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

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Pacific Forum CSIS

Based in Honolulu, the 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 globe.

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Based in Beijing, the China Institutes of 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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The views expressed here do not necessarily represent the views of the U.S., Japanese, or Chinese governments, the co-sponsoring institutes, or the participants as a whole. The rapporteur's summary represents personal impressions and reflections and is not intended as a consensus document or a coordinated viewpoint of the participants.

Foreword

In August 2004, the Pacific Forum was pleased to join with the Tokyo-based Research Institute of Peace and Security (RIPS) and the Beijing-based China Institutes of Contemporary International Relations (CICIR) to convene the eighth dialogue on U.S., Japan, and China relations. This series commenced in 1996 even before relations began to fully thaw in the wake of Tianenmen, and our dialogues have continued amidst great change both within and between our countries.

Over the years, this project has developed a reputation for fostering a frank exchange of views on contemporary issues that affect our three countries and the world outside our borders. Our three institutes share the belief that this key set of relationships needs to be well-managed for the future prosperity and security of the region, and that we can contribute to this goal by illuminating contentious issues as well as ways the three countries can cooperate on addressing the difficult challenges that affect us all.

This joint dialogue is the longest running effort to date to address trilateral relations; there are other projects that started before or after this one, and we commend all of these efforts. Yet the continued participation of our core group of participants has allowed the dialogue to move from ritualistic, confrontational discussions into a deeper understanding of the root causes of disagreements. This makes our enterprise unique, as we are able to further examine disagreements without glossing over them – in effect, we can disagree without being disagreeable, an important accomplishment for the often difficult and emotional issues that the three countries face.

We are grateful to all of the participants for taking time out of busy schedules to join us. It was their commitment, insights, and ideas for the future of trilateral relations that continue to make this conference series a success.

Ralph A. Cossa	Seiichiro Takagi	Wang Zaibang
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Executive Summary

Good relations among the U.S., Japan, and China are fundamental to the peace and security of the Asia-Pacific region. The three countries realize that the rest of East Asia feels more secure when they are engaging one another – no country wants to have to choose among them – and the three acknowledge a responsibility to work out differences and improve cooperation for the benefit of their own national interests as well as for their ability to work productively with countries in the region.

In the eighth dialogue in a series, the Pacific Forum joined with the Tokyo-based Research Institute of Peace and Security and the Beijing-based China Institutes of Contemporary International Relations in August 2004 to bring together more than 30 analysts from the three countries to exchange views on a range of contemporary issues. A small select group of Young Leaders (20-35 year old age group) also participated to provide generational input while experiencing the dialogue process first hand.

With several notable exceptions – Taiwan and North Korea – trilateral relations appear stable and positive, with cooperation on global issues progressing significantly in recent years. Where the three countries seem to agree less is on regional issues and on longer-term questions of how they will inter-relate in political, economic, and security terms.

The tone of this dialogue was somewhat altered from the previous Tokyo meeting in November 2003, when a positive outlook on improved relations prevailed. At the 2004 meeting in Beijing, the mood was more heavily animated by the traditional issues that have proven divisive: Taiwan, history issues between China and Japan, and assertions by China of U.S. containment. In spite of these divisions, cooperation on many fronts has gained a firm footing and participants expressed overall optimism.

China's embrace of multilateral fora is a marked departure from its rejection of these mechanisms just a few years ago, and is a welcome change for Japan and the United States. The six-party talks to resolve the North Korea nuclear crisis exemplifies the kind of positive leadership that China is capable of exercising. There are still anxieties among the three about the distinct priorities each bring to the table. The U.S. and Japan would prefer that China be less conciliatory to the North Korean leadership, but China believes it cannot be successful if it is viewed as insensitive to North Korean concerns or as abandoning this isolated government. China worries that Japan is too focused on the abduction issue. Although this is a sticky issue to resolve, Tokyo is acutely aware that Japan faces a variety of threats from the North's consistent menacing behavior and wants a comprehensive solution. Although the U.S. took a positive step in the third round of talks, most agreed that North Korea would likely wait until after the U.S. elections in November – a risky strategy, advised some.

In the economic sphere, the three countries share significant global – not just regional – economic interests, and they should put more energy into the Doha Round. Yet all three governments are doing the opposite; the plethora of bilateral and regional agreements and fora are stumbling, not building, blocks, economists around the table warned. The ASEAN+3 process seems a bit nebulous to many, but does reflect a new "Asian consciousness" that may help stabilize regional relationships. However, it is not likely to produce an institution capable of problem solving, and APEC should be the regional economic institution of choice, given its inclusivity. The three countries need to work to revitalize APEC's mandate.

The Taiwan issue was the most contentious issue by far. Some Chinese colleagues asserted that Beijing has concluded that its "carrot" approach of economic integration with Taiwan to improve political ties has failed, and the blame is laid squarely on President Chen Shui-bian for both his independence motives and for fostering antagonistic "Taiwan identity" feelings. The U.S. and Japan are equally frustrated that China fails to take into account the political, social, and cultural evolution in Taiwan; instead of resorting to a "sticks" approach, China should pursue a strategy of winning the hearts and minds of the Taiwanese people. Yet China is aggrieved that the U.S. and Japan make a distinction between rising Taiwan identity and independence motives, arguing that that these are one and the same. In the end, all parties have managed this issue for the past 50 years, and can continue to do so. The stakes are too high for failure.

Sino-Japanese relations remain constrained by a host of contentious issues. Both sides can do more: Japan needs to teach more of its modern history to its youth, and China should be more wary of allowing hatred toward Japan to fester. Japan is aware of and has tried to assuage Chinese concerns about Japan's greater regional and international role. Prior to the deployment of Self Defense Forces in support of the U.S. war in Afghanistan, Prime Minister Koizumi traveled to Beijing and met with then-President Jiang Zemin "to seek understanding," which he received, although it was not widely reported in the Chinese media. The ongoing visits by Koizumi to Yasukuni Shrine are not meant to celebrate or mark a return to Japan's past militarism. The more China dissents, the more the visits become politically popular to show Japan is not afraid of China's criticisms. There were also hints of optimism for improved ties. Two suggestions from Chinese participants: the two countries worked "shoulder to shoulder" in peacekeeping in Cambodia in 1991, and they should be mutually supportive again; and China could invite Japan's prime minister to the 2nd Greater Mekong Sub-region dialogue in 2005 as a way to enhance cooperation. In addition, China will reportedly soon appoint Vice Foreign Minister Wang Yi as ambassador to Japan, which could be evidence of interest in ameliorating the deterioration of the relationship.

All parties agreed that the three countries can accomplish a great deal when they work together. As the chairmanship of the ASEAN Regional Forum passes to weaker states like Laos and Myanmar, all three countries need to ensure that momentum is not lost. More formal consultations between China and the U.S.-Japan alliance structure should be considered; the defense ministerial meetings under the ARF proposed by China and slated to take place in Beijing this fall offers an opportunity for sidebar bilateral and

trilateral discussions on this issue. The U.S. and China should develop common positions on UN Security Council reform; Japan has a demonstrable sixty-year record of being a peaceful and responsible member of the international community, and it has earned the right for a permanent seat, not to mention contributing 20 percent of the UN's budget (taxation without representation!). Similarly, China might invite the U.S. and Japan to be observers in the Shanghai Cooperation Organization to foster increased confidence and security dialogue.

Conference Report
By Jane Skanderup
Pacific Forum CSIS

Overview

In the immediate term, U.S.-Japan-China trilateral relations appear stable and positive, with cooperation on global issues progressing well in recent years. Where the three countries seem to agree less is on regional issues – with Taiwan on the top of the list – and on longer-term questions of how these three major powers will interrelate in political, economic, and security terms. At this group's last meeting in Tokyo in November 2003, it was broadly agreed that U.S.-China and U.S.-Japan relations were better than ever, and the surprise was that neither China nor Japan was nervous over the improved state of the other's bilateral relationship with Washington. Participants from various points of view all lauded the statement by U.S. Secretary of State Colin Powell that U.S.-China relations "were the best ever," and Prime Minister Koizumi's support of the U.S. in Iraq and Afghanistan did not invite undo criticism by Chinese colleagues. In our August 2004 meeting in Beijing, however, the mood was more heavily animated by the traditional issues that have proven divisive: Taiwan, history issues between China and Japan, and assertions by China of a U.S. containment policy. China especially sees the Taiwan problem getting worse, and this complicates both Sino-Japan and Sino-U.S. relations.

In spite of these divisions, cooperation on many fronts has gained a firm footing and participants expressed overall optimism. The three countries share many areas of policy convergence in the short term. China's new embrace of multilateral institutions in recent years is a welcome change in its foreign policy approach. It contributes to counter terrorism through more productive policies on nonproliferation and the trafficking of counterfeit currency, drugs, and humans; and it plays a positive role as a member of the nuclear suppliers group. Its recent decision to discuss joining the Missile Technology Control Regime, and its interest in learning more about the Proliferation Security Initiative, are positive indications of China's stated desire to play a responsible international role. In addition, all three countries are encouraging Iran to comply with its nonproliferation obligations, and their joint efforts in the six party talks are also a milestone. Both Japan and China are working with the United States to increase their contributions of both soldiers and police to international peace keeping missions; China has dramatically increased its role in these areas, and Japan is also more active with "boots on the ground."

Yet long-term issues remain challenging and unresolved. There is a concern that U.S. policy makers are distracted by other global problems, which have diffused attention away from East Asia and raised questions about Washington's ability to adequately address dramatic changes unfolding in East Asia. These include Japan's changing security role and China's burgeoning economic clout, as well as evolving changes in Taiwan and North Korea.

Perhaps it is no surprise that the issues that dominated our track two discussions have been hot topics at the official level as well. These include North Korea and the six party talks; divergent views toward Taiwan; ongoing concerns in Sino-Japanese relations; Sino-U.S. relations and the assertion that the U.S. wants to contain China; Japan's more active international role, including in the United Nations; and differing approaches to multilateralism. The synopsis below explores convergent and divergent views as well as ideas on ways to move forward. A final section examines future mechanisms for cooperation among the three countries, with specific policy recommendations.

North Korea and the Six-Party Talks

The U.S., Japan, and China share the same fundamental goal: a peaceful solution that results in a denuclearized Korean Peninsula. All agree that multilateral dialogue is important to achieving this. The three countries realize that should North Korea develop and deploy nuclear weapons it will dramatically alter the regional balance, and they need to employ imagination and flexibility, and avoid acrimonious finger pointing in their different tactical approaches. There are also distinct interests and priorities, yet there is not an agreed upon understanding of what these different interests are.

The U.S. and Japan differ from China in their belief that pressure needs to be put on Pyongyang, several participants noted. This does entail a risk to stability, they realize, but without taking this risk there will no peaceful solution, so the two countries are frustrated that China's approach is too conciliatory to North Korean leadership. It was countered that China believes that to be successful, it needs to play a quiet diplomatic role with North Korea. Recognizing that the North Koreans are a proud and sensitive people, China doesn't want to be antagonistic, or appear as dictating to or abandoning North Korea.

There was widespread belief that both the U.S. and North Korea are waiting until after the November elections to reach an agreement. Some felt that a positive step was taken during the third round of talks when U.S. Assistant of State James Kelly agreed that a freeze could be a first step toward full dismantlement within three months. There is still disagreement what "full dismantlement" means, with the U.S. insisting that it cover both uranium and plutonium programs. China has remained coy on this issue, saying it is not aware of evidence of a uranium program.

Many in China believe that Japan is too preoccupied with the abduction issue, and that this could sidetrack the talks. Meanwhile, some Americans worry that Tokyo would be willing to sacrifice agreement on other issues should it resolve the return of abductees' families bilaterally. Japanese participants pointed out several factors to correct these perceptions. First, Japan's official position is that the *comprehensive* resolution of missiles, nuclear weapons, and abduction issues is necessary prior to normalizing relations with the North. It is true that ever since Prime Minister Koizumi's first trip to Pyongyang in September 2002 (when the North admitted to the abduction issue for the first time); this has been a highly emotional issue in Japanese society. It is admittedly a sticky issue and difficult to resolve to the people's satisfaction. Yet Japanese concerns

about North Korea are deeper and broader than the abduction issue; North Korea's firing of the Taepodong missile over Japan in 1998 was an alarming reminder of the North's menacing behavior, and since then the problems have intensified with spy ship and drug smuggling incidents. Japanese participants reminded the group that unlike China, which feels no security threat from North Korea, their country has been the subject of continual threats from the North. The real concern for Japan is opposite from China's view: nuclear weapons and nonproliferation issues will be resolved first, and then Japan will be under international pressure – including from the U.S. – to accept a lesser outcome on the missile or abduction issues than Japanese society wants. At least one Chinese participant expressed the view that China should more strongly support Japan on the abduction issue.

There is concern in both Japan and China about how Democratic presidential candidate John Kerry might alter U.S. policy toward North Korea should he win in November. Kerry's comments suggest a more urgent approach to halt North Korea's suspected nuclear weapons development efforts, which might include bilateral U.S.-North Korean dialogue within the context of the broader multilateral dialogue.

In thinking about the future security architecture, there is a growing consensus that the six party talks could become a more permanent forum once (and if) the current crisis is successfully overcome. Others argued that broadening the agenda of the six party talks should not wait until the nuclear issue is resolved; this forum should be used now as a tool to improve U.S.-North Korea and Japan-North Korea relations.

Taiwan

There was a wider divergence on Taiwan issues than in recent years of this annual dialogue. There was a great deal of frustration among Chinese scholars both with Taiwan and with U.S. and Japan policy toward Taiwan, while U.S. and Japanese participants expressed frustration that China's approach fails to take into account the complex political, social, and cultural evolution of Taiwan society.

A root cause of the current schism is differing interpretations of the intentions of Taiwan President Chen Shui-bian. In the fall of 2003, leaders in the U.S., China, and Japan shared the view that President Chen was taking the referendum issue too far. This mutual concern culminated in President Bush's public rebuke of Chen in December 2003 with Chinese Premier Wen Jiabao by his side, warning both sides against unilateral changes to the status quo, while expressing public concern that Chen was moving in this direction. Since December, however, U.S. officials believe that President Chen has responded to U.S. concerns, adopting a more moderate tone in his inauguration speech, including some specific olive branches offered to China. Yet China is convinced that independence remains his steadfast goal, and a notable anxiety permeates discussions about Taiwan policy.

China participants warned that some in Beijing have already concluded that its policy of increasing economic ties in order to improve political relations has failed; no one believes that economic integration will automatically or inevitably lead to political integration. China's Taiwan policy now seems to focus on urging the U.S. to act more explicitly to rein in Chen's "separatist" ambitions. China argues that while it actively cooperates on America's security agenda, the U.S. fails to reciprocate on China's top security priority of Taiwan. China knows the U.S. can be influential on Taiwan when it wants to be; Bush's December statement did result in modified referendum language, and more recently Assistant Secretary of State James Kelly warned Taiwan that it shouldn't take China's threat of force as an empty threat. Beijing wants more of this type of explicit language – for example, actively opposing independence versus merely not supporting independence. (China's urging the U.S. to act could be partially driven by expectations gleaned from Bush's December rebuke that pressure from China works. However, this misunderstands Bush's motivation, which was driven by Chen's actions much more than by Chinese pressure.)

There is also a definitional problem as to what "status quo" means: the U.S., Taiwan, and China all say they support the status quo, but for Taiwan this means "two countries on each side of the Strait." U.S. military sales to Taiwan only encourage President Chen to think this way, Beijing argues. It was pointed out that the purpose of U.S. arms sales is to prevent the military imbalance from eroding further, given China's overwhelming capability relative to Taiwan.

China is mistakenly looking to the United States for a policy change when the core problem for China is the turn of events on Taiwan, it was argued. China readily sees that constraints on Taiwan independence on the island itself have diminished, so its problem is not really with U.S. policy on arms sales or supporting Taiwan's international participation – this has been consistent U.S. policy, and law, for years. The big change for China is what the Taiwan presidential election says about attitudes toward China.

U.S. and Japan participants stressed that the core of their cross-Strait policy is for China and Taiwan to resolve the issue peacefully. Neither Japan nor the United States objects to peaceful reunification of China as long as both sides agree to this outcome and the solution is reached peacefully. Chinese colleagues were urged to pursue their goal with a "charm offensive," not force; if China's goal really is unification, they should pursue a strategy of winning the hearts and minds of the people in Taiwan. Chinese colleagues countered that they understand China needs carrots as well as sticks. It tried the carrot approach by encouraging greater economic ties, but this failed to produce better political relations because Chen and former President Lee Teng-hui actively promote a separate Taiwan identity, it was argued. President Chen should encourage people to feel both Chinese and Taiwanese, and it is widely felt in China that a different leader could encourage attitudes not antagonistic toward the mainland.

The notion of a separate Taiwan identity is not the product of President Chen or former President Lee, U.S. and Japan specialists argued – these are elected officials who reflect broader trends in society. The evolution of Taiwan's democracy is allowing these views greater voice, but Taiwan identity has always been a factor in society: it is a real phenomenon that will not just go away, and China must learn how to cope. Regardless of who is president of Taiwan – even if China's preferred presidential candidate Lien Chan would have won – he needs to be responsive to these views. China should recall that in 1949 when Chiang Kai-Chek fled to Taiwan, he met with considerable "Taiwan identity" that opposed his rule and which he chose to harshly suppress. This is why a "charm offensive" is needed.

While cross-Strait relations remain strained, few would argue that conflict is inevitable or unavoidable. Ultimately, all sides have been successful for the past 50-60 years in managing the Taiwan issue, and we can continue to manage it peacefully if wise policies prevail. Few believed that conflict was inevitable or unavoidable. Visionary statesmen recognize that the stakes are too high for failure.

Sino-Japan Relations

Sino-Japanese relations remain constrained by a host of contentious issues. While participants on both sides expressed a desire to achieve improvement, the discussion demonstrated that there is hard work ahead and little opportunity for breakthroughs.

There is some room for optimism. China has appointed Vice Foreign Minister Wang Yi as its new Ambassador to Japan, an unusually senior position for this post, which could be evidence of interest in ameliorating the recent deterioration of the relationship (Ambassador Wang arrived in Tokyo in early September). Also on a positive note, China and Japan have worked "shoulder to shoulder" together in the past on peacekeeping operations (PKO) in Cambodia in the early 1990s, and there was some agreement that China and Japan should support each other in PKOs and other forms of international security maintenance.

Confidence is still very weak between Japan and China on their respective regional and global roles. This is not driven by competition for regional leadership – a motive much ascribed to the two countries – but by a lack of trust about each side's future intentions. While China has not actively opposed Japan's growing security role, China does worry how Japan might support U.S. policy in the region, particularly regarding Taiwan and even North Korea. At the same time, both the U.S. and Japan are concerned about China's military modernization, including its recent military exercises, and whether China can keep its pledges of wanting to be a responsible country.

