

## NORTHEAST ASIA TODAY—AN OVERVIEW

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Three generalizations apply to Northeast Asia in this era of rapid and pervasive change. First, this region is the most important among the world's diverse sectors, whether the measure be economic, political, or strategic. It is here that the four major global powers interact most closely, with their domestic and foreign policies having a global impact. China, Japan and Russia are each a part of the region, and the United States, while not geographically present, is deeply involved in every respect.

Second, while economic conditions within the region vary greatly, there are reciprocal assets and needs. Hence, this region constitutes a natural economic territory (NET), with ever expanding economic interaction certain in the years ahead.

Finally, each nation-state within the region must contend with three powerful and semi-conflictual forces, namely, internationalism, nationalism, and communalism. Internationalism is expanding in a variety of ways despite the fact that cultural, political and economic differences preclude the degree of unity currently displayed in West Europe. However, nationalism is also on the rise, partly in response to internationalist "threats", partly as a substitute for ideology, now in decline, as a means of strengthening citizens' loyalty and allegiance to the state.

Meanwhile, communalism or the quest for a meaningful community is manifesting new power and taking a variety of forms. In this revolutionary age, individuals everywhere are asking "Who am I?" "What do I believe?," "How do I find psychological satisfaction?" Some find their needs fulfilled by religion, including fundamentalism or cults. Some emphasize their ethnicity. Others concentrate on their local community, treating it as an extension of family roots. Communalism can thus extend beyond the nation or be deeply imbedded within it.

How the nation-state balances these three forces plays a major role in determining its stability and capacity for development. As noted, the economies of Northeast Asia are becoming increasingly interdependent. At the same time, nationalism is a rising force in such societies as China and Japan. Moreover, while Northeast Asia has fewer problems with communalism than many other regions, issues of religion, race and localism are not absent.

Let us now turn to the broad economic characteristics and trends pertaining to the region. Northeast Asia presents an extraordinarily diverse economic scene, ranging from the increasingly innovative to the strongly change-resistant, and from the highly successful to the deeply troubled.

Starting with those societies where rapid development prevails, China looms large. This society has seen two decades of accelerating growth, with GDP gaining 8-9 percent per year on average according to official statistics. While those statistics are challenged in some quarters, there can be no doubt that growth has been extraordinarily high, with 7-8 percent prevailing at present.

The Chinese economy is still a hybrid one, with the state sector important, but privatization continues to advance, and a market economy has become the goal. Massive foreign investment is taking place, with extensive technology transfer. By this means, China is rapidly become a factory to the world, with the combination of low-cost labor, a growing entrepreneurial elite (both domestic and foreign), and an ever higher quality of production. Materials and parts together with capital are brought into the country, with the finished products exported in large quantity. Internationalism is thus in extensive operation.

Naturally, this worries many of China's neighbors who fear a hollowing out of their manufacturing sector and the loss of foreign investment. Yet there are advantages for others in

China's success. It represents a huge market today and one continuing to expand. The necessity for other nations in the region is to engage in major economic reforms, with a premium upon transparency, creativity and competitiveness.

There is every reason to believe that China will continue to grow rapidly in the decades immediately ahead. However, this does not mean an absence of economic problems, some of them serious. China's banking-financial system is very fragile, with estimates that 40 to 45 percent of all bank loans are not redeemable. Bank profits must be increased to cover the elimination of debts.

A second massive problem is under- and unemployment. China has a rural population of between seven and eight hundred million, and tens of millions pour into China's cities each year looking for work. Urban unemployment is also a problem, especially in regions where faltering state-owned enterprises are being closed or downsized. Poor peasants and unemployed workers have begun to air their grievances openly, raising the issue of instability. Indeed, some observers have promoted the thesis of "China collapse" in distinction to the more dominant thesis of "China threat." While this view is probably a gross exaggeration, the growing gap between a rising upper class and the massive number of poor as well as that between east and west China must be of concern to future leaders.

