Toward a Stronger Foundation for United States, Japan, and China Relations

A Conference Report

Jane Skanderup
Rapporteur

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Pacific Forum CSIS

Based in Honolulu, Pacific Forum CSIS (www.csis.org/pacfor/) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

Research Institute for Peace and Security

Based in Tokyo, the Research Institute for Peace and Security (RIPS), founded in 1978, is an independent research center that aims to inform public policy, increase public awareness of security issues, and promote international understanding of Japan through publications and international exchanges. It is the Japanese institute most closely identified with Asia-Pacific security research, but also addresses economic and political issues.

China Institute for Contemporary International Relations

Based in Beijing, the China Institute for Contemporary International Relations (CICIR) was established in 1980 as a research institute dedicated to the study of international affairs and the elaboration of policy proposals for the Chinese government. The Institute conducts research on both thematic issues, such as global strategic patterns and trends in world politics and economics, and issues specific to particular regions or countries.

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Conference Summary
Jane Skanderup, Rapporteur

Synopsis of Discussion

In November 2003, the Pacific Forum CSIS joined with cosponsoring institutes – the Research institute for Peace and Security (RIPS) and the China Institute for Contemporary International Relations (CICIR) – to collaborate on a third round of dialogue aimed to improve understanding and cooperation among the United States, Japan, and China. During two previous series of meetings – held from 1998-2000 and 2000-2002 – the three institutes strongly agreed on the need for further dialogue at the non-governmental level in order to continue to press our publics and governments toward a more reasoned understanding of each other's policy approaches and visions of their regional and global roles. The value of such dialogue to build bridges when governments lack the capability has been immeasurable. The three institutes have each brought a constructive and cooperative attitude to the project; long before our governments decided to adopt that phrase, we had already instituted it at a working level.

The three institutes believe that the opportunity now is to build a stronger foundation for trilateral relations that is capable of sustaining real cooperation. The geopolitical and geo-economic landscape of the Asia Pacific region continues to require our combined efforts to ensure peace and stability in the region. For the one consistent factor in Asia-Pacific security, which is only more true after Sept. 11, is that every nation in the region feels more secure when the U.S., Japan, and China are engaging each other. In this sense, the original goal of our very first project in 1996 remains steadfast: the U.S., Japan, and China not only have mutual interests in adopting cooperative approaches but share a mutual responsibility for regional peace and stability that surpasses their individual abilities.

Participants at the November meeting, hosted by RIPS in Tokyo, all agreed that cooperation among all three countries is at an all time high. Yet the level of expectation for future cooperation is also high, with key challenges of working together on possibly divisive issues of proliferation and some aspects of foreign policy approaches to terrorism. Yet with trade and investment growing exponentially as China implements its WTO comitments, and with cooperation on the war on terrorism achieving surprising results, there is a great need to look down the road and anticipate where future pitfalls might lie. The good news is that U.S.-China and U.S.-Japan relations have both progressed in remarkable ways, without making either Japan or China nervous about each other or suspicious of U.S. intentions, contrary to the "zero-sum" mentality that has traditionally been at the root of this "assymetrical" trilateral relationship. On some issues – such as divisive interpretations of history between Japan and China – it is still necessary and important to address misunderstandings and correct misperceptions that can poison the relationship. Therefore, the aim of our dialogue was to assess achievements, identify possible roadblocks to new cooperative efforts and ways to move forward in a pace and manner that is comfortable for all three sides.

Key Topics

Participants were struck by the fact that cooperation among the U.S., Japan, and China is at an all-time high. Participants attributed this to many factors; the U.S. and Japan are consulting much more which eases concerns, China has adopted a more pragmatic foreign policy with a new stress on relations with developed countries, and Japan has a rising sense of confidence as an actor in regional and global security issues. Relations between Japan and China remain fraught with history issues, and the issue of Prime Minister Koizumi's visits to Yasukuni Shrine arose more than once. Yet participants noted a determination by leaders in both countries to try and work together on common issues.

The complex issues in the regional and global security environments drew much debate and discussion. Perceptions on U.S. unilateralism, cooperation in the six-party talks, competition over relations with ASEAN, Sino-Japanese relations, and regional economic cooperation were major themes. It was also observed that the U.S., Japan, and China are all at an important juncture in domestic politics, with new leadership in China, the presidential election in the U.S. next year, and a series of important elections in Japan. This will no doubt affect foreign policy decision making and perhaps constrain new initiatives.

Perceptions of U.S. Unilateralism

Some participants believed that the U.S. acts as if there were a universal concept of terrorism, yet countries have their own views on what constitutes a terrorist threat. Some observed that the U.S. approach to the war on terrorism is predominantly military and oriented toward force; others challenged this view, and stressed that the allegation of unilateralism is more perception than reality. There is a great degree of quiet cooperation among ministries of finance, police forces, and intelligence agencies that has resulted in the arrests and indictments of scores of known terrorists. Even at the height of dissension about the U.S. invasion of Iraq, Germany and France were cooperating with the United States on maritime interdiction of illegal ships in the Horn of Africa, it was argued. There are many examples of these kinds of systematic, on-going cooperative efforts that reflect a tacit recognition among governments that combined efforts with the U.S. are necessary and useful to address terrorism threats to their own national interests, it was pointed out.

Another approach that the Bush administration has adopted is to create "coalitions of the willing" to solve specific problems, such as the Proliferation Security Initiative (PSI) to inderdict illegal transfer of weapons of mass destruction.[1] Some participants

[1] Announced by President George Bush on May 31, 2003, the eleven countries in PSI are Australia, France, Germany, Italy, Japan, the Netherlands, Poland, Portugal, Spain, the United Kingdom, and the United States. During the December 2003 meeting in Washington, DC, Norway, Denmark, Singapore, and Canada also joined the talks.

questioned whether this approach was emerging as a major challenge to the efficacy of the United Nations, or whether the PSI is successful due to the weakness of the UN. Some participants argued that China should join the PSI as a demonstration of its commitment to multilateral approaches to address the terrorism threat, while others expressed concern – echoing the position of the Chinese government – that the PSI violates international law. It was countered that the PSI charter states that it is "consistent with national and international law," but some participants weren't convinced.

Cooperation on the Six Party Talks

The U.S., China, and Japan are key players in ensuring the success of the six-party talks. Discussion ensued about the distinct priorities among the three countries with North Korea – for China, the DPRK's stability is paramount, for Japan the abduction issue is the most important, and the nuclear issue is supreme for the United States. Yet participants agreed that the six party mechanism is an excellent way to meet all these needs, albeit in a gradual way. Some participants believed that the six party process should be linked with the UN Security Council (UNSC) to give it more legitimacy; for example, perhaps the UNSC could monitor agreements that come out of the talks. Participants also debated whether the six-party mechanism offers the opportunity to create a framework for a broader Northeast Asia security dialogue. Some participants observed that there are a dozen or more trilateral relationships in Northeast Asia, that is, triads that have their own unique dynamics, and the six-party mechanism may not be able to handle all of the competing triangles, particularly once the North Korea problem is solved.

The question was raised whether China's leadership role in the six-party talks reflects a more proactive approach to foreign affairs by the new leadership, or is situational and specific to the North Korea issue. Some responded that it reflects the strong self-confidence of the new leadership, as well as a pragmatism and openness to join the international community. It was stressed that China has changed, step by step, the government and the people are more and more aware of globalization and the need to integrate with the world economically, diplomatically, and peacefully.

Trilateral Competition for ASEAN?

There was much debate among participants on the motivation and goals for the separate initiatives that China, Japan, and the U.S. are pursuing with ASEAN. Given that China was the first to conclude a free trade agreement (FTA) with ASEAN in early October 2002, it is often argued that Japan, in particular, is in fierce competition with China for political and economic influence in ASEAN. Some even argue that Japan has already lost, perhaps permanently, its traditional clout in Southeast Asia. Similarly, it is often perceived that the United States' announcement in October 2002 of the "Enterprise for ASEAN Initiative" was a deliberate reaction to China's earlier agreement in order to preserve U.S. status in Southeast Asia. The fact that China became the first non-ASEAN signatory to ASEAN's Treaty of Amity and Cooperation (TAC) in October 2003 is

argued as further testament to China's economic and diplomatic success with its southerly neighbors – at the expense of the U.S. and Japan.

Other participants pointedly remarked that it is a false concept to think about whether Japan or China or the U.S. is ahead in its relations with ASEAN; this is all too symptomatic of the traditional zero-sum mentality and "win-lose" proposition that stubbornly undergirds trilateral relations.

In this view, all three countries are pursuing improved ASEAN relations according to their own histories and purposes. Both U.S. and Japanese interests with ASEAN have an enduring history compared to China's relatively recent initiatives, for example. In this light, ASEAN may have wanted China to join the TAC to provide a firm assurance – and perhaps some insurance – of China's benign intentions, which ASEAN does not feel it needs from Japan or the U.S. It was recognized that Japan does need to adjust to the fact of China's emergence and new efforts with ASEAN, and Japan has yet to utilize the huge diplomatic opportunity to deepen relations with ASEAN. China is at the center of structural change in Asia, it was acknowledged, both economically and maybe politically, and Japan does need to adjust. One often overlooked area is that Japan's ASEAN economic strategy necessarily involves domestic agricultural restructuring, and there are recent signs – such as breakthroughs on the FTA with Mexico – that some of Mr. Koizumi's strategies to weaken the domestic farm tribe's influence on trade policy may be working.

For these reasons, Japan should not feel threatened by China's new diplomacy. In many ways, Japan's relationship with ASEAN has achieved a respect and maturity that is quite nascent in the China-ASEAN relationship. This is evidenced by the choice of Tokyo as the site of the December 2003 Japan-ASEAN summit, the first such ASEAN summit to be held outside of a member state.

The United States hardly stands at a disadvantage with ASEAN either; as one Chinese participant observed, "the U.S. has woven an unofficial but elastic security net ranging from the two military allies of the Philippines and Thailand to Singapore and Malaysia." The AEI initiative seeks to supplement these strong security ties with improved economic opportunities, it was argued.

China-Japan Relations

It was broadly agreed that progress on this leg of the trilateral relationship has not kept pace with improved U.S.-Japan and U.S.-China relations. While participants expressed a common desire and hope for improvement, the discussion about how to do this proved divisive. In the economic sphere, the two countries are becoming more integrated year by year, and this dynamic does help to keep leaders' eyes on cooperation for the road ahead, instead of being trapped in the past by history issues.

On a positive note, many participants believed that growing people-to-people exchanges could help "sweep away misunderstandings" by allowing the societies to

directly interact and dispel biases and preconceived notions. However, the "Xiamen" incident arose as an unexpected heated topic – this was an instance where a few male Japanese students in a school in a northern Chinese province became the source of controversy heavily publicized in both countries. The negativity in both countries surrounding this incident actually ended up serving as a new source of "people to people" divisiveness, and seemed to confirm the two societies' predispositions about the other, rather than challenge them.

Some Chinese participants expressed the hope that conditions would be favorable for Prime Minister Koizumi to visit China, referring to the cancelled invitation for him to visit after Mr. Koizumi last visited the Yasukuni Shrine. Yet Japanese participants stressed that Mr. Koizumi would not bend on his commitment to make these visits; this is a very personal issue for him to honor Japan's veterans – of all stripes – and he believes it is a domestic issue that should not, and will not, be challenged or affected by foreign governments. One participant urged Chinese colleagues to pay attention to what Mr. Koizumi has actually said when he visits Yasukuni; in numerous speeches, he has made clear a balanced, careful, and sensitive understanding of Japan's militaristic past. How remarkable it would be for the Chinese press to actually print Koizumi's speeches rather than "reporting" inflammatory commentary based on the negative symbolism of the past, it was argued. In other words, Mr. Koizumi's positive statements made at Yasukuni have not been communicated to the Chinese public.

Taiwan

The issue of Taiwan came up several times, and as always was a particular thorn for the U.S. and China. As one Chinese participant realistically noted, struggles between China and the U.S./Japan have been and will be "persistent, fierce, and complex." The list of China's worries is long and not easily resolved; it is deeply concerned over the inclusion of Taiwan in the military responsibility and defense sphere of the U.S.-Japan security alliance. Japan may particularly worry that the U.S. and China are too focused on whether or not military conflict will erupt across the Strait; the real problem to Japanese eyes is that China needs to win the political battle, the hearts and minds of the Taiwanese people, and in this it is definitely losing. This problem will persist for many years. There was a general agreement that Taiwan's March 2004 presidential election would be a trying time for all parties; participants agreed that President Chen Shui-bian as well as other presidential contenders should not take political stances that would harm Taiwan's foreign relationships in the quest to secure domestic votes.

Regional Economic Cooperation

Apart from ASEAN, participants also debated APEC's recent foray into security issues, whether the growing importance of FTAs in the region will harm or help revive APEC, and whether the "Plus Three" dialogue is is a mechanism for bringing Japan and China together or is a divisive force.

At the October 2003 APEC meeting just concluded in Bangkok, the Leaders' Statement included an important clause on cooperation in maritime security, specifically to address terrorist threats, and participants wondered whether this was an indication of a loss of confidence in the ASEAN Regional Forum (ARF) as well as a failure of APEC to play a central economic role. It was observed, however, that APEC's apparent new addition of a security issue has been a trend ever since the November 2001 APEC meeting in Shanghai, continued at APEC 2002 in Mexico, and included new areas at Bangkok in 2003. These agreements have the security of commerce as a basic tenet, whether through improved security at ports or at sea. The Bush administration was the clear motivator for these agreements in responding to the post Sept. 11 world, but they are not a departure from the economic thrust of APEC, it was argued. The ARF is actually a more limited institution, with a far smaller bureaucracy and agenda, it was pointed out.

Participants debated the role of FTAs on APEC, and there was no clear conclusion whether they could help motivate APEC to move forward on liberalization or whether they were becoming a substitute for region-wide market opening efforts. In the "Plus Three" process, which fosters cooperation among South Korea, Japan, and China, participants tended to agree that it is a positive force; there are now trilateral exchanges of trade and finance ministers, as well as the biannual heads of state meetings, and this helps to advance bilateral economic interests in a broader institutional setting.

Political and Economic Evolution in China

It was emphasized again and again that China's continued economic growth requires a stable regional and international environment, and China wants to be a responsible partner in creating that environment. The new leadership is very committed to integrating with the global economy and joining the world community, through the World Trade Organization (WTO), APEC, ASEAN Plus Three, the UN, and other mechanisms.

Although there are concerns in Japan, and especially in the U.S., about growing trade deficits with China, it is China's view that overall its economic growth makes an increasingly important and positive contribution to the global economy, including the U.S. and Japan. The many economic and political challenges for China that it must grapple with were also duly noted by all participants. China's new leadership is very aware of the societal and economic imbalances that it must address to maintain political and economic stability, including the stubborn challenges of wage and job inequities within and among regions, environmental degredation, and financial restructuring, to name just a few. China's domestic policies must address these issues, but it also needs the cooperation of the global community, and particularly the U.S. and Japan as the world's largest two economies.

There has been a significant shift in China's foreign policy since 1999, which goes hand in hand with the evolution in its economic growth, argued Chikako Kawakatsu in her paper. China has moved from declaring relations with developing countries as the

key foreign policy priority, to its 2003 shift to emphasizing relations with the major industrialized countries. This accompanied the goal announced in 2002 of achieving a doubling of gross national product (GNP) by 2020. Other participants confirmed that China has changed its view of the G-8 – it used to see it as a rich man's club, and it now recognizes it as a club of the major powers.[2] Whereas China spurned Japan's invitation to attend the 2000 G-8 meeting in Kyushu/Okinawa, it did participate in the Evian June 2003 G-8 summit which also included leaders from ten other developing countries. This marked a departure from China's past policy.

Participants agreed that China's need for economic growth has exerted a moderating influence on its foreign policies, especially with Japan and the United States.

Some participants noted that current trade frictions between the U.S. and China are reminiscent of U.S.-Japan economic conflict of the late 1980s and mid 1990s. The current tension could be a period of growing pains that will gradually diminish, but the nature of U.S.-China interdependence may also be fundamentally different because of their vastly different political systems. It may be more difficult to handle economic conflict.

In this context, it was noted that the U.S. and Japan need to be aware that there are growing political constituencies in China that they need to pay attention to. Just as there are domestic constraints in democracies that affect foreign policy decision making, China's leaders also face strong public opinion about many foreign policy issues. Some expressed doubt whether the U.S. in particular was able to handle a more complex domestic political environment in China as it seeks solutions to trade issues.

Participants also stressed the critical role of energy in future trilateral relations, and particularly Japan-China relations. Japan in particular is very worried about the lack of a strategic petroleum reserve in China, which is crucial to avoid oil price increases should supply shocks or bottlenecks occur. The role of Russia's natural gas and oil supply is extremely integral to the future of energy supply in the region, all agreed. The current competition between China and Japan to obtain the most advantageous oil pipeline route from Russia is very unfortunate, one participant opined; Russia will make this decision based on its own self interest, and China and Japan should find ways to collaborate to get future energy needs met rather than let Russia dictate to them both.

U.S. Security Strategy

Participants assessed perspectives on U.S. security strategy toward the region and the world, and its affect on foreign policy toward Japan and China as well as on trilateral cooperation. This included discussion on the *National Security Strategy*, force restructuring, alliance management, multilateralism, and the war on terrorism.

[2] G-8 refers to the Group of Eight, which includes Canada, Japan, France, Germany, Italy, Russia, the United Kingdom, and the United States.

Michael McDevitt stressed the evolving nature of U.S. security strategy in his paper. There are some fixed aspects that haven't changed, while other elements are changing in the post Sept. 11 era. To assess "fact from fiction," one must consult a series of documents, including the *Quadrennial Defense Review* (QDR), the *National Security Strategy* (NSS), the secretary of defense's August 2002 Annual Report to the President and to Congress, as well as a recent article by national security advisor Condoleeza Rice that McDevitt opined is relatively authoritative.[3] Specifically regarding Japan, the Bush administration has sought to make it a more complete ally, reflecting a bipartisan concsensus among the U.S. security elite that there needed to be a change toward a greater partnership. Concern was expressed about the use of preemption by the Bush administration; in the Iraq case, it was more an act of prevention than due to an imminent threat, which should define preemptive acts. One participant pointedly observed that the U.S. is trying to turn its unipolar "moment" into a unipolar "era," and others agreed: a core of U.S. military strategy is military pre-eminence, not just military sufficiency.

Japan's Enhanced International Role

Prime Minister Koizumi has embarked on many successful diplomatic initiatives to expand Japan's international role, which has had an impact on trilateral relations and the management of the U.S. alliance. There is much debate and discussion in Japan now about whether the constitution needs to amended, specifically revising Article IV, in order to support a more active role for Japan in the global arena. Participants observed that there has been a demise of the old consensus on Japan's international role – the "1955 regime" based on pacifist/leftist forces – but the transition to a new consensus is still underway. Policymakers and security specialists are weighing how to develop a guiding principle for foreign policy that allows flexibility of action and is consistent with Japan's peace constitution. Participants stressed that national debate about security policy was virtually suppressed during the Cold War, and Japan was very inward looking. It is only natural that Japan now become more engaged in the world, and that new conservative voices are being expressed and woven into a new, yet unsettled consensus. Some participants opined that revising Article IX is a natural part of this progression and should not be interpreted as a change from Japan's basic tenet of non-aggression.

Clearly the Bush administration has opened up new avenues for alliance cooperation, and the Koizumi administration has surpassed expectations of cooperation. Yet there are areas where Japan's views do not coincide with the U.S. For example, for Japan there is a conceptual gap in the rationale for U.S. intervention in Afghanistan and Iraq. In the case of Afghanistan, U.S. intervention was justified by the concept of collective self defense; this was not the case with Iraq. For Japan, the role of the UN is ultimately very important, and Prime Minister Koizumi himself has urged President Bush to utilize the UN more effectively in the Iraq conflict.

[3] See the *Wall Street Journal*, October 24, 2003.

Political and Economic Evolution in China

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Conclusion

Participants agreed that the sustained dialogue through seven years of this project has achieved a unique camaraderie and level of frankness, and areas of disagreement were expressed with less bitterness and fewer accusations. This was especially true in sensitive areas such as Chinese concerns about U.S. unilateralism and history issues with Japan. It was also true for new areas of concern, such as Japan's desire for the U.S. to utilize the United Nations more effectively, particularly in the Iraqi conflict.

It was evident that both Japan and China have a rising sense of self-confidence in playing greater roles in the regional and international arenas. China's 25 years of opening up economically has had a moderating effect on its foreign policy, and at the same time has motivated a desire to play a responsible political role in the global arena comparable to its growing economic weight. Japan's rising self-confidence and increased activity in international affairs is derived from a new national debate on security strategy that was virtually suppressed during the Cold War. These developments are positive for United States interests as well, as evidenced by the mutual commitment of all three countries to the six-party talks and cooperation on the war on terrorism, to name a few areas. Participants noted broad concern about U.S. unilateralism, or at least the perception of it, as a possible future roadblock for continued trilateral cooperation.

Chapter 1
Perspectives on the Changing Geopolitical Environment and Impact on Trilateral Cooperation
By Brad Glosserman

This is a remarkable moment in international relations. The United States has unmatched comprehensive national power, yet most governments have chosen to bandwagon with Washington rather than balance against it. In East Asia, the U.S. currently enjoys "the best relations ever" with both Japan and China and neither government seems compelled to or concerned about profiting at the other's expense. If these three countries seize the opportunity, they can build a foundation for solid relations over the long term. It is still unclear whether they have the vision and courage to do so.

This essay looks first at U.S. relations with Japan and China, and explains why they are so good. It then explores U.S. priorities and the instruments it uses to achieve them. That is followed by a quick look at current U.S. concerns within East Asia. Finally it closes with some longer-term problems. Since this is an overview, the treatment of all these subjects is somewhat superficial: its primary purpose is to highlight areas for discussion.

From a U.S. perspective, the current watershed in relations reflects three distinct decisions. In Washington, the administration of George W. Bush, while vowing that its military power will remain "strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of surpassing, or equaling, the power of the United States," nonetheless called on like-minded nations to join it in the pursuit of shared goals and common interests. As explained in the *National Security Strategy of the United States* (NSS), "America will implement its strategies by organizing coalitions – as broad as practicable – of states able and willing to promote a balance of power that favors freedom." This "concert of powers" is a stark contrast with the "balance of terror" that prevailed during the Cold War.

In Tokyo, a process that began after the 1991 Persian Gulf War has gathered speed in the wake of intensifying threats. Japan has embraced greater realism in its security thinking. Prime Minister Koizumi Junichiro used the opportunities that followed the terror attacks of Sept. 11, 2001 to break the logjam in his country's security policies. North Korea's fiery rhetoric has helped overcome public opposition to forward-looking security planning and unprecedented cooperation in the U.S.-Japan alliance. This strategic partnership and the strong friendship between Mr. Bush and Mr. Koizumi have pushed bilateral relations to their highest point ever.

In Beijing, the Chinese leadership – both old and new – has recognized that good relations with the United States are an essential ingredient of the stability China needs for economic growth and development. Despite its clear preference for a "multipolar" world, China has accommodated itself to the U.S.-led order and cooperated with Washington to

address key concerns, among them the war on terrorism and the North Korean nuclear crisis. At conferences and meetings, Chinese participants have spoken of the *NSS* in positive terms, which, in their words, opened the door to great power cooperation. U.S. officials speak of unprecedented dialogue at the upper levels of government and unparalleled collaboration. Both governments deserve credit for looking past their sometimes hostile rhetoric and understanding that only cooperation will allow them to realize their goals and objectives.

There is another pillar of this new strategic order. Only a decade ago, there were doubts about the long-term U.S. commitment to the Asia-Pacific region. No longer. The war on terror has deepened U.S. engagement in Asia and forced more intensive collaboration with allies and friends. As National Security Advisor Condoleezza Rice explained in a recent commentary, "Not only are we in Asia to stay, we are working with our allies and partners across the region to advance alliances, promote open trade and investment, and bolster the forces of democratic change and tolerance in ways that seemed unachievable only a few years ago."[5]

U.S. Priorities

The United States maintains its traditional foreign policy interests in Asia. It still seeks to protect and facilitate the spread of human rights and other freedoms, and their exercise through democratic practices, as well as safeguard access to foreign markets. The U.S. remains a Pacific power, with significant interests throughout the region.