On the history issue, the Chinese understand that there is a widespread feeling in Japan that China overemphasizes history, but the generational change of attitude that has occurred in Japan toward the Sino-Japanese war has not occurred in China, it was observed. While the youth of Japan feel far removed from the attitudes and actions of their grandparents' generation that began the war, the Chinese youth are very much

attuned to their grandparents' stories of suffering. This reflects a deep contradiction in how the two approach history issues. A Chinese participant pointed out that Japan has a "history issue" with North Korea where Japan, since the abductions of the 1980s, sees itself as the victim, and this remains an emotionally turbulent issue for Japanese society. For China, in its "history issue" with Japan it was the victim. Why can't the Japanese understand China's emotional response to the past in this context, it was asked?

A different approach to the history issue emerged during the Young Leaders seminar that was convened after the conference. Moderator Ralph Cossa asked each of the 13 Young Leaders for their views of why Prime Minister Koizumi visits the Yasukuni Shrine – a subject that was repeatedly raised during the conference with no new ground covered. The answers were surprisingly insightful. There was a consensus of understanding that Mr. Koizumi visits Yasukuni because of domestic politics, to court certain domestic interest groups, rather than to intentionally provoke Chinese sensitivities, as is often argued by Chinese colleagues. A Japanese Young Leader pointed out that the political roots of the current situation began during President Jiang Zemin's visit to Japan in November 1998 – the first visit ever to Japan by a Chinese head of state. Jiang was viewed as impolite and calculating, wearing a Mao jacket to the Emperor's dinner, which was viewed as intentionally insulting. A new attitude toward China then emerged where defiance toward Chinese views became "politically correct," even popular and expected. In other words, it was the Chinese leader's behavior that gave impetus to the popularity of standing up to China. As a result, the louder Beijing complains today, the more likely become future visits to Yasukuni. Chinese Young Leaders put it a different way but with the same conclusion: Mr. Koizumi's visits are meant to show that Japan is strong enough to not be afraid of China's disapproval. One message from this Young Leaders' dialogue is that there is perhaps a more honest understanding of the sources of tension among the youth than the high rhetoric that often prevails among senior participants. There was also a greater willingness to seek compromise solutions.

There was also discussion on the new thinking toward Japan in some quarters in China, which has urged China to get beyond the history issue and accept Japan as a contemporary partner. However, the motivation for this view is Taiwan-oriented and was discounted by some participants as an honest attempt to reconcile with Japan. The real intent of those that argue for warmer ties is to strategically divide Japan from both Taiwan and the U.S. – in essence to "contain" U.S. policy toward Taiwan – with the goal of winning Japan's support of any action China might take. Not only is this rationale misguided and will ultimately fail, but it worsens the situation by raising even more suspicions in Japan about the kind of country China wants to be. What this "new thinking" may really reflect is what Chinese participants acknowledge is a growing concern about "quietly growing" ties between Japan and Taiwan. From a Chinese perspective, this is quite a serious issue and could displace the history issue as the biggest problem for China and Japan.

An alternative approach for bilateral cooperation on energy issues was raised: China and Japan should agree on what they want from Russia, rather than allow Russia to play the two countries against each other. The current competition between the two countries for Russian oil and gas through two different pipeline routes weakens both of their positions, it was argued. This is a clear missed opportunity where the two giant energy consumers could mutually strengthen their position vis-à-vis Russia, forcing the giant energy producer to greater compromise that would benefit both China and Japan.

Sino-U.S. Relations: U.S. "Containment" or Acceptance of "Peaceful Rise"?

Discussion ensued around Chinese participants' assertions, apparent more in their papers than in individual presentations, that the U.S. strategic objective is to contain China. U.S. participants expressed frustration that this assertion has no factual basis, and urged Chinese colleagues to better define what they mean. To U.S. thinking, "containment" is demonstrated by the 40-year bipartisan policy to dissolve the Soviet Union, and it worked. If the U.S. and Japan wanted to contain China, they would actively thwart China's economic and political progress; they might promote ethnic unrest and assist the parts of China that want to become independent; they could explicitly support Taiwan's independence; and they would pressure allies and friends to join this containment policy.

In contrast, the U.S. and Japan have supported China, politically and economically, for more than 50 years. The U.S. ended its formal military relationship with Taiwan and joined in a defacto strategic relationship with China in the 1980s to counter the Soviet Union. In the last decade, the U.S. and Japan have provided considerable economic aid as well as actively facilitated China's entry into the World Trade Organization, all in the belief that a strong, stable China is in everyone's interest.

U.S. policy may hedge against a China that might in the future have divergent interests from its own, but this is far removed from a containment policy. U.S. official foreign policy documents, including the Bush administration's National Security Strategy, explicitly state the view that China is part of the solution, not part of the problem. But it is an open question as to what direction China's leaders will take. The question is, will China uphold its promises to play a responsible role or will it become more hegemonic as it grows more powerful? The U.S. and Japan cannot predict this; they can only encourage a positive direction.

Japan's More Active International Role, Including the United Nations

It was clear from our discussion that Chinese concerns are rising once again about Japan's greater regional and international role, particularly the deployment of Self Defense Forces (SDF) in support of U.S. military action in Afghanistan and Iraq. Japan's desire is to be a responsible member of the international community, Japanese participants articulated, and to achieve this it will adopt a full range of policies, from contributing financial aid to deploying the SDF if that is deemed appropriate to the case at hand. A Japanese Young Leader expressed the view that deploying the SDF signifies a

diversification of Japan's policy tool kit, which it needs to do to be more effective in international affairs.

Japan's leaders understand that if deploying the SDF is the right action, it needs to seek understanding from its neighbors. For example, in advance of deploying the SDF to the Indian Ocean and Persian Gulf in support of the U.S. anti-terror campaign, Prime Minister Koizumi went to Beijing in October 2002 to discuss the issue with then-President Jiang Zemin and then-Premier Zhu Rongji. President Jiang did express understanding, but this was not widely reported in the Chinese media. This is one of many examples where Chinese officials fail to communicate to the public positive examples of relations with Japan, which allows society's perceptions to be based on inaccuracies and misinformation.

Japan's increasing emphasis on better utilizing the United Nations to solve international problems was reflected in this discussion, including more vocal remonstrations that the stalemated reform of the UN Security Council (UNSC) continues to prevent Japan from becoming a permanent member. Japan has a demonstrable sixty-year record of being a peaceful and responsible member of the international community, it was observed, and it has earned the right for a permanent seat in the UNSC. (Neither the U.S. nor China can boast Japan's record of no military engagement for this length of time, it was duly noted.) This issue should receive more priority from the U.S., China, and the other three permanent members of the UNSC (the "perm five"). Japan pays more than its fair share of UN dues – 20 percent of the total budget – yet Tokyo has little voice (and no veto) on how its contribution is spent. This amounts to taxation without representation – imagine the outcry from the United States or China if this inequity were imposed on them!

One participant noted that China might not support Japan's membership in the UNSC because, in a potential Taiwan conflict, Japan could act alone or with the United States to support Taiwan independence. But if China is concerned about how Japan might act alone, isn't it better for Japan to be imbedded in international security decisions rather than have it be on the outside looking in, and taking its own unilateral measures to ensure its security? So went the counter argument.

China did appear more willing to endorse Germany joining the UNSC, some argued. This prompted the observation from a U.S. participant that over the next decade Japan might well be viewed as the "Germany of Asia," playing a non-threatening, constructive role in the international arena. Germany currently has combat forces in Afghanistan, which would have been very uncomfortable for other countries a decade ago. In the decade to come, Japan might likewise win the confidence of the international community to deploy military forces, it was argued, provided that domestic constitutional constraints are also addressed.

Japan's UNSC membership will take time to resolve. The current "perm five" are reflective of the strategic reality in 1945 – and even then, participants were reminded that Taiwan (as the Republic of China) held the UNSC seat until the 1970s when U.S.-China

rapprochement led to the PRC assuming China's seat. The U.S. and China should recognize that it is frustrating to Japan that its UN status is partially dependent on issues beyond its control, involving a complicated dialogue on how to restructure the UNSC to reflect contemporary strategic relations. In the meantime, other mechanisms can be developed for Japan to play a greater role in security decision making, and the U.S. and China should support the development of these measures.

A useful critique of the UNSC and Iraq was provided by a Japanese participant, who found all members' actions pretty ineffective. While the United States received immense international criticism for its unilateral approach to halting Iraq's WMD program, in the end the other members of the UNSC who were opposed to military action were quite dysfunctional in agreeing on any alternative approach. To be sure, Washington contributed to this inaction by being miserably slow in bringing the issue to the UNSC only in September 2002, when there is reason to believe that U.S. invasion plans began much earlier. When the U.S. did get the UN to pass Resolution 1441 in November 2002, it subsequently ignored the concerns of France, Russia, China, and Germany about how to pressure Saddam Hussein to comply. (From the Bush administration's perspective, it should be noted, the actions of these states made it impossible to pressure Saddam, making the use of force the only option.) Clearly the international community had failed to address Saddam's ten-year defiance of multiple UNSC resolutions, and although it now seems clear that Saddam probably was not developing WMD, the international community did not know that at the time and Saddam certainly took no action to convince the world otherwise.

This case reveals the political impotence of the UNSC, it was argued. The UNSC did not function effectively to solve the problem: France, Russia, and China expressed little willingness to understand the potential costs of the WMD problem, and the difference in views among those that opposed U.S. intervention ended up further justifying the need for the United States to lead in maintaining the international order. In further evidence of the potent force of U.S. leadership versus UN leadership, Iraq's changed attitude toward compliance after adoption of Resolution 1441 was clearly due to the U.S. military buildup, not because of new pressure from the UNSC to comply.

Multilateralism in Regional and Global Affairs

Participants exchanged views on the differing importance of regional security and economic institutions to Japan, China, and the United States. China's approach to multilateralism seems to be selective, some argued. There is a view in Washington that China says it supports U.S. interests, but its actions demonstrate that it favors multilateralism in Asia and elsewhere that excludes the U.S., such as ASEAN+3 and the "Plus Three" dialogue, rather than build institutions that include the U.S., such as the ASEAN Regional Forum (ARF) and APEC. There has also been discussion about China working with the Trilateral Coordination and Oversight Group (TCOG) to better coordinate North Korea policy with the ROK, Japan, and the U.S., but China has been hesitant to move in this direction.

Some participants believe it would be productive for China to directly engage with Japan and the United States on security issues to develop better confidence-building measures. If China feels awkward in this "alliance plus one" dialogue, then other countries could be added, such as Russia or South Korea. China might also invite the U.S. and Japan to be observers in the Shanghai Cooperation Organization to foster increased confidence and security dialogue. Chinese colleagues expressed concern about the U.S. approach to the war on terrorism, particularly that not all countries agree with the U.S. definition or priorities in counter-terrorism measures. Engaging the U.S. in existing multilateral institutions is one way of addressing this issue, it was argued. The Chinese preference for multiple regional/multilateral dialogues is to employ various resources, to "walk with many legs," so if one leg is "limp," the others can still function.

There was broad agreement on the need to improve region-wide security mechanisms, especially the ASEAN Regional Forum. As the ARF leadership is rotated to weaker countries like Myanmar and Laos in the next few years, it is critical that other ARF members maintain a strong commitment to help steer this important multilateral security dialogue. Perhaps a useful issue for the ARF to deal with is the growing international security threat of failing states and the lack of consensus on when to intervene on humanitarian grounds. The fact that China abstained on the recent UNSC vote on setting a timeline for economic sanctions on Sudan was positive compared to a veto, although the U.S. would prefer that China vote yes. Further dialogue on how joint action from ARF governments can be more effective would make an important contribution to regional and global security.

An interesting observation was made in the final session, which focused on future visions of trilateral relations: both the U.S. and China papers were almost solely focused on U.S.-China relations, particularly how the two can avoid confrontation. Meanwhile, the Japanese paper thoughtfully examined East Asian regionalism, noting that although it is still a nebulous concept, it is a new fact of life in East Asia. It seems indicative of Japan's search for a more flexible foreign policy under which its commitment to "East Asia community-building" will further develop its sphere of action to complement its alliance relationship with the United States.

Regional economic issues. In the economic sphere, the three countries share significant global – not just regional – economic interests, and they should put more energy into a successful conclusion of the Doha Development Round. Yet all three governments are doing the opposite; the plethora of bilateral and regional agreements and fora are stumbling, not building, blocks, the economists around the table warned. While there may be political and other motivations for bilateral and regional dialogues, a broad multilateral process is preferable for all three countries from an economic point of view. The ASEAN+3 process seems a bit nebulous to many, but does reflect a new "Asian consciousness" that may help stabilize regional relationships. However, it is not likely to produce an institution capable of problem solving, and APEC should be the regional economic institution of choice, given its inclusivity. The three countries need to work to revitalize APEC's mandate.

Moreover, there is little possibility to combine the bilateral free trade agreements into one region-wide agreement, as some suggest. The FTAs being negotiated today are tailor-made for different reasons and with different goals, so they more often work at cross-purposes with global agreements. It is unfortunate, for example, that both the U.S. and Japan have shifted trade personnel from dealing with the WTO to negotiating FTAs. China has an enormous task to implement its WTO commitments over the next several years; it is fortunate that both Japan and South Korea recognize that a trilateral free trade area is probably premature until China's WTO deadlines are met.

Conclusions and Recommendations

This dialogue demonstrated that on the traditional, difficult issues, old frustrations and suspicions die hard. There continues to be criticism and complaints about the U.S. containing China, assertions that Japan is competing for leadership in the region with China, and that Prime Minister Koizumi's Yasukuni Shrine visits are a dangerous return of Japan's militarism. The dialogue managed to achieve a deeper understanding of the differing positions even if resolutions were not reached.

The three countries need to keep working together on issues for which there is agreement to progress. The policy recommendations below are drawn from issues that emerged during the discussion, as well as from individual papers that articulated a seemingly balanced, positive way to move forward. Dr. Gill's paper (Chapter One) is particularly rich in this regard. Not all participants agreed with all suggestions and some are not all politically realistic in the near term. They are offered here merely to stimulate thinking on the range of potential problems that can be creatively addressed.

- **Peacekeeping:** The United States, Japan and China should encourage and support the expansion of Chinese and Japanese peacekeepers and civilian police in support of UN missions worldwide. Cooperative training programs amongst the three (and including others) should be introduced. All three should more actively support a Southeast Asian peacekeeping contingent, which could be dispatched under either ASEAN or ARF auspices to trouble areas in Southeast Asia.

- **UN Security Council reform and expansion:** The three countries should develop common positions aimed at reforming and expanding the United Nations Security Council. One useful step would be to recalibrate the level of financial burden each country contributes to the organization, while at the same time assuring timely and complete contribution of dues, especially by the five permanent members of the Security Council and other major states. In return, the three countries should join other major donors to collectively insist on greater accountability and transparency.

- **Role for Japan in the UN**. Current Chinese apprehensions not withstanding, it would clearly promote better trilateral cooperation if the three countries all supported a more active role for Japan in UN security-related deliberations,

decision making, and deployments, with an eye toward eventual permanent Security Council membership.

- **Failing states and humanitarian intervention:** The three countries should work together in stemming the collapse of states in the developing world that could become breeding grounds for illicit and destabilizing activities on a regional and global scale. This will require greater flexibility and consultation on questions of sovereignty, intervention, the use of force, and the role of multilateral channels for success.

- **Regional security mechanisms:** Working together, the three countries should take the lead in developing and strengthening regional security mechanisms. This could begin with joint efforts to strengthen the ARF, including the establishment of an ARF Secretariat and enhancing the consultative role of outside experts (such as the Council for Security Cooperation in the Asia Pacific, or CSCAP).

- **Taiwan:** All three countries have an enormous stake in averting conflict and resolutely aiming for the peaceful resolution of differences across the Taiwan Strait. The next one to three years will likely be difficult ones if interested parties do not carefully manage their relations regarding the Taiwan issue. Neglect, mixed signals, mismanagement, and/or miscalculation must be avoided. Reassurances should be given and confidence-building measures should be examined.

- **Central Asia:** The three countries all share a strong interest in the continued political and economic stability of Central Asia. China has already actively sought this outcome through the establishment of the Shanghai Cooperation Organization, and should consider regular briefings, consultations, and intelligence-sharing with the United States and Japan over developments in Central Asia and the SCO and welcome observer status in the SCO for Washington and Tokyo.

- **Military-to-military cooperation and consultation:** Continued, regularized, and more senior dialogue and consultation should take place at both a bilateral and multilateral level among the three countries. Similar to Chinese consultations with the North Atlantic Treaty Organization (NATO), the three parties should consider more formal consultations between China and the U.S.-Japan alliance structure. The ARF defense ministerial meetings proposed by China would offer an opportunity for sidebar bilateral and trilateral discussions about the future relationship between China and the U.S.-Japan alliance.

- **Japan and China** in particular should aim for a more robust and serious security relationship to transcend latent distrust and regional rivalry. The strategic aim should be the kind of political, diplomatic, and economic transformation seen in Franco-German relations in the post-World War II era.

- **Overcoming history between Japan and China** is a necessary condition for an East Asian community. The Japanese should teach more modern history to their children, including why Japan waged war with China and the lessons their parents have learned. On the other hand, although it is understandable that the Chinese government finds nationalism to be a useful tool for national integration, the leaders should be aware of the harm unchecked nationalism could do to their regional policies. Chinese textbooks could be more balanced in noting Japan's positive post-WWII contribution to regional stability and China's economic development.

- **An alternative approach for China-Japan cooperation** on energy issues was raised: China and Japan should agree on what they want from Russia, rather than allow Russia to play the two countries against each other. The current competition for Russian oil and gas through two different pipeline routes weakens both of their positions. The two giant energy consumers could mutually strengthen their position vis-à-vis Russia, forcing the giant energy producer to greater compromise that would benefit both China and Japan.

- **China-Japan cooperation**. China should invite Japan's prime minister to the 2nd Greater Mekong Sub-regional dialogue in 2005 as a way to enhance cooperation. The two countries could also encourage ASEAN to launch an East Asia energy or maritime security summit, since they share significant interests in promoting regional cooperation in these areas.

- **East Asian regionalism**: East Asian nations will promote both the frameworks that include and exclude the United States, and the U.S. should not be worried about this. East Asia will attempt to be flexible in choosing the right framework for the issue that they need to deal with at the time. How China and Japan master this technique constitutes a key factor in constructing a stable order in East Asia.

- **Reinvigorate the Doha Round and APEC**: The U.S., Japan, and China have significant global – not just regional – economic interests, and keeping the Doha Round alive should be their highest priority. Instead the opposite is occurring, with too much energy spent on bilateral deals and regional fora. At the regional level, the appropriate forum is APEC. Possible ways for APEC to be more productive are: redefine the Bogor goal to mean that APEC members pledge themselves to be at the forefront of trade and investment liberalization in the context of the WTO process; emphasize the trade facilitation and "ecotech" agenda (economic technical assistance and capacity building) by linking APEC programs to funding from the ADB.

In order to maximize trilateral cooperation, there needs to be a clear articulation of overlapping goals and interests among the three nations and a better framework and roadmap for identifying and building upon our common objectives. Our group hopes to continue its efforts to examine and promote mutual trilateral interests as we work toward a stronger foundation for U.S., Japan, and China relations.