In this connection, China also presents a certain problem to its neighbors. While large-scale migration is internal, namely, from rural to urban areas, and from one region to another, outward migration will remain a possibility. The Russian Far East, with its massive territory and its small, recently declining population, now totaling some eight million, looks at the vast numbers of people below it with apprehension. Moreover, in such countries as Myanmar as well as other Southeast Asian states, sizeable Chinese migration has taken place, many of the new arrivals being merchants or entrepreneurs, but with workers also coming into the region.

Another problem, now being extensively featured, is that of corruption which has extended throughout political ranks, from figures at the center to city and rural politicians. Partly a product of culture, partly of inadequate compensation, corruption has been deeply embedded in the system here and elsewhere in Northeast Asia.

These problems notwithstanding, however, China stands today as an economic success story on balance, and one that will play an expanding economic role both in the region and globally. Another success story at present is the Republic of Korea. South Korean GDP growth in 2002 is currently estimated at 6 percent, and unemployment is low. The economy has benefited from a balance between export strength and rising domestic demand. Moreover, governmental reforms combined with such policies as providing tax incentives to foreign investors have been beneficial. The growth of the service sector to offset declines in manufacturing, and labor mobility together with the rapid advances of high-tech industry are important factors in overcoming the earlier Asian economic crisis. Korea has departed significantly from the Japanese model which was its previous standard, and benefited accordingly.

Here too, the economy has its problems. Consumer spending while beneficial is producing a rising debt, with payment defaults increasing. Inflation is a concern, abetted by the rise in oil prices and the uncertainties that pertain to the Middle East. The current weakness of the U.S. and Japanese economies, moreover, impacts on the ROK, although the expansion of economic ties with China has softened that impact.

If China and South Korea on balance represent success stories, Japan continues to show few signs of recovery from an economic malaise that now extends over a decade. In 2001, the Japanese economy contracted by 1.9 percent and according to the IMF, it will contract again by 0.5 percent in 2002, then grow weakly in 2003 by 1.1 percent. With consumer confidence lacking, domestic spending remains low despite high levels of government spending on various projects throughout the country, many of them of limited value. Dependence upon exports is thus high, and the weakening of the U.S. and European economies is worrisome. However, the critical problems are domestic, starting with the debt crisis. Japan's banks hold some U.S.\$400 billion in

unrecoverable loans. Recent pledges by the Koizumi government to undertake a bold program to reform the banking system have been reduced to much more modest proposals after severe attacks from Koizumi's own party as well as others.

Japan's economic problems are at root the result of politics. The Japanese system has long rested on crony capitalism, with tight bonds cementing politicians, bureaucrats, and the industrial as well as the agricultural community together. Thus, basic reforms have repeatedly been thwarted, and despite the radical changes taking place in the international economic environment, the old Japanese order continues to prevail. Japan remains the second largest economy in the world, but unless new policies are brought into play, it is difficult to see how that position can be maintained for long.

Demographic developments add to the problems. In a few decades, one-fourth of the Japanese population will be 65 years of age or older. While extending the employment age and bringing more women onto the work force will help, these actions will scarcely be sufficient, even if manufacturing is largely replaced by the service sector and high-tech fields. Will Japanese resistance to immigrants be softened, or will Japan resort to ever greater exportation of its industries, hence utilizing a work force abroad? In sum, while Japan has important economic assets including a highly educated citizenry, a disciplined and skilled labor force, and advances in adapting the latest innovations in science and technology, the economic challenges it faces are huge. Only if there are major changes in the political order, moreover, can progress on the economic front take place.

Meanwhile, the Russian Far East represents another economy undergoing difficulties. Historically, this region produced for the Center, and was in turn subsidized by the Center. At present, that system has ended. Moreover, military production, one of the region's major sources of revenue, has been greatly reduced. Hence, hope lies in the development of the extensive natural resources that exist in the area--timber, minerals, and above all, gas and oil. Plans for pipelines from Siberia and Sakhalin are already being developed, with the destinations likely to be China, Japan, and the two Koreas. In this fashion, the Russian Far East would become a prominent part of the Northeast Asian NET. As noted earlier, however, the RFE, while needing an expanded work force as its economy grows, will view the prospects of Chinese immigration warily.