U.S. national security policies have changed since Sept. 11, 2001, however. Terrorism now tops the list of U.S. strategic concerns. President Bush explained in the introduction to his *National Security Strategy* that "shadowy networks of individuals can bring great chaos and suffering to our shores for less than it costs to purchase a single tank. Terrorists are organized to penetrate open societies and to turn the power of modern technologies against us. …*The gravest danger our Nation faces lies at the crossroads of radicalism and technology.*" (Emphasis added.)

Terrorism has become the touchstone for all security and defense policies. While there are domestic political reasons for using the war on terror to justify policies, the president's concern is genuine. Sept. 11 changed American perceptions of the nation's vulnerability; it is difficult to appreciate the impact and magnitude of that attack. Securing cooperation in this fight thus tops the administration's foreign policy priorities and Japan and China have done much in this endeavor. Significantly, the administration also credits them for their actions.

An outgrowth of the concern about terrorism is renewed emphasis on stopping the *proliferation of weapons of mass destruction* (WMD). A basic assumption of the war on terrorism is that traditional methods of deterrence will not work (that lies behind the U.S. embrace of "preemption" in dealing with these threats). If terrorists get their hands on WMD, they are presumed willing to use them. To prevent that, the U.S. must step up

[5] Condoleezza Rice, "Our Asia Strategy." *Wall Street Journal*, Dow Jones & Co., Oct. 24, 2003.

efforts to halt the spread of those technologies. That logic provided the official justification for the war against Iraq, and drives U.S. policy toward North Korea and Iran. That logic is also behind the Proliferation Security Initiative (PSI), which is designed to combat a global threat, although the immediate concern is North Korea.

The 11 members of the PSI underscore another element of U.S. strategy: the reliance on "*coalitions of the willing*" that supplement traditional alliances. As laid out in the *NSS*, the U.S. is ready to work with any nation that shares its values and objectives. The war against Afghanistan employed this new approach, and it has been since used in Iraq and in the PSI. There are important analytical questions concerning the fit between these coalitions, the international legal order, and existing multilateral institutions.

Coalitions of the willing supplement *traditional alliances*, which continue to be the principal U.S. tool for regional military engagement. In the post-Cold War world, however, the shortcomings of those alliances as currently configured have become increasingly clear. Washington is working with its allies to modify those arrangements so that they are better suited to 21st century security realities. This process is most advanced in the U.S.-Japan alliance, where it has been underway for the longest period of time. The U.S. and the Republic of Korea (ROK) are currently consulting on the best way to adapt their alliance to new security threats, a process that is complicated by the twin crises on the Korean Peninsula – the North Korean nuclear crisis and the domestic political crisis in the ROK.

Both of these items highlight the role of *military elements* in U.S. strategy. The *NSS* stresses that the military is but one tool in the U.S. arsenal, but an observer could be forgiven for concluding that Washington puts more emphasis on that than on other arrows in its quiver. To its credit, the U.S. has relied on diplomacy in dealing with North Korea and President Bush stressed educational initiatives during his Indonesia stop on his recent Asian tour. Secretary of Defense Rumsfeld made similar comments recently, saying the world had to pay more attention to the education systems that breed terrorists.

How Washington Sees the World

Japan. The U.S.-Japan relationship is the best it has ever been. Credit the preparations in Tokyo that followed the first Persian Gulf War, a U.S. administration that looks to Japan to be the foundation of its engagement in Asia, and a strong personal relationship between President Bush and Prime Minister Koizumi. Japan has made unprecedented efforts to support the war against terrorism as well as coalition efforts in Afghanistan and Iraq. This administration has decided that Mr. Koizumi is the best hope for reform that Japan has; that it will forego criticism of Japan's economic reforms in exchange for support in the war against terrorism; and that criticism is pointless since Japan will reform at its own pace, no matter what Washington says. The U.S. looks to Japan for support in its diplomatic initiatives and in return will support Tokyo as it tries to table its concerns in various multilateral forums.

China. The U.S.-China relationship is also scaling new heights. Both Washington and China have decided that the two countries need each other to further their national interests. U.S. policymakers applaud Chinese contributions in the war against terror, Beijing's attempts to help solve the North Korean nuclear crisis, and in its help in getting a resolution to support the reconstruction of Iraq through the United Nations. At the same time, however, U.S. officials concede that trouble spots remain in the relationship. Human rights will continue to bedevil relations, as will violations of nonproliferation promises. Next year's Taiwanese presidential election could also prove to be a nuisance, but Washington – for all its support for the island government – appears increasingly frustrated with the behavior of President Chen Shui-bian. In addition, some analysts worry about a long-term clash of interests between the U.S. and China, despite the current convergence of national concerns. The Korean Peninsula is the primacy focus of these observers.

North Korea. Washington sees North Korea as the chief threat to regional peace and security. For all its harsh rhetoric, the Bush administration has made clear that it seeks a diplomatic solution to the North Korean nuclear crisis. To achieve that end it has made an unprecedented effort in coalition building and has succeeded – thanks largely to North Korean behavior, which has convinced other participants in the six-party talks that Pyongyang is a genuine threat to the peace. President Bush and other conservative elements of his administration make no bones about their distaste for North Korean leader Kim Jong-il, but Mr. Bush has decided that however much he wants regime change in Pyongyang, he must do business with the current leadership.

South Korea. There are two crises on the Korean Peninsula, and little attention has been devoted to the second one: the crisis in domestic politics in the South. After initial scares about the seeming anti-Americanism of candidate Roh Moo-hyun, Washington has discovered that it can do business with the new president. Unfortunately, the new administration in Seoul has not been consistent and Mr. Roh's indecisiveness has plunged South Korean politics into disarray. Sadly, international relations are not waiting while South Korea sorts things out.

Some Americans worry that they are now seen as a bigger cause of regional instability than North Korea. Generational change is a partial explanation for this new view of the U.S., but anti-Americanism is a complex phenomenon. Discussions of force redeployments, while long overdue in practical terms, heighten fears of irresponsible U.S. behavior. Although these talks have been proceeding for years and any redeployments will take place in the future, there is a widespread perception that the U.S. is increasing regional volatility rather than reducing it. U.S. frustrations have been increased by the reluctance of Korean conservatives to defend the U.S.-ROK relationship.

Russia. The current administration has overcome its original fear of Russia and now sees Moscow as a partner. The Bush administration seemed most willing to forgive Russia among the three dissenters in the U.N. Iraq imbroglio. By and large, however, Americans consider Russia to be a marginal player in Asia. It has relationships that it is trying to protect, but Moscow's first priority is economic recovery, which is a

precondition for any return as a great power. The battle between China and Japan over the route of a proposed oil pipeline is an indication of the role Russia might play in any future Northeast Asia, but the influence of a commodity supplier is not that of a major power. The recent controversy over the arrest and harassment of "oligarchs" has raised concerns about democracy in Russia, but the current administration appears to have subordinated those issues in the name of cooperation on other priorities.

Southeast Asia. This region has taken on a new significance in the aftermath of Sept. 11. The U.S. worries that Southeast Asia is the second front in the war against terrorism. Experts believe that the defeat of the Taliban regime in Afghanistan has forced many terrorist groups to relocate operations to the region. The large Muslim population in Southeast Asia complicates U.S. policy: Washington looks to Indonesia and Malaysia as possible models for a moderate form of political Islam, but it also has problems with the human rights practices of both governments. Recently, the U.S. has become alert to China's aggressive diplomacy toward the region and the success of that policy.

The Middle East. While this region is not a part of Asia, it warrants mention for two reasons. First, the U.S.-led war against Iraq has hardened opinion against the U.S. among multilateralists and Muslims. The international community is watching closely both how the U.S. conducts itself in Iraq and the impact of its policies. The world cannot afford to have the U.S. "lose" Iraq but there does appear to be a perverse pleasure in U.S. misfortunes there. Iraq has also been a test case for cooperation with the U.S., a test that both Tokyo and Beijing have passed.

The Middle East also matters because of the Palestinian conflict. U.S. policy is a touchstone for Islamic opinion. A failure to be as interested in finding justice for Palestinians as it is in removing Saddam Hussein will poison U.S. relations with Muslims around the world. The Bush administration's new-found enthusiasm for a peace plan reflects this need to court opinion in the Muslim world.

Long-term Issues

The U.S. geostrategic outlook will be shaped by a variety of factors. Some of the key concerns are outlined here.

The first is the *perception of U.S. unilateralism*. There is room for debate over the alleged unilateralism of the Bush administration. Nonetheless, the perception that the current U.S. government acts unilaterally is unmistakable. The U.S. must fix that image as it will alienate growing numbers of countries around the world and frustrate the achievement of U.S. objectives.

A second issue is the *settlement of the North Korean nuclear crisis*. These talks will have profound implications for U.S. interests in the region and beyond. At stake is faith in U.S. leadership, the future of the nuclear nonproliferation order, primacy in Northeast Asia, and the structure of the Northeast Asian regional order. A grand bargain

could yield a permanent security framework as well as an institutionalized energy and/or economic cooperation; failure to reach a deal could lead to war.

A related issue, but one that should be considered on its own merits is the *future of the international nonproliferation regime.* Settlement of the nuclear crisis on the Korean Peninsula could restore faith in the Nuclear Nonproliferation Treaty (NPT); failure could lead to a nuclear domino effect in Asia and beyond. A separate concern is U.S. nuclear policy. The five nuclear weapons states have been slow to live up to their end of the NPT bargain – there are doubts about their commitment to disarmament. With another review conference scheduled for 2005, U.S. nuclear policy will come under increasing scrutiny. Future extension of the NPT will become increasingly difficult if the U.S. (and other nuclear weapons states) is seen as aspiring to maintain "nuclear apartheid."

Spiraling energy demands are another key concern. Increasing energy needs could drive up the price of petroleum; at a minimum, they will spur new competition for supplies in the region. This is already occurring in the fight between Japan and China over the proposed oil pipeline route in Russia. Similar competition can be expected in the Caspian Sea and will drive development of the Russian Far East. The search for alternative energy sources creates additional problems. East Asian nations rely on nuclear energy for significant shares of domestic energy supply, which creates proliferation concerns and growing stockpiles of nuclear waste and spent fuel.

Finally, the U.S. must be worried about *fiscal overstretch and imbalances in the global economy*. The U.S. fiscal position is unbalanced. It has overextended its military, committed itself to rebuilding Iraq, and is embarking on an aggressive military modernization program, which includes significant outlays on missile defense. At the same time, its resources are dwindling: the Bush tax cuts will create deficits in the hundreds of billions of dollars for the foreseeable future, and the Social Security accounts are equally perilous. As a result, the U.S. is dependent on foreign capital to finance its voracious appetites. (This is not a complaint about U.S. consumer spending, although that imbalance in the global economy must also be fixed.)

The U.S. needs to be concerned that alternative investment opportunities will arise – most notably in China, the European Union and India – and capital will not flow so readily into the U.S. If competition for funds increases, the U.S. will find itself dangerously overextended. The long-term sustainability of U.S. preeminence could be at stake. While investors are unlikely to use the threat of "dumping" Treasury bills to influence the U.S., a new investment calculus could arise that will have a similar effect on U.S. policy options over the long term.

Chapter 1
Trilateral Relations after 9/11: A Perspective on the Changing Geopolitical Environment and Impact on Trilateral Cooperation

By Yoshinobu Yamamoto

September 11 and Changes in American Security Policy

The terrorist attacks on Sept. 11, 2001 have changed the basic security policies of the United States and consequently the world strategic scenery. The American priority has shifted from strategic relations among major powers to the war on terror and to what the United States calls "the rogue states" (or the "axis of evil"). This shift implies that the United States will try to form a grand coalition to fight against terrorism and rogue states. The post-Sept. 11 period can be divided into at least two periods, before and after the Iraq war (or the distinction could be made between the Afghanistan war and the Iraqi war or, in the East Asian context, the period before and after the North Korean nuclear issue was raised in October 2002).

The changes in U.S. security policies have significant impacts on trilateral relations among the United States, China, and Japan. In the Clinton era, the United States had developed good relations with China (symbolized by "strategic partnership"), while the United States sometimes did not pay enough attention to U.S.-Japan relations, and Sino-Japanese relations sometimes were strained. The Bush administration tried to change this structure, and tried to develop a harder line in policies toward China (and North Korea), while it argued for strengthened security relations with Japan. Normally if Sino-U.S. relations become tense and at the same time, the U.S.-Japan security relationship is strengthened, Sino-Japanese relations would most likely also become tense.

Closer Sino-American and American-Japanese Relations, and Stability in Sino-Japanese Relations by Default

The Sept. 11 attack has changed this structure, particularly with respect to Sino-American relations. China made it explicit to fight against international terrorism immediately after Sept. 11 and developed a close collaboration with the United States particularly on intelligence sharing. In the *National Security Strategy of the United States* issued in September 2002, President Bush stated that relations among major powers were the best since the inception of the Westphalia system in 1648. That statement, of course, applies to China, even though President Bush touched upon human rights issues and democracy in China in the document.

Japan enacted special anti-terrorist legislation in November 2001 under which Japan has sent naval ships to the Indian Ocean to supply fuel to ships of the coalition partners, particularly American ships, that are operating there to fight terrorism in

Afghanistan. Therefore, after 9/11, both sets of bilateral relations, between the U.S. and China and between the U.S. and Japan, have improved. The relationship between Japan and China has become stable by default, even though there have been some elements that can worsen bilateral relations, such as Prime Minister Koizumi's visits to the Yasukuni Shrine. And, even though Japan decided to send Maritime Self Defense Forces overseas, China did not raise strong opposition.

Iraq and North Korea

President Bush, in his 2002 State of the Union Address after the United States ousted the Taliban government of Afghanistan, announced that Iraq, Iran, and North Korea comprise the "axis of evil." This can be considered as a prelude to the Iraqi war and the current North Korean nuclear crisis. After the Afghanistan war, a possible invasion of Iraq had been mounting in the United States. Many arguments had been made for an American invasion of Iraq, ranging from Iraq's repeated violations of UN resolutions to the issue of the weapons of mass destruction (WMD), and linkages between Iraq and al-Qaeda. President Bush suggested a possibility of preemptive action against terrorism in June, which was again presented in the *National Security Strategy* in September, further indicating that a U.S. attack on Iraq was looming.

While the United States brought the Iraqi issue to the UN in September, North Korea admitted the existence of a nuclear program in early October, which is obviously in violation of the Agreed Framework in 1994, as well as the Non-Proliferation Treaty (NPT) and the 1992 Joint Declaration between the two Koreas for a non-nuclear Korean Peninsula. Just before the North Korean admission of the nuclear program, Prime Minister Koizumi visited Pyongyang to meet Chairman Kim Jong-il without full consultation with the U.S. and issued the Pyongyang Declaration, which set a roadmap to the normalization of ties between Japan and North Korea. However, in that summit meeting, North Korea also admitted it had abducted Japanese citizens, and subsequently returned five abductees to Japan under the condition that they would return to North Korea.

North Korean Nuclear Problem and Strengthened Trilateral Cooperation

While the abduction issue has hardened Japanese public opinion and thus Japan's policies toward North Korea, the nuclear issue has provided an agenda for cooperation among the U.S., China, and Japan (of course, South Korea as well). While North Korea has been escalating its behavior with respect to the nuclear program and demanded a non-aggression treaty with the United States, the neighboring countries have taken cooperative action in pursuit of a non-nuclear Korean Peninsula.

The nuclear issue on the Korean Peninsula has been developing in tandem with the Iraqi issue. As North Korea stepped up its behavior (withdrawal from the NPT and resumption of reprocessing nuclear fuel rods) in early 2003, the U.S. mounted military pressure against Iraq. In March, the United States began attacking Iraq with coalition partners without obtaining an explicit UN Security Council resolution. This behavior has

polarized several Western alliances, particularly between the United States and Britain on the one hand and France, Germany, and Russia on the other. It seems that the grand coalition against international terrorism is faltering. Even though the United States rather easily won the war against Iraq, it has been facing tough guerrilla resistance. Weapons of mass destruction have not yet been found, and a linkage between Iraq and al-Qaeda turned out to be false. The legitimacy of the U.S. invasion is still questioned.

Even though many international relationships have been ruptured due to the Iraqi war, relations between the United States, China, and Japan are not. This difference (between Europe and East Asia) may be due to the crisis on the Korean Peninsula. China was not vocally opposed to the American behavior in the UN or to its invasion of Iraq, even though China never wanted a UN resolution. Yet, China continued to cooperate with the U.S. on international terrorism, and has also undertaken strong diplomatic leadership to persuade North Korea to dismantle its nuclear program. China made clear that it is opposed to a nuclear Korean Peninsula, and assembled and presided over three-party talks in spring and six-party talks in August 2003 among the two Koreas, China, the United States, Russia, and Japan. China's cooperative behavior and diplomatic leadership has made its relations with the United States "the best since 1972" as stated by Secretary of State Colin Powell.

Japan, contrary to its traditional low-key posture, supported the U.S. decision to invade Iraq. Behind this decision was Japan's belief that Japan needs American support in coping with the North Korean issue (e.g., an American nuclear deterrent) and thus Japan should maintain good relations with the United States. The Japanese government passed the Iraqi Special Act in 2003, which allows Japan to send Self-Defense Forces (SDF) to Iraq for humanitarian assistance and recovery, and for logistical support for the coalition forces. Japan also decided to contribute $1.5 billion for reconstruction.

In Japan, public opinion and the political parties have been split between those who support active contribution to the coalition forces and those who are doubtful about the legitimacy of American behavior and who are reluctant to send the SDF under current conditions. This has become a divisive issue in the general election to be held Nov. 9. While the ruling coalition led by Prime Minister Koizumi wants to send Self-Defense Forces by the end of 2003 the opposition parties are against it. For example, the Democratic Party, the largest opposition party, denies the legitimacy of the American invasion of Iraq and argues that sovereignty should be transferred to the Iraqi people as soon as possible, and that Japan should send Self-Defense Forces as part of peacekeeping operations upon request from an Iraqi government and within the framework of the UN.

How Stable is the Structure of Positive Trilateral Relation?

The two sets of bilateral relations between the United States and China and between the United States and Japan have been strengthened after the Iraq and North Korean crises, which is in stark contrast to relations between the United States and some of the major European countries. However, we still do not know how stable this structure will be in the future.

We do not yet know the future of the war on terrorism, of the Iraqi situation, or of the Korean nuclear issue. While everyone understands the need to cooperate against international terrorism, nations may differ as to how to cope with it (or they do not even agree what kind of terrorism they should cope with). In the United States, some even argue that the war on terrorism has become the fourth world war (the Cold War being the third) and is an ideological war. This kind of argument implies that the U.S. would take strong, and even unilateral, measures against terrorism and the rogue nations that seem to support, directly or indirectly, international terrorism. Such policies might collide with those countries that consider international terrorism to be an international police problem rather than a war.

All of these issues will take some time to solve, and our three countries will have to continue to collaborate. In this regard, I hope that the six-party talks will continue and succeed in eventually bringing about a non-nuclear Korean Peninsula, and will also lay down a basic framework for solving a whole array of issues regarding the Korean Peninsula.

Another possibility for concrete cooperation is to develop multilateral cooperation schemes for export control to prevent proliferation of WMD. In May 2003, President Bush called on 11 nations to form the Proliferation Security Initiative (PSI), and they conducted a joint training in September in the sea around Australia.[6] PSI does not include China and South Korea. At the Asia Pacific Economic Cooperation (APEC) summit in Bangkok in October 2003, however, it was agreed that proliferation of WMD in Asia is a grave concern for regional and global security. The first Asian Export Control Policies Dialogue initiated by Japan was held in Tokyo in late October. The Dialogue includes China (and Hong Kong) and South Korea as well as the United States.[7] These are positive examples of cooperation that may turn into a habit of cooperation that could restrain hostile behavior on each side, should strategic issues and other conflicts arise in the future, such as the Taiwan issue.

Beyond Stability by Default: Sino-Japan Relations

As mentioned above, the fact that bilateral relations between the United States and China and between the United States and Japan are cordial make the remaining bilateral relationship of China and Japan stable by default (according to the balance theory). The Sino-Japanese relationship for the past two to three years has been neither tense nor very cordial. Historical and psychological issues still linger between the two countries. Koizumi's visit to Yasukuni Shrine in August 2001 and his successive annual visits have strained bilateral relations. There has not been any direct exchange between the top leadership of the two countries since then. In Japan, some are worried about the rise of China (the "China threat" thesis) and cast doubt about providing Japanese development assistance to a rising and economically mature China. In China, there still

[6] PSI members include the United States, Japan, Britain, Italy, Holland, Australia, France, Germany, Spain, Poland and Portugal.

[7] The participants in the Dialogue include Japan, Australia, China, Hong Kong, South Korea, Singapore, Thailand and the United States.

remains some anti-Japanese feeling, even though there are signs of radically changing views toward Japan in a positive direction.

However, cooperation between China and Japan regarding the North Korean nuclear issue as well as on export controls and on economic issues has been increasing. I would argue that China and Japan should go beyond "stability by default" to develop more active bilateral relations. On the Japanese side, for example, Japan should avoid irritating the historical feeling of neighboring Asian countries. And Japan should take a bold step discussing a free trade agreement (FTA) with China in addition to pursuing a FTA with ASEAN. In both cases, Japan would have to labor hard politically and economically.

Changing Geo-Economic Environment in East Asia: The Rise of China

While international terrorism, Iraq, and North Korea are extremely important issues for the world as a whole and for East Asian countries, the geo-economic environment of East Asia has been rapidly changing, and goes beyond these three issues. China has become more active and influential in East Asia due to its rapidly expanding economic capabilities and through its soft security policies. China had barely entered the World Trade Organization (WTO) in December 2001 when it began considering an FTA with ASEAN, which was concluded fairly quickly by October 2002. China also has plans to proceed with FTAs with other countries such as Australia. China seems to intend to share the fruits of its dynamic economic development with neighboring countries.

In the security area, China has been developing what it calls the "new security concept" since the late 1990s that stresses trust and confidence, non-use of force, etc., as opposed to alliance and deterrence. China formed the Shanghai Cooperation Organization in 2001 with Russia and four other central Asian countries that is based, at least partly, on the new security concept. In 2002, China and ASEAN signed the Joint Declaration on the Code of Conduct for the South China Sea that strives to increase trust and confidence. Finally, in October 2003, China, along with India, acceded to the Treaty of Amity and Cooperation (TAC) that was originally signed by ASEAN countries in 1976 and that posits such principles as respect for sovereignty, non-use of force, peaceful resolution of conflict, dialogue, and fostering exchanges.

China faces and will face many serious economic conflicts with other countries such as the United States and the Europe Union. China's trade surplus with the U.S. was about $100 billion in 2002, China faces mounting pressures to open its market and comply with the WTO commitments as well as adjust the fixed exchange rate of the yuan. China's bid for a FTA with ASEAN triggered an American and Japanese bid for a FTA with ASEAN, or with individual countries, which some think could cause competitive tension with the region.

Some in both the United States and Japan raise concerns about increases in China's defense budget and capabilities (including China's first manned spaceship) and predict strategic competition between the United States and China in the future. Having

said that, active foreign economic policies and soft security policies together have enhanced Chinese status in this region. If China continues market-opening policies and behaves consistently with the content of the "new security concept," then trust and confidence in China by other countries will be enhanced, which will contribute greatly to stability and prosperity in the region and the world.

Japan: Toward a Reliable and Responsible Regional Partner

Japan contrasts with China in some important respects. As noted, Japan has become more active in the security arena in responding to international terrorism, Iraq, and North Korea, and as compared to China. However, Japan's economy has been stagnant over the past decade and its foreign economic policies have not been as active and forward looking as China's. Japan concluded its first FTA with Singapore in 2002, but was able to do so because agriculture is not an issue with Singapore. Japan failed to reach a FTA with Mexico in October 2003 due to Japanese difficulties in liberalizing the agricultural sector such as pork and orange juice. However, Japan tried to counter, as mentioned above, the Chinese move to form a FTA with ASEAN by proposing to, and agreeing with, ASEAN to form a FTA (even though some in Japan speculate that the Chinese move to form a FTA with ASEAN was a reaction on the Chinese side to Japan's FTA with Singapore). It seems that a trilateral competition among the United States, China, and Japan to forge FTAs with ASEAN has begun. That is, the three countries compete for Asian markets and for economic leadership. I think that such competition will be, and should be, productive. For China, it is a way of sharing its dynamic economic growth with ASEAN countries. For Japan, it is a way of restructuring the Japanese economy, particularly in agriculture.