Chapter 1-1
Global and Regional Security Issues and U.S.-Japan-China Relations: A U.S. Perspective

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Changing U.S. Perspectives on Global and Regional Security

According to numerous analysts in the United States, the early- to mid-2000s were to see a shift in the center of gravity of the global security dynamic toward Asia, and particularly toward East Asia. Examples of this viewpoint include the "Armitage-Nye Report" of October 2000 and the Department of Defense's Quadrennial Defense Review, issued in September 2001.

These U.S. analyses foresaw intensified regional competition between a "status quo" United States and a burgeoning "revisionist" China; refocused attention on the American network of military alliances and friendships in the region; and anticipated a transformation of the U.S. military in the region to rely more on "places, not bases" as well as on advanced technology and precision strike weapons, rather than on traditionally large, permanently-based forces in such locations as Japan and South Korea.

While elements of this regional security outlook are in process or are in place, it is not with the intensity or speed initially expected. Instead, following the terrorist attacks against the United States in September 2001, Washington's strategic and military attention has shifted in three important respects:

- Conceptually, the strategic concerns of the United States have become primarily transnational in nature, with a particular focus on terrorism and preventing terrorist access to the spread of weapons of mass destruction;
- Regionally, the United States has been drawn predominantly to Southwest Asia and the Middle East; and
- Operationally, the United States has shown greater willingness to act unilaterally, with less concern for support of the United Nations and/or allies in the pursuit of security goals, but with high expectations of support from allies and other major powers (and a high cost imposed, diplomatically speaking, for non-support).

These developments have important follow-on implications for the global and regional security relationships involving the United States, Japan, and China.

Unprecedented Convergence Globally, Uncertain Cooperation Regionally

Overview. Owing to a convergence of fortuitous circumstances, the global and regional security relationships involving the United States, Japan, and China are at one of their most stable points in recent decades. However, that overall conclusion belies considerable dynamism and change unfolding in these relationships and a very real, lingering, and unanswered uncertainty on critical questions.

On the one hand, with U.S. strategic preoccupation placed elsewhere, much tension has been diffused from the U.S.-China relationship. As China has grown to be a more responsible but also muscular economic and diplomatic player in East Asia, the United States and Japan have recognized, accommodated, and in some instances encouraged this trend. Japan has recognized the importance of China to its improving economic prospects, and has been able to pursue steps toward becoming a "more normal" country without overt and untoward resistance from China.

On the other hand, key questions remain. First, several new and difficult security issues have arisen in the region in recent years, and have the potential for introducing greater tension and possibly conflict into the U.S.-Japan-China triangle. It is not always clear how deeper, lingering concerns come to the fore if or when U.S. strategic preoccupation in Southwest Asia and the Middle East is resolved or dissipates. Will current areas of apparent cooperation turn sour if mutually agreeable outcomes (e.g., regarding North Korea or Taiwan) cannot be achieved?

The result is convergence at the global level, where the parties more or less accept U.S. predominance, but continued uncertainties at the regional level, where parties have yet to truly sort out balance of power and influence.

Global issues and norms. The key change here is China's remarkable shift since the late-1990s, and accelerating since 2001, to more readily accept and actively support certain important norms and approaches on the international scene which are generally consistent with U.S. and Japanese approaches.

- **Multilateral cooperation:** China and Japan are in many ways stronger proponents at present, which contributes to their stabilized relations. Globally, China is a more active proponent of the United Nations and greater international "democracy." China and Japan work together in a host of regional multilateral organizations, including those focusing on security issues: the Association of Southeast Asian National (ASEAN) Regional Forum (ARF), ASEAN + 3, and China-Japan-South Korea summitry.

- **Counterterrorism:** The three countries are openly supportive of a stronger response to quell threats posed by terrorism. Thus far they have not established tripartite cooperation, but duly point to their common goals on this issue. China since the late-1990s, especially in the context of the Shanghai

Cooperation Organization, voiced opposition to the "three evils" of terrorism, extremism, and separatism along with Central Asian neighbors.

- **Combating crime:** The three countries have expressed a stronger interest to cooperate in combating illegal transnational activities including trafficking in drugs, counterfeit currency, arms, and people; money laundering; piracy; and organized crime.

- **Nonproliferation:** China has taken significant strides at unilateral, bilateral, and multilateral levels to improve its nonproliferation policies and practices. These steps include introduction of new and more robust export control laws and enforcement mechanisms, more comprehensive bilateral nonproliferation pledges between China and the United States, China's membership in multilateral export control regimes such as the Zangger Committee, the Nuclear Suppliers Group, and, possibly in the future, the Missile Technology Control Regime. China has joined the United States and Japan in the Container Security Initiative, and China has shown some interest in learning more about the Proliferation Security Initiative. Both Japan and the United States have been active in encouraging these steps, and provide training and technical support for improving China's nonproliferation activities.

  In addition, China has been helpful in supporting the international norms of nonproliferation to encourage greater compliance by Iran to fully reveal the extent and nature of its nuclear program. China's critical role in bringing North Korea to the table for six party talks is warmly welcomed by Washington and Tokyo, and stands out as an excellent example of U.S.-Japan-China cooperation, at least in the near term.

- **Peacekeeping:** Both Japan and China have significantly expanded their roles in providing troops and police toward multilateral peacekeeping and other post-conflict missions. China now has more soldiers and police (approximately 250) working for UN peacekeeping missions than at any time since its provision of 800 engineering troops (two contingents of 400 each) to the UN Transitional Authority in Cambodia (UNTAC) in 1993-94. Japan was unprecedentedly active in support of operations in Afghanistan beginning in 2001, and also has reconstruction troops on the ground in Iraq.

Regional issues. Less certain dynamics are at play at the regional level. Most importantly, a number of challenging new developments have arisen in the past three to five years at the same time that U.S. strategic attention is preoccupied elsewhere. In addition, lingering and unresolved tensions continue to undermine confidence and security in the U.S.-Japan-China triangle.

- **Japan's changing security role:** Japan is moving ahead to assume a far more robust and active regional security role, while also more seriously discussing Constitutional revision. The United States is generally supportive

of this role, and the current regional security dynamic has not responded strongly in opposition. However, Chinese strategists remain concerned about Japan's larger military role, not only as it supports U.S. and United Nations operations beyond East Asia, but also as it supports U.S. operations in the region, especially with regard to a Taiwan scenario. China-Japan relations in this respect bear careful watching.

- **Chinese burgeoning regional presence:** China's growing economic, diplomatic, and military strength in the region also is the cause of some concern in certain quarters of the United States and Japan. China's insistence on the notion of "peaceful rise" or "peaceful development" recognizes regional concerns, and seeks to stress China's benign regional intentions. However, growing economic and diplomatic clout in the region, combined with steadily improved military capability, missile build-up, and military tests/exercises suggests Chinese expectation of a confrontation in the not-too-distant future. In the United States and Japan there remain strong concerns about China's long-term intentions as it grows stronger, and this will be a source of tension and uncertainty in this triangular relationship for the foreseeable future. A continuing "security dilemma" persists in U.S.-China-Japan relations in the region.

- **Taiwan:** The shifting political situation on Taiwan bears watching, especially with the election of President Chen Shui-bian in March 2000, his reelection in March 2004, the possibility of a pan-Green victory in the Legislative Yuan elections in December 2004, and Chen's plans for Constitutional revision in the coming years. The U.S. arms sales package to Taiwan is likely to become a more heated issue in U.S.-China relations in the near term. Japan is also likely to become embroiled as tensions rise across the Straits and in U.S.-China relations. The United States and Japan seek a more flexible and less confrontational approach from China.

- **North Korea:** Revelations of North Korea's steady development of a nuclear weapons capability stand out as the single-most important security-related shift for East Asia over the past two years. North Korean development and operational deployment of nuclear weapons would dramatically alter the security landscape in Northeast Asia.

  Many of the sides in the six party talks are increasingly frustrated with the lack of results. The blame is placed at the feet of Washington and Pyongyang for a lack of imagination, flexibility, and political will to hammer out a viable solution. There is a risk of dashed expectations and acrimonious finger-pointing should negotiations expire and North Korea becomes an open nuclear weapons state.

Unfortunately, while the United States, Japan, and China may all wish to see a non-nuclear North Korea and a denuclearized Korean peninsula, they differ on the best means to achieve these aims and the degree to which they would each be threatened by a nuclear North Korea.

Conclusions and Looking Ahead

General conclusions. The global and regional security relationships amongst the United States, Japan, and China are generally positive in the near term, but are changing in unexpected and even unprecedented ways. At a global level, the changes are largely welcome. However, it is currently less certain whether the regional dynamic can be managed successfully by the United States, Japan, and China owing to differing interests over the medium to longer term. These regional changes are occurring at a time of dampened U.S. attention to the regional security dynamic, with the possible exception of regional terrorist activities and North Korean nuclear weapons.

All three countries would benefit from increased levels of cooperation at both the global and regional levels, though there is more room for expansion and success in the former than the latter.

In addition to the areas of cooperation noted above, the three sides could consider the following.

Global security cooperation

- **Peacekeeping:** The United States, Japan and China should consult together and see to the expansion in the role of Chinese and Japanese peacekeepers and civilian police in support of United Nations missions worldwide. Cooperative training programs amongst the three (and including others) should be introduced. All three should more actively support a Southeast Asian peacekeeping contingent which could be dispatched under either ASEAN or ARF auspices to trouble areas in Southeast Asia.

- **UN Security Council reform and expansion:** The three countries should develop common positions aiming to reform and expand the United Nations Security Council. One useful step would be to recalibrate the level of financial burden each country contributes to the organization, while at the same time assuring timely and complete contribution of dues, especially by the five permanent members of the Security Council and other major states. In return, the three countries should join other major donors to the United Nations to collectively insist on greater accountability and transparency by the United Nations organization.

- **Increased role for Japan in the UN:** The three countries should determine how Japan can take an even more active and contributory role to global security affairs – accurately reflective of its political-economic power, and its

role as a model member of the international community for nearly 60 years – under the rubric of the United Nations and the Security Council. In the near term that would probably involve even greater Japanese involvement in United Nations security-related deliberations, decision making, and deployments. Over the longer term, it should aim for permanent Security Council membership for Japan.

- **Failing states and humanitarian intervention:** As three of the world's wealthiest and most influential nations, the three countries should work together in stemming the collapse of states in the developing world, especially states which can become breeding grounds for illicit and destabilizing activities on a regional and global scale. This will require greater flexibility and consultation from all parties on questions of sovereignty, intervention, the use of force, and the role of multilateral channels for success.

- **Economic and financial security:** As three of the world's largest and most important economies, and with some of the largest stakes in a successful globalized economy, the three countries would benefit from intensified bilateral and trilateral consultations focusing on combating security threats to the open global trading and financial systems.

Regional security cooperation

- **Regional security mechanisms:** Working together, the three countries should take the lead in introducing more effective regional security mechanisms. This could begin with joint efforts to strengthen the ARF, including the establishment of an ARF Secretariat and enhancing the consultative role of outside experts (such as the Council for Security Cooperation in the Asia Pacific, or CSCAP). Attention to the viability of the ARF is especially important in near to medium term as chairmanship of the group passes to such countries as Laos and Myanmar.

- **Taiwan:** All three countries have an enormous stake in averting conflict and resolutely aiming for the peaceful resolution of differences across the Taiwan Strait. The next one to three years will likely be difficult ones if interested parties do not carefully manage their relations regarding the Taiwan issue. Neglect, mixed signals, mismanagement, and/or miscalculation over this issue, especially by either the United States or China, must be avoided. All three countries benefit from reassurances and confidence-building measures that can be introduced to this difficult dynamic.

- **Central Asia:** The three countries all share a strong interest in the continued political and economic stability of Central Asian states. China has already actively sought this outcome through the establishment of the Shanghai Cooperation Organization (SCO), and should consider regular briefings, consultations, and intelligence-sharing with the United States and Japan over

developments in Central Asia and the SCO and, over the medium term, observer status in the SCO for Washington and Tokyo.

- **Increased military-to-military cooperation and consultation:** Continued, regularized, and more senior dialogue and consultation should take place at both a bilateral and multilateral level among the three countries. Similar to Chinese consultations with the North Atlantic Treaty Organization (NATO), the three parties should consider more formal consultations between China and the U.S.-Japan alliance structure. The defense ministerial meetings under the ARF proposed by China and slated to take place in Beijing next year would offer an opportunity for sidebar bilateral and trilateral discussions about the future relationship between China and the U.S.-Japan alliance.

- **Japan and China** in particular should aim for a more robust and serious security relationship to transcend latent distrust and regional rivalry. The strategic aim should be the kind of political, diplomatic, and economic transformation seen in Franco-German relations in the post-World War II era.

- **China's socioeconomic development and regional security:** China's leadership acknowledges that the country is going through a remarkable and challenging period of socioeconomic change which carries within it the seeds for instability if not properly managed. It is also the case that stability in and around China is a necessary condition for stability in East Asia as a whole. In bilateral cooperative efforts, U.S.-China and U.S.-Japan relations should appropriately acknowledge joint interests in a stable China, and work together to assure a positive transition in China toward greater prosperity, stability, openness, and good governance.

Chapter 1-2
The Iraq War, U.S. Unilateralism, and the International Order

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In any society, a stable order cannot be maintained unless it is supported by some power, supplied by the central government. The international society, however, is in a state of anarchy and lacks any central government. One of the most essential, enduring questions of international politics is, "Who supplies the power to support the international order and how?"

With regard to this question, the Iraq War and its aftermath have brought to light the following three realities in the present international society:

- Only the United States possesses the capability to supply such power to the world. The stability of the international order depends on U.S. power, at least for the time being.
- If the United States uses its preponderant power unilaterally without sufficient effort to obtain international consent, it may easily provoke antipathy among other countries and may lead to deterioration of the international order.
- Particularly undesirable is the case in which the United States uses its power unilaterally but without a firm resolution.

The Present International Order and American Power

The procedure that the United States followed to initiate a military attack against Iraq in March 2003 could hardly be called skillful. As early as the spring of 2002, a year before the start of the war, a vast majority of the American public, both Republicans and Democrats, had already come to share the view that the Iraq problem had to be solved by whatever means, even by resorting to the use of military force. Washington, however, was miserably slow to start serious diplomatic efforts to obtain international support for the U.S. plan to solve the problem. The U.S. government brought the issue to the UN Security Council (UNSC) only as late as September of that year. When it actually started to attack Iraq in March 2003, Washington could claim some legitimacy for that action, because the UN Security Council unanimously adopted Resolution 1441 the previous November. This gave Iraq a "final opportunity to comply with its disarmament obligations," but Saddam Hussein's regime obviously failed to give full-scale cooperation to the UN inspection team. In making the final decision to initiate the war, however, the United States ignored the demand by other countries – including France, Russia, China, and Germany – to extend the period of UN inspections, and unilaterally broke off discussion at the UN Security Council. Such behavior invited severe criticism from the international community as a crude expression of the unilateralistic tendency of the diplomacy of the Bush administration.

Despite such international criticism, however, it was obviously undesirable for the international order to leave the Iraq problem as it was. Since the end of the Gulf War, Saddam's regime repeatedly violated international rules and agreements, including refusals to comply with UNSC Resolution 687, adopted in April 1991. If international society kept ignoring such misconduct it would send the wrong message to countries that are not sincere in observing international rules and agreements, including North Korea.

Moreover, the 9/11 terrorist attacks made the world recognize clearer than ever the danger of acquisition of weapons of mass destruction by rogue states and international terrorist groups. When it became clear that Saddam Hussein was unwilling to cooperate with Resolution 1441 in a truly candid manner, therefore, the international community was forced to find new measures to adopt against him and his regime.

It would have been most desirable for international society if these "new measures" had been carried out under the leadership of the UNSC. In reality, however, the course of events that led to the outbreak of the Iraq War revealed the political incompetence of the UNSC. Among the five permanent UNSC members, the United States and Great Britain were too hasty in resorting to the use of force, but France, Russia, and China were unable to propose any effective alternatives that could lead to the final solution of the Iraq problem. The three countries also expressed little willingness to shoulder the cost of resolving the problem.

France and Russia, in close cooperation with Germany, a non-permanent member state, strenuously objected to the war and insisted on the continuation of UN inspections. The effectiveness of UN inspections, however, depends on the degree of willingness of a country to cooperate. In the case of Saddam Hussein's Iraq, its response to Resolution 1441 raised serious doubts whether the inspections could really lead to the solution of the problem even if they were continued. After all, the effectiveness of inspections in countries with secretive dictatorships is always extremely questionable, as has been clearly shown in the case of North Korea.

It is true that the Iraqi attitude toward the UN inspections began to improve to some extent after the UNSC adopted Resolution 1441. The principal factor that brought about such a change in the Iraqi posture was, however, the pressure of the massive American military deployment to the Persian Gulf region. The financial costs that the United States had to shoulder to maintain such a deployment were enormous. It could not be expected that the U.S. would be willing to keep paying such costs endlessly to support inspections that had only a dubious hope of success. If those countries that insisted on avoidance of war, such as France, Russia, China, and Germany, wanted to earnestly achieve a peaceful solution by continuing the inspections, they should have expressed their willingness to share such costs with the United States. In reality, however, none of them did so.

Under such circumstances, the United States, in cooperation with Britain and others, initiated Operation Iraqi Freedom on March 20, 2003, and defeated Saddam Hussein's regime in only three weeks. In consequence of this war, a government that had

constantly violated international rules and agreements was successfully removed, although the procedure through which the war was started was problematic. According to various public opinion surveys, a majority of the Iraqi people welcomed the collapse of Saddam's regime which had maintained a reign of terror for nearly a quarter century, although many expressed mixed feelings toward the United States.

After all, it was the power of the U.S. that brought about the "resolution" to the problem caused by Saddam Hussein's Iraq. Although France, Russia, and others made sharp and legitimate criticisms to the way the U.S. handled the problem, they were not able to propose any alternative way to solve the problem other than the mere continuation of the inspections. Due to such conflict of opinion among the five permanent UNSC members, it could not function effectively to solve the problem.

The case of the Iraq War demonstrated the importance of U.S. power to the maintenance of the present world order. The preponderance of U.S. military power had already become apparent in its attack against the Taliban and al Qaeda in Afghanistan in the aftermath of the 9/11 terrorist attack. The Iraq War has made it even clearer. The United States also possesses the world's strongest economy. Only through the support of a country with such enormous capabilities will the preservation of a stable international order be possible. The successful conduct of the fight against international terrorist groups and of the prevention of the repetition of mega-terrorism of the 9/11 sort also requires U.S. power and its leadership.

Since the termination of major fighting in Iraq in May 2003, the world has already observed a few examples in which U.S. power had significant effects on the enhancement of the international order. The most remarkable case was Libya's declaration of abandonment of weapons of mass destruction, announced on December 19, 2003. Libya, which was at the top of the U.S. list of "rogue states" for many years, was believed to have already possessed chemical weapons for practical use and was also in the process of developing nuclear weapons. It is clear that Colonel Qadaffi rather abruptly decided to abandon all of these programs and expressed a willingness to cooperate fully with international inspections, because the Iraqi War demonstrated to him the overwhelming strength of U.S. power and the consequences of that power being directed against his country. To the pleasant surprise of the world, Qadaffi not only declared the abandonment of his country's weapons of mass destruction, but also urged North Korea to follow his example. Responding to such moves by Qadaffi, President George Bush expressed a willingness to offer adequate rewards to Libya. That announcement has made it clearer than before the reciprocal nature of the Bush administration's handling of rogue states: it decides whether to apply the carrot or the stick to a specific country at a specific moment depending on the nature of that country's attitude.