Meanwhile, Mongolia, with its small population and large area, has found the road from Soviet tutelage to a new economic order strewn with obstacles. Some 40 percent of the population are still nomadic, and have seen few changes in occupation or life style. Trade remains modest, and foreign investment is sparse. Economic intercourse is mainly with China at present, and some increases in Chinese presence in the country have been noted. But the reformed Communists who now lead the country are approaching reforms in a cautious way.

The one state of Northeast Asia that must be accounted an economic failure today is the Democratic People's Republic of Korea. Since the collapse of its earlier model and benefactor, the Soviet Union, North Korea has fallen upon increasingly bad times. Statistics regarding the DPRK economy are scarce and unreliable. Since 1995, however, a combination of factors has caused a precipitous economic decline. It has been estimated that famine and diseases caused by malnutrition have caused up to two million deaths, although the government cites a much smaller number. Due to energy shortages, many factories have closed and others are operating at a small percentage of capacity. Dependence upon international aid has grown, and the principal source of hard currency has come from trade in such military items as missiles. Finally, in mid-2002, DPRK officials undertook major changes in the old economic order. The system of exchanging coupons for subsidized food was abolished. Cash was reintroduced into the economy. In an effort to accord with the black market, food and other commodity prices were raised as much as thirty fold and wages were also raised twenty-fold or more. Moreover, workers were to be paid in accordance with their productivity, and reportedly, most industrial subsidies were to be halted. Private farmer markets were to be encouraged along with other measures to increase agricultural productivity.

The effect of these measures remains to be seen, but unless productivity is quickly and

significantly increased, the risk of rampant inflation would seem to be great. It is clear, however, that the leadership has recognized the need for economic change in a drastic and bizarre manner. Another extraordinary move was the effort to create an exclusive economic zone centering upon Sinuiju, on the China-North Korea border, with a Chinese millionaire holding Dutch citizenship, Yang Bin, to be placed in charge. The Chinese, deeply offended at not being consulted, promptly detained Yang on tax evasion charges. Another zone with better prospects is being planned for the vicinity of Kaesong, on the North-South Korean border.

These measures speak to the sense of urgency that now appears to drive Kim Jong-il and his advisors, and plays a key role in shaping efforts to reach agreements with South Korea, Japan and even the United States. It seems likely, however, that the moves recently made augur a potentially dangerous time for the Kim Jong-il regime, with retreat impossible yet results of recent actions sufficiently troubled as to create fissures within the top political elite along with rising public unrest. In sum, after containing the political effect of economic failure for decades, the DPRK could face a period of rising instability.

It remains to signal the importance of the United States to the Northeast Asian economies. The U.S. has represented the leading external economic resource for both Japan and China, whether the measurement be trade, investment, or technological cooperation. Thus, the recent U.S. economic slowdown concerns these and other Northeast Asian leaders. As 2002 draws to a close, economic forecasts regarding the United States are mixed, with the predominant view of experts being that economic growth will be modest in the period immediately ahead.

In sum, Northeast Asia seems certain to engage in increased economic regionalism, both within its own borders and with respect to Asia-Pacific as a whole. The age of the protected, domestic-focused economic order is over. National boundaries are less and less meaningful in economic terms. While this presents many complex problems, it also offers the states and citizens of the region new opportunities for further, faster development.

Yet much depends upon the domestic and international political situation as it affects priorities, stability, and the capacity to initiate the changes necessary to adjust to a revolutionary era. Let us therefore explore the political scene in Northeast Asia, commencing with China.

