for the permanent members of the Security Council amended, a meaningful peace-keeping force established on a standing basis, and greater use of non-governmental experts in connection with a wide range of concerns from the environmental to the strategic.

The existing regional organizations in East Asia are currently in trouble or largely ineffectual. ASEAN languishes despite certain economic pledges, partially because of the woes of such key members as Indonesia and partially because of the diversity of systems and levels of development as a result of membership enlargement. Other organizations such as APEC and ARF make a contribution by bringing leaders together and holding discussions over a wide range of issues, but as is commonly recognized, they remain "talk" not "action" bodies.

At this point, it is crucial to emphasize the creation of both formal and informal trilateral and quadrilateral structures, thereby building units where very specific problems can be subject to intensive discussion and action. NGOs can play a vital role in this development at the non-official level, as is already happening in limited degree. At some point in the not distant future, building upon the development of such bodies, it may be possible to create an official Northeast Asian Cooperation Dialogue, bringing together all of the states of the region.

Meanwhile, it is incumbent upon the United States and the Russian Federation to accept their responsibilities as the key nuclear powers to lead in arms reduction and control in this area. SALT II has been ratified. Now, discussions regarding SALT III should commence. Further, agreement on any amendment to the ABM treaty is essential. With respect to missiles, in-depth discussions regarding control should be expanded to include the key nations involved--in East Asia, notably China, Japan, and the Koreas. It is most regrettable that the U.S. Congress failed to ratify the Comprehensive Test Ban Treaty, and that issue should not be allowed to die. At a time when drives for military modernization are inevitable, greater energy should be expended upon efforts to keep military arms races from becoming intensive and destabilizing. No issue is more critical.

Finally, despite the advances in more complex multilateral structures, bilateralism will remain the most critical aspect of foreign relations, especially in areas like Northeast Asia, for the period immediately ahead. Here, it is essential that the United States unite officials and non-official experts in developing promising approaches to key issues--from those pertaining to economic and environmental matters to those involving security. The overall U.S. strategy should be based upon the two foundations noted earlier, namely, a concert of powers and a balance of power, with every effort to expand the former. Over time, the revolution in military affairs (RMA) will enable or require adjustments in the current U.S. military force disposition, but it would be a serious error to withdraw forces prematurely, since the physical presence of U.S. forces is critical to maintaining stability at this point.

Finally, it is entirely appropriate to determine those areas that are vital to the U.S. economy and security, and those where other nations can be expected to play the principal or exclusive roles. The regions of the world vary in this respect, but East Asia together with West Europe will remain critically important, and it is likely that Latin America will increase in significance in the coming decades. In this connection, the capacities, commitments, and directions of other key nations should be constantly reevaluated. Two principles will remain

important: the United States does not need to extend its resources to every part of the world in equal measure; secondly, the United States should avoid unilateralism except in those instances where its national interests are vitally at stake. With these principles in mind, and with support given to a better informed American public and reforms in the still embryonic international order, we can look forward to the future with cautious optimism.