The power of the United States has also exercised considerable influence on the ongoing nuclear crisis on the Korean Peninsula. Last summer, the North Koreans, who had repeatedly insisted that the problem of their nuclear weapons development had to be dealt with in direct bilateral talks with the U.S., changed their attitude and accepted the multilateral six-party talk framework that also includes South Korea, Japan, China, and

Russia. It is unquestionable that the principal factor that caused such a drastic change of North Korea's attitude was the policy posture of "dialogue and pressure" that had been taken consistently by the United States together with Japan. By solidly maintaining such a posture, the two allies tried to put constant pressure on North Korea to become serious about the peaceful solution of the problem through multilateral dialogue. It was certain that China also played a significant role as a facilitator of the six-party talks. In order to make North Korea accept the multilateral framework, Beijing's diplomatic pressure on Pyongyang even included an unprecedented three-day cut-off of oil shipments to North Korea in March 2003. It is, however, questionable if China's diplomatic efforts would have been so successful without the U.S. (and the Japanese) pressure on Pyongyang.

Danger of American Unilateralism

These examples all show that today's international society requires American power. At the same time, however, the same international society seems to be somewhat afraid of the same American power. Why?

Many in the world were shocked to see the way the United States initiated the military operation against Iraq. The only "hyper-power" in the world started a war with quite insufficient effort to obtain understanding and consent from others in the world. Since then, there has been a mounting concern throughout international society that the United States, which has become very anxious about its national security after the 9/11 terrorist attacks, may be transforming itself into a self-centered giant who tends to use its mighty muscles whenever and against whomever it wants, irrespective of the views and opinions expressed by other smaller members in international society.

According to the traditional theory of international politics, it is considered extremely dangerous when a state achieves power preponderance that overwhelms others, because no one can control the actions of such a state. A preponderant state may have the option to disregard the rights of other states, without any fear that these states will reciprocate. If there are any signs that indicate the possibility that a state may obtain such power in the foreseeable future, other states should unite their powers together to match it and to prevent it from actually obtaining preponderance. Such are the basic ideas of a balance of power. The United States since the end of the World War II, however, has represented a remarkable exception to the balance of power theory. Except for the communist states that confronted the United States due to differences in political ideologies, most countries in the world have not tried to balance against U.S. power. Rather than exercising caution against U.S. power, they have chosen to follow and cooperate with the United States to maintain the international order backed by American preponderance. Why? The most persuasive answer is that the United States since 1945 has been, despite its overwhelming strength, by and large remarkably cautious, modest, and self-controlled in the exercise of its power. The way the United States initiated the war against Iraq made the international society fear that the Americans might be losing such modesty and cautiousness. From this point of view, the severe confrontation between the United States and other major powers over the Iraq War can be understood as a revival of the traditional phenomenon of balance of power.

However gigantic American power is, a stable international order cannot be formed and maintained by U.S. strength only. The fact that the United States cannot restore peace in postwar Iraq by itself and has to ask international society, including Japan, for support clearly demonstrates this. In the war against terrorism, the top policy priority for the United States, American strength alone is obviously insufficient to produce a desirable outcome. The more the United States relies on unilateral measures to achieve its foreign and security policy goals, the more antipathy the other members in the international society will feel against it and the more difficult it will be for America to get necessary cooperation from others. The detrimental effects of U.S. unilateralism on its alliances can be also serious.

It is important to recognize that unilateralism is not patented by the Republicans or the Bush administration. Observing the developments in the presidential race in the United States, some Japanese security experts are worried that John Kerry, should he become president, may suddenly change the basic principles of U.S. policy toward North Korea without enough consultation with Tokyo or others.

Will the unilateralistic tendency of U.S. foreign and security policies grow further? Or will America try to lead the world with self-control that recognizes the importance of international cooperation and pays sufficient attention to the views and opinions of other countries? The direction of U.S. external policies represents the most significant influential factor for the future state of the international order.

America as an Indecisive Unilateral Power: Nightmare Scenario for the World

The unilateral actions of the world's strongest country may not be so disturbing to the rest of the world if that country possesses a firm resolution to utilize its power to build and maintain an international order that meets its own national interests. Such unilateralism may actually be beneficial not only for itself, but also for other countries, at least in the sense that the world's strongest country unilaterally pays costs to support an international order of some sort. The worst possible scenario is the case in which a preponderant state tends to use its power unilaterally but without a firm resolution. It is extremely disturbing for the international society if the world's strongest power starts military operations unilaterally, but stops them when it gets tired. Such an irresponsible use of military power by the world's strongest state will only bring about confusion and agony to the international society.

If the U.S. handling of the postwar situation in Iraq eventually comes to fit the latter case, it will truly be a nightmare scenario. From this point of view, it is worrisome to observe increasing voices among Americans to demand the early withdrawal of U.S. forces from Iraq, and John Kerry's campaign promise to complete the withdrawal by the end of his first term as president.

Chapter 1-3
The North Korean Nuclear Issue: Implications for Trilateral Relations among China, the U.S., and Japan

By LIN Limin
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Despite their differences, China, the U.S., and Japan share much common ground on the North Korean nuclear issue. The process towards a solution could positively affect trilateral relations if the potential is fully explored.

Common Ground and Differences

There are three goals that the three countries share in resolving the North Korean nuclear problems. First, all want to see a nuclear weapons-free Korean Peninsula and do not want nuclear weapons falling into Pyongyang's hands. Second, all welcome a peaceful solution to the nuclear issue, and third, all would like to maintain strategic stability/balance on the peninsula.

However, obvious differences also exist among the three countries. First, the reasons differ for opposing North Korean possession of nuclear weapons. For the U.S., the major concern is undermining the global counter-proliferation regime. In fact, the U.S. opposition to the North is more out of ideological hatred and its detestation towards the North Korean regime is overwhelming. For Japan, it is mainly a matter of a direct security threat. In addition, Japan is trying to raise its political status in the international arena through participating in regional affairs, such as the six-party talks. For China, the main purpose is to maintain regional peace and stability since it does not feel any direct military threat from the North, owing to a friendly and cooperative relationship. In other words, China does not think that North Korea will target its weapons at China.

These different motivations have resulted in various levels of sincerity and eagerness to resolve the issue. The U.S. played up the issue in the beginning, and judging from its diplomatic practices in 2002, it is not eager to solve the problem at all. The so-called U.S. "flexibility" during the second round of talks is not because of anxiety to reach a solution, but is an election strategy for the Bush administration responding to domestic political pressures. Japan should be the most sincere and anxious country to solve the nuclear issue, at least theoretically, since it faces the gravest direct threat from the North. However, Japan's efforts in the second round of talks implied that it was only interested in solving the abduction issue, in improving political relations with Pyongyang, and in promoting its influence in Peninsular affairs. Japan seems to be indifferent to a peaceful solution of the nuclear issue. It might be that Japan expects to use the North as an excuse for developing its own nuclear weapons if the North acquires nukes in the end. At least we may suspect that Japan wants China and the U.S. to bear the responsibilities while it can reap rewards.

Compared with the other two countries, China is the most eager and sincere one. The unprecedented shuttle diplomacy conducted by China was the catalyst to both the initial three-party talks and the eventual six-party talks. One can argue that none of this dialogue would have taken place without China's efforts.

Although all three countries supposedly advocate a peaceful solution, their level of commitment and behavior toward North Korea widely differ. China is sticking to the peaceful solution principle and has fulfilled its due obligations. In contrast to its peaceful statements, the U.S. has sharpened its military posture from time to time and carried out some concrete military preparations, such as deploying F-111 bombers and earth-penetrating bombs in South Korea, strengthening its long-range strike capability based on Guam, and speeding up the withdrawal of U.S. troops from the 38th Parallel. And Japan, which is supposed to be afraid of direct military conflicts with the North, has been actively advocating surgical strikes against the DPRK. It is definitely less sincere than China in seeking peaceful solutions.

The three countries also have different goals. China hopes that the North Korean nuclear issue can be solved peacefully, and that such a solution will be conducive to the establishment of a security mechanism in Northeast Asia and to regional cooperation, particularly among the big powers. In contrast, the U.S. wants to use the solution to the nuclear crisis to change the North Korean regime, at the same time reinforcing U.S. military and political presence in Northeast Asia. Japan wants to take advantage of the North Korean nuclear issue, deepen its involvement in Northeast Asian affairs, and elevate its political power status.

Solution of the North Korean Nuclear Issue and Implication for Trilateral Relations

The resolution of the North Korean nuclear issue will influence all three sides of the triangle. Although China and the U.S. diverge in approaches, they have stuck to the mainstream of cooperation and put their differences aside. The process of solving the North Korean nuclear crisis has strengthened the strategic mutual understanding and trust between China and the U.S., has promoted their strategic cooperative partnership, and proven that a harmonious Sino-U.S. relationship is mutually beneficial. The peace and stability in the Asia-Pacific will need Sino-U.S. comprehensive cooperation. To a large extent, it is the Sino-U.S. cooperation on the North Korean nuclear issue that made the U.S. side come to the conclusion that present Sino-U.S. relations are the best since the Nixon administration.

In comparison, the North Korean nuclear issue has not significantly affected Sino-Japanese relations. China welcomed Japanese participation in the six-party talks, advocated that this joint effort should extend to creating a Northeast Asian security cooperation mechanism, and called for the termination of the traditional "zero-sum" game among big powers in Northeast Asia, in the belief this would create more favorable conditions for Sino-Japanese relations. However, China's wish is not echoed by Japan. Japan is completely obsessed with the rapid rise of China and the possibility of China overpowering Japan's influence in Asia. Even the North Korean nuclear crisis did not

shift Japan's focus on a rising China. In short, Japan does not feel any urgency to improve its relations with China. This more or less reflects the limit of the island's mind-set and the lack of grand strategic thinking.

As for the U.S.-Japan relationship, the North Korean nuclear issue has had only minor effects, since the two countries have still have different intentions even though they both are patient. Although Washington and Tokyo enhanced their cooperation at the time of the crisis, I believe this was essentially a response to China's increased influence and had little to do with the nuclear issue.

Prospects for the Future

As the three super powers in the Asia-Pacific, China, the U.S., and Japan are the dominant forces in the region. How closely we cooperate will considerably affect the region. We should better study how closely the three can cooperate with one another and how trilateral relations shape the solution of the nuclear issue. In order to promote closer consultation and cooperation among China, the U.S., and Japan over the North Korean nuclear issue, we must promote overall cooperative relations and enhance our mutual trust. Positive trilateral relations will lay down a solid basis for cooperation over the nuclear issue, and the closer we cooperate on this issue, the more strategic confidence we'll have towards one another, and the better our relations.

Therefore, China, the U.S., and Japan should take our due responsibilities as the super powers in the Asia-Pacific and further strengthen our cooperation over the North Korean nuclear issue. This includes continuously advancing the six-party talks, clearly denouncing the use of force, and striving to transform the current multilateral mechanism addressing the North Korean nuclear issue into a regional security cooperation mechanism for Northeast Asia as a whole.

Chapter 2-1
Japan's Perspectives on U.S.-China relations: Where Have All the China Threats Gone?

By Yoshi NAKAI
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The 9/11 incident has brought unexpected calm into the Japan-China-U.S. triangular relationship. The "China threat" argument has subsided and a positive trend in U.S.-China and U.S.-Japan relationships seem to co-exist very well. Does this mean that both Japan and the U.S. have dropped the China threat argument? Are there potential conflicts among the three countries? Will the positive trend in U.S.-China and U.S.-Japan relationships endure when China becomes a "rich and strong" giant in Asia?

This paper examines three Japanese views toward the U.S.-China relationship. Each view understands the nature of the China threat differently and proposes a different policy toward China and the U.S. These views reflect the social, economic, and cultural divides in Japanese society, and their correspondence with social positions or party affiliations has become less clear and much more complicated than during the pre-9/11 era. Due to the divided nature of Japan's views toward this bilateral relationship, this paper argues that Japanese policy toward China and the U.S. is likely to remain cautious, incremental, and conservative.

Below I review the core arguments, the key players, a brief background, and the political implications of each view.

The First View: China Remains a Threat

The proponents of this view believe that the majority of U.S. citizens still do not trust China. Japan and South Korea are the "real" partners of the U.S.; China and Russia are not. To the proponents of this view, it is only a matter of time before China emerges as a "strategic competitor" of the U.S., the pre-9/11 definition of the Bush administration. When that happens, U.S. policy makers will have to confront China threats with added urgency. Until then, however, this view contends, it is politically unwise to provoke China. Dealing with this powerful contender, the U.S. needs extra caution. The U.S. should be ready to face a stronger China and, at the same time, should take time to counter any China threats.

There are at least three groups that promote this view. First, there are people who are pro-U.S. and anti-China. They believe that the liberal democracy of the West, including Japan, and the oriental despotism of China are hardly reconcilable. Their natural ally must be the U.S. There is a trace of Samuel Huntington's the "clash of civilizations" thesis in their argument. One of the vocal advocates of this view, Yayama Taro, a long time political correspondent and the director of the Japan Forum on International Relations, stresses the importance of shared values and morals. The EU

could expand to their eastern neighbors, Yayama indicates, because Eastern Europe had abandoned communism.

According to Yayama, security dialogues in Asia are not going to work despite the geographical closeness of Asian nations. Why not? The reason is quite simple. Yayama declares:

> "Japan shares no spiritual tie (*seishin no kizuna*) with China, South Korea, and North Korea. Japanese warrior's spirit (*bushido*) is well understood in the West and we can understand the Western tradition of knighthood (*kishido*). China has no respect for the spirit of "having the grace to apologize (*isagiyoi*)." Koreans tend to put on airs (*ibaru*) all the time and we can hardly bear it. . . . There is no way to build trust with countries that share no cultural values (*moraru*) and with countries which would not say "thank you" to our money."[1]

Yayama is exceptional in his frankness (*isagiyosa*!) that Japan should distance itself from its Asian neighbors and associate with the West. He is not, however, exceptional in his assessment that the U.S. and China cannot get along too well. At least, he believes that Japan-U.S. relations should remain better than the China-U.S. relations. Yayama's view is shared by influential people in leading Japanese policy making circles, for example, Okazaki Hisahiko, a former diplomat, and the late Sato Seizaburo, a professor of politics at the University of Tokyo.

The second group who hold the "China remains a threat" view represent a more "realistic" standpoint. What matters to them is not values or common spirit but the vital interest of Japan as a nation, that is, national security. The Asian security experts and the security-defense circles in Japan belong to this group. Murai Tomohide, a professor at the National Defense University and one of the advocates of the China threat argument, argues that the most important national interest for a nation is the security of its people. In order to defend this vital national interest, that is, the lives of Japanese people, he continues, the Japanese government should not worry about the economic cost. The vital national interest (security) and non-vital interest (economy) should not be confused.[2]

Although the present danger comes mostly from North Korea, proponents of this view think that China is a potential threat to stability in the Asia-Pacific region. North Korea's military capability is limited. The medium-range North Korean missiles could reach Japan and if they are armed with weapons of mass destruction (WMD), either nuclear or chemical, certainly they could damage Japan. The possible counter measures – perhaps the Japanese version of National Missile Defense – are expensive but possible. China's threat, however, poses quite a different problem. China is huge and growing rapidly. China has nuclear weapons and delivery systems. China has an apparent intention to build a blue water navy. In short, China could cause lots of trouble to Japan.

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[1] Yayama Taro, "There is no equilateral triangle diplomacy among Japan, the US, and China (Nichibeichu no seisannkakukei gaiko ha nai)," The Japan Forum on International Relations Bulletin, Summer 2004. Vol. 11, No. 3.

[2] Murai Tomohide, "Threats of North Korea," *East Asia*. No. 441. March 2004. p. 3.

The majority of the officers in the Self Defense Forces (SDF) share Murai's view on China. In a way, this is natural because most of the officers are graduates of the National Defense University. Beyond that, however, a more vital interest is at stake for the Self Defense Forces. As the threat from Russia dramatically decreased, a new threat must come from somewhere in order to justify the annual budget appropriation to the SDF. It is China – which can pose a variety of problems, from sea-lane defense to territorial disputes – and not North Korea that can replace the Soviet Union as a theoretical enemy of Japan. No matter what happens between China and the U.S., China must remain a "potential" threat to Japan.

There is a third group of the "China remains a threat" view. Unlike the first group, these advocates think that China and the U.S. can cooperate and even strike a deal over security. Such a deal (for example, the 2001 action program against global terrorist activities), they contend, would be a tactical maneuver and a temporary emergency measure. Despite the possibility of those deals and maneuvers, they continue, there is a limit to cooperation. If their vital security interests were violated, both China and the U.S. would take action unilaterally. Taiwan is such a case.

The proponents of this view include those who doubt the genuine cooperation between China and the U.S., and those who favor Taiwan. A representative of the former view is Nakajima Mineo, a long-time China scholar and the former president of Tokyo University of Foreign Languages, and a representative of the latter view is Kobayashi Yoshinori, a famous cartoonist. They are not necessarily pro-U.S. like the first group. They are rather critical of U.S. unilateralism and apparent use of double standards. They admire the embodiment of liberal democracy in Taiwan and support Taiwan's independence. They are popular and are getting latent support from some influential politicians, like Governor of Tokyo Ishihara Shintaro.

The Second View: The China Threat is Old-fashioned

Those who hold this view believe that the China threat argument is passé: the U.S. no longer considers China a threat. Soon after 9/11, the Bush administration made a strategic decision and abandoned the containment of China. Since then, the U.S. has been happy with China's cooperation and has been helping China's modernization program, the so-called "peaceful rise" (*heping jueqi*). China no longer poses threats but provides opportunities.

According to this view, both China and the U.S. changed their policies toward each other in 2001. The U.S. shifted its policy toward China from that of "competitor" to that of "partner," first in June, right after the U.S. reconnaissance plane crash incident, and more definitely in September, right after 9/11. For its part, this view suggests, China decided to open its domestic market further to foreign investors and started to commit itself more aggressively to multilateral arrangements, such as the UN, APEC, and ASEAN. China's return to the World Trade Organization (WTO) in 2001 with U.S. support was a watershed.

It is usually business people who first realized this change. Omae Kenichi, a popular business consultant, is the most famous representative of this view. He traveled to China extensively in 2001 and compiled a TV series, "The China Impact." His book became a best seller. He stresses that the China market is full of risks like the wild West of the U.S. in the 19th century, but is now open enough for Japanese companies to invest. Judging from the huge potential of the China market and the Chinese government's support of the reform-and-openness policy, he argues, Japanese companies must come to China, or be left out. There is no choice. It is a "participate or perish" situation.