In recent years, China has been undergoing a major political transition from hard authoritarianism of the Stalin-Maoist type to authoritarian pluralism, as initiated by Deng Xiaoping. Politics remains authoritarian, with the Communist Party dominant, freedoms restricted, albeit, far more extensive than in earlier times, and the rule of law partial. Yet a civil society apart from the state has emerged, and increasingly, various groups are publicly proclaiming their interests. Village elections have been initiated, and while these are often controlled by the CCP, they provide opportunities for an expression of local interests and a choice of local leaders. Intellectuals, including students, voice their opinions on issues far more freely than in the past. Bodies like the National People's Congress, moreover, now discuss and debate certain issues. It is also significant that Jiang Zemin has proclaimed that the Communist Party should have entrepreneurial and intellectual members as well as those from the working class. It is thus to become a party of the nation, not just the "proletariat".

Meanwhile, a fourth generation leadership is now emerging. Like the third generation, it is composed primarily of technocrats, individuals trained as engineers or scientists. Their priorities are thus on economic development, making China "rich and strong." Ideology, while recited on formal occasions, has become far less important. In the "socialist market economy," the market and private sector are playing an increasingly powerful role, as noted. In sum, the entrepreneur or capitalist is a part of the contemporary elite. If ideology has declined as a means of securing allegiance and defining legitimacy, nationalism has been rising, with these needs in mind. However, if the current political leaders want to use nationalism, they also want to restrain its more militant forms in the name of peaceful coexistence on the international front.

As new leaders begin to fill the top party and governmental positions, two important

challenges confront them. First, how well will collective leadership function? One-man dominance of Chinese politics has ended. Now, functions and responsibility must be shared, and a consensus on basic policies must be achieved. Further, since none of the fourth generation leaders appears to have charisma, performance will determine public acceptance. Thus, the tasks of leadership are in many respects more complex than in the Maoist era.

A second challenge lies in the need to allocate power and responsibility among center, region, province and locality. After several decades of rapid development, certain key regions like Shanghai and environs have acquired substantial economic and political clout. China needs an institutionalized federal system, subject to periodic review and revision.

Finally, the loyalty of the Chinese people to the party and state cannot be taken for granted. Increasingly, especially among younger generations, interest in politics is overshadowed by the desire to have a good job and make money. While nationalism is strong, as earlier noted, commitments to leaders and political organizations are tentative, dependent upon conditions. Thus, the years ahead may bring periods of unrest or tension. Cognizant of that fact, China's political elite will not opt for full democracy. Even a sizeable portion of the intellectuals has doubts that China could handle complete political freedom and openness, at least at this stage of its development. Therefore, China is very likely to remain an authoritarian pluralist polity in coming decades.

Japan presents a striking contrast. Under American tutelage, Japan acquired democratic institutions shortly after the end of World War II, and these remain unchanged more than half a century later. Structurally, Japanese democracy meets the requirements of an open society: full political choice for the citizenry; the freedoms necessary to make that choice meaningful; and the rule of law.

The problems besetting Japanese politics today are in most cases culturally derived. Japan is a largely homogeneous society, wedded to the principle of consensus, built on the basis of familial type groups, with a premium upon hierarchy, reciprocal favors, and privacy. Despite rapid economic development and increasing conversance with the world, the Japanese people remain essentially conservative in their political thought and behavior.

Perhaps this is now changing. Increasingly, Japanese voters have looked for a new type of individual, one more independent and capable of taking initiatives without going through the intricate processes of the past. Junichiro Koizumi has appealed to many voters because he appears to have those qualities. Yet up to date, Koizumi had had great difficulty in carrying out reforms pledged, with the system overwhelming the man.

In a broader sense, there is a growing disillusionment among Japanese regarding all politicians and parties. For many years, Japan had a one and one-half party system, with one party--the Liberal Democratic Party--always in power and all other parties perpetually in the opposition. In the recent past, however, the LDP has weakened, and in reality, no party commands strong support. There has been no surge toward either left or right, yet the old center-conservative parties attract little enthusiasm. While disillusionment with the old system has grown, however, new forces in Japanese politics have yet to establish themselves firmly.