Japan appears to follow Chinese initiatives in diplomatic areas, as well. When China acceded the TAC in October 2003, it was widely articulated that Japan would not join the TAC because of the U.S.-Japan security alliance. However, the Japanese government has been reported to be seriously considering joining the TAC during the ASEAN-Japan special summit in December 2003 in Tokyo. The Japanese government considers accession to the TAC necessary to have close relations with ASEAN to promote the FTA, and that if Japan does not join the TAC while China is a member, the relative status of Japan would decline in East Asia[8]. I would also add that Japanese move to join the TAC would ease worries about Japanese military activism after its post 9/11 initiatives.[9]

This trilateral competition in both economic and security areas in East Asia is very interesting in that it demonstrates the possibility of a race for liberalization in trade and at the same time a race for creating stable political and security relations.

Japan will lose its political and economic clout over the coming years vis-à-vis China, to say nothing of the United States, due to its limited and declining economic potential. The Japanese labor force, as well as the total population, has been declining,

[8] *Ibid*.
[9] *Nihon Keizai Shimbun*, November 2, 2003.

even though the Japanese economy remains huge, and government and society per capita income is one of the highest in the world. The Japanese have to accept and adapt to this solemn fact. Japan must make serious efforts to reform its economic structure and open its economy to the region and the world to become a more active, and integrated, part of the regional and global economy and to increase the living standard of its own people.

The United States: The Need for a Broader Perspective

The United States has been sharply focusing on, and is the key actor in, all three principal security issues – international terrorism, Iraq, and North Korea. While the U.S. approach to handling these issues (particularly Iraq) has divided the world, it has not disturbed stability in East Asia and, paradoxically, has even fostered cooperation among East Asian nations. However, it seems that U.S. policies that narrowly focus on international terrorism, Iraq, and North Korea, and the Bush administration's style of "with us or against us" as well as its unilateralist approach makes the United States miss opportunities and unable to adapt to the rapidly changing geo-economic environment in East Asia. The United States may have to reassess its position in the region as well as in the world, and formulate a grand strategy for East Asia that shows how it views its relationship to an emerging East Asian geo-economic environment, after the crucial moments have passed regarding the war on terrorism, Iraq, and North Korea.

Chapter 1
Changing Geopolitical Environment and Impact on Trilateral Cooperation among China, Japan, and the United States

By DAO Shulin

Features of the Changing Global Geopolitical Environment

In the wake of 9/11, geopolitical patterns have undertaken some significant rearrangements and even alterations. During this process, some significant developments in the global geopolitical environment caught our attention. The impetus behind these changes, we believe, came from the counterterrorism campaign under U.S. leadership as well as the continuous strategic readjustments of the U.S. After two wars in Afghanistan and Iraq, the new geopolitical pattern has emrged with the following features.

- **A new kind of "pyramid-type" power structure came into being.** On the top of the pyramid lies the U.S. which enjoys superior comprehensive national strength and whose foreign policy dictates the trend of world politics. In the middle layer of the pyramid, regional power and blocs have become the main forces in safeguarding regional stability and promoting regional prosperity. Their strengths, though lagging behind the U.S., still bear certain decisive importance. They are trying to co-exist with the superpower through mutual accommodation. A large number of small and weak countries inhabits the ground floor. Out of natural concerns over their destiny, these countries endeavor to seek advantageous positions in the big power-dominated world. They are left with only two options –align with one side or sit on the fence. They are the uncertain factors in world politics.

- **The regionalization of geopolitics and globalization of geo-strategy are two parallel tendencies.** In addition to the Middle East, Central East, and Northeast Asia, the importance of East Asia, which was not viewed as a geopolitical region, rose rapidly. The past division of two strategic regions centered on the U.S. and Soviet Union became meaningless. Such changes shaped individual country's geostrategies to go beyond any single region to the global level. Most national geostrategies nowadays have become inseparable components of their global schemes. In this sense, the regional nature and global nature of strategy has been integrated. Citing a typical example: U.S. military actions in Afghanistan and Iraq and its Korean policy all reflect the long-term American strategy of global counter-terrorism, counter-proliferation, and safeguarding its omnipresent interests.

- **The Eurasian continent took a critical position in the global geo-political setting.** After the Cold War, the geo-political pattern on the Eurasian continent experienced fundamental changes. An integrated Europe has risen into an independent force; Russia accelerated its pace to restore earlier power; and China maintained high-speed growth and development for two decades. In response to

these new situations, the U.S. enhanced its strategic input to Eurasia and reinforced strategic constraints over the above three players. The wrestling between the U.S. and Europe plus Russia over the Iraqi war revealed the strategic contradictions along the edge of the Continent.

- **Global geopolitical competition takes varied forms.** Since the limited use of military force and local war remain the key measures for the U.S. and some big powers or blocs to pursue their geo-strategic goals, there are still high risks of regional war caused by conflicting interests. In general, peace and anti-war trends are getting stronger. Thus, the major players have to implement multi-dimensional policies to advance their geo-strategies, which made big powers coordination and cooperation possible. This has been proven by the recent developments in U.S.-Russian, Russian-European, and Sino-U.S. relations.

Evolution of Geopolitical Environment in the Asia-Pacific and Impacts on Sino-U.S.-Japanese Relations

As an increasingly dynamic region, the Asia-Pacific has its own characteristics vis-à-vis the global arena. I shall examine triangular relations among China, Japan, and the U.S. not only against the global political background but also in the evolving geopolitical environment, which consists of the following highlights.

- **The U.S. sped the pace of Asia-Pacific strategy readjustments for the sake of counter-terrorism and counter-proliferation.** In Northeast Asia, the U.S. is making preparations for potential conflicts by withdrawing forward deployments back from the front while propelling multilateral efforts for a peaceful solution of the North Korean nuclear crisis. Washington further unleashed its ally by encouraging Tokyo to play a weighty role in the postwar Iraqi reconstruction, incorporating Japan into the research and development of theatre missile defense, and permitting a larger role for Japan in the alliance in the hope of a strengthened U.S.-Japan security tie to better serve U.S. strategic superiority. In Southeast Asia, the U.S. continued to assist countries fighting terrorism yet with the aim of prolonging the U.S. military presence in the Philippines and some other countries. Through joint military exercises and intelligence cooperation, the U.S. has woven an unofficial but elastic security net ranging from the two military allies of the Philippines and Thailand to Singapore and Malaysia. In South Asia, the U.S. kept luring India and intensified their military cooperation in the hope of creating an Asian NATO. In Central Asia, the U.S. continued the expansion of its military bases and hopes to prolong its military presence there too.

All of these readjustments are carried out in the name of *coping with threats* with three strategic objectives: first, counter-terrorism; second, prevention of proliferation of WMD; and third, regime change in North Korea. These strategic moves have already affected regional strategic stability.

- **More time and effort is needed to finally solve the DPRK nuclear crisis.** The realization of six-party talks symbolized the turning toward a peaceful solution.

However, the road ahead is by no means flat because fundamental differences between the U.S. and DPRK remain. Despite the persistent U.S. policy of dialogue plus pressure and other obstacles, all parties are trying their best to cooperate with one another to reach a happy ending.

- **Japan sped the pace of reform and the course toward a normal state.** In the political dimension, Japan broke through the forbidden area, accomplished the post-war political clearance, realized political restructuring, and maintained long-term rule by the conservatives. In the defense dimension, Japan hastened the readjustment of security policy. Japanese expansion of military forces will not only have a far-reaching impact on regional security but also challenge the regional military balance and trigger regional arms races. In the diplomatic dimension, Japan shifted more focus to Asia and tried to gain diplomatic independence from U.S. influence.

- **Regional political, security, and economic cooperation have been strengthened.** As a result of closer ties between China and ASEAN, China officially joined the Treaty of Amity and Cooperation (TAC) in Southeast Asia. In the future, Chinese influence over ASEAN countries will thus become stronger. At the same time, the U.S. and Japan also substantially improved their relations with ASEAN. Both Russia and India also tried vigorously to participate in East Asian cooperation.

The geopolitical evolution in the Asia-Pacific had some positive impact upon Sino-U.S. and Sino-Japanese relations.

In spite of lingering problems between Washington and Beijing, Sino-U.S. relations have gained new momentum recently. In the words of Secretary of State Colin Powell, the current Sino-U.S. relationship is "the best in decades." We are glad to see that the U.S.' China policy developed in a positive direction; the U.S. media coverage of China has tended to be more objective, even favorable, and the U.S. is inclined to deal with China through dialogue and consultation. Enhanced exchanges and cooperation in various fields have resulted in substantial achievements. For example, close cooperation over the North Korean nuclear issue finally gave birth to the three-party and later six-party Beijing talks. Another notable development was the U.S. public announcement that it does not support Taiwan independence. At the Evian G8 Summit in July 2003, Chinese President Hu Jintao and his U.S. counterpart, George W. Bush, both pledged to further develop constructive and cooperative relations between their two countries.

The long-term economic cooperation between China and Japan reached an all-time high in 2002 with bilateral trade exceeding $100 billion. While we sing high praise for the mutually beneficial and interdependent economic relations, one negative political factor cannot be ignored – the repeated visits of Japanese government leaders to the Yasukuni Shrine.

Assessment of Triangular Relations among China, Japan and the United States

China, Japan, and the U.S. are all decisive powers in the Asia-Pacific and in the world. Therefore, the stability and improvement in their relations will considerably affect stability, development, and prosperity in the region.

- **Triangular relationship among China, Japan and the U.S. has become an influential linkage in the Asia-Pacific.** First, China and Japan/the U.S. are both rivals and partners. Rivalry comes from differences in their social systems and ideologies as well as their strategic interests. Partnership comes from their ever-closer economic, trade, sci-tech, and cultural ties plus their common interests in major regional security issues. Second, the development of triangular relations will directly affect security and stability in the region and in the world as a whole. Third, this triangle cannot sustain a break in any side or regional turmoil will likely occur.

- **China, Japan and the U.S. share a broadening of common interests in the Asia-Pacific.** Triangular economic ties have been strengthened. The three economies are mutually complementary and beneficial. At present, Japan is the largest trading partner of China and the U.S. is the third; the U.S. is the largest trading partner of Japan and China the second; and Japan is the second largest trading partner of the U.S. and China the fourth. This interdependence in trade has laid a solid foundation for common prosperity and a win-win situation. Neither China nor Japan could win in struggles in the Asia-Pacific. Any kind of confrontation among the three will damage the interests of all. In addition, the three have critical common security interests, including security in East Asia, solution of the North Korean nuclear crisis, stability in Southeast Asia, maintenance of sea lane security, combating terrorism, safeguarding arms control and nuclear non-proliferation, and developing regional mechanisms for security cooperation.

Nevertheless, we should not evade problems and strategic conflicts among the three owing to geopolitical factors and traditional foreign policy realism.

Security and geo-strategic contradictions exist on two levels: between China and the U.S./Japan, and between the U.S. and Japan. China's continuous development and increasing predominance have invited deep strategic suspicions from both the U.S. and Japan. The U.S. anticipated a rising China to be a challenging China while Japan worried about Chinese military modernization and stronger economic competition. This is the reason why the U.S. and Japanese sides of the triangle appear to be containing the Chinese side. On another level, the U.S. not only guards against the rise of China but also the might of Japan for the sake of preserving its status as sole superpower and world leader. Along with its quickened steps toward a "normal" state, Japan will surely encounter more frictions with the U.S.

Taiwan is the most dangerous factor that could lead to direct military confrontation between China and the U.S. Japan is also closely connected with Taiwan. Struggles between China and the U.S./Japan have been and will be persistent, fierce, and

complex. This has caused restraint on the smooth development of triangular relations. Chinese skepticism was heightened by the ambiguous inclusion of Taiwan in the military responsibility and defense sphere of the U.S.-Japan security alliance.

The situation in the Korean Peninsula is precarious. One big obstacle to the solution of the current nuclear crisis is the survival threat – claimed by the DPRK – brought about by the hard-line policies of the U.S. and Japan. Any contingency happening in the Peninsula will seriously affect China's security environment, and could cause tensions or setbacks in bilateral relations between China and the U.S./Japan.

In addition, there are still other negative factors in China relations with the U.S./Japan, such as ideological prejudice in the U.S. and the distortion of history in Japan.

Based on the above analysis, we think it is necessary to strengthen triangular dialogue and cooperation so as to effectively elevate triangular relations. To this end, we make the following recommendations.

First, vigorously promote the establishment of regional cooperation mechanisms and benign interactions among the three powers. Because China and Japan are only regional powers but the U.S. is a global power, bilateral relations among them are not equal. Being strategic allies, the U.S.-Japanese relationship is the most stable among the three. The Sino-U.S. relationship is less stable despite being regarded as one of the most important bilateral ties in the world. It is the same with the Sino-Japanese relationship, which is easily affected by Sino-U.S. and U.S.-Japanese relations. We should reduce the restraining effects of the U.S.-Japan alliance and deepen triangular trust and cooperation in the hope of establishing new mechanisms for regional cooperation. Therefore, we must realize in practice triangular cooperation, particularly in the security arena in the Asia-Pacific.

Second, eliminate strategic misunderstandings and upgrade triangular relations through new concept building. We urge the other two countries to stop viewing China through Cold War thinking and constitute the following new perception of China: Chinese growth will bring both the U.S. and Japan opportunities for development, and the rise of China will not threaten world peace. The three should reinforce strategic dialogues aimed toward better regional governance and a favorable geopolitical environment. China and Japan, should sweep away misunderstandings between our peoples toward the other. Being so economically complementary, Japan will need the Chinese market while China will need Japanese capital, technology, and markets. China and Japan must develop friendly people-to-people relations, maintain peaceful and cooperative state-to-state relations, and avoid any form of confrontation.

Third, handle the Taiwan issue properly. One crucial reason why China is sensitive to the U.S.-Japan alliance is that we are afraid it might be used to interfere in our domestic affairs – Taiwan. There is a common problem for diplomacy in the three countries regarding how to manage the risk of war across the Taiwan Strait. In this regard, positive attitudes, dialogue, and cooperation would be conducive to peace and stability across the Strait.

Last but not least, actively facilitate cooperation with other regional forces. At the appropriate time, China, Japan and the U.S. should engage other important regional forces to address major transnational issues such as terrorism, organized crime, environmental protection, and economic security.

Chapter 2
Economic Evolution in China and Its Impact on Trilateral Interrelations among China, Japan and the United States

By ZHANG Li

The Chinese Economy: A New Period of Opportunity in the Next Five Years

The SARS crisis in the first half of 2003 caused tremendous losses to the Chinese economy. However, the foundation and core of the Chinese economy was not seriously affected, and international agencies raised expectations of economic growth as soon as SARS ceased. For example, Morgan Stanley and Citibank increased their prediction of GDP growth to 7.5 percent after lowering it in April to 6.5 percent, and Lehman Brothers increased their GDP estimate to 8 percent. Given the weaker *renminbi* along with the declining dollar, and increasing numbers of European companies shifting production to China, Morgan Stanley recently expanded its forecast on Chinese export growth from 12 percent to 21 percent. Despite these optimistic outlooks, the biggest latent danger for the Chinese economy is still SARS, and both the Chinese government and people are on the alert. Until now there is no sign of a new outbreak, and it is believed by medical experts in China that even should SARS recur, no tension or damage similar to that in the spring will occur.

In the next five years, the Chinese economy is expected to enter a new period of opportunity. There will be three key stimulants to economic growth: the 17th Party Congress in 2007, the 2008 Beijing Olympic Games, and the 2010 Shanghai Expo. These will serve as a continuous impetus driving the Chinese economy forward. According to a 2002 survey by an Italian firm, investor confidence in China was ranked first for the second consecutive year, ahead of the U.S. which is regarded as the second favored country. According to the same survey, the UK dropped to seventh place from third, Spain dropped to 10th place from seventh, and Germany to fifth place from fourth. France rests at 11th place. Like China, East European countries and Russia improved their status dramatically. For example, Poland jumped to fourth from 11th place and Russia from 17th to eighth place.

A World Bank report suggested that China's entry into the World Trade Organization (WTO) will be of increasing importance, and will bring East Asia and other countries additional growth. On the one hand, China is the only large power with a liberal attitude toward agricultural trade. With China's position in the global manufacture network being upgraded, the East Asian countries, which engage in components and parts or semi-finished products trade with China, will benefit greatly. On the other hand, the aim for economic cooperation among East Asian countries is to improve economic proficiency and competitiveness. Cooperating with China will only enhance their position in the international negotiation framework like the WTO. Since China has steadily strengthened its economic superiority in East Asia, it will dominate the progress and pace of regional economic cooperation and development, and eventually reinforce the role of East Asia in the world.

Chinese Economic Development Needs a Benign Environment

The key to build a favorable environment is to properly deal with triangular relations among China, Japan, and the U.S. It has been proven by history that good economic relations depend on good political relations, and that these are mutually reinforcing. In this sense, political relations and economic relations should cooperate with each other and advance side by side. Although China, Japan, and the U.S. are important trade partners for one another, and are the three largest economies in the Asia-Pacific, one can easily find problems in their trilateral economic and trade relations.

The Limitation of the APEC Framework

The three countries used to have positive cooperation within the framework of APEC. Yet future progress has been constrained by problems within APEC itself. Trade and investment liberalization and facilitation, as well as economic and technical cooperation, have always been the main themes of APEC, but have barely advanced. Since the 1994 Bogor APEC meeting, little or no progress had been made in trade and investment liberalization. For example, the 1995 Osaka meeting adopted the action protocol, and at the 1997 Vancouver meeting, it was agreed that nine sectors would undergo more rapid liberalization. However, at the 1998 Kuala Lumpur meeting, the proposal for early liberalization failed and consequently jeopardized the Bogor goal. Now, movement only seems possible after substantial negotiations on the purposes, principles, methods, mechanisms, and fields for economic and trade cooperation. What is more, the future of APEC has been questioned because it was on "idle" during the East Asian financial crisis. In addition, new cooperative mechanisms in the Asia-Pacific have weakened APEC's role. Regional as well as bilateral cooperation are growing robustly. Consequently, APEC members are also a party to other regional or bilateral agreements, such as the "ASEAN Plus Three," the ASEAN Regional Forum, the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation, and the U.S.-Singapore Free Trade Agreement, for example. Besides endeavoring to reach bilateral free trade agreements with ASEAN countries, the U.S. is also trying to build the American Free Trade Area by the year 2005. All of these developments pose serious challenges to APEC from within. It is apparent that APEC has lost its previous cohesion and begun to be "hollowed out." Lastly, the counter-terrorist agenda broke the economic boundary of APEC and has formally been entered into its agenda. Now APEC not only has old problems, but it has also to deal with new challenges.

Controversy over the Exchange Rate of *Renminbi*

Some American and Japanese economists, manufacturers, and others believe that China has only achieved competitiveness through an unfair fixed exchange rate. Such spreading resentment might jeopardize bilateral trade relations between China and the U.S. and Japan. Trade frictions similar to those in the 1980s between the U.S. and Japan could also arise. In June 2003, the U.S. Coalition for a Sound Dollar held a conference about whether to urge the U.S. government to apply the Super 301 provision to force China to appreciate the *renminbi*. Nevertheless, the *Voice of America* reported in October

that the latest poll taken by the *Nihon Keizai Shimbun* showed that 60 percent of large Japanese firms hoped China would maintain the current exchange rate.

China's Worsening Foreign Trade Environment

Some Americans have claimed that many China-made products have undermined the interests of domestic manufacturers. For instance, Mr. Frank Vargo, vice president for international economic affairs at the National Association of Manufacturers, called for the application of the trade-safeguard mechanism against China. The American Textile Manufacturers Institute demanded that U.S. trade officials impose a 7.5 percent limitation on the annual growth rate of imported Chinese textile products. In world market, Chinese enterprises have been faced with an increasing number of dumping accusations. In order to improve the trade environment in surrounding areas, China made vigorous efforts to better relations with ASEAN in the latest "ASEAN Plus Three" meeting.

The Sharpening Issue of Energy Security

In a July 2003 report, the U.S. Department of Energy predicted that China would replace Japan as the world's largest oil consumer. However, China's oil resource strategy is restrained. Chinese oil exploration in surrounding countries is impeded; for example, a Chinese petroleum company's attempt to purchase shares in the Caspian Sea oil fields was challenged by U.S. and Japanese companies. The proposed oil pipelines became problematic; in addition to the disputes over the ownership of the pipelines and financing with Russia, China is also facing competition from Japan regarding the 25-year long petroleum supply contract. The oil pipe line agreement between China and Kazakhstan is being challenged by the U.S., which has tried to persuade it to pump oil to Azerbaijan instead and go through a new pipeline that ends in the Turkish port city of Ceyhan connecting to the Mediterranean Sea. Oil shipping lanes are no longer safe: Most Chinese imported oil comes from the Middle East by oil tankers, however, the sea-lane is easy to blockade. Given its insufficient naval forces and the Taiwan contingency, the security of China's maritime oil transportation is hardly guaranteed.

China's Domestic Challenges for Continued Chinese Economic Development

- **Further open the market to attract more foreign investment.** According to its WTO commitments, China must carry our extensive market reforms, including reducing protective tariffs and opening the financial sector, the retail industry, etc.

- **Support the new private sector.** Currently, Chinese private companies are faced with many discriminatory regulations and practices, and particularly lack efficient channels for financing. A survey conducted by the International Financial Co. among 600 private enterprises in Sichuan province demonstrated that their utmost concern was financing, putting it above unjust competition and official corruption.

- Reverse the slide in peasants' incomes and provide relief to the impoverished population. **The long-term stability and consistent development of China's domestic market is largely dependent on the solution of the rural crisis.**

- **Eliminate non-performing loans of the state-owned banks.** According to official Chinese statistics, the irretrievable loans of the commercial banks amount to 25 percent of China's GDP. Goldman Sachs pointed out that this serious problem of the Chinese banking system must be solved within 18 months; the money needed exceeds 21 percent of China's GDP.

- **Reform the banking system.** Corruption prevails in the Chinese banking sector because the application and approval for loans are still done in a "black box," with no transparency or adherence to international standards. The Morgan Stanley Investment Bank has stated that there could be a huge financial crisis in five years if the Chinese banking sector does not implement large-scale reforms. Only a transparent financial system can close the loopholes leading to graft, create more job opportunities, and ease the burden on peasants.

Conclusion

- In spite of many problems, we still anticipate steady economic growth in China. The annual GDP growth rate in the next five years should be above 7 percent.

- To pursue positive political, economic, and trade relations with both the U.S. and Japan will be the goal for China's diplomacy and is the premise for China's economic development.

- With entry into the WTO, continuous economic growth, and the development of globalization, China has closely linked itself with the world. China will become a responsible power in the international community.

Chapter 2
China's Political and Economic Evolution and Impact on Trilateral Relations
By Jane Skanderup

Overview: Assessing China's Political Economic Development

China's economic and political development has increasingly drawn intense interest from around the world and the region in the past year, and the U.S. and Japan are no exception. High on the political agenda in both countries is concern about rising trade deficits with China – particularly for the U.S. – as well as China's pegged currency which has been hotly debated among specialists and has become a heated political issue in the U.S. ahead of the 2004 elections. According to differing analysts, China is a magnet for capital and resources that challenges economic predominance by the U.S. and Japan, and to others its economic success is unsustainable and it will ultimately fail as a modern nation-state.

While most analysts reject these extremes, interpreting what China's economic emergence means for the rest of the world is no simple task; it is truly a land of economic and political contrasts. It is still a very large, poor country, yet with a coastal mass of some 300 million people who are middle class or extremely wealthy. It has some 200 million impoverished citizens who lack basic infrastructure such as water and electricity, and at the same time it can put a man into orbit around the earth. There are perhaps 200 to 300 million migrant laborers from the poorer regions, and although they are often considered as a permanent underclass, their "repatriated" profits to home villages may be serving as the key fuel of capital for the hinterland to develop, as opposed to Beijing's grand schemes of attracting foreign capital to those areas. Add to this the fact that China's statistical infrastructure is so under-developed that an accurate picture of any of these economic trends requires much second guessing.

Politically, China is still governed from the center even while it requires provincial officials to be more accountable and competitive. In the lead up to the WTO, China's leaders knew that one of their key challenges was how to restructure the country administratively from the local to the urban level, particularly to facilitate the implementation of the rule of law. President Hu Jintao has gone further, adopting the rhetoric of political reform and pushing a populist agenda of redressing social and regional inequities. President Hu and Premier Wen Jiabao may have to face the basic conundrum that eventually confronts all authoritarian regimes: in order to retain legitimacy and merit-based authority, the ruling party must give up some power, but in a way that doesn't undermine its overall political control. The recent meeting of the Communist Party's Central Committee addressed this very issue in granting greater freedom of action for the private sector and allowing farmers to transfer land rights. A new approach toward political openness – to match the economic transparency that Chinese officials have been so praised for – would be a significant development for China's transformation.