Those in the Japanese government who supported China's entry in the WTO also endorse the same line. Tsugami Toshiya, for example, spent a few years at the Japanese embassy in Beijing and coordinated China's WTO entry. Now he works at the Research Institute of Economy, Trade, and Industry, a ministry think tank. He contends in his 2003 book, *China Has Risen (Chugoku Taito*), that the Asian economies are quickly integrating into a huge body. Tsugami warns that Japan may be left behind unless it finds a way to work with this *de facto* economic integration. The central player of this integration is, he continues, no longer Japan but China.

Witnessing the economic boom in China, no wonder the business leaders of major Japanese companies want to jump on the bandwagon. The most influential advocate of this view, however, is Prime Minister Koizumi. At the Boao Forum in April 2002, Mr. Koizumi declared:

> "Some see the economic development of China as a threat. I do not. I believe that its dynamic economic development presents challenges as well as opportunities for Japan. I believe a rising economic tide and expansion of the market in China will stimulate competition and will prove to be a tremendous opportunity for the world economy as a whole."[3]

It is worth noting that in this statement there is no trace of the often quoted hawkish attitude of our Prime Minister toward China. The word "challenges" may indicate unsolved problems, such as the Prime Minister's visits to Yasukuni Shrine and historical issues.

The Third View: It is the U.S. that Threatens

The third view considers that it is the U.S., and not China, that poses a greater threat. In this view, the post 9/11 Bush administration is extremely dangerous. It can take a unilateral action ignoring regional stability. It can form a new set of "coalition of the willing" disregarding the existing security frameworks. One possible scenario is a strategic alliance between China and the U.S. Once this happens, Japan is likely to be left out. In order to avoid that fate, Japan must formulate coalitions with China as well as with other Asian neighbors.

[3] http://www.mofa.go.jp/region/asia-paci/china/boao0204/speech.html

There are two versions of this view. Terashima Jitsuro, a long time businessman turned consultant/professor, argues that the "neo-conservative" thinking of the Bush administration causes trouble for Japan. The logic of power advocated by the Project for the New American Century, Terashima continues, will disrupt the economic growth of the U.S. and the world sooner or later. In contrast to the growing importance of the Chinese economy, he points out, the economic importance of the U.S. to Japan is steadily decreasing. In 2002, China's share of all Japanese imports surpassed that of the United States Terashima predicts that China's share (including Hong Kong) of Japanese exports will also surpass the U.S. very soon, perhaps in 2004.

As the most important trade partner is shifting from the U.S. to China, Terashima argues, Japan must shift its policy priorities from the U.S. to China. Japan should expect, he contends, growing competition with the U.S. over the new market in China. As major American companies have already been expanding their business in China, Japan must follow. Such a move to China will never be too early or too small.[4]

The other version of this view comes from Morishima Michio, a famous economist who passed away recently. Morishima observes that the Japanese economy since the 1980s has been in such miserable shape that there is little prospect for recovery. Morishima argues that Japan simply missed a chance to initiate a "Thatcher-like" reform, and now, with the dwindling population and increasing competition, Japan must work hard for its own survival. The only hope for Japan is the formation of a Northeast Asia community.

Morishima's proposal is apparently modeled after the experiences of the EU. To Morishima, who was a long-time resident in London as a professor at the London School of Economics, the EU experience is worth emulating in Asia. China and Japan fought a war. Yes, but so did France and Germany. The only problem of this approach is, Morishima points out, the deep rooted sentiment in the Japanese society which favors the U.S. and despises China.[5]

Summary and Conclusions

No single view overwhelms the others. There is little, if any, communication among the groups who hold these views. The present Japanese government has no political power nor will to risk any clear-cut policy. As a result, the actual policy of the Japanese government toward the U.S.-China relationship tends to cover a lot of ground and becomes compromising.

[4] Terashima Jitsuro, *Kyoi no America Kibo no America* (America as a threat, America as a hope). Iwanami, 2003.
[5] Morishima Michio, Naze Nihon ha botsuraku suruka (Why Japan declines?). Iwanami, 1999.

Chapter 2-2
U.S. Perspectives on Japan-China Relations

By Brad Glosserman
Pacific Forum CSIS

From the U.S. perspective, the Japan-China relationship is complex and becoming even more so. There is increasing interaction between the two countries at every level, and there are seeds of both competition and cooperation. It is impossible to determine how the relationship will evolve. Without wanting to sound alarmist, supporters of the relationship must redouble efforts to ensure that cooperation prevails and that tension does not define relations between Asia's two leading powers.

At the level of *high politics*, the relationship is solid. The two leaderships have regular meetings on a variety of subjects and at many different regional and international forums. Prime Minister Koziumi Junichiro met with Prime Minister Wen Jiabao at the ASEAN+3 summit last October, and the Japanese prime minister met with President Hu Jintao at the Asia Pacific Economic Cooperation (APEC) summit that was also held in October. The foreign ministers met most recently at the Asian Cooperation Dialogue (ACD) meeting in June 2004, but they confer regularly. The two countries resumed their vice minister-level defense dialogue in January 2004, and there are regular parliamentary exchanges and visits, some of which include former ranking government officials (including prime ministers).

At the same time, it is notable that there was no official visit last year by either country's leader to commemorate the 30th anniversary of the normalization of the bilateral relationship or the 25th anniversary of the Sino-Japanese Treaty of Peace and Friendship. In fact, no supreme Chinese leader has visited Japan since Jiang Zemin's contentious 1998 visit; the last Japanese prime ministerial visit occurred in October 2002 by Mr. Koizumi in Beijing, in advance of the APEC meeting in Shanghai.

Since then, the primary obstacle to further summitry is Prime Minister Koizumi's repeated visits to Yasukuni Shrine. Chinese officials have made it abundantly clear that such visits are an impediment to improving official bilateral relations, pointedly raising the issue at the ACD meeting when Foreign Minister Kawaguchi Yoriko asked for "positive consideration" of a state visit to Japan by State Councilor (and former foreign minister) Tang Jiaxuan. Koizumi continues to visit the shrine, nevertheless. He understands the impact of the visits, but he will not let that stop him from honoring Japan's war dead. The burden appears to be on China to decide if it will continue to protest and allow this obstacle to persist.

At the *grassroots* level, the numbers are encouraging. In 2003, 2.25 million (of China's 7.26 million Asian) visitors came from Japan, making Japan the number one source of tourists to China. Those numbers have shown a steady increase since 1999, despite a dip in 2002 as a result of SARS. Some 452,000 Chinese visited Japan in 2002. There are more than 70,000 Chinese students in Japan as of May 2003, a 21 percent

increase over the year before, and they account for 64.7 percent of foreign students in Japan. There are a little over 13,000 Japanese students in China. There are over 220 sister-city relationships and an expanding number of nongovernmental organizations working on a variety of topics and issues in the bilateral relationship.

Survey research suggests these exchanges have a lot of opinions to change. A 2003 year-end survey showed 28.4 percent of Japanese think relations with China are good/very good; 31.5 percent say bad/very bad, and 30.4 percent could not judge (the remainder didn't answer). One survey (Horizon, cited in the *Financial Times*, March 27/28, 2004) found that 93.1 of Chinese "netizens" (internet users) do not like Japan. Since most internet users are relatively young, those results imply tough times lie ahead for bilateral relations. Similarly, the most negative attitude toward China is found among young Japanese, who don't feel personally responsible for events that occurred a half-century ago. To provide one anecdote, at a conference this year that compared views of the Pacific War among Japanese, Chinese, and Western military historians, a young Western-educated Japanese academic explained that he knew that Japan invaded China and that it was a war of aggression, but he resented the need to begin every discussion with that fact. He wondered what China's point was for doing so and pointedly asked if there was an ulterior motive.

A quick review of newspaper headlines provides an explanation for why there are so many negative views. Chinese point to the orgy that Japanese businessmen held in a Zhuhai hotel in September 2003. The next month, a skit by Japanese students at Xian University offended Chinese sensitivities and caused an uproar. Japanese identify the incident at their Shenyang Consulate in May 2002, when Chinese police entered the premises and dragged away North Korean refugees seeking asylum. More recently, there have been several crimes in Japan, most notably a murder in Fukuoka in June 2003, committed by Chinese. In short, negative stereotypes of the other are easily confirmed.

During our conference we were treated to a powerful display of Chinese sentiment. During the Asian Cup soccer tournament, hosted in China, Japanese teams were roundly booed by Chinese spectators, some of whom jeered during the Japanese national anthem. There were confrontations between Chinese and Japanese fans after one of the games. When Japan defeated China 3-1 on several disputed calls in the final, there were large demonstrations in the streets. Press coverage in the Chinese media (at least that which was in English) criticized Japan for blowing the incidents out of context.

Economic relations are positive. Chinese statistics show the trade volume between the two nations topped $130 billion in 2003, an increase of 30.4 percent from the previous year, and two-way trade is expected to exceed $150 billion this year, marking six years of continuous growth. Last year, China was the biggest exporter to Japan, providing 18.3 percent of total Japanese imports. Japan's exports to China reached Y6.6 trillion in 2003, a 33.8 percent increase, making the mainland Japan's second largest export market.

After complaining of the "China threat" to Japan's economy, Japanese businesses now recognize that the economic relationship is a "win" for both countries. China's growth has become the engine of Japan's own recovery: much of Japanese growth is attributable to exports to China, which grew 42.8 percent in 2003. Expanding Japanese investment in China – $5.2 billion in 2002 – is linking the two economies ever tighter.

Yet as Japanese analysts highlight increasing integration, Chinese analysts note that Japan is playing a less important role in China's economy. Sino-Japan trade constituted 23.6 percent of China's foreign trade in 1985 but it fell to 15.7 percent in 2003. Only 13.6 percent of Chinese exports were shipped to Japan that year, following the U.S. and the EU. A similar trajectory is visible when looking at Japanese investment in China. Foreign direct investment in China from Japan in 2000, 2001, 2002, and 2003 increased by 32.3 percent, 43.6 percent, 22.2 percent, and 65 percent respectively. But Japanese capital is shrinking as a share of total foreign investment in China: Only 7.9 percent of foreign capital actually used by China was from Japan in 2002, compared with 14.4 percent in 1990.

Economic relations also create friction. China and Japan have accused each other of dumping various products in each other's markets (the list runs from tatamis to optical fiber). One Chinese analysis blamed Japanese television manufacturers for being behind U.S. anti-dumping claims against China. Another issue is the construction of a Beijing-Shanghai high-speed rail line. Japan has been invited to bid on it, but reports of public pressure to deny the Japanese bid – because of the history issue – have caused irritations in both countries.

Overseas Development Assistance (ODA) has become another issue. China has typically ranked among the top three Japanese ODA recipients. Yet, for the last three years, Japanese aid to China has been decreasing. Those cuts reflect increasingly tight budgets at home, a sense that Japan has not received recognition in China for its assistance, and growing unease about giving money to a country that appears to threaten Japan with its military and even provides assistance of its own to other countries.

One critical dimension of the entire relationship concerns *energy*. As energy demands increase, Japan and China find themselves in an intensifying competition for stable and secure supplies. China has overtaken Japan as the world's second largest oil consumer, after the U.S. It is forecast that by 2030 China will import 80 percent of its energy needs (up from 34 percent in 2002). Japan currently imports about 80 percent of its energy.

In addition to the well-known attempts to prevail in the bidding for an oil pipeline through Russia – a competition that Japan currently seems to be winning – both Beijing and Tokyo have been negotiating with Tehran to win development rights to oil fields in Iran.

Yet energy is a field in which the two countries (and others) should be cooperating. In a 1998 Joint Statement, the two governments agreed to "promote cooperation in such areas as the promotion of energy-related infrastructure development including power plants, the energy conservation policy and measures, and the development and use of clean energy," and said they would support "joint researches on energy and its related fields by the industrial sectors and academic institutions of both countries." At the ACD meeting in June, the foreign ministers from the "plus three" nations agreed to focus on cooperation on energy issues. The two governments could lead that process toward the adoption of strategic reserves and other market stabilizing mechanisms. China and Japan could even consider security cooperation since they are both reliant on the same shipping lanes.

The energy competition creates other wrinkles in the relationship. For example, the need to secure energy resources intensifies territorial disputes. Some claim that the Chunxiao gas fields in the East China Sea extend into Japan's exclusive economic zone (EEZ), which makes the presence of survey ships more contentious. Last month, the Japanese Defense Agency had counted 25 Chinese vessels in Japan's EEZ since the beginning of the year, in contrast to eight such ships in 2003.

There are several root causes of the tensions in the relationship. One is history. Chinese claim that Japan has not sufficiently apologized for its behavior during the Pacific War. The visits to Yasukuni Shrine keep this scar open, as do the ongoing territorial disputes. For China, Japan's unwillingness to accept Chinese complaints is proof of arrogance, indifference, or in some extreme cases, a readiness to repeat the past. (This view is rare and is balanced by Chinese who believe Japan is a very different nation from that of a half century ago. Neither view is mainstream, however.) It is hard to tell where historical sensitivities become or exacerbate normal nationalist or patriotic sentiments.

There is "new thinking" (*xin siwei*) in China regarding Japan. We discussed this topic at our last meeting. Yet attempts to develop this approach have been met with undisguised hostility in China, demonstrating the sensitivity of the topic.

Some Japanese, particularly younger Japanese, see ulterior motives in China's criticism. As the young Japanese historian noted above, the rhetoric smacks of an attempt to keep Japan on the defensive.

A more elusive factor is the competition among China and Japan for leadership in Asia. Neither government is willing to acknowledge this (at least not in such crude terms), but that appears to be happening as an Asian community is emerging, primarily within the ASEAN Plus Three process. The proposals for economic relationships and the attempts to build new diplomatic relationships with ASEAN – exemplified by the ratifications of the ASEAN Treaty of Amity and Cooperation – are evidence that the two governments are eyeing each other in their diplomacy. From the U.S. perspective, China seems to be setting the agenda and Japan is reacting.

No Asian government wants to be forced to choose between Japan and China. They may welcome some competition to boost their bargaining power, but open confrontation or tension is to be avoided. Cooperation is preferred. And as the foregoing makes clear, there are sufficient common interests for the two to cooperate.

Energy is an excellent starting point. The two governments could be working to stabilize and secure energy supplies for themselves and the region. Cooperative development of regional energy supplies is one possible avenue.

Energy could also provide a foothold for cooperation on another key issue: North Korea. Japan and China (like all other countries in the region) have an interest in seeing that North Korea abandons its nuclear weapons ambitions and rejoins the Nuclear Non-Proliferation Treaty regime. Part of any eventual deal will include energy supplies to the North. Since both countries have provided energy in the past and are likely to do so in the future, Beijing and Tokyo should be coordinating policies to maximize their leverage with Pyongyang.

A successful diplomatic initiative, especially one with such obvious implications for regional security, could stimulate other efforts in security affairs. The two governments have cooperated on programs to stem the proliferation of weapons of mass destruction (they have held export controls workshops). In addition to advancing regional security specifically, these efforts can also serve as bilateral confidence building measures; such programs have taken on increasing significance in the wake of continuing force modernization by China and Japan's new approach to security affairs. Continuing Chinese efforts, like the one last month, to prevent nationalists from landing on the disputed territories would also help keep passions under control and would serve as another confidence building measure.

Another avenue for cooperation concerns the legacy of the Japanese Imperial Army in China. During our conference, there was yet another discovery of chemical munitions from the Japanese occupation of China, which resulted in the deaths of two boys. Japan has been working with China to locate the thousands of tons of chemical weapons (the exact amount and locations are unknown), but accidental discoveries and deaths still occur with saddening regularity. In addition to funding the location and cleanup of those sites (and indemnifying individuals injured when weapons are found), Japan could try to educate farmers and peasants so that they know what to do when they come across the munitions. China could also do more to publicize Japanese efforts to clean up those weapons.

As a final thought, it is worth asking what each country "expects" of the other. This question should be examined both for the answer and for what it reveals about the *demandeur*. For example, at a previous meeting, we asked what Prime Minister Koizumi could say during a visit to Yasukuni Shrine that would assuage Chinese concerns about his intentions. We never got an answer. At another conference, a Chinese sociologist argued that one problem for the China-Japan relationship is the fact that both countries expect the other to "understand" its own thinking because of their shared culture, etc.

When one country doesn't do as the other wants or expects, the anger and frustration is amplified. (This explanation applies to both business affairs and diplomacy.) These implicit understandings have to be made explicit if the bilateral relationship is to move forward without continually stumbling.

ADDENDUM

One topic that was not addressed in the original version of this paper was Taiwan. For the most part, the issue is not a visible irritant to the bilateral relationship. Viewed from the outside, Japan is a strong supporter of "the one-China policy," and when Taiwan does come up, it is usually raised within the context of U.S.-Japan-China relations. Taiwan has been an issue in the recent past, especially when Lee Teng-hui was president and he sought to build on his personal ties to Japan to strengthen the relationship between the two governments.

Historically, Beijing has worried that Tokyo would fill any vacuum created by U.S. attempts to distance itself from Taipei. Most Americans find that argument hard to believe given Tokyo's official China policy and worries about Japanese security policy vis-à-vis Taiwan within an alliance framework. (Bluntly put, some in the U.S. wonder what Japan would do in a Taiwan contingency if called on by the U.S.; the notion that Japan would shoulder any burden alone is pretty far fetched.) Yet discussions at our conference and at a subsequent meeting revealed growing Chinese concern about Japan's relations with Taiwan. Burgeoning economic, social, and political – not official – ties worry many Chinese and serve as another obstacle to the Japan-China relationship.

Chapter 2-3
The Evolving US-Japan Relationship and Its Prospects: A Chinese Perspective

By YANG Bojiang
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U.S.-Japan relations have undergone significant change since 9/11, mainly in the security field. During the Afghanistan and Iraqi wars, Japan promptly offered the U.S. maximum support and cooperation. In this "new situation" of the asymmetrical threats from terrorism, current U.S.-Japanese cooperation has gone beyond the scope set forth in the 1990s when the two redefined their alliance, needless to mention the Cold War framework. Addressing "the situation in areas surrounding Japan" together with "the new situation" of the terrorist threat has become the highlight of U.S.-Japan security cooperation, symbolized by joint development of the missile defense system.

The process of the U.S. and Japan enhancing their security cooperation is the same process that has allowed Japanese defense strategy to break through previous limits. Although Prime Minister Junichiro Koizumi, who won the election by advertising himself as a pro-reform politician, has accomplished little reform, he did achieve strengthening the alliance with the U.S. and breaking through domestic legal restraints. At the time of the Afghanistan and Iraqi wars, Japan not only passed the Anti-Terrorism Special Measures Law and Special Measures Law for Iraq, but also sent troops to the battlefield for the first time since World War II.

To maintain and improve the U.S.-Japan alliance is the mainstream public opinion in both countries; however, criticisms and doubts still remain. On the U.S. side, there are both suspicions of Japan's motivation and discontent toward the Bush administration's Japan policy. Considering this is an election year in the U.S., the above fact will have special domestic political implications. In October 2003, the *Christian Science Monitor* carried an article urging the U.S. to guard against a strong Japan. The article stated that Japanese assistance in Iraq had quieted American criticism of Japan's exchange rate policy, for which the U.S. paid a high economic price. Agreeing on providing assistance to Iraq, the Japanese government actively interfered with the foreign exchange market in Tokyo, devaluing the *Yen* through dollar purchases. The resultant strong dollar raised the cost of American exports, causing exports to decline and unemployment to increase, and weakened the U.S. manufacturing sector.