Nationalism is the one feature of Japanese politics that has shown some ascendance. Domestically, visits to Yasukuni Shrine and revised textbooks along with statements by individuals like Tokyo Governor Ishihara betoken a desire for a stronger identity. Moreover, certain figures have called for Japan to become a "normal state," with full sovereignty on such matters as security policies, and permanent membership in the UN Security Council. However, Japanese nationalism seems unlikely to resume its pre-1945 character under current conditions. In part, it is a reaction to a lengthy period of perceived political subordination to external powers, and notably the United States. Thus, the movement from a patron-client relationship to that of genuine partnership and greater independence of action has gained strength. The more serious threat in Japanese politics, however, is that of immobilism, with the inability of the political system to respond promptly to urgent needs, hence promoting increasing public disillusionment.

The Russian Federation is another society currently experimenting with democracy after many decades of hard authoritarianism. Here too, the political system has shown blemishes. Perhaps too much was attempted in too short a time, politically as well as economically.

Today, the Russian electorate seems more interested in leadership than in institutions. Vladimir Putin has maintained a high rating in the polls despite continuing economic problems, primarily because he is seen as a strong leader, prepared to take resolute action on various fronts. Whether his orientation toward the West, including the United States as well as the EU, will ultimately affect that popularity depends on future events.

Meanwhile, President Putin has sought with varying degrees of success to curb the actions of certain provincial governors when these threaten national policies. According to one observer, Russia's big capitalist moguls have shifted their attention from national politics, prevalent in the Yeltsin era, to provincial politics, seeking to curry favor with provincial governors and other local officials. Thus, the Russian Far East among other regions has been party to cronyism and corruption, with economic tycoons backing diverse candidates in krai and local elections.

Mongolia has managed to keep its newly acquired democratic institutions largely intact despite a reversion to leadership by the ex-Communists. Politics, however, will remain heavily dependent upon economic trends.

Turning to the Korean peninsula, politics in the two Koreas, as in the case of economics, could not be more diverse. In the ROK, democracy emerged from an earlier authoritarianism under which Korean economic development flourished. Currently, political openness seems strong despite extensive regionalism and a tendency toward authoritarianism in leaders. In the DPRK, political traditionalism continues with leadership in the monarchical mold, buttressed by a military elite. A heavily indoctrinated people have no political freedom and only a fragmentary knowledge of the outside world. However, if the economic changes now underway continue and are expanded together with enlarged contacts with other nations, political changes will eventually occur. Nor can one rule out the possibility of rising instability leading to regime overthrow at some point. For the present, however, North Korea stands out as a prominent symbol of a bygone era.

Thus, Northeast Asia runs the gamut from modern style democracy to hard authoritarianism with important intermediate systems, and with cultural influences prominent in every case.

It remains to examine the foreign policies of the Northeast Asian states, including their relations with each other as well as with the world at large. At the outset, several generalizations would seem in order. First, notwithstanding the uncertainties surrounding the Korean peninsula, and on the periphery of the region, those pertaining to Taiwan, relations within Northeast Asia are currently more promising than at any time in history. Whether this will continue, however, depends heavily upon the future of China.

Second, as has been emphasized, economics now plays the critical role fostering interdependence, and in this age of globalization, there is every reason to believe that this will continue. Economic relations are not without their problems and challenges, as has been stressed. Current trends contain features that cause a major worry for many states. However, there is no alternative to ever-greater dependence upon economic integration. As noted, Northeast Asia is destined to become a natural economic territory.

Third, the principal political obstacles to closer bilateral and multilateral relations within the region exist not in the ideological sphere, but in the combination of past history and current nationalism. Memories of old empires are kept alive by a continuous stream of reminders, in print and through oral pronouncements.

Finally, the United States as the world's sole superpower at present plays a critical role in influencing relations within Northeast Asia as well as relations on the global stage.