In sum, China's economic success is certainly welcomed by the world community, yet how China manages its economic and political transition will increasingly be under scrutiny in the U.S., Japan, and other states. In the recent past China has used its new economic stature to further political and foreign policy relations, particularly with ASEAN and South Korea. Yet it also must focus on building better economic and political relations with Japan and the U.S. Should China's economy experience a decline in economic growth in the next year or two, as some economists predict, there may be more widespread pressure on China to speed the pace of opening up, and in the process, it will have to come to terms with new political responsibilities that come with the economic opportunities of its new role in the region and world.

Recent Trends and Concerns in China's Political Economy

Currency concerns. Throughout the summer of 2003, the Bush administration embarked on a diplomatic mission to persuade China to revalue its currency. This was a welcomed switch to many Japanese politicians and analysts who were ignored as lone voices three to four years ago in arguing for a yuan revaluation. Although critics contend that Japan was using the currency issue as an excuse for not facing its own restructuring, and that the Bush team gave in to manufacturing interest groups in key electoral states, it is also true that by mid 2003 there were genuine concerns about global economic imbalances created by an over-valued dollar and a historically high current account deficit in the U.S. Economists tend to agree that the yen and other Asian currencies eventually need to appreciate – along with the gradual depreciation of the dollar -- but cannot due so as long as the yuan is pegged. Economists point out with equal vigor that due to productivity gains, manufacturing jobs are declining worldwide, including in China, and that the U.S., Japan, and other industrialized countries must contend with the domestic implications of a permanent reduction in their manufacturing workforce. Economists also generally agree with China's economists and officials who argue that while a free floating yuan is the eventual goal, China's financial and capital markets are still too frail and are ill-prepared, and to float prematurely would wreck untold damage on China's economic growth – including to its import demand for U.S. and Japanese exports. There is not even agreement that a free floating yuan would revalue – it could devalue.

For the time being, rational minds are holding sway: in mid-October, US Treasury Secretary John Snow delivered a report to Congress that purposefully declined to name China (or Japan) as a currency "manipulator," and at APEC in Bangkok the U.S. and China agreed to a joint "study group" to examine steps China needs to take in advance of freeing the currency. This is the kind of low-key "nuts and bolts" cooperation that actually might produce a workable road map that could be in the interests of both governments. After all, as long as China pegs its currency to the dollar, it is giving up control of its monetary policy to the U.S. Federal Reserve, which of course does not take China's interests into account in its policy decisions. Ultimately, a yuan pegged to the dollar does not fit with a China that is fully in control of its economic destiny.

The Bush administration's new "go slow" approach on currency valuation is balanced by emphasis on redressing trade imbalances, whether perceived or real. Taking a page out of U.S.-Japan relations in the 1980s, President Hu has promised a "shopping spree" of U.S. agriculture, airplanes, and other highly politically charged products when he visits the U.S. in December. Still, this may only temporarily assuage Congressional voices that insist on direct benefits to constituencies; legislation has been tabled that would tag a 27.5% tariff on some Chinese imports. Most recognize how reckless this would be, and it lies more as a threat than a real possibility. Yet China will increasingly need to learn how to address domestic political concerns that arise from the U.S. and its neighbors.

Shifts in Investment and Trade Patterns: A Critical Issue for Balanced Regional Growth. The Asian economic crisis in 1997-98 was a turning point in Asian economic development, and many recognized at the time that it would take a generation to change an economic culture that had been so successful for decades. With China's stunning strength in consuming the region's exports as well as in attracting global foreign direct investment (FDI), the pressure for change in these economies is far greater now than five years ago.

In 2002, China took in $52 billion in FDI, becoming the largest recipient of foreign investment in the world and overtaking the U.S. for the first time. This reflected both "pull" factors of China's internal market liberalization driven by the WTO and "push" factors of weak economic recovery in the industrialized world throughout 2002 and early 2003. As U.S. economist Nicholas Lardy also reminds us, this trend also reflects the very open approach that China has historically taken to outside capital compared to Japan and South Korea, which relied on high domestic savings rates to fund the industrialization process.

Trade patterns have also shifted dramatically in recent years, with China's import demand accounting for an ever larger percentage of Asia's export growth. While the U.S. focuses on China's export boom, which grew nearly 32% in 2002, China's imports surged by 40% over the same period, so that China is replacing the U.S. as the principal export source for many Asian economies. This occurred with Taiwan in 2002 and will likely be true for Japan and South Korea in 2003.

Does this mean that there is a shift in the balance of economic power away from Japan toward China? The most that can be said for now is that China figures very predominantly in Asian trade and as a competitor for foreign capital. Although China and India have become the twin engines of growth for manufacturing and services in Asia, China has a long way to go to catch up with Japan's economic strength. Analysts project that China's GDP could converge with Japan's in 20-30 years, but on a per capital basis – the more relevant comparison – it may take 40-50 years.

What happens in the shorter term is a complicated picture. China's manufacturing competitiveness, its appetite for the region's exports, and its hunger for

foreign capital all mean that the region has a tremendous stake in China as a new economic partner and as a competitor.

As a partner, the region – the U.S. and Japan included – relies on China's continued robust economic demand for its export growth, and whether this will continue into 2004 and beyond will depend in part on wise economic management. China has had a surge in bank lending that may be causing overheating – the present growth rate is neither sustainable nor desirable – and the authorities have pulled in the reins on lending. As a result, some analysts expect that import demand in late 2003 and into 2004 could decrease by half – to 20% – from the robust levels in 2002. Given China's new prominence in Asian economic growth, will this decline result in new pressure on China to take remedial action, either in speeding up the pace of opening or in currency valuations? In this context, China's new economic stature may well entail political responsibilities and compromises to meet growing expectations from its neighbors.

As a competitor, the region's economies must adjust to China's manufacturing competitiveness which will pertain for the foreseeable future. The ultimate goal is for the more mature economies of Asia, especially Japan, to excel as centers of technological innovation and "idea creation," along with specialization in services and high-value manufactures. Yet post-crisis Asia is in economic limbo between the old model of state-led export-driven growth and a new entrepreneurial culture that is both more open to and reliant on flexible financial systems as well as FDI. And just at the time when these reform efforts were taking root, boosted by new openness to FDI, China appears on the scene and has crowded out available international capital. For example, the combined FDI for South Korea, Thailand, and Singapore plunged to $4.5 billion in 2002 after peaking at a combined $20 billion in 1998-99. Private savings rates in Asia are also declining, suggesting that growth has utilized internally generated savings reservoirs, making it harder to fund development programs such as education and modern infrastructure, which are key to making the new economic model pay off.

In this context, China's economic strength does pose a dilemma for economic policy makers across Asia: the economies are still dependent on exports, which China happily consumes, but they also need FDI and high savings rates to fund their own economic transition. In this climate of constant juggling of policy priorities, it is no wonder that at the APEC finance ministers' meeting in September, US Secretary Snow received no show of regional support for a currency change in China – the economic boat is rocky enough without managing additional external shocks.

A final word of caution is due to China becoming too complacent about positive corporate attitudes toward China – whether from Japan, the U.S. or elsewhere – and their impact on domestic political attitudes. Corporations increasingly do view China as an opportunity to lower costs, strengthen balance sheets, and tap into China's new economic wealth. By and large, corporations across the industrialized world are adapting their production networks to take advantage of China as a low-cost, high-quality manufacturing outsourcing platform – and some argue that this will be continue to be so on a scale and scope never seen before in the global economy.

However, in many cases companies invest in China with great reluctance and as a last resort to escape bankruptcy; the China market is difficult to navigate and reorienting production there is still often considered a hardship. Even among successful companies in China, at least those based in the U.S., there is also a strong undercurrent of frustration with China's WTO implementation, and there is increasing pressure on the government to more aggressively monitor China's compliance. For the corporate sector, then, China has also set high expectations that are difficult to meet on a consistent basis.

Issues for the Future

- **Energy competition**. The Japan-China competition over a Russia oil pipeline into Daqing or Nakhodka has implications for the U.S. as well. The Nakhodka route may be able to deliver oil to the U.S. west coast, but if China loses the deal, the U.S. may find greater competition with China for Middle Eastern oil. China's current oil imports are expected to double by 2020, and some US analysts argue this will put the U.S. and China at odds in Middle East policy (especially Iran, Sudan, Libya, Syria). Demand by China as well as India will put upward pressure on prices in the near to medium term. One remedy is for China to redouble efforts to develop a strategic reserve system to foster stability, and this will continue to be a key priority for Japan.

- **Confidence swings**. During the last decade, Japan's economic decline created a crisis of confidence within Japan and a perception in the region that Japan was on the political decline as well – particularly relative to China's regional initiatives. With Japan's strong economic performance in the second and third quarters of 2003, we may return to the days when Japan is lauded as a new engine for global growth. Once again the "zero-sum" game between China and Japan will be tested: can Japan rise again and not threaten the positive gains China has made in its regional relationships?

- **Regional Economic Agreements**. There are no critical areas of division or cooperation in the arena of the three states' approaches to regional and global economic deals. In my view, all three countries are pursuing economic deals according to very distinct interests. With ASEAN, Japan has a long established economic and political relationship that will be stable and prosperous. China's relations with ASEAN, particularly in the economic sphere, are much newer and the FTA provides both sides with assurances of maintaining positive relations in the future. As a developing-to-developing country FTA, the ASEAN-China deal doesn't need to be as rigorous as a Japan-ASEAN deal. The U.S.-ASEAN initiative follows the post-9/11 strategy of rewarding partners in anti-terrorism with economic deals. There is less reason to be optimistic about a "plus Three" agreement, in large part because China is preoccupied with existing WTO commitments. U.S. aspirations for completion of the Doha round will rely on continuation of China's positive stance during Cancun and Japan's resolution of its farm lobby, but Doha will still be years in negotiation.

Chapter 2
China's Policy of "Bread and Circus" and its Effect on Policies toward Japan and the United States

By Chikako Kawakatsu UEKI

This paper examines the recent domestic changes in China and their effect on China's foreign policy toward Japan and the United States. I first review the observable changes in China's domestic policies and examine the impact of these changes on China's foreign policy toward Japan and the United States. I argue that Chinese government's priority of maintaining economic development and its difficulties in advancing political reform have resulted in cooperative policies toward Japan and the United States. I also argue that nationalistic sentiments among ordinary Chinese are keeping the government from making bigger changes in its foreign policy.

China's Policies of "Bread and Circus"

The "Economy First" Approach

Hu Jintao's government puts highest priority in maintaining robust economic growth. The Chinese government today seems to be following the axiom of the ancient Romans: giving the people bread and circus will keep them satisfied and out of politics. Wealth – "bread" – and various events – the "circus" such as the 2008 Olympic Games, 2010 Shanghai Exposition, and sending a man into space – are supposed to keep the populace content and society stable. With the introduction of a market-based economy, socialist ideology has lost its power to unify the nation. One internal survey of the Chinese Communist Party (CCP) showed that some 80 percent of party members did not believe in socialism. Ideology is no longer sufficient to win popular support, and the importance of maintaining economic development has increased for the CCP. As long as the people are leading better lives than in the past, their support for CCP rule will be maintained. The difficulty in moving forward with political reform has increased the importance of economic development as a tool to keep the society stable and happy. The legitimacy of the government and domestic stability, societal and political, seem to rest on the economic performance of China.

The Sixteenth National Congress of the CCP in November 2002 set the target to quadruple China's 2000 GDP by 2020. Sustaining an annual growth rate of 7-8 percent until 2020 is important for the government – not only for the welfare of the Chinese society and the nation, but also to sustain public support for the Communist regime. China's national strategy after the collapse of the Soviet Union has been to not repeat the mistakes the Soviets had made. In other words, the Chinese leadership has been pursuing economic development while limiting political reform that could lead to an avalanche of democratization and ultimately to the collapse of the communist rule and the state itself, as was the case for the Soviet Union.

Placing number one priority on economic growth has been China's policy for some time but accession to the World Trade Organization (WTO) in December 2001 has made the reversal of this policy practically impossible. The incorporation of the thought of "Three Represents" into the constitution of the CCP at the Sixteenth National Congress, and to the draft of the Constitution of the People's Republic of China (PRC) at the Third Plenary Session of the Sixteenth Central Committee of the CCP in October 2003, was another step forward in consolidating this "economy first" policy. The idea of "Three Represents" is based on the realization of the importance of economic development. At the same time, it is based on a sense of crisis of losing popular support if the CCP relied on traditional socialist ideology. By representing the economic interests of all the people including private entrepreneurs – capitalists – the CCP has paved the way to justify its policies of placing economic growth above all else.

Until 1999, there remained some skepticism about pursuing the road of reform and opening to the outside world to the full. There was hesitance to be integrated into the international economic system and thus with the international community. There was some opposition to Zhu Rongji's visit to the United States in April 1999 for fear of compromising too much to U.S. demands. Opposition remained until China and the United States agreed on the conditions of China's accession to the WTO in November 1999. The "Three Represents" thought was put forward by Jiang Temin in February 2000. Hu Jintao seems to be making the most of the "Three Represents" to pursue economic development. The communiqué passed at the Third Plenum called for vigorous promotion of the private sector of the economy.

Consolidation of Hu Jintao's Power and Political Reform

One year after succeeding Jiang as general secretary of the Central Committee of the CCP, and subsequently as the President of the PRC, Hu's position seems secure. Hu seems to have won support of the people after his handling of the SARS epidemic. Hu and Premier Wen Jiabao were swift to fire officials who were responsible for concealing the spread of the epidemic. Hu started off his administration with a minority within the top leadership. The increase in popular support seems to have increased his power within the leadership, although it is too early to conclude that he has consolidated his power.

The Hu administration seems to be taking a consensus building approach in making policies. Since the 16th National Congress, the new administration has held Politburo meetings ten times and meetings of the Standing Committee of the Politburo twice before the end of August 2003. The administration is also taking a more open approach to ideas from below in making foreign policies. This is the Hu administration's strength and at the same time its weakness. The Hu administration rests on popular support and therefore is more vulnerable to the demands of the people. This point will be discussed in detail in connection with recent trends in China's policies toward Japan.

Foreign Policy to Ensure Economic Development

A Cooperative Approach to Foreign Policy

China's domestic policy of "bread and circus" requires an international environment that allows China to concentrate on economic development. China also needs foreign investment and technology transfer to sustain its development. Access to markets is also a key to growth. In other words, China's foreign policy seeks to maintain stability and good relations with the developed countries.

The changes in China's foreign policy priorities are most starkly manifested in the political report delivered at the Sixteenth National Congress of the CCP held in November 2002. The foreign policy section of the report addressed at the outset the importance of improvement and development of China's relations with industrialized countries. The report went on to emphasize the importance of maintaining good relations with its neighboring countries followed by solidarity with the Third World. The political report delivered at the Fifteenth National Congress in 1997 discussed these last two foreign policy goals but did not mention the relations with industrialized countries. The political report at the Fourteenth National Congress in 1992 only discussed solidarity and cooperation with the Third World. In reality, China's foreign policy priorities have been shifting from solidarity with the developing countries to improving relations with the developed countries. The 2002 report endorsed it in writing.

Following the changes in domestic priorities, China's foreign policies and attitudes toward Japan and the United States began to change from around 1999. Until then, policies and attitudes were somewhat confrontational and dogmatic. China put a high priority on its principled approach to foreign policy and was less amenable to compromise. The May 1999 bombing of the Chinese Embassy in Belgrade was the low point of U.S.-China relations. Opposition was raised to Premier Zhu Rongji's 1999 visit to the United States, for fear of compromising too much to U.S. demands on accession to the WTO. During this period, China often acted together with Russia to criticize the United States. For example, China together with Russia opposed the national missile defense program of the United States. As late as July 2000, China maintained this position. The Beijing Declaration, which President Jiang signed with Russian President Vladimir Putin in July 2000, expressed opposition to U.S. hegemony and group politics, an allusion to U.S.-led military alliances such as NATO and the U.S.-Japan alliance.

China has also been hesitant to participate in multilateral talks involving the United States and/or Japan despite China's advocacy of a multipolar world. For example, China was a passive fourth member and remained behind the scenes during the North Korean nuclear crisis of 1993-94. China also refused to take part in the U.S.-China-Japan security dialogue in the mid-1990s under the initiative of William Perry, then U.S. Secretary of Defense.

Recent Trends in China's Foreign Policy

China today seems eager to cooperate with the United States on several issues. China was quick to show its support in the fight against terrorism after the September 11 attacks in 2001. Its opposition to the U.S.-led war against Iraq was restrained. On the North Korean nuclear issue, China was quick to declare its opposition to a nuclear Korean Peninsula, which Jiang Zemin expressed to President Bush on his last visit to the United States as president. China is playing an active role in solving the North Korean nuclear problem and is the main advocate of a multilateral approach. China also participated in the Group of Eight (G8) summit meeting for the first time in June 2003. In the past, China had often been critical of the G8 meetings and, for example, refused to attend the Kyushu Okinawa summit meeting in July 2000. The meeting China participated in Evian was not a formal G8 meeting, but an informal enlarged dialogue meeting between leaders of the G8 and the leaders of 11 developing countries. Nevertheless, China's participation marked a departure from China's past policy.

China's foreign policy towards Japan showed similar trends. During the 1998 visit to Japan, President Jiang Zemin repeatedly made remarks about the history of the Japanese aggression against China. His words were harsh and uncompromising. In May 2000, however, there was a turning point in China's policies toward Japan. Jiang delivered a speech on China-Japan relations in which he assessed that "despite an unfortunate period in bilateral relations, good-neighborliness between the two countries has predominated." The Hu Jintao administration is taking a step further in its cooperative policies toward Japan. In the meetings with Prime Minister Koizumi in St. Petersburg in May and in Thailand in October, President Hu emphasized the importance of the relationship and his reference to historical issues was limited. The discussion was devoted to possible cooperation on solving nuclear issues and on the economy. The tone of the meeting was softer compared with the meeting between Jiang and Koizumi in October 2002 at the APEC summit meeting.

There are, however, limits to flexibility in China's policies toward Japan. The so-called "New Thinking" *(Xin Siwei)* toward Japan that appeared in several articles from the end of 2002 has aroused negative reactions among ordinary Chinese. The authors of the articles, Ma Licheng of *People's Daily* and Shi Yinhong of Renmin University, were criticized on the internet as traitors and unpatriotic. Although the Hu administration has not reversed its Japan policy, and is still maintaining a cooperative approach, the administration also cannot ignore anti-Japanese nationalistic sentiments. Because Hu draws strength from popular support more than his predecessors, he is more susceptible to public opinion, and a loss of public support could decrease his power within the top leadership. One recent instance in which the Hu administration was constrained by public opinion was after the meeting between Koizumi and Wen Jiabao during the ASEAN Plus Three summit meeting in Bali in October 2003. They had discussed an exchange of visit. However, after the meeting, Koizumi told reporters that he would visit the Yasukini Shrine again in 2004, and the Chinese Foreign Ministry then denied any discussion of an exchange of visits. The ministry took a few days to respond and issued a statement by a spokesperson in the middle of the night criticizing Koizumi's remark.

This suggests that there were debates within the leadership as to how to respond to Koizumi's remark. Denial of the discussions of mutual visits and a stronger statement afterward indicate the Hu administration's susceptibility to public criticism.

Prospects for the Future of the Trilateral Relations

China's number one domestic priority to sustain economic growth has had a stabilizing effect on its foreign policies toward the United States and Japan. About half of China's GDP now depends on foreign trade, and this figure is expected to grow higher with greater integration into the world economy. These factors inevitably make China cooperative with other states and risk averse. Military conflicts must be avoided to ensure steady economic growth.

China's effort in stabilizing the Korean Peninsula is a good example of this positive effect. China has maintained a cooperative approach since the revelation of North Korean nuclear weapons program in 2002. In the past, North Korea has provided China with a strategic buffer between China and U.S. forces stationed in South Korea. China often did not see the North Korean security problem as a threat. Today, China perceives a military conflict on the Korean Peninsula as a hindrance to China's economic interests and to its national goal of quadrupling its GDP. Maintaining a stable international environment in which China can concentrate on its economic development is China's goal. China worries that North Korea may not be deterred and could engage in military adventurism or induce a U.S. attack on North Korea. China also worries that a nuclear North Korea could lead to nuclearization of South Korea and Japan, which China feels could reduce its level of security.

The three countries are working together to solve the North Korean nuclear problem. Although differences between North Korea and the United States still remain, the six-party talks are increasing the cooperative mood among the three countries. If the six-party talks succeed in solving the North Korean nuclear problem, it has the potential to serve as a framework to discuss security problems of this region in the future.

The strong nationalistic sentiment among ordinary Chinese prevents the Chinese government from adopting cooperative policies toward outside powers. In the past, the Chinese government has used nationalism as a tool to boster the unity of the nation. A patriotic education campaign in commemoration of World War II, which started in the fall of 1994, has resulted in an increase in strong anti-Japanese sentiments. The Chinese government has since been careful not to use the nationalism card. However, anti-Japanese sentiment is still strong. As China's integration with the United States and Japan increases, interdependence and hence the need for cooperation will also increase. The national interest of China that seeks economic development may come into conflict with Chinese nationalism. Success in increasing common interests, as in the case of the North Korean nuclear problem, will hopefully dampen nationalistic sentiments of the three countries leading to economic cooperation and not to a negative spiral of nationalism.

Chapter 3
Evolving U.S. Security Strategy in East Asia
By Michael McDevitt

In the wake of President Bush's October 2003 visit to six Asian nations and participation in the Bangkok APEC leaders meeting, and Secretary of Defense Donald Rumsfeld's recent visit to Northeast Asia, it is useful to assess the current state of U.S. security strategy toward East Asia. This administration, unlike the first Bush administration and the two Clinton administrations, has not elected to publish an official document spelling out its East Asia security strategy. That is not because strategy has not changed since the Clinton years; it most certainly has. Taken in their totality the changes of the past three years have marked a significant evolution in America's approach to security in East Asia.

Any discussion of a U.S. security strategy that includes the word "evolving" must be quick to point out that ongoing evolution is taking place within the context of great continuity. There are basic fundamentals of U.S. policy that have been in place for decades and have remained consistent across many administrations, both Republican and Democratic. The Bush administration, like its predecessors, has embraced these fundamental. The latest public statement can be found in National Security Advisor Condoleezza Rice's piece, entitled "Our Asia Strategy," in the Oct. 24, 2003 *Wall Street Journal*.

The first and perhaps most important fundamental is that the United States does not intend to be *excluded* from Asia. The United States has long considered access to Asia a vital interest because of a combination of economic, security, and societal reasons. For well over a century the U.S. has proclaimed that it is a Pacific power with interests that revolve around ensuring access to the markets of Asia, while attempting to forestall domination of East Asia by any potentially hostile nation. Today this idea is characterized as building a lasting framework for economic growth and cooperation.

The second fundamental is America's enduring commitment to Asian security and stability. Even though we are not in Asia in a geographic sense, our commitment, as Colin Powell said to the Asia Foundation in June 2002, is an enduring one for both Asia's sake and our own. He went on say, "the U.S. is a Pacific Power and *we will not yield our strategic position* in Asia."

The third fundamental is the rock-solid belief that military forces permanently stationed in the region contribute to stability. While China in its most recent defense White Paper (2002) held that military alliances were a cause for instability, the U.S. believes that the history of East Asia since the Korean War suggests just the opposite – that alliances and attendant military presence has created stability that has enabled the economic take-off of East Asia. The syllogism spelled out in the 2001 Quadrennial Defense Review is: a capable military presence that is strong enough to "deter forward

without massive reinforcement" creates stability, stability in turn is the *sine qua non* for economic development, and economic development creates prosperity.

The final fundamental is that the bedrock of our strategic position in Asia is our alliance structure, especially with Japan and Korea. As Rice in her *Wall Street Journal* piece said, "The centerpiece of the President's strategy is our strong forward presence and our commitment to our allies." Alliances create a political rationale and the physical infrastructure of bases necessary to sustain U.S. forces in the region. Without bases, deterring conflict in Korea and across the Taiwan Strait, while also maintaining a credible region-wide stabilizing presence, would be a significant challenge if it had to be done using only periodic rotations of forces from the U.S. to East Asia.