Secondly, America worried about the strategic consequence of an expanded Japanese security role. The above-mentioned article also warned readers that Japanese military actions in Iraq would improve the military readiness of Japan; after gaining experience in Iraq, Japan would be able to pursue a more independent course and abandon the previous guidance from the U.S. It asserted that the Bush administration hoped that Japan would become a military power because it believed Japanese troops could serve as a proxy for U.S. troops in dangerous areas. Even if Japan no longer needs

U.S. defense, Tokyo would remain a loyal ally. However, many Japanese policy makers have indicated deep concern about the U.S. unilateral style and overwhelming power. The CIA report entitled "NIC 2010 Project," which projected what would happen to each region in the world by 2020, even mentioned the possibility of a nuclear-armed Japan in the future.

Compared with the United States, Japan's sentiments, attitudes, and critical perspective of the Japan-U.S. alliance is far more complicated. Although a poll showed that about 70 percent of Japanese are in favor of the Japan-U.S. Security Treaty, public opinion among ordinary Japanese and opposition parties are quite unsatisfied with the Koizumi government catering to the U.S. This can be seen from the parliamentary election results held last July. In December 2003, the *Tokyo Shimbun* serialized an article under the title of *Turning Point of Post-War Japan – SDF Going to Battlefield*, which said in part, the "explanation given by the Koizumi government of sending troops to Iraq is both cheating and self-deceiving. The next goal is to draw up permanent legislation to allow dispatching the SDF abroad at any time and the ultimate goal is to legitimize the execution of the collective defense right, which is banned by the current Japanese Constitution." It is widely believed among political critics that in time Koizumi will completely abandon the *Pacifism and Democracy* observed by Japan since the end of World War II.

Japan is deeply concerned with U.S. unilateralism, and worries that Japan will be deprived of independence, by fixing itself onto the U.S. strategic track and gradually become the beachhead of U.S. forward deployment in Asia. Amusingly, Japanese criticisms are often aimed at their own government, not the White House. The Koizumi government is labeled as the pawn of President Bush, who puts the U.S. above the UN and ensures Japan changing politically, economically, and militarily according to Bush's wishes. "The Koizumi cabinet has a similar nature as those cabinets during the occupation period after World War II – it seems to be entitled to independence and self-determination but actually can never take actions against American will."[6] In November 2002, the Task Force on Foreign Relations for the Prime Minister submitted a report entitled, *Basic Strategies for Japan's Foreign Policy in the 21st Century: New Era, New Vision, New Diplomacy*, which advocated that "Japan must undertake a comprehensive reexamination of its relationship with the United States…while upholding objectives common with the U.S., (Japan) must have its own axis of coordinates and engage in diplomacy that is complementary to that of the U.S."

Like President Bush, the economic and financial policies of Prime Minister Koizumi also became targets for domestic opposition. Koizumi is accused of sacrificing the Japanese economy to cater to Bush by implementing financial policies that worsened deflation.

As a matter of fact, although U.S.-Japan cooperation is close and profound, they are far from abandoning vigilance towards and reassuring each other. Some Americans are still suspicious of Japan's *unvoiced* resentment, believing the Japanese will only keep

[6] Morita Minoru, *Jiji Kaisetsu,* April 6, 2004.

publicly silent as long as they are still strategically dependent on the U.S. However, certain Japanese officials did publicly claim "we may exchange our views with America more candidly if our military strength increases." Still, some Japanese doubt the American intention of incorporating Japan into theatre missile defense, believing the U.S. wants to further prevent Japan from achieving strategic independence. Maybe this is the essential difference between the U.S.-Japan relationship and the U.S.-UK relationship: the *unnatural* and *postnatal* U.S.-Japan relationship needs special efforts and care to survive and develop.

U.S.-Japan cooperation within the alliance framework will be affected by different factors in the near-, medium-, and long-term future. In the near future, domestic political developments in both countries will affect U.S.-Japan cooperation. The status quo of the U.S.-Japan relationship is interwoven with the personalities of Mr. Koizumi and Mr. Bush. After the July election, Koizumi lost his cohesive force inside the Liberal Democratic Party (LDP); in the United States, the Democratic Party's offense has become stronger. If Mr. Kerry wins the presidential election, it will turn out to be a destabilizing factor for the Koizumi government, because Mr. Kerry differs from Mr. Bush in the kind of global role the U.S. should play, and this will reflect on new U.S. policies toward Japan, Asia, and the Middle East. Kerry also opposes missile defense and current U.S. trade policy. For example, in the platform passed by the Democratic Convention in July 2004, there are only a few words about the U.S.-Japan alliance.

In the medium term, the redeployment of U.S. troops in South Korea will affect U.S.-Japan cooperation. The U.S. is speeding up redeployment in South Korea, reducing troops by 12,500, including 3,600 soldiers who will be sent to Iraq shortly. If Japan is left as the only Asian country accommodating a large number of U.S. troops, the Japanese government will face unbearable domestic political pressure. In fact, the issue of Okinawa, where three quarters of U.S. forces in Japan are stationed, and the revision of the Status of Forces Agreement, still remain unsolved. These issues are lurking underneath the momentum of recent enhanced U.S.-Japan cooperation.

In the long term, the power distribution between the two countries and their policy coordination regarding specific countries, regions, and the UN will affect their cooperation. Recently the Strategic Studies Institute of the U.S. Army War College published an article that provided three policy options for the U.S. government regarding Japan: first, to maintain the asymmetrical power structure by ensuring Japanese long-term dependence on the U.S.; second, to rapidly cede substantive power to Japan by reducing U.S. forward deployment, leaving Okinawa and finding a new base in the Western Pacific; and third, to follow a middle way. I believe the U.S. needs to share power with Japan, accepting losses while upholding the leadership.

Whether or not Japan can introduce a successful Asian policy is another strategic factor shaping the U.S.-Japan alliance in the future. Koizumi's foreign policy toward Asia is following a "dot" pattern; he lacks comprehensive planning. The Japanese government must understand that the premise for Japan insisting on its positions to the U.S. is for Japan to sustain considerable regional influence and visibility. In other

words, Japan is a valuable ally only when rooted in East Asia; an isolated Japan deviating from East Asia is worthless for the United States.

Chapter 3-1
China and East Asia Cooperation

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From 1997 to the present, ASEAN initiated and has dominated the process of East Asian cooperation through the framework of ASEAN+3 and 10+1(ASEAN plus China). China is the most active participant and driving force of this regional multilateralism. I would like to outline China's interests and new agendas, as well as the opportunities and challenges in the process of regional integration. I will then provide some suggestions for a stronger foundation for U.S., Japan, and China relations in the field of East Asia cooperation.

China's Interests in East Asia Cooperation

China's interests in East Asia cooperation is a combination of domestic and foreign interests. In the domestic arena, it helps to advance China's "go west" development strategy, which it hopes to tie in more with the ASEAN economies, and the recovery of Northeast China, which it hopes to tie in with the economies of Japan and South Korea. The goal of the Shanghai Cooperation Organization (SCO, or Shanghai Six) group is to enhance the security and development of Northwest China. Premier Hu Jintao and Vice Premier Wen Jiabao consistently emphasize that China cannot develop without Asia.

In the foreign arena, East Asian economic cooperation is one part of China's good neighbor policy. The last 13 years may be the best era ever for China and its Southeast Asian neighbors. This was the period when China began to learn and use multilateral approaches with ASEAN countries, evidenced by China joining the ASEAN Free Trade Area (FTA) initiative and the Treaty of Amity and Cooperation (TAC), reflecting the strategic partnership between the two sides. Most importantly, China's engagement in these mechanisms can lead Myanmar and North Korea to the road of openness and reform. Myanmar has already shown interest in the Greater Mekong Sub-region (GMS) project and other cooperative mechanisms. There are fewer signs of interest from North Korea. But when these countries feel safer than before, they will advance their integration efforts.

East Asian cooperation is also a part of China's Asian cooperation strategy, as reflected in the top leaders' policy speeches in recent years and the smooth development of 10+1 and Shanghai Six.

Fourthly, East Asia can balance the regional bloc of North America, as well as all of the Americas and the EU. Both the EU and the North American Free Trade Agreement (NAFTA) exclude East Asian countries, and it is rational for an East Asian bloc to exclude the U.S. or EU. In short, China must have its own reliable regional cooperation organization.

The New Agenda of China's East Asia Cooperation Strategy

The near-term goal for China and some other East Asian countries is to turn the informal ASEAN+3 mechanism into a formal East Asia Summit. The future East Asian Summit will be a evolution of ASEAN+3 and will maintain the dominant role of ASEAN.

One of the middle-term goals is the integration of Northeast Asia. Although the total gross domestic product (GDP) of China, Japan, and Korea is more than two-thirds of East Asia, there is no free trade agreement among them. The other mid-term goal is cooperation in the field of non-traditional security issues such as energy, food, public health, the environment, sea-lanes, transnational crime, and so on.

The long-term goal is to create the East Asian community. This will be a comprehensive cooperation combining economics, security, culture, and society. One of most important aspects is the identity-building of East Asian consciousness.

Opportunities and Challenges for China

Opportunities. China will play the role as a main driving force for a long time. In comparison to Japan, China is the new engine of the Asian and world economies. China has more willingness to engage in East Asian cooperation than Japan. Japan just follows in the steps of China; even the latest Japan-ASEAN East Asian community agreement signed at the end of 2003 is like an empty basket. Most East Asian countries are developing ones, and China is the largest one. China wants to stand for and integrate with them in the international arena, such as in the World Trade Organization (WTO). Meanwhile, Japan's national strategy is still not very clear: is it an Asian country or Western one?

On the other hand, China's policy of multilateralism is accepted by other countries. China has learned how to utilize multilateralism effectively from many recent experiences: APEC, ARF, 10+3, 10+1, Shanghai Six, Asia Boao Forum, Asia Cooperation Dialogue, the Asian financial crisis, the SARS crisis, and the bird flu crisis. Many years ago, America believed a China integrated into the global system was good for the whole world. It is now coming true. ASEAN countries believe they can not only satisfy China's desire to engage in East Asian affairs, but also balance China in the framework of multilateralism. Ten years ago, the "China threat" theory was dominant, but now there is the theory that China means "opportunity."

Challenges. The biggest challenge is from China itself. Tension in the Taiwan Strait is at the top of the threat list in this region. Also, China cannot be the economic leader just because of its low level comparison to Japan. It will take a long time to link the domestic system with the regional one. And regional cooperation is still a game of upper-level elites in China; it is not yet noticed by the common people.

The second challenge is that China and Japan have not formed a strong common spirit of regional cooperation, although their respective roles and influence in this region are supplementary for all of East Asia.

The third challenge is the uncertainty of America's strategy toward East Asian cooperation. America is still the most influential power in this region. Its strategy toward North Korea and the Taiwan Straits will change the direction of East Asian cooperation, and it can affect the cooperation process through its alliance relationship with Japan, and through FTAs with some ASEAN countries. But right now, there is never any word on East Asian cooperation from America.

Toward a Stronger Foundation for U.S. Japan and China

Although the U.S. is not a party to East Asian cooperation, it still has a lot of common interests with China and Japan in this field. A stronger foundation for the three powers is good for regional cooperation.

My first recommendation is to make the concept of openness clear. All of the participants in East Asian cooperation agree that openness is an important principal for this multilateralism, but there is not yet a specific agreement on what this means. My suggestion is that America, Russia, India, Australia, and New Zealand can be some kind of dialogue partner in East Asian cooperation. The issue of East Asian cooperation should also be a subject for Sino-U.S. bilateral talks.

Second, Japan and China can improve their relationship by helping the whole region's development. The two countries should encourage ASEAN to launch an East Asia Energy or Maritime Security Summit in 2004 or 2005. In addition, China should invite Japan's prime minister to attend the 2nd GMS Summit in 2005.

Chapter 3-2
Competing Concepts of "East Asian" Regionalism

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Introduction

For many decades Asians have been searching for a region to identify with. In the 1960s, some Asians found "Southeast Asia" as their identified region, which contributed to enhancing cooperation through ASEAN. In the 1980s and 1990s, almost all Asians found "the Asia-Pacific" as a region they could identify with, resulting in the institutional formation of Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF). Now they are looking for another region: East Asia. Indeed, in the aftermath of the Asian financial crisis, the ASEAN+3 (ASEAN plus Japan, China and South Korea, or ASEAN Plus Three, APT) has been consolidated and institutionalized, although the APT process began as a modest undertaking.

The governments of East Asia have been eager to promote regional cooperation under the framework of the APT. Japan, in addition to providing large financial support to the Asian economies affected by the Asian financial crisis, has played the key role in enhancing a regional financial architecture during the last few years.[7] Former South Korean President Kim Dae-Jung took the initiative in setting up the "East Asian Vision Group," comprised of East Asia intellectual leaders, to design possible areas for East Asian cooperation. China has also shown its strong willingness to support East Asian cooperation, overcoming a long-held reluctance to join regional multilateral endeavors. ASEAN, facing various domestic and regional difficulties and instabilities, has expected ASEAN+3 to provide new glue that will "re-engineer" ASEAN.

The 1999 ASEAN+3 summit agreed to the "Joint Statement on East Asian Cooperation" that covers a wide range of cooperative areas. Following the Chiang Mai Initiative that was agreed by the ASEAN+3 finance ministers in May 2000, the ASEAN+3 countries successfully concluded bilateral currency swap agreements by May 2001, which are expected to make a substantial contribution to currency stability in the region.[8] It was also agreed at the 2000 ASEAN+3 summit to explore the possibility of an "East Asian Free Trade Agreement" and holding an "East Asian Summit." The leaders agreed to set up an "East Asian Study Group" (EASG) comprised of senior government

[7] Departing from its passive attitude toward Malaysia's East Asian Economic Caucus (EAEC) idea, Japan's active involvement in East Asian affairs since the Asian financial crisis was probably the most critical factor in forging the ASEAN+3. Many have argued that ASEAN+3 is the realization of EAEC. However, the background, concepts, and motives of ASEAN+3 are totally different from those of EAEC.

[8] The swap agreements are quite important, but in order to make them a more credible financing scheme, the number and amount of agreements should increase, but Japan is the only country that has agreed to this. In addition, Japan's request to develop an effective surveillance mechanism has faced opposition by some countries, including China. Currently, an independent surveillance function is provided by the International Monetary Fund (IMF).

officials to explore other possible areas of cooperation.[9] There is some agreement among the countries concerned that the APT will serve as a foundation for "East Asian community-building." The ASEAN+3 also provides a venue for the leaders of Japan, China, and South Korea to have a separate trilateral consultation on issues of common concern.

Have Asians finally come to the end of a long journey of searching for their own identity and region? The purpose of this paper is to analyze the prospect and causes of East Asian community-building by focusing on how East Asians can organize cooperation in the coming years.

First, the paper argues that the international political economy of region-building in the Asia-Pacific is complicated. Although much attention has been paid to East Asian community-building centered upon the ASEAN+3, there are various different movements and ideas, some of which may prevent the APT from developing a truly regional community that can tackle pressing issues in a cooperative and effective way.

Indeed, in spite of various calls for East Asian cooperation, there are serious competing ideas of what this means. It will be a huge task for the countries to reconcile these and move ahead to the construction of a single East Asian regional institution.

Second, the paper argues that East Asian countries will, nevertheless, continue to promote cooperation in new areas. Frameworks such as ASEAN+3 will serve as a forum for some joint projects and promote new ways of thinking about problems facing the region, in turn contributing to the socialization process in the region.[10] I will explore whether ASEAN's norms of non-interference, informality, and consensus that have been generally accepted in the region as normative premises for managing regional institutions can produce tangible results, overcoming the major barriers to community-building in East Asia that have to date prevented substantial cooperation in ASEAN, APEC, and ARF.

Third, the paper argues that regional cooperation largely depends upon the stability of domestic governance. It is still uncertain whether Asians can develop domestic governance structures that will be resilient and strong enough to allow more intrusive regional agreements, such as harmonizing domestic regulatory systems.

Fourth, the paper points out that various bilateral agreements, such as free trade agreements (FTAs), may not contribute to the creation of an East Asian community. There is a possibility that East Asia will become a fighting ground among the major players, thereby dividing and fragmenting the region rather than uniting and integrating the region.

[9] The EASG report will be presented at the next ASEAN+3 summit.
[10] On the typology of international regimes, see Oran Young, *Governance in World Affairs* (Ithaca: Cornell University Press, 1999).

The paper concludes that in the foreseeable future, it is quite difficult for East Asian cooperation to evolve into a tightly organized institution of mutually binding rules and behavioral prescriptions that are needed to address the pressing issues facing the region.

In the meantime, global multilateral institutions such as the World Trade Organization (WTO), as well as bilateral relations among East Asian countries and with other countries such as the United States, will continue to define the shape of international relations in East Asia. In addition, given the social, cultural, political, security, and economic interconnectedness across the Pacific Ocean, other Asia-Pacific regional institutions, such as APEC and ARF, will receive more attention in coming years. It may be a bit easier to change the normative foundation in these institutions, rather than "Asia" centric institutions.

An ASEAN-Centered Institutional Network

There is basic agreement that an East Asian community is a long-term objective to be developed through ASEAN+3 mechanisms, and that ASEAN will be the driving force.[11] Thus, for the moment, the real diplomatic fighting ground is over the hearts and minds of ASEAN countries. Tense competition has developed over ASEAN between Japan and China, although they deny this competition. In fact, most of the cooperative projects recommended by the East Asian Study Group (EASG) are of major interest to the ASEAN countries. ASEAN has come back again to center stage of regional institution building.

China and ASEAN. There have been some marked changes in China's approach to Southeast Asia over the past ten years. China first attended the opening session of the annual ASEAN foreign ministers' meeting in July 1991. Since then, China's relationships with ASEAN have widened and deepened, and in the last several years, China laid the foundation for new relationships.

When China took the initiative in proposing a FTA with ASEAN, some speculated that the motivation was largely political, raising concerns among some in the region.[12] Economies that have grown rapidly and expanded their global economic ties normally put top priority on enhancing global economic institutions, rather than regional ones. This was the case for the U.S. in the 1950s-1970s and Japan in the post-war period. Given its global economic reach in terms of trade and investment, it is quite normal for China to enhance global institutions, particularly to implement its WTO commitments. Yet China chose ASEAN as its first partner just after joining the WTO, causing suspicion among countries in the region about China's real intentions.[13]

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[11] See, for example, "ASEAN-China Foreign Ministers' Informal Meeting Joint Press Release," June 21 2004, Qingdao, China.

[12] However, it is still uncertain what an ASEAN-China FTA would entail. The contents of an agreement are yet to be known.