In elucidating these points, let us turn first to China. As suggested earlier, given China's transitional nature at present, domestic issues are paramount, and PRC foreign policy is shaped by

that fact. China needs regional stability and a relationship with others that supports economic interaction. Moreover, if China is to achieve some balance with American strategic power, it must be achieved through relations with other states, especially Asian states, which are positive. Thus, efforts have been made to build a "strategic partnership" with Russia, create an effective two-Koreas policy, evident acceptance of an independent Mongolia, and even move beyond history in relations with Japan.

To be sure, problems exist in each of these relations. Putin on occasion appears to be too pro-West and pro-U.S. North Korea pursues exotic policies, often without consultation. South Korea relies upon the United States for its security. And Japan shows evidence of a nationalist resurgence according to many Chinese. Yet the central goal of regional stability is maintained, and Chinese leaders seek understanding on a broad range of issues from Taiwan to terrorism.

The uncertainties relate to the future. As China emerges as the foremost power in East Asia economically and militarily, will it continue to abide by the Five Principles of Peaceful Coexistence as it so frequently avers? Can nationalism be kept in check, and a return to the Middle Kingdom complex be avoided? This concern is present not only in Northeast Asia but in South and Southeast Asia as well, and motivates many nations to hope that even as they pursue a policy of positive engagement with China, a balance of power in the region can be maintained, with the U.S. playing a key role.

Meanwhile, Japanese foreign policy today rests upon several key principles. First, Japan wants to maintain close security relations with the United States while expanding both its strategic commitments and its independent policies, as noted earlier.

Second, Japan is committed to a policy of seeking a positive relationship with China while recognizing that in both the economic and security realms; this massive nation represents a combination of opportunity and challenge. Economic interaction will continue to have a profound effect upon the Japanese economy. Cooperation on a wide range of issues from those of human security to those relating to the Korean peninsula will be promoted. Yet Japan will watch developments in China closely, and maintain its security ties with the U.S.

In coming years, Japan will come closer to the Russian Far East economically. Hence, relations with the Russian Federation will expand, and ultimately some compromise on the South Kurils (Northern Territories) issue is likely to be reached.

Japan also wants to move toward an expanded relationship with the two Koreas, but with respect to the North, this depends heavily upon DPRK attitudes and policies. Japan is not likely to make major concessions without reciprocity. If agreements on such key issues as the North's weapons program and the future of the kidnapped persons can be reached, however, significant Japanese economic aid will be given the DPRK. Relations with the ROK, however, will remain paramount.

While Japan will continue to seek an elevation of its international status, as noted earlier, it is not likely to move toward becoming a major military power. Only an enhanced perception of external threat combined with the loss of American credibility as a strategic ally might induce such a course. In the final analysis, Japan's role and status in the region and in the world will depend upon its domestic conditions, and most importantly, its economy.

The Russian Federation will continue to place its first priorities on the West and the Middle East for both economic and strategic reasons. Yet it will promote the growing economic relations between Siberia and the Russian Far East and Northeast Asia, seeking to become an important part of its NET. Russia will also cooperate with various Central and Northeast Asian nations in fighting terrorism as exemplified by the Shanghai Cooperation Organization. It should be noted that the term "terrorism" as defined by both Russia and China includes separatists of various types.

While Russia remains a formidable military power given its nuclear arsenal and a large stock of other military equipment, there is no current indication that it is considered a military threat by its eastern neighbors. Its present emphasis is not upon using military threat, Chechnya excepted.

It is also recognized that the Russian military force has suffered greatly from economic conditions, with low morale and a stockpile of antiquated weapons. Over time, this situation may change, but Russia's top priority at present is to handle its economic problems, and that includes seeking an expanded economic relationship with Northeast Asia.

Obstacles in Russian relations with the region will require attention. Full normalization of relations with Japan will continue to be hampered by the South Kurils issue. Nationalist sentiments on both sides seem to preclude an agreement at this time. Russia-China relations will remain far from those of alliance despite past rhetoric. Among the issues pertaining to the Russian Far East, concerns about Chinese immigration will not disappear, as noted earlier. The need for workers conflicts with the concern about a foreign intrusion. The desire for continued rapprochement with the United States, moreover, could be hampered by U.S. policies toward Iraq and the Middle East if an agreement via the UN is not achieved.