While these strategic fundamentals – along with other strategic constants, such as the spread of democracy and freedom of the seas – remain fixed and unlikely to change, America's security strategy in Asia is evolving because of three major Bush administration policy vectors. These are: (1) deliberate changes in East Asian policy approaches that differentiate the Bush administration from its predecessors, (2) changes precipitated by the terrorist attacks of September 11, 2001 and the ensuing global war on terrorism, and (3) the administration's intent to "transform" the U.S. military, announced as a major administration objective by candidate Bush in the summer of 2000. The administration has been active in pursuing all three lines of policy. While they are all interrelated, to appreciate the magnitude of change over the past three years, it is helpful to consider them as three separate categories.

The First Evolutionary Vector: Deliberate Policy Changes from the Clinton Administration

China. The Bush administration came to office with the view that America's relationship with China would be defined by "strategic competition." The mid-air collision between a U.S. reconnaissance aircraft operating in international airspace and a PLA Navy land-based interceptor, the resulting emergency landing of the EP-3 on Hainan Island followed by the detention of the U.S. aircrew in April 2001 seemed to be a tragic confirmation of this judgment.

Instead, in what has been an evolution – although U–turn is probably a better term – today the Washington and Beijing relationship is much closer to the Clinton era ideal of "strategic partnership." Chinese cooperation on the issue of North Korea and in a variety of ways in the war on terrorism is frequently cited as the manifestation of this improved relationship. But by the same token, long-term U.S. strategy is still uncertain about China. It is too soon to proclaim that today's close relationship presages a permanent evolution in U.S. strategy toward China.

There is a Chinese aphorism – "seeing the acorn and imagining the oak tree" – that pertains to forecasting the future. It is an accurate way to characterize how U.S. security planners think about China. They worry about a future Chinese "oak tree" that could upset the balance of power in Asia. Like all of Asia, the long-term implications of

the so-called "rise of China" are very much on the minds of U.S. strategists, especially in the Department of Defense. The Secretary of Defense's August 2002 Annual Report to the President and to Congress says, "Maintaining a stable balance in Asia will be both a critical and a *formidable task*. The possibility exists that a *military competitor* with a *substantial resource base* will emerge in the region." This can only be referring to China.

DOD worries about a potentially antagonistic China that would be economically and militarily strong in the 2020-2030 time frame. While many China specialists who have insight into China's serious internal problem, would belittle the notion of China as a regional peer competitor in two or three decades, the fact remains such an outcome is not outside the cone of plausible futures. After all, China today is the military hegemon on the continent of Asia, its economic gravitas is becoming a regional magnet in perception and in reality, and its successful diplomacy with its Asian neighbors has greatly mitigated regional worries about a "China threat."

The reality is that the rise of China is a cipher for strategists around the world. One does not know what to expect. History provides few clues. For almost 125 years it was China's weakness that was a cause for instability and conflict. That was followed by 25 years of conflict and instability occasioned by China's encouragement and support of ideologically driven insurgencies. America's only historical experience with a rising power in Asia was with Japan during the first part of the 20th century. That did not turn out well. One of the observations to draw from that experience is Japan was able to upset the established East Asian order because it had the ability to project decisive military power throughout the region. Beyond its contiguous neighbors, China is not yet in this category.

Because there is uncertainty about how China will choose to expand its influence in the region, there is a natural tendency of planners to hedge against worst-case outcomes. The uncertainty about the future role China will play is also actively encouraged by many of the countries of Asia that are persuaded that it is important that the U.S. remain engaged in East Asia so it can play a role in balancing China's weight and influence. They constantly remind influential visiting Americans of this desire.

Taiwan. U.S. security policy regarding Taiwan has evolved dramatically over the past two years with the introduction of "strategic clarity" regarding U.S. intentions should China attack. President Bush's comment on national TV to do "whatever it takes to help Taiwan defend itself" was not a slip of the tongue as some suggested, but was a position advocated by both candidate Bush and many of his senior advisors before the 2000 election. In the opinion of many, it was a necessary and important stabilizing step in the wake of Beijing's introduction of impatience and caprice into its stated rationale for using force against Taiwan (the third "if" in Beijing's February 2000 White Paper).

Strategic clarity was also involved in making certain that Taipei understood that a firm U.S. defense commitment if Taiwan was attacked was not license for Taipei to provoke Beijing and drag the U.S. into conflict, an issue that continues to trouble

Washington policy makers. In a parallel evolution to strategic clarity U.S. defense cooperation with Taiwan has been dramatically broadened. It now includes a wide range of military to military contacts, assist visits, exercise observations, and interaction between the U.S. and Taiwan military. It also includes a willingness to approve the sale of virtually every military purchase request that Taipei tables.

One of the great ironies is that at the very time the U.S. evolved its arms sales approach in order to afford Taiwan the chance to better balance the growth of Chinese military power, the combination of a weak economy and vibrant democratic processes has dramatically slowed Taiwan's military modernization. As a result, the military balance of power across the Taiwan Strait is shifting inexorably in Beijing's direction.

One of the consequences of the administration's defense commitment to Taiwan is the fact that China and the U.S. conduct increasingly ill-disguised contingency planning about how best to prevail against one another in a Taiwan crisis. As a result, the prospect of conflict hangs like a black cloud over an otherwise "candid, constructive and cooperative" relationship with Beijing, which Colin Powell claims is the best since 1972. This "black cloud" and the lingering resentment in the Pentagon in the wake of the EP-3 incident in April 2001 make it unlikely that any sort of security cooperation between Washington and Beijing that goes beyond shared interests on the Korean Peninsula and terrorism is possible in the near term.

North Korea. Another major evolution in U.S. security strategy in East Asia is its approach to North Korea. It is perhaps the most important evolution of all because it blends the traditional concerns about North Korean nuclear developments with the new post 9/11 reality of terrorist groups who want to kill thousands of Americans.

We are now witnessing the third evolutionary iteration of policy toward North Korea in the last three years. The first was replacing the Clinton administration policy of engagement, which grew out of the so-called "Perry process" after former Secretary of Defense William Perry's Congressionally-mandated policy assessment in 1997. During the second Clinton administration, the focus of talks with North Korea had shifted away from nuclear weapons. Because the Agreed Framework was judged to have halted North Korea's nuclear program, the focus was on "engaging" North Korea with the near-term objective of curtailing long-range delivery systems – ballistic missiles and evolving toward a normal political relationship.

Clinton era engagement was replaced by the early Bush administration approach – after a several month long policy review – of holding on to the Agreed Framework while expanding the approach to North Korea to include conventional force reductions, long-range missiles and complete North Korean compliance with the Agreed Framework, i.e., a full accounting for reprocessed plutonium. This became known as the "comprehensive" approach.

The third evolution came in October 2002. A willingness to talk "anywhere anytime" so long as the discussions were "comprehensive" was superceded by a

precondition that the North forswear nuclear programs – especially its covertly developed enriched uranium approach to nuclear weapon development.

This third iteration is focused on involving all of the regional states in a multinational approach to seek an end to North Korea's nuclear ambitions. Whether this approach will be successful and, as Pyongyang insists, lead to some sort of a non-aggression pact and lots of economic and political benefits remains to be seen.

Japan. The Bush administration came to office with the view that the Clinton administration had neglected Japan and forgotten how important the U.S.-Japanese alliance to U.S. interests in Asia. They also have a much bolder vision for how Japan should "evolve" within the context of the alliance. The blueprint was spelled out in a National Defense University position paper that created a vision of Japan as a more "complete" ally. By complete I mean well rounded, like Great Britain, willing to share risks and actively support U.S. initiatives. In practice this means eliminating the Japanese Constitutional interpretation that prohibits collective self-defense, and over the long term revising Article 9 of the Japanese Constitution itself. Surprising progress has been made on this ambitious agenda, as Tokyo decided early on to proactively (for Japan) support the U.S. militarily in the global war on terrorism. Constitutional revision is now on the table in Tokyo.

The Second Evolutionary Vector: September 11, 2001 and the Ensuing Global War On Terrorism

This evolution is based on the reality that there are stateless terrorist groups that are willing to use any means possible, including the most powerful weapons available, in order to inflict mass destruction on the U.S. and its allies. This means traditional concepts of deterrence, based on massive retaliation, have little meaning if the enemy is stateless, has infiltrated into the fabric of politically weak or fragile, but not hostile, states, and is willing to commit suicide to achieve its goals. It also means that U.S. strategy had to evolve from attempting to contain a threat, which in fact is quite dispersed and can't be contained, to one of actively seeking the enemy, disrupting his plans, preempting his attacks and eliminating him.

This has required the U.S. to either rethink previous policies, or place greater emphasis on policy concepts that had previously received episodic or scant attention. Southeast Asia has been the objective of much of this rethinking. The realization that with a half billion muslim population Southeast Asia might succeed Afghanistan as a home for al Qaeda and its network of allied organizations has caused the United States to become much more "engaged" with Southeast Asia. For the first time since the Vietnam War, Southeast Asia is a place of primary strategic importance to Washington.

This has meant a much greater concern for the fate of the secular government in Indonesia. Today a much broader spectrum of Washington policy makers recognizes that the success of secular governments in Indonesia and Malaysia is a strategic issue of importance in the global war on terrorism. It means as well that many, but not all,

Washington policy makers understand that continued ostracism of Indonesia's armed forces, despite its dismal record of human rights abuses, is not the best way to bring about change in the TNI and is counterproductive to both secularism and to the cooperation necessary to round up terrorists.

Next, America's post 9-11 willingness to assist the Philippines in its drawn out struggles with Islamic militants and terrorists in Mindanao reflects a change in attitudes about the importance of assisting the Philippines in stamping out terrorists in Southeast Asia. Before September 11, the U.S. was for years an often disinterested observer of the Armed Forces of the Philippines' efforts to solve this decades long problem. Now the U.S is actively helping in this fight and the Philippines has become a major non-NATO ally of the U.S., as has Thailand, another Southeast Asian nation that had been largely neglected during the 1990s.

It must be said that Washington's closer strategic relationship with Manila also reflects the geo-strategic reality that access to Philippines facilities is much more important that most judged 12 years ago when Washington was very nonchalant about the failure to extend access to Philippine bases. Today, contemporary worries about the defense of Taiwan makes access to Philippine facilities (mainly air bases) essential for long-term U.S. strategy.

The U.S. relationship with Singapore has also evolved, not so much in tangible terms but in how it is valued. Prior to 9/11, many considered the implicit bargain of access to facilities in return for being the de facto guarantor of Singaporean security an acceptable arrangement that, nonetheless, greatly favored Singapore. But in the wake of 9/ll, Singapore has taken on much greater strategic importance to the U.S. as an essential listening post and professional confidant in the shared contest against Islamic terrorism.

In Northeast Asia, the biggest post 9-11 evolution in security policy, if only for the near term, has been, as discussed above, with China. By any measure U.S.-Japanese cooperation in actual military operations has never been stronger as Japan's Maritime and Self-Defense Forces have operated alongside U.S. forces in the Northern Arabian Sea from almost the beginning of the war on terrorism. In the wake of 9/11 and worries about North Korea, the biggest evolutionary change is coming from the Japanese side. The U.S. has long encouraged Japanese officials to engage in a more public debate involving the people of Japan on issues regarding collective self defense and even the peace constitution. That debate is finally underway. Such a debate holds out the promise of even greater Japanese partnership, so long as evolutionary changes in Japan's security posture are defined within the framework of the alliance or UN mandated operations.

The Third Evolutionary Vector: The Transformation of U.S. Military Posture in East Asia

The biggest evolution in U.S. presence has been the way to characterize that presence. The Bush administration has changed the basis for determining the size of U.S. presence in East Asia away from a fixed floor of 100,000 U.S. military in the region to one that focuses on military capabilities resident in the forces. What this "capabilities

based" approach means is that the size and composition of military presence in East Asia will be dictated by the military capabilities judged necessary to execute U.S. strategy. Military professionals have long preferred this approach. But the Clinton era commitment to a fixed size had the advantage of providing an easily understood measure of U.S. commitment to the region; while the capabilities approach provides greater military flexibility, it is also more difficult for politicians throughout Asia to understand and explain to their publics. As a result, without a systematic public diplomacy effort, the transformation of U.S. military presence in East Asia could easily be considered by U.S. friends and allies as a weakening of U.S. commitment to the region.

In Korea, there is a major evolutionary change underway, albeit very slowly. First is an evolution in the mission and physical location of U.S. forces in Korea. The mission would change from a single-minded focus on deterrence to one that includes regional, or even global, stability. This would be accomplished by a redeployment and realignment of forces, specifically, moving headquarters from downtown Seoul and the 2nd Infantry Division to well south of the DMZ, where they would be reconfigured into a force that could conduct off Peninsula missions.

This would involve structuring the U.S.-ROK alliance so that Korea could become more like Japan, where U.S. forces are essentially dual tasked. They would be responsible for defense of the host nation as well wider regional or even global responsibilities. In other words, U.S. forces would be required to both defend Korea and at the same time use Korea as a "hub" for the deployment of U.S., and potentially ROK, forces off the Peninsula for other missions.

This has major ramifications for the ROK government. Is the ROK military really intellectually prepared to assume the leading role in the defense of the ROK and, if so, is Seoul also ready to permit Korea to become a deployment hub for U.S. forces that would leave South Korea to conduct military operations elsewhere in the region, and then return to their South Korean bases?

The third evolutionary or transformational fact of U.S. presence in East Asia has been the "rediscovery" of Guam as a useful base for U.S. forces. It is equidistant from both Northeast and Southeast Asia, it already has a large airbase and naval support facilities and is U.S. territory. It is apparently envisioned as becoming a very useful operating hub for both long-range airpower and naval forces, reprising the role Guam played during the Vietnam War. In addition, if it becomes necessary it could accommodate some of the U.S. Marines currently deployed in Okinawa. Guam is also closer to the Southern Philippines than U.S. bases in Japan. Guam and Japan provide two operating hubs from which mobile U.S. forces can deploy throughout Asia, or indeed the world. If plans for Korea are realized that would become a third hub. If access to airfields can be arranged in the Philippines, these would become a complement to the access arrangements the U.S. enjoys in Singapore and, to a lesser degree, in Thailand that could accommodate U.S. forces temporarily surged from the U.S. to the region in times of tension.

This notion of access is a final evolutionary aspect of U.S. strategy that is being influenced by the transformation of the U.S. military. While the strategic concept of accommodating the loss of facilities in the Philippines is not new – recall the "places not bases" concept that dates from the early 1990s – what is different is replacing the Clinton era concept of "engagement," which came to seen as engagement for engagement's sake without strategic purpose, with the idea of "security cooperation." This is a concept that is deliberately focused on improving access, furthering intelligence cooperation, and improving military interoperability

In sum, it is clear that the Bush administration has made a number of important changes to U.S. security strategy in East Asia. While holding on to the basic strategic fundamentals that have served the nation well for decades, it has put in play a number of changes that when considered in their totality really do reflect an abiding interest in East Asia and a continuing U.S. commitment.

Chapter 3
Moving Closer Toward a Balanced Triangle? Evolving U.S. Security Strategy and Its Impact on the China-U.S.-Japan Relationship

By SUN Ru

Security constitutes an important dimension of the China-U.S.-Japan triangle. Among the factors molding the trilateral relationship, U.S. security strategy plays a significant role. There have been many changes in U.S. security strategy over the past two years; indeed, most have resulted from the Sept. 11 attacks, a milestone in the post-Cold War period. Sept. 11 not only altered the circumstances under which U.S. security strategy had been formulated, but also initiated a new round of interactions among the three countries.

U.S. Security Strategy in the Wake of 9/11

Major Changes in U.S. Security Strategy. Based on a pessimistic review of a treacherous international environment, the Bush administration has published a series of documents revealing its readjusted strategy, including the focus and means to achieve its security goals.[10]

First, the U.S. has identified that its biggest enemy is international terrorism. The past decade has witnessed that the United States, winner of the Cold War, is spending much time searching for a new enemy. Sept. 11 has made the U.S. concentrate on countering terrorism and fight against this imminent threat on all fronts. After the victory in Afghanistan and with progress in destroying al-Qaida networks, the Bush administration extended war on terror into other realms. In the 2002 State of the Union Address, President Bush labeled Iraq, Iran, and North Korea as an "Axis of Evil," which presaged an ominous step toward new confrontation. After Saddam's rule was toppled in Iraq, the U.S. has yet seen the light at the end of the tunnel. Washington decided to adopt a "comprehensive strategy" to combat weapons of mass destruction and boost counter-proliferation regimes.

Second, the use of force stands out among the options available to the U.S. Since one of the new features of terrorism is that it is free from state sponsorship, the Bush administration admitted that it could not deal with terrorism with a conventional approach to war, while on the other hand it still reaffirmed "the essential role of American military strength."[11] As a matter of fact, the U.S. has overhauled its military strategy and reformed its military command systems. The U.S. has been shifting its military deployments

10. These documents are *Quadrennial Defense Review 2001*; *Nuclear Posture Review*, Jan. 2002; *Report on Defense*, U.S. Department of Defense, August 2002; *the National Security Strategy of the United States (NSS)*, Sept. 2002; *National Strategy for Combating Terrorism*, Feb. 2003.
11. *National Security Strategy of the United States of America*, Sept. 20, 2002.

throughout the world; moreover, the Bush administration first withdrew from the Anti-Ballistic Missile Treaty, then sped up R&D for missile defense (MD), aimed at pursuing absolute strategic primacy.

Third, the U.S. has put forward the controversial doctrine of preemption. Before the "rogue states" and terrorists are able to threaten America, it will exercise the "right of self-defense by acting preemptively against such terrorists."[12] National Security Council Advisor Condoleezza Rice contended that "preemption is not a new concept" and further claimed that the U.S. "has long affirmed the right to anticipatory self-defense."[13]

Neo-conservatives and some scholars also echoed the justification for preemption. As Professor Philip Zelikow pointed out, "Threats can emerge more quickly, without having to accumulate a mass of men and metal. Nor do the greatest threats necessarily come from large states that have much to lose. It is thus hard to quarrel with the essential premise of the Bush administration's open willingness to consider pre-emption."[14] Nonetheless, the preemption doctrine has invited strong and sustained criticism from the international community; in particular, the U.S. and the EU disputed bitterly over whether pre-emptive strikes could be applied to the Iraqi case.

Fourth, the U.S. attaches greater importance to homeland security. Sept. 11 has cast a more fundamental impact on the U.S. than the rest of world. After the Cold War, America's homeland security was not the top priority for Americans, as the possibility for a country to attack the American homeland was considered extremely low after the Soviet collapse.[15] But 9/11 broke the myth that U.S. territory can avoid being attacked. To boster preventative measures, the United States established the Department of Homeland Security, causing a large reshuffle in governmental institutions. Moreover, the "U.S. Northern Command" was set up to bear the responsibility for homeland security. The Bush administration endeavored to reassure the American people that it is able to safeguard their lives and property.

Fifth, the U.S. has readjusted its relations with other big powers. These readjustments naturally affect the China-U.S.-Japan relationship. Outlined in his June 1 West Point commencement address, President George W. Bush stressed the importance of growing major power cooperation. The Bush administration's first national report notes that "the events of September 11, 2001 fundamentally changed the context for relations between the United States and other main centers of global power, and opened vast, new opportunities..."[16] National Security Advisor Rice asserted that "fostering an era of good relations among the world's great powers" to "preserve the peace" became one of the "three pillars" of U.S. security strategy.[17]

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12. *Ibid.*
13. Condoleezza Rice, The 2002 Wriston Lecture, Manhattan Institute, New York City, October 1, 2002.
14. Philip Zelikow, "The Transformation of National Security," *The National Interest*, Spring 2003, pp. 25-26.
15. Qin Yaqing, "U.S. National Strategy: between Offensive and Integration," in "Expert Forum: Assessments of America's Global Strategy," *Contemporary International Relations*, August 2003, p. 3.
16. *National Security Strategy of the United States of America.*
17. Condoleezza Rice, *op. cit.*

Implications for U.S. relationships with other powers. Reflecting these new circumstances, U.S. security strategy has inevitably changed the context for U.S. relations with other centers of power.

Major conflict between the U.S. and a potential rival does not seem possible in the foreseeable future, because counter-terrorism will remain at the top of the U.S. agenda and attract its utmost attention. Fully occupied by the international counter-terrorist campaign, the U.S. could barely afford conflict with other great powers.

It is possible for great powers to continuously cooperate on counter-terrorism. For the U.S. part, the war on terrorism is such a formidable task that it needs spiritual and material support from the allies as well as other countries. In practice, the Bush administration stresses "cooperation among big powers" instead of "competition among major powers" in the aftermath of 9/11. Meanwhile, the U.S. and other powers feel like they are in the same boat as the counter-terrorism campaign fosters a sense of cohesion.

The U.S. has attempted to construct a U.S.-led counter-terrorism coalition. With unparalleled "hard" and "soft" strength, the U.S. took this leadership for granted. Anyone who attempts to challenge the U.S. position will surely suffer strikes from the United States.[18] The ambition to turn the "unipolar moment" into a "unipolar era" is well illustrated in U.S. strategic thinking.

China-U.S.-Japan Relationship Adjusted

Sino-U.S. relations have improved significantly. In the beginning of the Bush administration, the Sino-U.S. relationship experienced an unstable period. The U.S. intended to abandon the "constructive strategic partnership" with China; instead, China was defined as a strategic "peer competitor." Fearing a rising China will challenge the U.S. hegemonic position in the Asia-Pacific region, Washington took a hawkish position on various issues such as human rights, counter-proliferation, and Taiwan. In addition, the EP-3 incident precipitated bilateral relations to a low point.

Prior to 9/11, only Secretary of State Colin Powell's visit to China seemed to convey some positive messages. But 9/11 was a complete turning point. All of a sudden, both sides found much more common ground for consultation and cooperation. China provided extensive support ranging from sharing counter-terrorism intelligence to Afghanistan reconstruction that proved significant for the U.S. campaign against international terrorism. Mutual trust has increased in various fields. In particular, China's cooperation on the North Korean nuclear issue is indispensable to help break the ice between North Korea and the United States. As mutual cooperation advances, the hostile attitude and sharp criticism of China diminished, and the exchange of summits between China and the United States became much more frequent. Both sides committed to building a "cooperative, constructive" relationship. In general, the U.S. shifted its harsh

18. Ruan Zongze, "Changes and Restrictions," in "Expert Forum: Assessments of America's Global Strategy," *Contemporary International Relations,* August 2003, p. 18.

tone to a flexible, pragmatic attitude and the bilateral relationship was restored to a more stable track. Colin Powell recently described U.S.-China relations as "the best they have been since President Nixon's first visit."[19]

U.S.-Japan relations are substantially enhanced. The U.S. had already reinforced its alliance with Japan through the April 1996 Joint Security Declaration and the September 1997 revisions of the Guidelines for U.S.-Japan Defense Cooperation. The Bush administration came into power with a number of experienced "Japan hands," who reinforced the conception that the U.S.-Japan alliance is the linchpin in U.S. security strategy toward Asia. The 2000 Nye/Armitage Report, named after former U.S. Assistant Secretary of defense Joseph Nye and current Deputy Secretary of State Richard Armitage, placed security at the center of the U.S.-Japan relationship and conceived of the U.S.-Japan security alliance as the primary anchor for U.S. force projection in the Pacific and Indian oceans.

Sept. 11 provided a great new opportunity for the U.S. and Japan to enhance their security cooperation. The United States has encouraged Japan "to continue forging a leading role in regional and global affairs,"[20] for the sake of sharing the huge burden with allies. Simultaneously, Washington acquiesced in Japan's bigger role in security affairs involving peace and stability of the Asia-Pacific region.

The Japanese government seized the opportunity to expand its military role.[21] From Japan's perspective, renewed security cooperation with the U.S. will facilitate Japan to fulfill its aspiration for becoming a "normal country." Japan provided unprecedented levels of military logistic support within weeks of 9/11. Five Japanese vessels participated in the multinational naval contingent that was part of the operation in Afghanistan, marking the first wartime dispatch of naval vessels for operations abroad since the end of World War II. Because of the tacit consensus between the two sides, Japan has been much more assertive in the military and security fields.

Sino-Japan relations improved slowly. Compared with the rapid development in both Sino-U.S. and U.S.-Japan relations, Sino-Japan relations were left far behind. The past two years have not seen any steady progress.

Sino-Japan relations are restrained more by domestic factors than outside forces. Both sides cannot transcend the lingering history issue. The cognitive gap between them has not narrowed, and may have widened. The anxiety and distrust have remained deep-rooted. On the Japanese side, there is a complex feeling toward China's rising. Many Japanese have a sense of loss about China's rapid economic growth against the backdrop of Japanese stagnation. Some politicians invent myths about China's military buildup. On the other hand, China is also nervous about where Japan is heading in the aftermath of

19. Remarks by Secretary of State Colin L. Powell at the Eliott School of International Affairs, George Washington University, Sept.5, 2003.
20. *National Security Strategy of the United States of America.*
21. Zhang Chunyan, "America-Japan Relations: Changes and Trends." *Contemporary International Relations*, No. 9, 2002, p. 46.