[13] A Taiwanese scholar points out that China's strategy is targeted at Taiwan; since Taiwan has been an important source of FDI for ASEAN, the China-ASEAN FTA could marginalize Taiwan's role in the

China's FTA proposal is just one part of a more comprehensive engagement strategy with Southeast Asia that China has recently launched. It signed a "Strategic Partnership" agreement that agreed to enhance cooperation in a wide range of areas including security and political cooperation. China also signed the Treaty of Amity and Cooperation (TAC), and the Declaration on the Conduct of Parties in the South China Sea in which China pledged self-restraint. China also announced its intention to sign the Protocol to the Treaty of the Southeast Asia Nuclear Weapon-Free Zone (SEANFZ), which ASEAN had long sought. In contrast, the U.S. has been reluctant to sign this treaty.

These measures with ASEAN, in turn, reflect a significant change in Chinese foreign and security policy, which is a higher level of confidence and greater acceptance of multilateralism as a means to ensure growth and security. The most visible example of this policy shift has been Beijing's new engagement with both international and regional institutions. China has been actively participating in the ARF, and established a new security regime in Central Asia, the Shanghai Cooperation Organization (SCO). Both have acted as useful forums to accentuate China's new security concept. The "ASEAN way" that emphasizes consensus decisions, informality, inclusiveness, and voluntarism has been quite advantageous in the sense that it has prevented China from being faced with collective pressure. In the ARF, the ASEAN approach has also allowed China to avoid being confronted with sensitive issues such as Taiwan and territorial disputes in the South China Sea.

China's active engagement reflects a new concept of security, which does not identify a third party as an adversary but embraces the idea of not seeking an enemy. As well, Beijing has advocated increasing political, economic, and technological cooperation as a further means of strengthening ties between states.

The U.S. preoccupation with Iraq and the war against global terrorism have given China an opportunity to expand its role in Southeast Asia. On the surface, China's regional diplomacy is not directed against the U.S. and/or Japan. Yet by enlarging its political and economic space in the region through multilateral forums, China will make it more difficult for the U.S. to enlist regional support against China in the future. Also, by virtue of its membership and cooperation in regional fora, China has assured itself a seat in the conduct of regional affairs. In the long run, China may have a larger ambition of forging and leading an East Asia community, and China's enhanced relations with ASEAN will serve as this foundation.

China's active engagement in regional diplomacy demonstrates that China has finally found the region where China identifies itself. Since its establishment in the late 1940s, the People's Republic of China had defined its place in the *international* context. China once regarded itself as a part of the newly independent Asia-African group and then a representative of the Third World, but had never defined itself in a regional

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region. See Kwei-Bo Huang, *The China-ASEAN Free Trade Area: Background, Framework and Political Implications,* National Chengchi University, 2003.

context. However, this has now changed and will have significant implications for international relations in Asia in the coming decades.

China's deeper engagement with Asia, especially Southeast Asia, has invited similar engagement by other major powers, although they have denied such an "action-reaction" phenomenon.

Japan, ASEAN, and regionalism in Asia. Japan and ASEAN established close and cooperative relations many decades ago. Japan's foreign direct investment (FDI), especially after the 1985 Plaza Accord, together with massive flows of official development assistance to ASEAN countries as well as portfolio investment, has greatly contributed to ASEAN's economic development. Japan-ASEAN cooperation has contributed to constructing new regional multilateral institutions such as APEC and ARF.

Japan had been one of the few OECD countries that did not belong to any regional preferential trading bloc until quite recently. However, the decade-long economic recession and China's active engagement in Southeast Asia have dramatically changed Japan's foreign policy and economic diplomacy.

In the postwar period, especially since the 1960s, Japan has been actively involved in regional cooperation activities in Asia. In the 1980s, Japan took the initiative in launching APEC. While Japan fully supported the global trading system embedded in GATT, Japan had had little interest in trade liberalization in a regional context. In Asia, Japan enjoyed huge trade surpluses and successfully established regional production networks through its multinational companies. Japan had a strong interest in forging close economic relations with Asia, but more so in developing industrial infrastructure and human resources, rather than in trade and investment liberalization.

However, after a decade-long economic downtown and loss of self-confidence in global economic competitiveness, Japan gradually changed its long-held reluctance to regional preferential economic arrangements. The 1999 annual report of Japan's trade ministry for the first time demonstrated a willingness to consider FTAs as an instrument to enhance Japan's global competitiveness.[14] Given Japan's long economic engagement with ASEAN, it was quite natural for Japan to look to ASEAN countries for its first FTA negotiations.[15]

Japan began by negotiating FTAs with individual ASEAN countries. In 2002, it concluded an Economic Partnership Agreement (EPA) with Singapore, and currently FTA negotiations with Thailand and the Philippines are under way. In October 2003, the Framework Agreement for the Japan-ASEAN Comprehensive Economic Partnership (CEP) was agreed, which contemplates an ASEAN-wide agreement in addition to bilateral FTAs. The CEP envisions an integrated ASEAN that will create new business opportunities, based on an assessment that East Asian economies will rapidly grow, the

[14] Annual Report, Ministry of Trade and Industry, 1999.
[15] In order to speed up FTA negotiations, the Japanese Foreign Ministry will reportedly create a new division in charge of bilateral FTAs and appoint a chief senior negotiator soon.

size of the East Asian market will double in the next ten years, that Japanese companies can achieve greater profit, and that Japan needs to enhance its market access and establish common regulations and standards across the region. The CEP is also expected to contribute to restructuring the Japanese domestic economic system.

In addition, Japan signed the TAC and hosted a Japan-ASEAN summit meeting in December 2003 in Tokyo, the first ASEAN summit held outside ASEAN. Japan is eager to further enhance relations with ASEAN, not only in economic areas but in political and security affairs.[16]

Prime Minister Koizumi's speech in early 2002 clearly demonstrates Japan's policy preference for enhanced relations with ASEAN as a foundation for future community-building in East Asia.[17] Japan's approach to ASEAN is on a double track: one is with individual countries such as Singapore, Thailand, Malaysia, and the Philippines, based on the protype of the Japan-Singapore EPA. The second track is with ASEAN as a whole.

The Japanese government circulated a paper at the ASEAN+3 Senior Officials Meeting in Indonesia in May 2004, which proposed three core aspects of "East Asian community building." The first is that ASEAN+3 should continue to involve other regional partners; second, that ASEAN+3 should articulate a commitment to the principles of openness, transparency, inclusiveness, and conformity with global norms. Third, Japan questioned what the fundamental objectives of an East Asia Summit are, and asked for clarification of the difference between the current ASEAN+3 Summit and the future East Asian Summit, if the membership is the same. [18] This reflects deep concerns on the part of the Japanese government on how to organize East Asian cooperation/community-building.

United States. Southeast Asia had remained marginal in U.S. strategic priorities since the end of the Cold War, but the situation changed after the 9/11 tragedy. New military logistical arrangements were agreed and joint military training programs/operations have expanded. The U.S. proposed the Enterprise for ASEAN Initiative (EAI) which includes bilateral FTAs, among other measures, to strengthen ASEAN economies. This U.S. move was designed primarily to counterbalance the rising tide of FTAs in Asia and avoid being left out of the region.

At the same time, the U.S. preoccupation with the war against terrorism and the war in Iraq forced the U.S. to concentrate its policy toward Asia, especially to Southeast Asia, on the narrow aspects of terrorism, thereby failing to develop a more comprehensive approach to tackling regional issues. The U.S. was clearly preoccupied by larger worries on other fronts, not drawn to focus on Asia *per se*. This was clearly shown

[16] The Tokyo Declaration emphasizes the importance of broadening the areas of cooperation, including security.
[17] Junichiro Koizumi, "Japan and ASEAN in East Asia: A Sincere and Open Partnership," delivered at the Institute for Southeast Asia Studies, Singapore, January 2002.
[18] Interviews with Japanese government officials.

in President Bush's trip to Asia and at the APEC Summit in 2003 where Bush's speech mostly concentrated on the linkage between trade and international terrorism.

The U.S. preoccupation with the war on terrorism is reflected in its rather restrictive policy toward Asia. The U.S. rewards those states most willing to support U.S. counter-terrorism activities; for example, it conferred non-NATO allied status on the Philippines and Thailand, and the FTAs with Singapore and Australia reflect the high standing both countries enjoy in the U.S. government. This is in sharp contrast with other leaders' approaches to the region, such as Chinese President Hu Jintao who signaled his country's desire for broadened collaboration across the region.[19]

Reviving ASEAN. Badly hit by the Asian financial crisis and weakened by membership expansion, ASEAN has been drifting for many years. Once a regional institution admired as one of the most effective and successful, ASEAN lost its momentum for enhanced regional cooperation. The political, economic, and social confusion in Indonesia, a "big brother" in ASEAN, further contributed to the weakening of ASEAN's influence in regional and international affairs.

During the last few years, ASEAN has tried to shift its approach. At the 9th ASEAN Summit in Bali in October 2003, the leaders declared their common goal to achieve an ASEAN Community based upon the three pillars of a Security Community, an Economic Community, and a Socio-Cultural Community. It is a positive sign for ASEAN's future that Indonesia, after several years of inaction, took a leading role in consolidating ASEAN's unity. The Bali Concord II was thus adopted.[20]

ASEAN is now seeking to tackle its own security without undue external intervention, exemplified by the actions by Indonesia and Malaysia to assert their security role over that of the U.S. providing for increased safety in the Malacca Strait. Indeed, the ASEAN Security Community, if successful, will enhance ASEAN's capability to provide for their security.

While the modalities, framework, and roadmap toward an ASEAN community are still open to debate, such a proposal at least suggests that countries will re-examine long-held ways and normative premises of political cooperation, which are based upon narrow definitions of state sovereignty and non-intervention, and which are not conducive to addressing contemporary transnational security threats or problems generated by the globalization process that confront all states in the region.

Other players are joining this diplomatic game to attract ASEAN's attention and enhance relations. India has sought to deepen its strategic footprint in Southeast Asia, signing the TAC in 2003 and proposing a FTA. Australia is expanding military contacts with Southeast Asian countries, and when the Australian and New Zealand prime ministers attend the ASEAN summit in late 2004, they will officially announce FTA

[19] Jonathan D. Pollack, "The United States and Asia in 2003," *Asian Survey,* Vol. 44, No. 1, 2004, pp. 1-13.
[20] See article by Rizal Sukuma of the Center for Strategic and International Studies (Jakarta) on the ASEAN security community, 2003.

negotiations. Russia has also recently signed the ASEAN TAC, and ASEAN senior ministers have proposed to the leaders the first summit with Russia in 2005.

All of this new activism has led to the reconstruction of ASEAN-centered institutional arrangements. We now have ASEAN+3 and ASEAN+1 (India), and perhaps soon ASEAN+2 (Australia and New Zealand) and a second ASEAN+1 (Russia).

For ASEAN, there are two possible directions. One is the formation of the ASEAN Economic Community, which could result in the free movement of goods, services, capital, and labor, and contribute to bridging the gap between rich and poor members. But given the past record of ASEAN's economic cooperation, it is not convincing how soon, or even whether, it can advance economic integration.

The second direction is that ASEAN+3 would form an East Asian Economic Community, based upon the formation of an East Asian FTA. But given the huge differences in economic openness, trade policy regimes, and other capabilities, it will be quite difficult for such a large number of states to agree to a single form of FTA. In addition, there are different views within ASEAN on the desirability of an East Asian-wide FTA, as some members see it more advantageous to maintain separate trade deals with Japan, China, and South Korea. There is concern that ASEAN might be overwhelmed and marginalized by the economic power of the Northeast Asian economies.

Who are East Asians? The construction of an ASEAN-centered regional institutional network may lead to a new definition of the geographical scope of "East Asia." How do we define "East Asia"? It can be defined geographically, or functionally, or by interactions among their components. The intensity of interactions needs to be sufficient to mark the region out as a distinctive subsystem in a significant way. Barry Buzan describes a regional security complex as a set of states with significant and distinctive networks of security relations that ensure that members have a high level of interdependence on security: a group of states whose primary security concerns link them together sufficiently closely that their individual national security cannot realistically be considered apart from one another.[21]

Using this definition of "region," the geographical scope of "East Asia" may be expanded or narrowed, depending upon the intensity of interactions in a specific issue area. For example, the U.S. and Europe are active in East Asian financial interactions. The U.S. is an indispensable part of the East Asian security complex, given its alliance relations with Japan and South Korea and its role in regional stability. The U.S. is also involved in FTAs in the region, and military cooperation between the U.S. and some ASEAN members has been enhanced. In spite of ambivalent attitudes among some Asian members towards the U.S.-led war against terrorism, the U.S. still has a huge

[21] Barry Buzan, *People, States, and Fear: An Agenda for International Security Studies in the Post-Cold War Era,* 2nd ed., Boulder: Lynne Rienner, 1991. See also various articles included in David A. Lake and Patrick Morgan eds., *Regional Orders: Building Security in a New World* (Pennsylvania University Press, 1998.)

influence in the shaping of the East Asian community. In trade, virtually most of the states of the world are parts of the East Asian economic complex, given the East Asian export-led strategy.

This argument may imply that East Asian cooperation should not be confined to the ASEAN+3, but should be extended to include extra-regional actors, or at least closely coordinated with them. The current institutional structure suggests that at least India, Australia, and New Zealand may join "East Asian" cooperation in the years to come.

Major Challenges and Obstacles toward Enhanced Cooperation in East Asia

As mentioned above, there are many dialogues and concrete acts among East Asia countries to promote East Asian cooperation, which will likely expand in the coming years. But the question is the quality of this cooperation, that is, can it tackle the pressing issues facing the region? In this regard, institutionalizing and organizing regional cooperative efforts matter very much. Increased interactions *per se* among East Asians will not necessarily contribute to building an East Asian community. It is still uncertain whether ASEAN's norms of non-interference, informality, and consensus that have been generally accepted as normative premises for managing regional institutions can produce tangible results, overcoming current barriers to community-building in East Asia. In addition, there are some basic problems to overcome for a regional institution to become effective and useful.

Democratization and deeper integration issues. Both economic and political liberalization are important in forging a regional cooperative framework. The new regionalism should no longer be defined as simple mutual liberalization of trade but as the harmonization and coordination of economic policies and domestic laws, such as regulatory systems and institutions. The complexity of modern economies requires a detailed set of common laws and regulations for global market relations to function. This is illustrated by the extensive legal frameworks drawn up for the European Union and NAFTA. At the WTO and OECD, the focus has shifted to include the harmonization of domestic competition and business rules, as these are major barriers to the smooth functioning of the global market. Achieving common rules of conduct and entering into reciprocal commitments and obligations, however, needs some degree of "like-mindedness" on the part of the states concerned. Commonality of social organizations and values, and convergence of political and security interests all make it easier to accept necessary levels of intrusive management, in terms of both standard-setting and regulation, as well as effective implementation. East Asia is and will be far behind in this regard. In fact, there are a number of states that are opposed to intrusive, deeper economic cooperation.

Weakness of the governing regimes. Second, the extent to which regional cooperation can develop is likely to depend on the coherence and viability of the states and state structures. The absence of viable states makes the process of region-building difficult, if not impossible. States remain the essential building-blocks on which regional cooperative exercises are based. The instability of regimes, their intolerance of all

opposition, and the erosion of state-dominated economic development powerfully undermine sustained interstate cooperation.

Several Asian countries are facing the challenge of a transformation in their political regime from authoritarian to democratic. Democratic transformations are not always smooth, causing domestic instability and confusion, aggravated by economic hardship and terrorism. In addition, a majority of East Asian countries are clearly in the modernist stage of development, which is still defined by strong government control over society and a restrictive attitude toward openness and pluralist concepts of society. Contemporary regional cooperation that focuses more on "intrusive" aspects may not be acceptable to these countries either, because it leads to the "erosion" of traditional national sovereignty.

From complementary to competitive economies. Third, it has been argued for many years that the East Asia region has developed a mutually complementary economic structure. The so-called "flying geese pattern" of regional economic development was advocated by many economists. However, the regional economic structure is changing. China and ASEAN (and India) are competing for FDI and new markets. Given this new economic competition, the ongoing negotiations between China and ASEAN countries demonstrate how industrial adjustment is difficult.

Shifting power relations among the countries in East Asia: Concerns about regional hegemony and political rivalry. Fourth, shifting power relations in East Asia has caused concerns about the future prospects for East Asian international relations, and has prevented countries in the region from making a strong commitment to region-building, in spite of the political rhetoric to do so. In fact, even though they like to talk about East Asian cooperation, most countries are eager to act bilaterally (such as concluding FTAs), hedging against the uncertainty of regional relationships.

East Asia is now in a transitional era. The distribution of power in the region is unstable as industrialization is changing relative capabilities among the countries. A serious security dilemma exists; most of the states have territorial and/or historical disputes with their neighbors, and this makes a strong commitment to regional institution-building extremely difficult.

Political and security framework: Competing modes of security management. Fifth, an East Asian community must be underscored by stable political and security structures/systems. The security systems in East Asia today include various modes of security management: there is a competitive security system, a common security system, and some cooperative security systems. Put differently, there exists a "balance of powers," "concert of powers," and "security via multilateralism." It is probable that various security modes will co-exist together into the foreseeable future. This complex security situation has prevented and will prevent countries in the region from adapting true military confidence-building measures (CBMs), thereby failing to reduce mutual suspicions and concerns.

This can be seen not only in the major powers' approaches but also in ASEAN's approach to region-building. In spite of the recent call for new security concepts such as "comprehensive security" and "cooperative security," the dominant mode of security management of ASEAN countries is largely characterized by "balance of powers" logic.[22]

Bilateralism in East Asia. In spite of the calls for East Asian cooperation, many countries in the region have been actively engaged in bilateral deals, as mentioned above, with each other and with other countries. Singapore has been eager to conclude bilateral FTAs with many economies. With the economic downturn and political instability in some Southeast Asian countries, Singapore has desperately wanted to avoid being identified in the same boat with them. Its FTA strategy with non-ASEAN countries reflects Singapore's desire to separate itself from the rest of Southeast Asia which international investors see as politically, economically, and socially unstable.

There are both economic and security/strategic implications of FTAs. For example, establishing FTAs with various countries could help to anchor these countries in the region. Indeed, Singapore has a strong desire to maintain the U.S. commitment in the Pacific, and a U.S. presence helps Singapore to balance regional power politics for its security.[23]

Singapore is now becoming a regional "hub" in a web of bilateral FTAs. Following Japan's EPA with Singapore, Tokyo concluded the FTA with Mexico and is negotiating with South Korea, Thailand, Malaysia, and the Philippines. In addition to China's FTA with ASEAN as a whole, several ASEAN countries have embarked on bilateral negotiations with China, including Thailand. Korea has concluded its first FTA with Chile and is looking for other opportunities. Japan and South Korea are ready to start formal FTA negotiations, and some ASEAN countries are engaging in negotiations with Asian and non-Asian countries.

This complex web of FTAs in East Asia will make regional community-building extremely difficult. Certainly there are arguments that bilateral agreements will contribute to consolidating a single East Asian FTA. The ultimate goals of Japan-ASEAN and China-ASEAN FTAs are to develop into a region-wide FTAs/Economic Partnership Agreements. Both are viewed as a precursor to the formation of a broader FTA covering East Asia, although the geographical scope of East Asia has yet to be defined. However, these arguments are largely based upon wishful thinking. Each bilateral FTA is tailor-made (difference in scope, agenda, etc.), making it further difficult and probably impossible to amalgamate into a region-wide agreement at a later stage.[24] The huge difficulties facing Latin American countries in amalgamation demonstrate this. Thus, a further fragmentation is currently being observed in East Asia.