In sum, given its domestic problems, Russia wants a relationship with Northeast Asia--as elsewhere--that avoids tension and supports the status quo while working toward greater economic interaction. Much of Russia's importance to Northeast Asia in the near term, however, will hinge upon the health and growth of its economy.

The small and medium states of Northeast Asia currently have an importance with respect to regional relations far beyond their size. Mongolia understandably seeks a balanced relation with Beijing and Moscow with minimal intrusion by either, while also equalizing its relations with the two Koreas, and hoping for expanded relations with Japan and the United States. When it comes to interacting with major powers, there is safety in numbers.

For the Korean peninsula, the broad alternatives throughout history have been threefold: maximum isolation; efforts to achieve a balanced relationship with big neighbors; and alignment with a distant, non-threatening nation as protection against closer states.

North Korea is in the process of abandoning isolation, recognizing that this policy cannot be sustained in an era of globalization and is threatening the very existence of the society. It is seeking to pursue the second alternative, yet this is proving to be a rocky road, as recent events have shown. Since the DPRK has only one bargaining chip at present, namely, threat, progress in negotiations is difficult, with retreats and long delays frequent. Thus, the North is far from achieving its goal at present, and in the meantime, has no trustworthy allies.

Under President Kim Dae-jung, the ROK has sought to combine options two and three with considerable success. South Korea at present has stronger relations with China, Russia and Japan than at any time in the past without having abandoned its close security ties with the United States.

Meanwhile, relations between North and South Korea are a matter of concern to every nation in the region. No outside state wants a collapsed North, a nuclear North or another Korean war. Thus, the Korean issue has provided the basis for three party and four party dialogues involving the U.S., Japan, South Korea and China. Fortunately, despite the continuance of unresolved issues and frequent bitter outbursts, the atmosphere generally seems more conducive to continued negotiations than to conflict.

In conclusion, conditions in Northeast Asia today--domestic and regional--are conducive to cautious optimism. There is no absence of problems as has been indicated. Worry concerning the future of the Japanese economy is especially warranted, and the future of Russia--economic and political--remains clouded. Moreover, how the failing state of North Korea will evolve presents a dilemma since the policies of external parties do not suffice for a successful resolution and those within the DPRK seem erratic and unpredictable.

Yet economic expansion within the region including progressive economic interaction appears inevitable. State dominance is rapidly giving way to a market economy based upon privatization. Transparency, innovation, and competitiveness, factors so important to economic growth, are being encouraged in most states of the region. Variations in growth will continue, but the broad trend seems likely to be toward development consonant with the new era.

In the political sphere, the basic trend is that from authoritarianism in its various forms to greater political openness. As noted, some states will retain authoritarian features for the foreseeable future, and democracy in Northeast Asia will have to adjust the continuing power of traditional cultures. However, the capacity of the citizenry to have a voice in determining leaders and policies is expanding, albeit, with some question as to how and whether that voice is used.

Finally, regional and international relations are more harmonious than any time in the post-1945 period. Again, one must not ignore the remaining difficulties and hazards. Territorial disputes and divided states remain. Advances in weapons, including those of mass destruction, are taking place. And nationalism shows signs of resurgence. Moreover, globalization presents its own economic problems for contemporary nation-states, demanding adjustments that are both rapid and far-reaching.

Yet these various factors make war, especially war between major nations unwinnable. "Victor" as well defeated will suffer huge losses in every respect. Political leaders everywhere are gradually accepting that fact. Thus, the primary threats are from failing states that spew their debris beyond their borders and non-state actors labeled terrorists. Meanwhile, at both the multilateral and bilateral levels, instruments of dialogue are being expanded. Hopefully, they will be able to increasingly combine talk with action based upon policies supported by a consensus. In any case, Northeast Asia will remain a region in which the critical opportunities and challenges confronting every nation will be displayed in graphic form.