9/11. For China's part, although U.S. strategic pressure has eased since 9/11, Japan's military presence – derived from closer U.S.-Japan security cooperation – looms up stealthily. In addition to ignoring the invasion history, Japan's adoption of emergency legislation, participation in joint overseas military exercises, and accelerated development of the missile defense system have caused widespread anxiety in China. Because of the above reasons, the Sino-Japan relationship has benefited little from U.S. strategic adjustments.

Fortunately, both sides recognize the importance of improving Sino-Japan relations despite the history issue. There are some positive signs recently. A heated debate on China's policy toward Japan was initiated last year; it may alter China's thinking toward Japan as well as to the outside world. In early September 2003, the Director General of Japan's Defense Agency Ishiba Shigeru paid a four-day visit to China, hoping to thaw icy military relations between the two nations. In October 2003, China, Japan, and South Korea leaders signed a declaration, promising to push forward more aggressively on trilateral cooperation. It is remarkable that China and Japan showed an incredibly positive attitude on mutual cooperation in these instances.

Moving toward a more balanced triangle. Owing to the U.S. security strategy adjustment, both the Sino-U.S. relationship and the U.S.-Japan relationship have entered a new stage. The cooperative atmosphere is growing in all three of the respective bilateral relationships. Accordingly, it also influenced trilateral relations as a whole.

Under the new circumstances created by 9/11, the trilateral relationship appeared to be somehow balanced since the U.S. adopted a more friendly policy toward China. Why does an improved Sino-U.S. relationship have a deeper impact on interactions of the triangle than an enhanced U.S.-Japan relationship? First of all, in the China-U.S.-Japan triangle, the U.S.-Japan relationship is much closer than China-U.S or China-Japan relations. Since there is already an alliance between the United States and Japan but no similar brotherhood existing between the U.S. and China, the enhancement of the U.S.-Japan relationship is less conspicuous and significant than the improvement of the China-U.S. relationship. Second, an improved Sino-U.S. relationship often has a positive effect on Sino-Japan relations. Both China and Japan put the U.S. in the first place in their respective strategic calculations, but only Japan's policy toward China is often swayed by the United States. If the U.S. adopts a friendly policy, then Japan may follow suit.

In short, the entire triangle tilted to a balance. At the same time, the balance is not equal to symmetry. The triangle is still asymmetric; after all, the current improved relations among three countries do not change the nature of the triangle – the U.S.-Japan side is much closer than the other two.

Challenges Ahead: Cooperation Beyond Counter-terrorism

It is evident that counter-terrorism is the main dynamic that improved U.S. relations with China and Japan. However, whether counter-terrorism could become a

lasting foundation or serves as a temporary impetus for enhancing trilateral relations remains a question. Undoubtedly, cooperation based solely on counter-terrorism has its own pitfalls. For instance, China and the United States improved bilateral relations, but a pessimistic view that the U.S. remains alert to the challenge of China still prevails among many scholars. This argument insists that the counter-terrorist campaign merely delays, rather than exterminates, a potential China-U.S. conflict in the long term.

China, Japan, and the United States are all important players in the Asia-Pacific region. It is in all three's interests to keep the region prosperous and stable. In addition to counter-terrorism, they also have overlapping interests in environmental protection, organized crime, and other regional issues. The task for the three nations is to seek convergent interests beyond counter-terrorism so that the cooperative spirit that emerged in the wake of 9/11 can persist.

Chapter 3
The Structural Dynamics of the U.S.-China-Japan Triangle: The United States as a Hegemonic Power

By Go Ito

Introduction

Since the September 11 terrorist attacks, issues relating to China have not been that eminent in the overall American strategy toward the East Asia-Pacific region. While being concerned about the future rise of China, the Bush administration has been currently preoccupied with Iraq and North Korea. Given the seemingly cooperative framework against terrorism among the U.S., the Chinese, and the Japanese governments, there have been widely held optimistic views toward creating a stronger foundation of trilateral relations. Within the region, many observers have pointed out the need for a multilateral security discussion. They argue, as NATO has expanded eastward, that the U.S.-Japan security alliance should be utilized not only for containing both states' enemies, but rather for overall confidence building in the East Asian region.

However, the containment against North Korea and Iraq will not last forever. Since the Bush administration first thought of a rising China as a new threat before 9/11, there is also a potential that the three states' cooperation will end with the end of the common threats to themselves. Moreover, since the region's cultural, geographical, and economic diversities underlie a latent potential for discord, it will not be that easy to realize a security arrangement amid the lack of any consensus that could serve to underpin its formation. For instance, during the 1990s, the U.S. government sought to establish new security guidelines with Japan with an eye to addressing existing regional threats. Although pointing to North Korea in the statement, it was clear that the guidelines began to be created in response to China's missile exercises in March 1996.[22] In the framework, both the U.S. and the Japanese governments are clearly targeting lingering potential for strife, which they thought may stem from a rising China, while at the same time trying to develop a structure that will foster regional confidence building today.

The purpose of this paper is to discuss the dynamics of the U.S.-China-Japan triangle in the overall security arrangement for the region provided by successive U.S. administrations. The discussion will start with a clarification of the characteristics of today's international politics in East Asia, and the structural limitations they place on the three states. Discussion will follow on how each of bilateral relations affects the others in the triangle, and proposes that differences in each state's domestic uniqueness, such as conceptions of human rights between the United States and China, and Sino-Japanese discussions on war crimes, will be inextricably linked with the trilateral structure.

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22. John Garver, *Face off: China, the United States, and Taiwan's Democratization* (Seattle: University of Washington Press, 1997), chaps. 1, 9.

The Structure of Multi-polarization in East Asia

According to traditional discourses of international relations, the current cooperative overtures among the U.S., China, and Japan can be explained as the "middle line" between realists and liberals. Realists might note the decline in the seriousness of the threat will end the existing cooperation. They argue that since the value of U.S.-China-Japan cooperation is a consequence of the existence of North Korea and Iraq, there will be no guarantee that the solid relationship can be maintained. On the other hand, liberals look at the existing cooperation as a regime which, once systematized, has a legitimate existence independent of the threat under which it was created.

The following three political factors underlie the current situation. First, while the three states have repeatedly demonstrated a tendency to fixate on multilateral diplomatic efforts toward the region's stability, there have not been enough reasons to create consensus except for addressing a nuclear potential of North Korea. Of course, the amount of U.S. trade with the East Asian region has been more than that with European countries since the mid-1980s, it is still questionable that economic issues can provide enough foundation for future cooperation. For instance, since the U.S. attack on Afghanistan and Iraq stemmed more from the global mission of combating "undemocratic" rogue states, leaders within the administration tend to protect certain values rather than economic interests.[23]

Second, since East Asia lacked a common adversary during the Cold War, its inheritance has led to a stymied confidence-building process. In Europe, for instance, the "Iron Curtain" became an emblem of the division with the clearly defined enemy. Ideas and concrete measures advancing common security in Western Europe and acts of appeasement have been successful because of the historical legacy. But in the case of East Asia, no such common enemy existed even during the Cold War, making it all the more difficult to say that a threat can be eliminated at any given time in Asia. Thus, the lack of a common Cold War adversary has made it difficult to build a multilateral Asian security framework to this day.

The third factor has to do with the consequences of the Pacific War that still linger more than 50 years after the end of that conflict, as exemplified by Jiang Zemin's 1998 visit to Tokyo. The primary task necessary in clarifying responsibility for the war is to elucidate historical facts. Unfortunately, this debate often goes beyond the aim of clarifying historical truth, and is more motivated by the need to use the facts of history in order to force the other country to take political responsibility. In other words, when a state, in the name of individual victims, attempts to force another state to take responsibility for individual wartime suffering, the moral principle of war responsibility is enlisted by that state in its attempt to justify its efforts to further the national interest.

23. The current U.S.-China cooperation can be represented by Secretary of State Powell's statements. See, for example,http://lists.state.gov/SCRIPTS/WA-USIAINFO.EXE?A2= ind0311a&L=us-china&D=1&H=1&O=D&F=&S=&P=77.

In this situation, past historical facts are sometimes distorted, and it is possible for history to be exploited for political ends.[24]

Given these three particularities, if the glue that has united the three states together against terrorism and rogue states evaporates more complex configurations among the three countries will emerge. The structural characteristics of the triangle should be laid out.

International Systemic Arguments: The U.S.-Japan Alliance and the China-U.S.-Japan "Triangle"

The significance of the three factors outlined above is that the current Japan-U.S. security alliance has been the apparatus most suited to acceptance within the East Asian security framework. However, basing the East Asian security structure on this bilateral alliance has brought about alliance-related dilemmas for countries of the region. In assuring its own security, each country is forced to choose whether to bolster the strength of the domestic military, or tie in with the alliance. The latter choice is "alliance," which necessarily involves sacrificing a certain amount of autonomy by drawing on the security policy of other countries. In short, an alliance member may optimize its own security through the pact, but this benefit goes in hand with a need to avoid any unnecessary involvement in the conflicts of alliance partners.

But if the attempts to remain uninvolved in conflict go beyond limitations, there is a danger of severing the affiliation with the alliance. In other words, to the extent that an alliance member tries to ascertain security from the pact, the fear of becoming entrapped in the conflicts of other members increases. So a reduction in one type of anxiety is directly related to an increase in another. And since this conflict is inescapable, this dilemma is truly an inherent element of alliance membership.[25]

In addition, the triangular relationship between Japan, the United States, and China has gained increasing importance in today's multipolar structure. Given the differences in military capabilities between the two states, the extent to which the Japanese government feels the future rise of China cannot be compared to that of the U.S. government. If the threat is perceived as strong by Japanese leaders, but not as strong for American leaders, the U.S. government can maintain a positive relationship with both the Chinese and the Japanese, while propagating the PRC's threat to the Japanese. Given positive U.S. relationships both with China and Japan, and estranged Sino-Japanese relations, the international configuration works most positively for the U.S. government. The U.S. government can demand concessions from the Japanese by conducting a linkage strategy, while at the same time cultivating intimate ties with the Chinese. Amid such a scenario, the United States would be able to strengthen its security stance vis-à-vis Japan through the newfound threat that Japan could become overwhelmed. Alternatively, the

24. Jack Donnelly, *Universal Human Rights in Theory and Practice* (Ithaca: Cornell University Press, 2003), chaps. 3, 4.
25. Ito, 2003.

United States might stress to China the potential for a "Japan threat," resulting in an increase of enmity between Japan and China, which also leads to U.S. leverage.[26]

The structural assessment of China-U.S.-Japan relations illuminates how today's U.S.-Japan relationship is entangled with Sino-American relations. In the triangle, China has been attractive for Japan as a market. Under the circumstances, the more intimate ties between any two states in the triangle provide the third party with fear of the other two countries' amity. Moreover, if two actors compete with each other for having more positive relations with the third state, the third can play the others against another. It follows that any estranged relationship in the triangle will invite the third state's leverage. Given these structural discussions, how will triangular dynamics work today, and how can the U.S.-Japan relationship be altered along with the triangular relationship.

Domestic Arguments: The Three States' Uniqueness within the Triangle

U.S.-China Relations. Despite the seemingly good cooperation between both states today, the bird-eye view for the past decade on U.S. policy toward China has been somewhat inconsistent. During the Clinton administration, policy moved between condemning Chinese leaders' abuse in human rights and cultivating economic ties. The Bush administration, sought to cultivate ties with the mainland for the global mission against terrorism, while at the same time trying to protect Taiwan for regional security.

The common element between the Clinton and the Bush administrations is that both condemned China, right after the administrations started, for its "undemocratic" tendencies. The 1989 Tiananmen massacre and the 1996 missile exercise were typical examples, and the U.S. government has paid attention to how aggressive China is likely to be. Chinese leaders, however, have claimed that use of force is an issue of domestic politics, which leaves no place for the intervention of other countries.[27]

During the 1990s, leaders in the United States paid more attention to the "China threat," analyzing how China's authoritarian political regime will affect its behavior in foreign relations. In terms of the "democratic peace" argument, which contends that democratic regimes are less inclined to utilize force to settle international disputes, U.S. leaders are concerned that a more belligerent, authoritarian political regime in China, combined with a recent high rate of economic growth, would invite military expansion. In this perspective, it is viewed that the PRC's belligerent attitude toward Taiwan as a foreign policy agenda has been an extension of Chinese use of force in the Tiananmen massacre.

Conversely, Chinese leaders' claim of non-intervention regarding the use of force in domestic issues stems from their principles distinguishing the use of force in

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26. I have employed these ideas from the following well-known arguments on the "alliance dilemma" and "triangular" diplomacy. Snyder, Glenn H., "The Security Dilemma in Alliance Politics," *World Politics*, Vol.36 (1984); Dittmer, Lowell, *Sino-Soviet Normalization and Its International Implications, 1945-90* (Seattle: University of Washington Press, 1992).
27. Garver, *op.cit.*, chap. 4.

international politics from that of domestic society. In particular, leaders in Asian countries emphasize the differences in their concepts of human rights from those in Western societies. They argue that, unlike individual-based Western societies, human rights in Asia are identified with groups, and that a "nation-state" is a typical example of such collectivism. The differences in the cultural and societal underpinnings which, according to Chinese leaders, distinguish their concepts of human rights from those in the United States manifest themselves as a source of international dispute between the two governments.

U.S.-Japan Relations. How does the conflict regarding human rights in Sino-American relations affect today's U.S.-Japan relationship? As stated before, enmity between China and Japan will create U.S. leverage over the two countries. In response to the Chinese threat, the U.S. government can link continued provision of security to Japan's concessions. Japanese leaders' feelings of vulnerability in the security area have stemmed from the fact that much of Japan's security has been provided by the United States in the postwar period, and also from Article 9 of the Japanese Constitution which has forbidden the use of military power to resolve international disputes. As seen in discussion over a "normal state," Japan's domestic institutions have been called somewhat particular and different from those of other advanced countries. Coupled with Japan's lack of international contributions to the Gulf War and Peace-Keeping Operations in the early 1990s, some have claimed that Japan's political and economic institutions need to be reformed so that the Japanese government can act more swiftly and adequately in international cooperation.[28]

Logically, the Japanese government can allay such criticisms in two ways: first, to rewrite Article 9 of the Constitution and to strengthen Japan's military capabilities so that it can send Japanese troops more easily, or second, to continue to focus more on economic contributions. In terms of the structural dynamics of triangles, the first option might encourage enmity of Sino-Japanese relations, and will create U.S. leverage by playing China and Japan against each other. As long as Japan's military capabilities are inferior to those of the United States, the Japanese government will have the twin fears of abandonment from and entrapment by the United States. The Japanese government can logically assuage the "alliance dilemma" by means of reaching its military capabilities over the U.S. government, but this option may invite regional instability.

China-Japan Relations. The structural model of triangles argues that whether amity or enmity prevails between China and Japan makes much difference in the U.S.-Japanese relationship. In China-Japan relations, the issue of war crimes has been a source of disputes. Differences in concepts of human rights between the United States and China, which stems from each country's social values of individualism and collectivism, are also useful to analyze today's Sino-Japanese relations.

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28. These discussions are referred to my two articles. Go Ito, "Redefining Security Roles: Japan's Response to the September 11 Terrorism," *Journal of East Asian Studies* (Seoul: Korea University, 2002); Go Ito, Japan's "International Contributions" and Peacekeeping Operations," Mike Mochizuki and Jitsuo Tsuchiyama (eds.), *Beyond Isolation*, forthcoming.

Today, both the Chinese and the Japanese tend to view each other as a threat in East Asia. On the one hand, the Chinese government is concerned with Japan's military expansion after the reduction of U.S. military capabilities in East Asia. Chinese leaders often argue that Japan's aggressiveness has presented itself in its reluctance to admit to its war crimes, and suspect that Diet members' occasional announcements that seek to justify the Japanese massacre of Chinese people during World War II exemplify their concern. In this perspective, Chinese leaders view the Japanese war crimes of five decades ago for as a reason today's aggressiveness. On the other hand, the Japanese government is concerned that the high rate of economic growth in China might presage military expansionism. Like those in the U.S. government, leaders in Japan suspect that Chinese leaders' human rights abuses could be a sign of potential aggressiveness to neighboring countries.

Conclusion

The combination of structural and domestic arguments delineates the dynamics of the Sino-American-Japanese triangle in post-Cold War East Asia. Applying the two approaches, I argue that the changes in the international systemic configurations and domestic uniqueness today resulted in the transformation of foreign policy objectives and behaviors in the three states, and substantially account for the U.S. global mission.

Given the linkage between the generality of state behaviors stemming from international systemic approaches and its uniqueness based on domestic politics, the three arguments articulated in this essay, i.e., the alliance dilemma, the model of structural triangles, and the peculiarities of domestic politics and institutions, are in line with one another, not only to analyze today's Sino-American-Japanese triangle, but to propose the importance of foreign policy-making.

As far as the U.S. policy toward Asia is concerned, the Bush administration has maintained the following principles: to maintain an overseas presence (bases, access, and global neighbors); to update alliance partnerships; and to further integrate the international system of the Asia-Pacific region, such as establishing overlapping and interlocking institutions. We could interpret these aims as an effort to redirect the Cold War security system in East Asia – which developed around a bilateral alliance with the United States at its core – toward collective security.

Of course, the 1970s notion of interdependence, the hegemony concept of the 1980s, and the "soft power" of the 1990s have been efforts to provide academic backing for contemporary U.S. foreign policy. At the same time, it can be said that ideas such as global governance, "cooperative security," and the new alliance are designed to enhance the legitimacy appeal of post-Cold War U.S. foreign policy.[29] Bringing the alliance relationship up to date, one route to gaining Japanese support for U.S. global activity necessitates an unprecedented degree of burden-sharing for Japan. According to Stephen

[29]. Haass, 1997.

Walt, in order for the alliance to survive without a common threat, a common outlook among members on what is expected of the alliance is necessary.[30]

The previous alliance was considered to be the common destiny of its members. But now it can only be offered as an open option of foreign policy. In that context, decisions on issues such as whether the alliance is necessary, which countries should form it, and what aims it pursues become closely tied to the domestic political decision-making processes of member states.[31]

What does an increase in options mean for foreign policy? As in the case of the alliance dilemma, alliance members within a multipolar system are caught between two fears: that of being tossed aside and that of being swallowed whole. In other words, given the current international political structure, the alliance dilemma is greater now than in the post-Cold War era. To what extent the Japanese government can seek amity with China will be a linchpin for its strategy toward the United States. However, the structure of the East Asia-Pacific region has had incentives for the U.S. government to keep China-Japan relations estranged, since a certain degree of enmity between China and Japan will provide the U.S. leverage in the triangle.

[30]. Stephen Walt, 1997, pp. 163-64.

31. Morton I. Abramowitz, Funabashi Yoichi, Wang Jisi (eds.), *China-Japan-U.S.: Managing the Trilateral Relationship* (New York : Japan Center for International Exchange, 1998).

Chapter 4
Japan's Enhanced Security Role and the Implications for Trilateral Cooperation

By Yoshihide Soeya

Introduction

There has been an intensive debate, particularly against the backdrop of the renewed North Korean crisis and more generally in the context of the end of the Cold War, over a greater role of Japan in regional and global security affairs. There is one underlying characteristic dominant in most, if not at all, arguments: a variety of changes in Japanese domestic debates and policies are viewed in the context of what many observers perceive as Japan's rising nationalism, implying Japan's preoccupation with traditional security.

This paper presents an alternative Japanese version of the explanation of post-Cold War and more recent changes in Japanese security thinking, politics, and policies, centering on the domain of international security. International security is defined here broadly as "multinational efforts toward maintaining and building international peace and stability." I will also examine the changing nature of U.S.-China security relations and the U.S-Japan alliance in response to the new global strategy of the George W. Bush administration. The paper will conclude by discussing the implications of Japanese changes for trilateral cooperation.

The Case for International Security

National and International Security. Many external observers have seen Japan's growing eagerness to play an active role in the post-Cold War era as reflecting its ambition to become a "normal" great power, including in the military domain. Along this line of argument, many characterize the nature of Japan's changes as reflecting its rising nationalism and a move toward the "right," and predict an intensifying Sino-Japanese rivalry, both economic and geopolitical, as a central component of an East Asian order in coming decades.

There is however, a huge disconnect between these perceptions, on the one hand, and the nature of change Japan has been undergoing since the end of the Cold War, on the other.

It is true that the demise of the Cold War and domestic changes have released the Japanese from some of the long-standing post-War taboos, including the debate on the revision of the Article Nine of the Constitution. As a result, nationalist or even somewhat rightist voices, which used to stand on the defensive against the dominant pacifism, have become louder.

The net effect of this phenomenon, however, is mixed at best. For one thing, with the change in the context of political discourse on security and external affairs, the debate on the need for national defense has intensified. This is true particularly against the backgrounds of the intensified threat perception toward North Korea.

A more conspicuous change that has occurred in Japan's security policy since the end of the Cold War, however, is a steady progress toward greater participation in the domain of international security. In reality, domestic changes in Japan's foreign policy parameters have largely and in effect accelerated Japan's participation in international security, including the United Nations Peace-keeping Operations (PKO). The development in this direction has been systematic and steady, while responses in the domain of traditional national defense have been sporadic.

Let us look back on the post-Cold War development briefly.

The Trauma of the 1991 Gulf War. For Japan, as well as for many other countries, the 1991 Persian Gulf War became a critical turning point awakening the government to the new domain of international security after the end of the Cold War. The absolute humiliation resulting from the Japanese government's incapacity, other than through "checkbook diplomacy," to contribute to multinational efforts to defeat the aggressor, Iraq, was a central driving force behind the enactment of the International Peace Cooperation Law (PKO Law) in June 1992.

The passage of the law enabled the Japanese government to dispatch its Self-Defense Force (SDF) to peace-keeping operations under the United Nations Transitional Authorities in Cambodia (UNTAC), which was followed by a series of dispatches of SDF troops to a number of other UN PKO such as in Zaire and the Golan Heights.[32]

The initial phase of these adjustments was not smooth. Among other factors, political resistance from political forces and public opinion within Japan was quite strong, as indicated by the failure of the Japanese government's minimum effort to dispatch medical units of the SDF for the Gulf War. At the time of the Cambodian development, a major TV program used film footings of the Japanese invasion in Manchuria to express its opposition against the government's efforts to dispatch SDF troops as part of UNTAC. In addition, the Japanese government had to cope with suspicious eyes cast from some Asian countries.

In the succeeding years, however, the accumulation of concrete steps of achievements has substantially eased these typical concerns both within and outside of Japan.

A New Look at the U.S.-Japan Alliance. The end of the Cold War also induced the Japanese government to give a new look at the U.S.-Japan alliance, as well as at the role of the SDF, under changing security environments.

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32. L. William Heinrich, Akiho Shibata and Yoshihide Soeya, *United National Peace-keeping Operations: A Guide to Japanese Policies* (Tokyo, New York, Paris: United Nations University Press, 1999).

For instance, the revised Defense Program Outline (new *Taiko*), adopted by the Cabinet in November 1995, stressed a new role of the SDF in international peace-keeping efforts and as an important role of the U.S.-Japan alliance in these endeavors; it stated that "this close cooperative bilateral relationship based on the Japan-U.S. Security Arrangements, facilitates Japanese efforts for peace and stability of the international community, including promotion of regional multilateral security dialogues and cooperation, as well as support for various United Nations activities."[33]

Along this line of logic, the "U.S.-Japan Joint Declaration on Security," signed by Prime Minister Ryutaro Hashimoto and President Bill Clinton in April 1996, declared that "the Japan-U.S. security relationship … remains the cornerstone for achieving common security objectives, and for maintaining a stable and prosperous environment for the Asia-Pacific region as we enter the twenty-first century."[34]

The untold assumption here was that the United States' global strategy would not contradict basic goals of international security. The two leaders "reaffirmed their commitment to the profound common values that guide our national policies: the maintenance of freedom, the pursuit of democracy, and respect for human rights," and declared that "Prosperity is more widespread than at any other time in history, and we are witnessing the emergence of an Asia-Pacific community."

One ironic reality of the U.S.-Japan alliance today is that the new definition of the alliance by the Bush administration contradicts with the logic of international security as commonly held by the majority of the international community including Japan (and perhaps China as well). As discussed later, this creates a dilemma for the Japanese government between international security and the U.S.-Japan alliance.

Implications of Domestic Changes. As Japan began to deepen its engagement with international security, critical changes in domestic politics were also in progress. Most notably, the monopoly of power by the LDP was broken in August 1993 with the birth of the Morihiro Hosokawa government as an anti-LDP coalition. When the desperate LDP came back to power with the Socialist Party head Murayama as Prime Minister of an LPD-led coalition government in June 1994, Murayama recognized the constitutionality of the SDF and the legitimacy of the U.S.-Japan alliance, thus destroying his party's long-standing *raison d'etre*. This led to the catastrophic demise of the Socialist Party, and the collapse of the so-called 1955 regime.

The demise of the leftist-pacifist political forces in domestic politics has changed the context of political discourse on security matters in a somewhat fundamental manner. As a result, the Japanese, for the first time in the postwar years, have begun to debate security matters squarely. It was particularly significant that an overall change in the domestic atmosphere lifted long-standing taboos on security policy, including the

33. "National Defense Program Outline in and after FY 1996," (November 28, 1995). Available at: http://www.jda.go.jp/e/policy/f_work/taikou/index_e.htm

34. "Japan-U.S. Joint Declaration on Security: Alliance for the 21st Century" (April 17, 1996). Available at: http://www.mofa.go.jp/region/n-america/us/security/security.html

dispatch of SDF beyond the Japanese national border and the debate on the revision of the Article Nine of Japan's Constitution.

This phenomenon, however, was not necessarily an indication of Japan becoming "rightist" as many in Asia worried. Opinion polls indicate, for instance, that in the 1990s many Japanese have come to support the revision of Article Nine because they feel that it prohibits Japan from "international contributions" such as participation in UN PKO.[35]

Although the impact of the demise of the 1955 regime on Japan's security policy making is mixed, it needs to be duly appreciated that Japan's active participation in international security has been encouraged by a series of changes transforming Japanese domestic politics in the 1990s.

September 11 and After

September 11 as International Security. The terrorist attacks on the United States on September 11, 2001 have opened up a new chapter for international security. Soon after 9-11, the support of the international community for the United States was unmistakable. Russian President Vladimir Putin announced instantly that he would stand by President Bush, and NATO invoked for the first time its Article 5, declaring 9-11 as an attack against NATO. China also agreed to the UN Security Council resolution allowing U.S.-led multinational forces to engage in a war in Afghanistan, which became the first instance where China voted for the use of force by UN members against a sovereign state.[36]

Japanese Prime Minister Junichiro Koizumi also supported the United States unequivocally. This was natural from the standpoint of Japanese engagement in international security whose momentum has been steadily on the rise in the 1990s. In fact, the anti-terrorism measures law, enacted speedily to dispatch Japanese SDF for logistical support in the Indian Ocean, was legitimized in the name of the United Nations Charter and the relevant UN Security Council resolutions, and not the U.S.-Japan alliance.[37] Invoking the U.S.-Japan security treaty was impossible because the Japanese government has not recognized the right of collective defense as constitutional.

Here, the lesson from the 1991 Gulf War experience was clearly at work. The nightmare for the Japanese government was to repeat "checkbook diplomacy," which would have been a severe blow to Japan's role in the domain of international security.

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35. Yoshihide Soeya, "Japan: Normative Constraints Versus Structural Imperatives," Muthiah Alagappa, ed., *Asian Security Practice: Material and Ideational Influences* (Stanford: Stanford University Press, 1998), p.
36. David Shambaugh, "Sino-American Relations since September 11: Can the New Stability Last?" *Current History*, (September 2002), pp. 243-244.
37. "Special Measures Law Concerning Measures Taken by Japan in Support of the Activities of Foreign Countries Aiming to Achieve the Purposes of the Charter of the United Nations in Response to the Terrorist Attacks Which Took Place on 11 September 2001 in the United States of America as well as Concerning Humanitarian Measures Based on Relevant Resolutions of the United Nations," November 2, 2001)

Politically, the U.S. factor was not insignificant in the mind of central decision-makers, particularly Prime Minister Koizumi. In the end, it was fortunate for the Japanese government that the support for the United States did not contradict the concept of making a contribution to international security at the time of the war in Afghanistan. The United States being the victim, the international community naturally accepted the leading role of the United States in the fight against terrorism in Afghanistan.

Iraq and the Aftermath. The case of the war in Iraq, however, was much more complicated. The labeling of Iraq, Iran and North Korea as an "axis of evil" by President Bush in his 2002 State of the Union address was troublesome for Japan as well as for many others. The actual application of the strategy of preemptive strikes against Iraq has made the situation even worse for two major reasons. First, the preemptive strike has not received enough support by the international community as a legitimate means to international security. Second, the unilateral application of the questionable strategy has made it difficult for many in the international community to support the United States for the cause of international security.

Thus, opposition voiced by France and Germany against the Bush policy to attack Iraq was not necessarily an act to sabotage U.S. leadership in international security. The main purpose was none other than to encourage the U.S. to behave prudently according to the norm of international cooperation. The attack on Iraq was not the exercise of such leadership by the United States. France and Germany could engage in such diplomacy because they have their own forums of multilateral diplomacy based in Europe, as well as at the United Nations.

In contrast, Japan does not have effective alternative tools with which to deal with the United States. The Japanese government, too, was deeply annoyed by the unilateralism of the Bush administration. It, therefore, hoped that some UN resolution would be passed justifying the U.S. action. When time ran out, however, the Japanese government did not have any other means but to go along with the United States.

Beneath the surface, therefore, the implications of Japanese support for the war in Afghanistan and the support for the U.S. war against Iraq are significantly different. The former was a clear case of international security recognized by the majority of the international community, whereas the latter was not.

For the Bush administration, however, these wars were a series of actions with the persistent sense of mission and goal, as discussed below.

The case of the Iraq war has revealed that when and where there is a gap between the U.S.-Japan alliance and the cause of international security, Japan would in the end have to follow the United States. The war against Iraq has thus revealed a basic dilemma between Japan's participation in international security and the management of the alliance relationship with the Bush administration.

Before exploring this dilemma as part of trilateral dynamics, examinations of the Bush strategy and U.S.-China relations are next in order.

The Bush Strategy and Trilateral Relations

Three Dimensions of the Bush Strategy. Arguably, U.S. strategic objectives have been constant since the end of the Cold War. Washington's determination not to allow any rising power to challenge the United States, either regionally or globally, has been strong. The United States has also regarded terrorism and the proliferation of weapons of mass destruction (WMD) as the main threats to global stability as well as to its national security. Throughout the 1990s, the U.S. forward-deployed military presence has often become a target of terrorist attacks, many allegedly by al-Qaeda, and the anti-proliferation strategy gave rise to the 1994 North Korean crisis and the subsequent establishment of the Korea Energy Development Organization (KEDO).

And yet, 9-11 proved to be a historic turning point, because it gave the Bush administration a clear goal and mission in the war against terrorism and those who harbor terrorism. In this American war, which is likely to continue for several years or even longer, there are three distinct aspects influencing the U.S. grand strategy of the Bush administration.

First, deep-seated in the mind of the U.S. policy-makers is homeland defense and the determination not to allow another 9-11 at all costs. Second, the theater for such American strategy is nonetheless global. A war in Afghanistan was widely regarded as an act of collective self-defense by the NATO nations, which invoked for the first time Article 5 designating an attack on a member as an attack on all. Also, counter-proliferation against WMD continues to constitute the central component of U.S. strategy in the global theater. The Bush administration originally insisted that this would justify a military attack against Iraq. The reality in Iraq and the Middle East, however, proved to be far more complex than the conceptual simplicity and the belief in American power that the neo-conservatives could ever contemplate.

Third, the Bush administration has been pursuing U.S. strategy with undisguised missionary zeal. Political rhetoric, pronounced primarily by President Bush himself, is universal, appealing to the basic cause of democracy and freedom and often making a clear-cut distinction between good and evil.

Three Categories of States. In applying these three components of strategy, the Bush administration in effect makes a conceptual distinction among three categories of states: allies, strategic competitors, and rogue states. These categories were explicit in the initial formulation of foreign policy of the Bush administration, and Northeast Asia embraces all three categories of states.

A strategic competitor for the Unites States is a state having an alternative orientation to the international system, including values, and which have the innate inclination to challenge, if situations and capabilities allow, the system of U.S.

predominance. In essence, Chinese long-term thinking and geopolitical orientation make it such a competitor for the Bush administration. This conceptualization has not fundamentally changed since Condoleezza Rice defined China as a strategic competitor in her article in *Foreign Affairs.*[38]

Under normal circumstances, however, strategic competitors are mutually interested in strategic co-existence, while remaining determined to defend their own core values and interests. In fact, the Bush administration stopped calling China a strategic competitor soon after its inauguration and well before 9-11. The current state of U.S.-China relations is characterized by such co-existence, which is likely to be sustained in the 9-11 context, as examined below.

Allies are close friends of the United States, sharing basic values and overall objectives of building an international order by the United States. In Northeast Asia, Japan's alliance-based strategy provides the cornerstone for the U.S. strategy. In principle, South Korea sits with Japan on the same side of the strategic equation in Northeast Asia.

What was implicit in this distinction between a strategic competitor (China) and an ally (Japan) was a frustration shared by the Bush foreign policy team about the Clinton administration's lack of conceptual clarity in its policy toward these two critical countries in Northeast Asia. Most problematically for the Bush team, the Clinton administration often confused a competitor for a partner, as exemplified by the declaration of a "strategic partnership" with China, and put priority on building such a relationship with China at the cost of an alliance relationship with Japan. This conceptual clarity in U.S. strategy under the Bush administration is an important source of the good state of the alliance between the United States and Japan, which is often called the best since the end of the World War II.

Rogue states, unlike strategic competitors, do not have the capability nor the intention to provide an alternative international system, but could threaten the national security of the United States in various conventional and unconventional ways. Rogue states are particularly sources of global instability when connected with the proliferation WMD. North Korea represents such threat in Northeast Asia.

U.S.-China Relations. As stated, the Bush administration in principle conceptualizes China as a "strategic competitor." It, however, stopped calling her as such soon after its inauguration. Secretary of State Colin Powell, for instance, said in July 2001 on his way to Canberra from Beijing that "the relationship is so complex with so many different elements to it that it's probably wiser not to capture it with a single word or a single term or a single cliché."[39]

38. Condoleezza Rice, "Promoting the National Interest," *Foreign Affairs* (January/February, 2000).
39. Secretary Colin L. Powell, "Remarks to the Press En route to Canberra, Australia," (July 29, 2001), http://www.state.gov/secretary/rm/2001/4347.htm

The 9-11 incident proved to provide yet a further foundation for strategic coexistence between the United States and China. Soon after 9-11, the Bush administration indeed re-considered U.S. policy toward the United Nations, paying for its long-overdue dues. China played a critical role in the passage of the UN Security Council Resolution 1368, legitimizing a war in Afghanistan. The United States does need a cooperative working relationship with China for the fight against terrorism, as well as for the North Korean problem.

China, for its part, has stopped challenging U.S. predominance in the Asia-Pacific and the world in the late 1990s. This has basically been the bottom-line of Chinese regional strategy since the Taiwan crises in 1995 and 1996, when both Beijing and Washington sought to restore the relationship with mutual visits by Jiang Zemin and Bill Clinton in 1997 and 1998.

In principle, Chinese regional and global strategy is founded upon its economy-centered orientation, making the most of its economic weight, both real and potential. As a consequence, the Chinese government has been keeping a low profile toward the U.S. security presence in the region, including the Taiwan question and the U.S.-Japan alliance. There is reasonable evidence to believe that China has also readjusted its policy toward Japan with the same strategic considerations in the summer of 1999, perhaps upon re-examining the effect of Jiang Zemin's trip to Japan in 1998.

The strategic coexistence between Washington and Beijing, therefore, means that the most critical great powers in the Asia-Pacific are having "different dreams in the same bed." They have different strategic orientations, and they need each other precisely for the pursuit of their own strategies.

The Taiwan question is now an object of such strategic coexistence. Beijing has basically maintained a low key approach to some of the provocative statements by President Bush, as well as the U.S. policies of arms sales or allowing stopovers in the U.S. by Taiwan President Chen Shuibian in May and June 2001, as well as in October 2003, and a U.S. visit by the Taiwanese Defense Minister in March 2002.

In order not to exacerbate the problem, the Bush administration has also re-committed itself to the principle of "one-China" and non-support of Taiwan "independence," as President Bush himself has now come to pronounce.[40]

In principle, the Taiwan question still remains a wild card for U.S.-China relations, which could upset their strategic coexistence depending on its development both internally and externally. The Chinese economy-centered strategy, however, appears to be working. Taiwan's economic dependence on China is ever deepening, which in turn gives confidence to Beijing, which has been advancing its "united front" policy toward "comrades" in Taiwan.

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40. "President Bush, Chinese President Jiang Zemin Discuss Iraq, N. Korea," http://www.whitehouse.gov/news/releases/2002/10/20021025.html

The Chen Shui-bian administration has taken mixed responses, legislating necessary measures for facilitating mutual trade, investment and travel, while increasing political concerns over the ever-deepening economic dependence on China.

New Challenges for the U.S.-Japan Alliance. The initial attempt by the core people in the Washington policy community to reshape the alliance, many of whom later assumed important positions in the Bush foreign policy team, was the so-called Armitage/Nye report, entitled "The United States and Japan: Advancing Toward a Mature Partnership."[41] Although the reality falls far short of the American expectation, the message was explicit in calling for a U.S.-Japan alliance more closely modeled on the U.S.-U.K. relationship.

In the Bush global strategy, the expected role of allies has undergone a significant transformation. The Bush strategy basically defines U.S. national interests as the core, with the assumption that the promotion of U.S. national interests would lead to a better world and that the end of the Cold War has given the United States an opportunity to transform the world. The U.S. would carry out this mission with available and effective means, including the unilateral use of its dominant power as the final resort. Allies are expected to support and join this U.S. mission.

This conceptual redefinition of the alliance for the Bush global strategy has changed the modality of the U.S.-Japan alliance. Prime Minister Koizumi's performance with President Bush has been quite effective under this new U.S. definition of the alliance relationship. Koizumi in effect has been a cheerleader for the Bush global strategy. This is why Bush loves Koizumi.

The question remains, however, to what extent Koizumi is aware of this. Perhaps not much. If he was, he could have responded differently to the war in Afghanistan and the war against Iraq.

If the Japanese government stands by the theory that the alliance with the United States is critical to Japan no matter what, then Koizumi's performance has been superb. This perhaps is closest to reality. If the Japanese government is ready to give friendly advice to the United States, however, it could have acted more prudently before the war against Iraq. This would have highlighted even more the significance of Japanese support for the war in Afghanistan as a case of international security.

The United States would have attacked Iraq anyway. Then, Japan would support the United States. In fact, this was the main thinking among policymakers in the government, who said before the war that the war against Iraq was wrong but once the United States started it then Japan should support it.

The task for Japan is to make this explicit at the policy level. In order for Japan to do this, it should have a strong footing in the domain of international security. Once

41. "The United States and Japan: Advancing Toward A Mature Partnership," Institute for National Strategic Studies Special Report (October 2000).

Japan becomes ready to take full part in the mission of international security through multilateral institutions, the United Nations among others, then the foundation of the alliance with United States would become firmer and more flexible.

This is so, because Japan's determination to support the United States in principle and as a basic foundation of its strategy will remain unchanged in the foreseeable future. Under this premise of the alliance relationship, flexibility creates firmness.

In Conclusion: Where Does Japan Stand in Trilateral Cooperation?

Today, the contour of the strategic landscape of Northeast Asia is relatively clear, largely due to U.S. strategy under the Bush administration. Now, the relationship between the United States and China forms the basic strategic foundation upon which other countries, including Japan, project their policies and responses.

In this bigger picture, Russia theoretically has an option of its version of independent strategy with the backing of its military power, but it has not done so seriously up to today. In contrast, Japan does not have the luxury of such an option, and Tokyo basically premises its "strategic" engagement in Northeast Asia on the alliance relationship with the United States.

Regional perceptions toward a new Japan undergoing significant transformation, however, are in a state of confusion at best, perhaps because of its image as a big power and the domestic confusion originating from the collapse of the 1955 regime. In today's state of flux, it is natural that mixed voices, including those from the political right, should be heard from various corners of Japanese society.

Under these circumstances, the Japanese government under Prime Minister Junichiro Koizumi has been pushing for further consolidation of the U.S.-Japan alliance, and searching for more effective defense policy and more active involvement of Japan in international security. Here, the following two cases are relevant in highlighting the nature of the changes that Japan is undergoing.

First, largely due to the demise of progressive-pacifism, domestic emergency laws have finally been passed in the national Diet. The significance, however, should not be viewed in terms of Japan shifting toward the right. Japan, like any other democratic sovereign state, should have been equipped with the laws a long time ago. What is indicative of a future framework of political debate, replacing the 1955 regime, is the fact that protection of civil rights in the emergency laws was the central point of contestation between the largest opposition party, the Democratic Party, and the LDP coalition government.

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Second, the special measures laws on Afghanistan and Iraq, enabling the dispatch of the Self-Defense Forces as part of the coalition forces, are premised on a newly emerging concept of international security, rather than traditional nation-state conflict. Japan's "military role" is still bound by Article Nine of the Japanese Constitution

prohibiting the use of force as a means of settling international disputes, and thus remains in the domain of non-combat, logistical support. It merits special emphasis that Japan's role has constantly expanded throughout the 1990s in the form of strengthening the U.S.-Japan alliance, and multilateral efforts to cope with non-traditional types of threats to international security.

In the Northeast Asian context, these fundamental premises upon which Japan's security role has been "expanding" make Japan much closer to South Korea than toward China or even the United States. The concept of the "four great powers" surrounding the Korean Peninsula is thus fundamentally misleading, contributing to further confusion of already complex Northeast Asian security developments.

In this configuration of strategic relations among nations in Northeast Asia, Japan-South Korea security cooperation, along with the U.S.-Japan alliance, holds the key to Japan's security engagement in the region. Precisely for this "middle-power strategy," a constructive Chinese role and stable U.S.-China relations are welcome for Japan.

Chapter 4
The Emergence of China and Japan's Foreign Policy Balancing Act
By David Fouse

The recent rise of China as an economic, political and military power in Asia has presented Japan with perhaps its greatest challenge since Commodore Perry's black ships surfaced off the coast of Edo. Caught up in a decade-long period of economic stagnation, Japan appears to have ceded the initiative in regional affairs to China. How Japan responds to this situation will have a dramatic impact, not only on regional integration, but the future of trilateral relations between the United States, Japan, and China. If Japan is able to promote better relations among its Asian neighbors through far-sighted policies aimed at fostering inclusion and transparency in political, economic, and military affairs, the future of the region and trilateral cooperation will indeed be bright. To do so will, however, require that Japanese leaders resist the temptation to use China's rise as an excuse to forestall painful measures necessary to revitalize their own economy and make Japan more hospitable to integration with Asian neighbors. By promoting reform at home, Japan can reinvigorate its commitment to Asia, promote a more harmonious relationship with China, and in the end maintain a strong bilateral relationship with the United States.

China-ASEAN-Japan

Since the 1997-1999 Asian financial crisis, China has moved to demonstrate its capacity for regional leadership in unprecedented fashion. It has done so by attempting to convince the region that its own phenomenal economic growth represents more of an economic opportunity than a threat to its neighbors. Most prominent among these efforts is the November 2002 agreement to create an ASEAN-China Free Trade Area (ACFTA). This agreement will give the countries of ASEAN the opportunity to enter the Chinese market under lower tariffs prior to extending these reduced rates to members of the World Trade Organization (WTO). The agreement should also help to increase foreign direct investment (FDI) to ASEAN, as it makes it easier for foreign investors to locate businesses in Southeast Asia that can also serve the Chinese market.

One clear advantage the Chinese have had over Japan in their negotiations with ASEAN is the ability to move quickly on issues such as agricultural liberalization. As an incentive to move forward on the ACFTA, China included an offer for partial liberalization of its agricultural sector over a three-year period ending in 2005. In contrast, Japan's "Comprehensive Economic Partnership with ASEAN" has been strongly criticized in the region, both for its lack of specificity and for failing to liberalize Japanese agriculture. Japan's recent FTA negotiations with Mexico have similarly foundered over its reluctance to open up its agricultural sector, sending a negative message to would-be trade partners in Asia.

Despite China's recent success in securing a greater role in regional leadership, it is far too soon to conclude that Japan has lost its place in Asia. There are many kinks to be worked out before the full implementation of the ACFTA. Despite China's recent gains, Japan still controls a much larger share of trade and investment in ASEAN than China. The nations of ASEAN also remain cautious regarding China's ongoing military modernization. Many are pursuing increased military contacts with the United States as a hedge against Chinese dominance of the region. In order for Japan to recoup some of its lost influence in the region, it will now have to find a way to work cooperatively with the Chinese and other regional players in order to develop the region as a whole.

Can Japan Cooperate With China?

Whether Japan will be able to foster the political will to promote better relations with China and thereby contribute to a prosperous East Asian regionalism remains an open question. Over the past 15 years public sentiment in Japan toward China has deteriorated substantially. Events such as the 1989 Tiananmen Square incident, the Taiwan cross-Straits crises of 1995-1996, Jiang Zemin's ill-fated 1998 visit to Tokyo, and the 2002 Shenyang refugee incident have all had a negative impact on how Japanese view China. In addition, older generations saddled with guilt related to Japan's invasion of China in the 1930s have been slowly dying off, leaving a public much less receptive to Chinese criticism of Japan on historical grounds. This has been reflected in the Diet, where younger members of both the dominant Liberal Democratic Party (LDP) and the main opposition Democratic Party (DP) have accepted the need for greater "realism" in Japan's approach to China. Older pro-China members of the LDP have been effectively marginalized in recent years, and the Japanese Socialist Party (JSP), a long-time advocate of better relations with both China and North Korea, has been nearly extinguished. The mass media have also reflected the generational shift, now showing a greater willingness to be openly critical of China than at any time in the postwar period.

The most visible target of Japan's new-found realism in its relations with China has been the Overseas Development Assistance (ODA) budget. Japan's ODA for China has been substantially reduced in recent years and some in Japan feel that such assistance is no longer necessary. Those critical of providing China with ODA have highlighted a long-term Chinese military build-up, growing Chinese nationalism, and the possible threat that Chinese annexation of Taiwan might pose to Japanese national interests.

Still, the most substantial threat emanating from China toward Japan remains its dynamic economic growth, a huge market and an abundant supply of low cost labor. During the run up to China entering the WTO in 2001, the fear of Chinese economic power in Japan was acute. The trade row that developed in this context provides an excellent example of the political dynamics that may impede further economic cooperation between the two countries. As the House of Councilors elections approached, LDP politicians, long buoyed by their agricultural and small business constituencies, took advantage of the newly-hyped "economic threat" from China to push for a 256 percent import tariff on a range of Chinese agricultural exports, including shiitake mushrooms, leeks and rushes used for making tatami mats in May 2001. Though

Japan justified the tariffs under WTO safeguard regulations, China retaliated in June with 100 percent tariffs on 60 varieties of products from three categories of Japanese goods – mobile phones, automobiles, and air conditioners. The retaliation brought strong protests from the Japanese government, which refused to relinquish the agricultural tariffs for a period of eight months. As both governments held to their respective positions, Toyota Motor Corp President Fujio Cho called for an immediate resolution to the trade dispute, as most of Toyota's export orders from China had been canceled because of the high tariffs imposed. When the trade row was finally resolved in December, many analysts inside Japan were critical of the Japanese government's policy. Contrary to its originators' intent, the trade row of 2001 has contributed to a growing realization that Japan can no longer afford to protect its agricultural sector if it wants to compete in a globalizing economy.

In the wake of the 2001 trade row, Japan has taken steps to diffuse some of the bilateral economic tension. Beginning with Prime Minister Koizumi's January 2002 speech in Singapore, Japan has downplayed the idea of China being an economic threat and promoted the notion of an East Asian Community based upon the ASEAN Plus Three format. Movement in this area has been slow, but in October 2003 the leaders of Japan, China and South Korea made their first-ever joint declaration on the sidelines of the ASEAN summit. The declaration indicated that the three nations would seek to establish rules for mutual investment based upon enhancing fairness and transparency. The declaration also mentioned the desire to cooperate on regional security issues such as North Korea's suspected nuclear weapons program. Still it remains to be seen whether this new attempt at building Asian regionalism will be sustainable and, if so, what type of regionalism will prevail.

Can Japan be a Regional and a Global Power?

Relations between the governments of the United States and Japan are currently reported to be in the best shape they have been since the Ron-Yasu era of the 1980s. Clearly much of this goodwill stems from Japanese actions taken after the 9-11 attacks to support the United States in Afghanistan and Iraq. The United States recognizes that Japan's support for these efforts comes at the price of adding to the misgivings of China and other regional powers concerned with the development of Japanese military activism. Further, the United States realizes that beyond its encouragement for Japan to make a larger contribution to global peace and security, other aspects of the U.S.-Japan relationship can at times serve to inhibit Japan's leadership role in regional integration. Japan's continued support for regional forums that promote inclusion rather than exclusion, as well as its support for democracy, human rights and international concepts of justice, all come at a price for Japan's relationships with some countries in the region.

Faced with the daunting challenge of China's growing political and economic influence in the region, Japan may be tempted to shed some of its excess baggage in these areas in an attempt to level the playing field. One could envision a renewed call for "Asian values" coming from some in Tokyo who might favor less economic reform at home and more emphasis upon cultural affinity with the region. Yet it is unlikely that

such a tactic would gain Japan much advantage. A more promising approach for Japan is to harness the political will necessary to deal with the historical grievances of its neighbors forthrightly, carry out the reform necessary for Japan to renew itself as an engine of Asian economic growth, and develop a clear vision of Japan's role in the region and the world.

Complacency is a luxury Japan can no longer afford. Friends, both in the region and abroad, are anxious to see that Japan is committed to taking the steps necessary to play a vital role in the economic and political development of the region. By forging ahead with reform at home, Japan can foster the support it needs to both maintain its leadership role in regional affairs and sustain a balance in the trilateral relationship between the United States, Japan, and China.

Chapter 4
Japan's Enhanced Role in World Affairs and Impact on Trilateral Cooperation

By YANG Bojiang

After being reelected as president of the Liberal Democratic Party (LDP) of Japan, Mr. Koizumi Junichiro reshuffled the Japanese Cabinet recently. This implies two things: first, Koizumi will continue to be the top executive leading Japan for another three years (unless the LDP loses the majority in the November 9th House election), and second, the two-year old "Koizumi diplomacy" will persist given the personnel in the new Cabinet, particularly the foreign minister. The essence of the "Koizumi diplomacy" is to enhance Japan's role in world affairs and to elevate its political status, but with distinct approaches from those of former governments. Such a persistent tendency will eventually bring about profound impacts on trilateral cooperation.

How did the Koizumi Cabinet Expand Japan's International Role?

The "Koizumi diplomacy" is the inevitable outcome of long-term Japanese strengthening and strategic adjustments. As the second largest economy in the world, Japan is anxious to pursue commensurate political status. In this context, the new diplomatic tendency came into being, and no matter who becomes the prime minister, the basic diplomatic posture will remain the same. In this sense, the "Koizumi diplomacy" is simply a term to elaborate a general reality and does not necessarily have specific meaning. Although the current Japanese foreign policy is the result of historical evolution and is not manipulated by Koizumi alone, it indeed reflects Koizumi's distinctive personal characteristics compared with his predecessors.

Under the leadership of the Koizumi cabinet, Japan sped the pace to expand its international role, revised the old or even formulated some new laws, and created many precedents regarding overseas actions after breakthroughs in Japanese legislation. The legislation on special measures supporting Iraqi reconstruction, the three Emergency Defense Legislation bills, and sending the Self Defense Forces (SDF) abroad are the most noticeable changes. During the above process, obvious systematic changes have taken place in the Japanese concepts of security, military capability, weaponry, principles for defense, security policies, structure of the SDF, etc. Some people believe that the SDF system is actually collapsing.[42] The same voices can also be heard in Taiwan academic circles.[43] One conspicuous example, which was unconceivable in the past, is that none of

[42] Why Japan hasten military build-up? *Australian On-line,* Aug. 8th, 2003. The article says the Japanese defense forces have won unprecedented liberty for its own development. After almost unrestricted overseas dispatches replaced the exclusively defensive security policy, the Japanese military hastened its transformation. The restructuring and development of the Japanese military forces will become the focus for the future Japanese defense policy readjustment.

[43] CHEN Weihao: The Transition of Japan's Defense Policy in the New Century, *Defense International* (Taiwan), Sept. 27th, 2002. The article says that the counter-terrorist legislation passed

the Japanese politicians or officials who made favorable comments on Japan acquiring nuclear weapons has been dismissed or forced to resign. This indirectly reflects the dramatic changes occurring in Japanese society. It is such inner changes that impelled Japan to march toward a larger international role.

It is clear that Japan's role in international affairs has been enhanced owing to the Koizumi cabinet. Nevertheless, there exist some differences among scholars about how large a role Japan is playing now and will play in the future. In contrast with the U.S. and Japanese views, the Chinese academic society generally anticipates that the future Japanese role will be more aggressive. This view does not agree with other foreign observers who see Japanese influence in decline.[44]

Despite a different understanding of Japan's international role, there is a unanimous view that Japan's role is growing beyond Asia and Japan's surroundings. Driven by the unique ruling methods of Prime Minister Koizumi, this round of expansion has the following features.

First, Japan's enhanced role is more visible in the international security and military fields, and less visible in the economic and diplomatic fields. In the past two years, Japan has revised or passed many laws and taken many external actions, most of which are related to overseas security or military contributions. Last year, Japan missed a good opportunity of enhancing its diplomatic role. Because of the American factor and domestic pressures, Japan failed to maintain the momentum of détente gained by Koizumi's visit to Pyongyang. Nowadays, the Japan-DPRK Pyongyang Declaration is a mere scrap of paper. Besides, the Chief of the SDF recently even threatened to launch preemptive attacks on the DPRK. Therefore, the normalization of Japan-DPRK relations will only be full of hardship and difficulties. In the economic field, I believe Japan has not made enough efforts in promoting regional integration.

Second, the Japanese way of self-enhancement is largely been abandoned, and it is instead relying on collaborating with the U.S., as elaborated below.

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by the Japanese Diet after Sept. 11th already violated the principles of "renunciation of the right of collective defense" and guarding against "contingencies in the surrounding areas". When the U.S.-led counter-terrorist campaign keeps on going, one should pay attention to if the U.S. will demand Japan to bear more international responsibilities and help Japan to abandon the existing principles of its defense policy.

[44] For instance, Dr. TAN Tian Huat, Institute of Defense and Strategic Studies, Singapore Nanyang Technological University, held that Japan began to lose its influence as soon as the bubble economy collapsed. He also estimated that the U.S.-China-Japan triangle, which helped to stabilize Asia, could be left with only the U.S. and China sides in the future. Unless the Japanese economy recovered, it would be difficult for Japan to contend with China, whose economic strength is growing. He argued that given the current situation, Japan should seek a cooperative relationship with China in the Asia Pacific region. http: www.Chinesenewsnet.com, Oct. 19, 2003.

Implications of Japan's Enhanced Role in World Affairs

Before one evaluates the impact of Japan's enhanced role on trilateral cooperation among China, Japan and the U.S., one must define the nature of such enhancement. Opinions differ in Chinese academic circles. The following are my personal views.

Objectively speaking, Japan's search for a foreign strategy and readjustment of related policies are merely a natural, if not inexorable, phenomena, as when the post-war economy and political system evolved. According to universal principles and general knowledge, Japanese efforts aiming at a stronger political position are legitimate deeds of a sovereign state. By citing the German example, some Japanese friends questioned why only Japan could not revise the constitution while others could. Such resentment is understandable. Constitution revision is a sovereign right. Since it has been 60 years since World War II, Japanese legal institutions should cope with the incredible changes in the domestic and international situations.

However, needless to say, the objective environment and Japan's own conditions are so different from others, including Germany. Thus any attempts by Japan to enhance its international role, particularly in military and pro-America forms, will lead to negative effects in two aspects.

First, regarding the Japanese society, domestic contradictions will be aggravated. Recent legal revisions and overseas actions are apparently violating the spirit of the existing Peace Constitution, three antinuclear principles, and the exclusively defensive security policy. I am afraid that such *tatemae* – inconsistency between the representation and essence – will cause an unhealthy social-psychological structure, even schizophrenia, in Japanese society and intensify the contradictions among groups with different political ideas. This will directly affect Japan's foreign policy, regional stability and development, and the interests of the surrounding countries. In 1989, unlike the U.S. and European countries, Japan, though also worried about China's stability, adopted distinctive policies towards China and took the initiative to improve relations with China. China has always appreciated Japan's courage at that time. Today, given the background of globalization and regional integration, both China and Japan should defuse, not aggravate, domestic contradictions and "recuperate" their societies for improved accommodation and harmony. Otherwise, the government will be deemed irresponsible not only for its own citizens but also for the interests of the region and the world.

Second, regarding Japanese foreign strategy, from a long-term perspective, Japan's pursuit of higher international political status implies the tendency of shaking off American control. There are two outstanding examples: the independent launch of a surveillance satellite, and the search for new energy resources other than the Middle East, such as the Far East region of Russia. The former is not a purely technical issue but more out of strategic consideration. The competition between China and Japan over Far East petroleum pipelines could also indirectly verify outside speculation about Japan's strategic thinking. However, recently Japan followed the U.S. more closely, which conflicted with its own foreign strategy. The consequent inner contradictions, namely

coordination with the U.S. vs. UN-centered diplomacy and coordination with the U.S. vs. incorporation into Asia, made it more difficult for Japan to maintain a "self-balance." Cases like the U.S.-led war on Iraq clearly show Japan's dilemma in choosing between UN-centered diplomacy or the Japan-U.S. alliance. If we called Mr. Koizumi an independent statesman when he visited the DPRK in September 2002, now we can only regard him as the follower of the American North Korea policy. It is said that unlike his predecessors, Mr. Koizumi did not talk about the UN reforms when he first visited the U.S. as Japan's Prime Minister. Perhaps he has already seen through the practical effect of the UN from then on. Japan has to answer a question: will coordination with Washington help Tokyo improve its international status or on the contrary? The self-contradictions will also deepen the confusion about Japanese identity and worsen the embarrassing position of Japan in Asia and in the world. Since Mr. Yukichi Fukuzawa advocated "departing from Asia and incorporating into Europe," Japan has been viewed, and viewed itself, as a unique entity existing between the East and the West. In the preliminary stage of triangular dialogues, some Chinese scholars opposed Japanese participation, saying that Japan was not qualified to be one separate side. Nowadays, we must look at the reality and make a new conclusion if there is such a triangle. Japan is like a bat, which is regarded as a flying "bird" but is actually a mammal. Has Japan ever thought about the ending of the bat story – if one day she is no longer accepted by the birds as one of the same kind, will the mammals welcome her return?

Japan's Enhanced Role in World Affairs and Impact on Future Trilateral Cooperation

In the foreseeable future, Japan will continue the tendency of seeking a larger international role. This has been proven by the proposals of many young Japanese politicians.[45] At the same time, strategic as well economic cooperation among China, the U.S., and Japan will be increasingly important for protecting regional stability and development. All three have vital strategic interests in the Asia Pacific and none of them can dominate the evolution of strategic patterns and balance of power in the region. Thus the only way out for all of them is to cooperate with one another. The latest developments in international affairs, particularly in Northeast Asia, demonstrate the necessity to further strengthen trilateral cooperation.

Therefore, the impact of Japan's enhanced international role on trilateral cooperation is complicated. Different perspectives will lead to different conclusions. For example, shall we view it from the short-term perspective or long-term perspective, for the sake of the stability of the triangle or for the effectiveness of trilateral cooperation? In addition, the impact will also depend on Japanese approaches. I come to the following basic conclusions.

[45] Tim Shorrock: Japanese question U.S. security alliance, *Asian Times*, Sept. 24, 2002. Kono Taro, a rising star in Japan's ruling LDP and the son of former foreign minister Yohei Kono, who is by far not one of the extremist politicians, argued that the U.S.-Japan security alliance should not be limited to protect Japan from external aggression in the East Asia but to enable Japan to independently engage in international affairs such as the Middle East oil contingency; and if China launched a military attack on Taiwan, Japan would back up U.S. efforts to defend the island.

First, from the long-term perspective, Japan's enhanced international role will benefit the balance and stability of the triangle and constructive strategic trilateral cooperation. The enhanced role will be conducive to Japan strengthening its strategic confidence, the triangle reaching balance and all sides engaging in constructive strategic cooperation. Of course, the balance could only be gained by the success of Japanese domestic reforms and economic recovery. I believe problems caused by coordination with the U.S. will be solved eventually. I also expect Japan to change its approach while it insists on pursuing an elevated political position. Here I agree with the basic ideas expressed by two experts at the Heritage Foundation some 12 years ago[46] – no large power would tolerate its social and economic life being controlled by another country. On the other side, facts will prove that the rise of China will not produce the serious threats that Japan has worried about, and thus Tokyo need not go hand-in-hand with the U.S. to contend against Beijing.

Second, from the short-term perspective, Japan's enhanced international role will constrain trilateral cooperation. The key to avoid this is to eliminate suspicions in the surrounding Asian countries, including China, and to establish mutual trust with them. Although it is understandable that Japan seeks higher international political status, Japan must not ignore the deep concern of domestic peace-loving forces and, more important, the Asian neighbors over its overseas military actions. Former Singaporean Prime Minister Lee Kuan Yew once said, "To let an armed Japan participate in [peacekeeping operations] is like giving a chocolate filled with whiskey to an alcoholic." That really reflected the feelings of many countries in the region. In the process of pursuing a better international position, Japan should clarify its intentions to the international community with a responsible manner.[47] To be specific, these explanations should include the model of the state (a normal state or a livelihood state), the theoretical foundation (Asianism or universalism) and diplomatic orientation (the Japan-U.S. axis or overall diplomacy).

Generally speaking, trilateral cooperation could be further promoted despite some restraints. Recently, China and the U.S./Japan have cooperated with each other in addressing the Korean Peninsula crisis. Even for the issue of Taiwan, track-two mechanisms have been set up between China and the U.S./Japan. The U.S. is stating these days that U.S.-China relations are the best in more than 30 years and U.S.-Japan relations the best in the history. So it is critical to convert these positive relations to act as

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[46] George Friedman & Meredith Lebard: *The Coming War with Japan*, New York, 1991.

[47] Some comments made by the Japanese mass media are echoed among Asian countries. For instance, the editorial of the *Tokyo Shimbun* on Aug. 15, 2003 says the following: Empty talks about peace cannot help Japan sitting into a peaceful environment. The biggest lesson learned from the Pacific War is Japan decided to put the political interests ahead of the military ones. In the early years of *Showa* era, the military forces obtained dictatorship only because parties were busy with political struggles and crafts. Now the political incapability already caused a turbulent "lost decade" and wide-spreading mistrust among the Japanese citizens. We mustn't let the historical mistakes repeat. As the masters of the country, all citizens should not only criticize the politics but more important to foster the political parties and ensure the correct political direction. Only by this way could the political superiority be maintained, the use of force other than self-defense be curbed and the SDF be controlled by civil officials. Another lesson should be learned is that Japan went to war partly because of the international isolation caused by Japan withdrawing from the League of Nations. In the future Japan must make positive efforts in creating the new order in the East Asia.

an impetus driving trilateral cooperation forward. I believe the three countries may consider the following areas as the focus for potential cooperation: (1) regional issues, including a new order in East Asia, a multilateral security mechanism in Northeast Asia, plus the lingering North Korean nuclear issue, and the issue of Taiwan; (2) strategic cooperation in specific areas, such as safeguarding the sea-lines in the Asia Pacific, joint energy exploration and transportation, non-traditional security issues, etc.

During the cooperation process, China and the U.S. should reach the following consensus: Japan must be given opportunities to engage more actively in regional affairs through diplomatic methods so as to safeguard regional peace and stability, and promote regional development and prosperity, Japan's enhanced role in international affairs should be manifested more by its economic and diplomatic contributions.

About the Contributors

DAO Shulin is a Research Professor and Director in the Division for South & Southeast Asian Studies of the China Institute of Contemporary International Relations.

David FOUSE is a Senior Fellow of the Asia-Pacific Center for Security Studies.

Brad GLOSSERMAN is Director of Research at the Pacific Forum CSIS.

Go ITO is an Associate Professor at Meiji University.

Michael A. MCDEVITT is Director of the Center for Strategic Studies at the CNA Corporation.

Jane SKANDERUP is Director for Programs at the Pacific Forum CSIS.

Yoshihide SOEYA is Professor of political science and international relations at the Faculty of Law of Keio University.

SUN Ru is an Assistant Professor in the Division for American Studies of the China Institute of Contemporary International Relations.

Chikako KUWAKATSU UEKI is a Senior Research Fellow of the National Institute for Defense Studies.

Yoshinobu YAMAMOTO is Professor of international relations at University of Toyko.

YANG Bojiang is a Director in the Division for Northeast Asian Studies of the China Institute of Contemporary International Relations.

ZHANG Li is Deputy Director in the Division for Information and Social Development Studies of the China Institute of Contemporary International Relations.

Appendix

Research Institute for Peace and Security
China Institute of Contemporary International Relations
Pacific Forum CSIS
CNA Corporation

"Toward a Stronger Foundation for United States, Japan and China Relations"

November 7-10, 2003

CGP and International House of Japan
Tokyo, Japan

AGENDA

Friday, November 7

Tokyo Garden Palace Hotel
Participants arrive

18:30 Opening dinner (to be held at hotel)

Saturday, November 8

CGP - Arc Mori Bldg.

8:30 Meet at Lobby of Tokyo Garden Palace

9:00 **Opening remarks** (Seiichiro Takagi, Ralph Cossa, Wang Zaibang)

9:30 **Session I: Perspectives on the Changing Geopolitical Environment and Impact on Trilateral Cooperation**

This session assesses each country's views toward the regional and global geopolitical environment, and how bilateral relations among the three countries, as well as trilateral cooperation, are affected. This could include but is not limited to cooperation on the war on terrorism, resolving the North Korea nuclear issue, Taiwan, multilateral bodies, and Southeast Asia.

Chair: Mr. Ralph A. Cossa, Pacific Forum CSIS
U.S.: Mr. Brad Glosserman, Pacific Forum CSIS
Japan: Dr. Yoshinobu Yamamoto, University of Tokyo
China: Prof. Dao Shulin, China Institute of Contemporary International Relations (CICIR)

10:30 Break

10:45 Discussion

12:00 Lunch

National Center of Science at Hitotsubashi

13:00 **50th Anniversary International Symposium of Japan Association for Asian Studies: How Asian Countries Look at the United States after 9/11?**

Coordinator: Akihiko Tanaka, University of Tokyo
Panelists: Makoto Iokibe, Kobe University
John Ikenberry, Georgetown University
K.S. Jomo, University of Malaya
Mohammad Waseem, Quaed-i-Azam University
Moon Chung-In, Yonsei University
Wang Jisi, Institute of American Studies, Chinese Academy of Social Sciences

15:30 Discussion

18:00 Reception/Dinner

Sunday, November 9

9:00 Meet at Lobby of Tokyo Garden Palace

International House, Roppongi

9:30 **Session II: Political and Economic Evolution in China and Impact on Trilateral Cooperation**

This session assesses perspectives on domestic changes in China and their affect on foreign policy toward Japan and the U.S., as well as on trilateral cooperation. This could include but is not limited to the new leadership's priorities as well as economic, political, and social dynamics.

Chair: Prof. Wang Zaibang, CICIR
China: Mr. Zhang Li, CICIR
Japan: Ms. Chikako Kawakatsu, National Institute for Defense Studies
U.S.: Ms. Jane Skanderup, Pacific Forum CSIS

10:30 Break

10:45 Discussion

12:00 Lunch

13:00 **Session III: Evolving U.S. Security Strategy and Impact on Trilateral Cooperation**

This session assesses perspectives on U.S. security strategy toward the region and the world, and its affect on foreign policy toward Japan and China as well as on trilateral cooperation. This could include but is not limited to the National Security Strategy, force restructuring, alliance management, multilateralism, and the war on terrorism.

Chair: Mr. Ralph A. Cossa, Pacific Forum CSIS
U.S.: RAdm Michael McDeviit (Ret.), CNA Corp.
China: Ms. Sun Ru, CICIR
Japan: Dr. Go Ito, Meiji University

14:00 Discussion

15:15 Break

15:30 **Session IV: Japan's Enhanced Role in World Affairs and Impact on Trilateral Cooperation**

This session assesses perspectives on Japan's growing role in regional and global affairs, and its affect on foreign policies toward China and the U.S. as well as on trilateral cooperation. This could include but is not limited to nationalism, political dynamics, state of the economy, and management of the U.S. alliance.

Chair: Dr. Seiichiro Takagi, Aoyama Gakuin University
Japan: Dr. Yoshihide Soeya, Keio University
U.S.: Dr. David Fouse, APCSS
China: Prof. Yang Bojiang, CICIR

16:30 Discussion

18:00 Dinner

Monday, November 10

Tokyo Garden Palace

7:30-9:30 **Young Leaders Seminar**

9:30 Meet at Lobby of Tokyo Garden Palace
CGP – Arc Mori Bldg.

10:30-12:00 **Public Panel Session**

Opening remarks by:

Mr. Masao Itoh
Deputy Executive Director, The Japan Foundation,
Center for Global Partnership (CGP)

Chair: Dr. Akio Watanabe, RIPS
U.S.: Mr. Ralph A. Cossa, Pacific Forum CSIS
China: Prof. Yang Bojiang, CICIR
Japan: Dr. Seiichiro Takagi, Aoyama Gakuin University

Research Institute for Peace and Security
China Institute for Contemporary International Relations
Pacific Forum CSIS
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Tokyo Garden Palace Hotel
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Participant List

China

Professor DAO Shulin
Director, Division for South and Southeast Asian Studies
China Institute for Contemporary International Relations (CICIR)

Ms. SUN Ru
Assistant Professor, Division for American Studies, CICIR

Mr. WANG Zaibang
Vice President, CICIR

Professor YANG Bojiang
Director, Division for Northeast Asian Studies, CICIR

Professor ZHANG Li
Deputy Director, Division for Information and Social Development Studies, CICIR

U.S.

Mr. Ralph A. COSSA
President
Pacific Forum CSIS

Mr. Daniel BOB
Fellow
Council on Foreign Relations

Dr. David FOUSE
Senior Fellow
Asia-Pacific Center for Security Studies

Mr. Brad GLOSSERMAN
Director of Research
Pacific Forum CSIS

Mr. Seth L. HURWITZ
Special Assistant to the Chief Executive Officer
AIG Companies, Japan and Korea

RAdm. Michael A. MCDEVITT (USN Ret.)
Director, Center for Strategic Studies
The CNA Corporation

Mr. Torkel PATTERSON
Minister Counselor
U.S. Embassy – Tokyo

Ms. Jane SKANDERUP
Director for Programs
Pacific Forum CSIS

Japan

Prof. Makoto IOKIBE
Kobe University

Dr. Go ITO
Associate Professor
Meiji University

Ms. Chikako KAWAKATSU
Senior Research Fellow
National Institute for Defense Studies

Dr. Tatsumi OKABE
Emeritus Professor
Tokyo Metropolitan University

Dr. Yoshihide SOEYA
Keio University

Dr. Seiichiro TAKAGI
Director, Second Research Department
(Area Studies)
National Institute for Defense Studies

Dr. Akio WATANABE
President
Research Institute for Peace and Security
(RIPS)

Dr. Yoshinobu YAMAMOTO
University of Tokyo

Staff

Yasutomo TANAKA
Progrm Officer, RIPS

Yuichiro KITAGAWA
Intern, RIPS

Ms. Jennifer AINSWORTH
Intern, RIPS

Mr. Yasutomo TANAKA
RIPS

Ms. Yuko SUSA
The Japan Foundation Center for Global
Partnership – Tokyo

Young Leaders

China:

Mr. GUO Xiaobing
Assistant Professor
Division for American Studies
CICIR

Mr. LIU Bo
Program Coordinator, Division for
International Exchanges, CICIR

United States:

Mr. Grace FU
Research Fellow
China Team, Center for Strategic Studies
CNA Corporation

Ms. KIM Ah-Young
Vasey Fellow
Pacific Forum CSIS

Japan:

Ms. Haruko SATOH
PhD Candidate
Cambridge University, UK

Ms. Chisako MASUO
Research Fellow
Center for Asia-Pacific Studies
The Japan Institute of International
Affairs (JIIA)

Ms. NAGAOKA Sachi
Graduate School of Media and
Governance
Keio University of Japan