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[22] Barry Buzan and Ole Waever, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003). See esp. chapters 5 and 6.
[23] Teofilo C. Daquila and Le Huu Huy, "Singapore and ASEAN in the Global Economy," *Asian Survey,* Vol. 43, No. 6, 2003, pp. 908-928.
[24] Hadi Soesastro, "Indonesia and FTAs in East Asia," *Japan Spotlight*, March 17, 2004.

Tentative Conclusion

Given the emergence of regional cooperative arrangements in various parts of the world, it is quite natural for East Asians to discuss and think about East Asian cooperation/community-building more seriously. There are various pressing issues in East Asia that can not be adequately addressed without collective efforts, and it makes sense to enhance regional cooperation in various functional areas. However, it is still uncertain whether this functional cooperation, even if the number of cooperative exercises increase, will accompany the changes in normative premises that have prevented the countries from tackling substantially important areas. Existing normative premises are likely to continue to be an obstacle to deeper integration and harmonizing issues that are essential to construct a community. These issues will continue to be mostly addressed by bilateral and global mechanisms. Although several regional joint endeavors have been and will be undertaken in East Asia, this will not be enough without being accompanied by normative changes. In the meantime, "talk regionally but act bi(uni)laterally" is a dominant feature in East Asia.[25]

Asians' long journey in search of their identified region, where they can more effectively take care of the issues facing them, will be continued.

[25] Hadi Soesastro, *Building an East Asian Community through Trade and Investment Integration*, CSIS Working Paper WPE067, Jakarta, April 2003, p.10.

Chapter 3-3
Economic Multilateralism in East Asia

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One of the important interactions among the United States, China, and Japan is through the global, regional, and bilateral institutions governing international trade and investment. At the global level, we work within the World Trade Organization (WTO) and (for the U.S. and Japanese governments) the International Monetary Fund (IMF). At a broad regional level we interact in the context of the Asia Pacific Economic Cooperation (APEC) process. At the East Asian level, Japan and China operate within the ASEAN+3 group. Finally, ASEAN is forming an internal sub-regional free trade area (FTA), and our individual governments are moving forward with both other sub-regional (with ASEAN) and bilateral FTAs.

This paper presents some of the results of my recent study of trade and investment trends in the region, and thoughts on what institutional approaches are the most logical.[26] The approach of all three governments has been a mixture of global, regional, sub-regional, and bilateral approaches. While such a mixture is very natural, this paper argues in favor of putting more attention to the global and broad Asia Pacific approaches and less to forming narrow free trade areas. This conclusion is at odds with the current behavior of all three governments.

Trade and Investment

In East Asia (defined as Japan, South Korea, China, Hong Kong, Macau, Taiwan, and the ASEAN members), intra-regional trade has increased as a share of the total trade of these economies. In the two decades from 1981 to 2001, the share of intra-regional exports rose from 32 percent to 40 percent, while intra-regional imports rose from 32 percent to 50 percent. This increase has been a major factor in discussions around the region concerning the advisability of strong intra-regional institutional ties. Some envision a region that will be as closely knit as the EU, with a regional free trade area and a common currency within the foreseeable future. While the rise in intra-regional trade is certainly an interesting phenomenon, and any increased effort of neighbors to discuss economic issues openly among themselves should be applauded, the emergence of an East Asian economic bloc at all similar to the EU within the next decade or two is highly unlikely. In addition to that broad conclusion, there are three additional important findings that emerge from a closer look at economic data.

[26] The results of this research have been published as Edward J. Lincoln, *East Asian Economic Regionalism* (The Brookings Institution, 2004).

The diminished engagement of Japan. A decade ago East Asia appeared to be gradually coalescing around Japan in a form of "soft regionalism." However, the past decade has brought about a major unraveling of the principal economic linkages between Japan and the rest of the region.

- On trade, Japan has become a less important source of imports and destination of exports for the rest of the region. For all of East Asia, for example, exports to Japan have dropped from 23 percent of the region's global exports in 1981 to only 14 percent by 2001.

- On direct investment, Japanese investment has fallen in both relative and absolute terms. The annual flow of investment from Japan to China, for example, is currently only half the peak of $4.3 billion almost a decade earlier in 1995, and (according to Chinese data) the share of Japanese firms in total investment inflows to China has likewise shrunk almost by half since the late 1980s.

- On commercial bank loans, the outstanding total of loans by Japanese commercial banks to East Asia other than Hong Kong and Singapore (money centers separated out in the Bank of International Settlements data), has dropped 70 percent in value since a peak in June 1997, a much larger drop than loans from other sources. To Hong Kong and Singapore, Japanese loans have fallen an even more dramatic 90 percent since peaking in June 1995. Even to China (where international loans have been less affected than to the crisis-hit Southeast Asian countries), Japanese loans have shrunk by over 50 percent and the share of Japanese banks in total international lending to China has fallen from 40 percent in the mid-1990s to only 16 percent by 2003.

- Finally, Japan's Overseas Development Assistance (ODA) budget has fallen 34 percent since it peaked in 1995, with foreign aid to China representing a significant part of the decline. Although Japan remains an important source of foreign aid for developing countries in the region, its relative importance has been reduced.

Driving the diminished ties between Japan and the rest of the region has been the economic malaise in Japan since the early 1990s. Slow growth meant Japan absorbed fewer additional imports relative to other global markets; reduced corporate profits; diminished funds for direct investment abroad; and the huge non-performing loan problem in the banking sector forced many banks to largely withdraw from international lending. Although the economy is currently performing somewhat more strongly, it is very unlikely that Japan will regain its informal status as the center of regionalization.

A separate but related point about Japan is that its economic engagement is firmly global and not regional. The bulk of Japanese foreign direct investment, even in manufacturing, flows to the United States and the EU (60-70 percent of both total investment and manufacturing investment in most years), not to Asia or other developing countries. An even higher 80 percent of Japanese portfolio investment is in the U.S. and

the EU. Even on trade, the United States remains the largest single Japanese export market (25 percent of total exports) by a wide margin.

China has emerged strongly as a trade partner and destination for direct investment. While Japan's trade role diminished, that of China has expanded. Japan, for example, has seen its imports from China rise from 4 percent of total imports in 1981 to 17 percent by 2001 (and further to 20 percent by 2003). However, there is an important caveat to China's rise as a factor in intra-regional trade: China's emergence has been in global trade, not just regional. Japan imported more from China than from the United States in 2003, but the United States also imported more from China than Japan in 2003. China has also become a more important trading partner for many other nations around the world.

China's rise as a trading partner has been the result of both rapid economic growth (pulling in more imports and creating the manufacturing base for more exports) and a substantial opening of the economy to trade and investment. Imports rose from an average of 12 percent of gross domestic product (GDP) in the second half of the 1980s to 23 percent by 2002, while the ratio of exports to GDP rose from an average around 10 percent in the second half of the 1980s, to over 25 percent by 2002. The rapidity of the increase in these measures of the exposure of the economy to trade is remarkable. Meanwhile, the inflow of direct investment has exploded, from less than one percent of GDP in the second half of the 1980s to a range of four-to-six percent from the mid-1990s to the present.

In bringing about China's rapid emergence as a trade partner, accession to the World Trade Organization (WTO) in 2001 was a critical step. The decision of the Chinese government to seek membership, and the willingness of the U.S. and Japanese governments (plus the EU) to work out a mutually acceptable set of entrance criteria should be applauded. Trade liberalization measures adopted over the course of the 1990s as part of the effort to gain admission to the WTO are an important story of the rising openness to trade and investment. However, enforcement of the full set of commitments that the Chinese government made to reduce tariffs, non-tariff barriers, and other trade impediments (such as protection of intellectual property rights) remains incomplete, and resolution of these issues will necessarily involve additional pressure from the United States and other major trade partners.

In the past several years, worries have surfaced among workers and in the media concerning the impact of China on both Japan and the United States. In a broad sense, those worries are groundless – the emergence of China as a significant player in global trade and investment is a benefit to all of us. However, there are legitimate concerns as well. In all three of our economies, there are transitional costs, as workers in uncompetitive industries lose jobs who may not find jobs in those sectors of the economy that are expanding. The political impact of these losers on the governments of Japan and the United States depends in part on perceptions of having a "level playing field" in China. That is, avoidance of protectionist measures in the United States and Japan

depends on the governments believing that foreign firms have an adequate chance to do business in China.

While workers losing jobs to international competition from China is an issue, it may be modest. When Japan emerged on the global trading scene in the 1950s and 1960s, it exported products that competed with those manufactured domestically in the United States. Furthermore, Japan maintained high trade and investment barriers, so that it was difficult for competitive American firms to export to – or invest in – Japan. The resulting perception of a very unfair asymmetry in bilateral competition led to considerable tension in the U.S.-Japan economic relationship for several decades. In contrast, China exports relatively few products that compete with those manufactured domestically in the United States (competing instead with those imported from other developing countries). In addition, the openness of China to investment means that American firms are often exporting to themselves back home. These differences from the U.S.-Japan relationship of the past half century suggest that economic tensions between China and the United States will remain moderate.

The Japan-China relationship may be somewhat more reminiscent of the U.S.-Japan experience. The Japanese economy still harbors firms and employment in industries that are no longer competitive and are subject to an inflow of imports from China. Conflicts over specific products, therefore, may be more frequent than in the U.S.-China relationship (for example, as in the 2001 dispute resulting in "voluntary" restrictions on exports to Japan of leeks, shiitake mushrooms, and reeds for tatami mats).

Exactly how the political dynamics will evolve in either the United States or Japan in the next several years is uncertain, but much depends on the ability of the Chinese government to continue moving forward to implement its commitments in the WTO. If the government does so, then China will continue to expand as a trade and investment partner for the United States, Japan, and the rest of the world.

The role of the United States in the region has not diminished. Even as intra-regional trade has risen in East Asia, trade linkages with the United States have generally remained steady. That is, the relative shift toward regionalism has come at the expense of other parts of the world – Latin America, Africa, and the Middle East. Similarly, foreign direct investment flows from the United States have risen and its relative share in inward direct investment flows in the region has been substantial. In South Korea, for example, U.S. firms accounted for 26 percent of the $5.5 billion inflow of the decade of the 1980s (and Japanese firms 48 percent), while they were 28 percent of the much larger $58 billion inflow of the 1990s (while Japanese firms dropped to 12 percent).

Institutions

Given the trade and investment developments, what institutional approach makes the most sense? Obviously, governments interact at broad multilateral, regional, and bilateral levels simultaneously. However, this paper reaches three main conclusions.

The primary focus should be on global multilateral institutions. As indicated above, China has emerged on the global economic stage, not just a regional one, and Japan's economic ties are predominantly with other industrialized countries. The same is true of the United States. Therefore, all three governments should have a primary interest in global trade and investment barriers, not just regional ones.

On trade, this means that the primary policy issue at the moment should be completion of the Doha Round of WTO negotiations. The fact that WTO rounds are long and difficult should not be a reason to be dismissive of this process; opening markets is not a race. Politically, it is important that governments around the world perceive that they derive benefits from reductions in barriers – an issue that is at the core of the Doha Round.

On finance, the global focus means that the IMF should remain the primary institution for addressing regional financial crises. When a crisis occurs, it is important that the creditors speak with a unified voice. Certainly the IMF was heavily criticized for its initial response to the 1997 financial crisis, but the solution is to reform the IMF and not to create regional institutions that would compete against the IMF in times of crisis. There may be room for regional initiatives in international finance, but they should remain subordinate to the IMF. In this respect, it is helpful that the ASEAN+3 Chiang Mai Initiative central bank swap agreements clearly indicate that use of 90 percent of the funds involved requires explicit approval from the IMF.

At the regional level, APEC is the logical choice. Even though the primary emphasis should be global, there are issues and occasions on which a regional dialogue is important. The two principal organizations in East Asia for a regional economic dialogue are APEC and ASEAN+3. The main problem with ASEAN+3 is that it leaves out several economies that have ties with East Asia that are every bit as important as the ties among the ASEAN+3 members: Australia, New Zealand, Taiwan, and the United States (with other APEC members less closely tied to East Asia, so their absence is not as critical).

The problem with APEC is its relatively weak set of accomplishments since its creation in 1989. The sense of failure has been driven by the confusion and lack of progress concerning the Bogor Declaration goal of "free trade and investment" throughout the region by 2010 for the developed members and 2020 for the developing members, a problem of both defining the goal in concrete terms and reliance on voluntary action by members to achieve it. There are, however, a number of ways to reinvigorate APEC:

- Redefine the Bogor goal to mean that APEC members pledge themselves to be at the forefront of trade and investment liberalization in the context of the WTO process. As in 1996 (with the International Technology Agreement), APEC could play a role in the Doha Round by reaching basic agreement in principle on some issues and bumping them up to the Doha negotiations.

- Emphasize the trade facilitation agenda. This is the effort to lower costs of doing international business other than tariffs and quotas, such as the cost and time involved in clearing goods through customs. These issues are generally less volatile politically and, therefore, easier for governments to accept in the voluntary approach of APEC.

- Emphasize the "ecotech" agenda – the APEC euphemism for technical assistance for the developing members of APEC. This aspect of APEC is not about expensive development projects such as dams and highways but about capacity building – technical assistance in devising institutions for a successful market economy and providing the human training to operate them. This effort would be strengthened by concentrating APEC efforts on a narrow set of priority issues (rather than the current diffuse set of issues), and by linking APEC programs to funding from the ADB.

There is no particular harm in the ASEAN+3 governments meeting separately, although some of the issues that ASEAN+3 discuss are simply a repeat of what is happening in APEC. But for most economic issues the broader grouping of APEC provides a more rational group around the table.

One issue that some see as a goal for ASEAN+3 is eventual currency unification or some lesser arrangement to reduce the flexibility of exchange rates. This remains a possibility only for the distant future at best given the wide disparities in the level of economic development, varying economic systems, and robustness of financial sectors across the region. True currency unification requires creation of a single central bank, and as with German dominance of the European Central Bank, the dominant force in an Asian equivalent would be either Japan or China. At the present time, however, it is difficult to imagine that either the Japanese or the Chinese governments would cede monetary authority to a regional central bank that the other dominates. Therefore, movement toward greater rather than lesser exchange rate flexibility is likely in the next decade.

Proceed cautiously with free trade areas. The economic rationale for regional or bilateral free trade areas is weak. While they enhance trade between the partners, they also distort trade away from all other trading partners, with many economists viewing the distortions as the dominant effect. FTAs have obviously become the popular trade policy of the past decade (including with the U.S. government), so it is difficult to oppose their creation at this point, but that does not mean they are truly desirable. At the very least, APEC should play a role in reviewing and evaluating the FTAs negotiated by its members – a role that the WTO is supposed to play but has not carried out with any vigor – to ensure that they meet minimum standards.

Chapter 4-1
Future Visions of Comparative Interests: A U.S. View

By Denny Roy
Asia Pacific Center for Security Studies

Summary of stated U.S. government objectives for Asia

- Peace: no military conflict and low military tensions.
- Strengthening democracy in the region.
- Maintaining U.S. influence.
- Prosperity and robust trade, including untrammeled opportunities for U.S. business.
- Nonproliferation of WMD and missiles.
- Counter-terrorism measures, including from neutralizing terrorists and their organizations to promoting an environment of tolerance, pluralism, and religious moderation.
- Specific goals related to China:

  Channeling China's behavior to be "responsible" – as articulated by Secretary of State Colin Powell: "We welcome a global role for China so long as it shoulders the burdens and assumes the responsibilities commensurate with that role."

  Political liberalization – as articulated by Assistant Secretary of State for East Asia James Kelly: the U.S. government seeks to "safeguard Taiwan's democracy, and promote China's constructive integration into the global system, as well as the spread of personal freedom in China."

  Keep China from undercutting U.S. influence in the region – articulated by James Kelly: "While we welcome constructive engagement by China in the Asia-Pacific region, we need to ensure that the United States remains fully engaged with the nations of Southeast Asia."

Convergence and Divergence between China and the United States

Common Goals

- Expanding international trade; robust bilateral trade

- Stable, peaceful international environment
- A stronger, prosperous China (U.S.: but with conditions)
- Opposition to Islamic nationalism
- Opposition (in principle) to "terrorist organizations"
- Korea: reduced tensions, reform in North Korea

Contending Goals

UNITED STATES	CHINA
Unipolar distribution of power	Multipolar system
Peace based on key alliances	Alliances = "Cold War mentality"
Spread of liberal democracy	Political liberalization = "smokeless war"
Intervention against outlaw states	Sovereignty and non-interference
War on terror: preventive war justified	Less threatened, so different calculus
U.S. main security player in Asia	U.S. role reduced, China's increased
Korea = Pro-U.S.	Korea = Pro-China
Japan "UK of Asia"	Japan weak and neutral
Missile defense will enhance peace	Missile defense is destabilizing
No Chinese WMD proliferation	Selective proliferation supports China's goals
Taiwan: stays democratic, wishes respected	Reunification regardless of Taiwan's wishes

Observations

The key issue is a potential shift of leadership and influence in the Asia-Pacific. China's capabilities and influence are expanding in a region where the U.S. has long been the strongest country politically, militarily, and economically. As China's power and influence grow, the United States' relative share of power and influence declines. The U.S., like any country in a dominant position, would prefer to retain that position. Thus, Chinese growth inescapably introduces stress into the geopolitics of the Asia-Pacific.

The question is whether this stress leads to adjustment and compromise on the one hand, or confrontation on the other hand. In my opinion, the emergence of a powerful potential regional hegemon, while contrary to U.S. preferences, is not by itself a development that would cause the U.S. to mobilize for preventive war or even preventive cold war (i.e., containment, including an economic embargo).

In other words, the public rhetoric of the U.S. government in this case provides a reliable reading of U.S. intentions: a stronger China is acceptable to the U.S. as long as it does not violate important international norms, such as the peaceful resolution of political disputes and open access to East Asian markets. If China lives up to its promises to be a force for peace and stability, if it continues to support multilateralism, counter-terrorism and non-proliferation, and if it remains open to international trade, U.S.-Sino relations will avoid a new cold war and the U.S. will make (somewhat painful) compromises and adjustments to accommodate the rise of Chinese power. This will hold even if U.S. businesses lose ground to Chinese competition, provided this competition is perceived as basically fair.

Influence as a means rather than an end. If the two governments view influence as an end in itself, their game becomes zero-sum and a peaceful reconciliation will be difficult. But if influence is instead considered a means to peace and prosperity, we have something to work with. In that case, the quality of the Sino-U.S. relationship during a period of waxing Chinese power might vary from conflictual to generally cooperative. The main variables would be Chinese and American perceptions of how the influence is being employed – whether the rival is using its influence in ways that, on balance, support or threaten vital national interests.

The two visions articulated by Washington and Beijing do not appear irreconcilable or even dramatically different. Although sometimes expressed in differing terms, both governments profess support for a world of open international trade and investment, shared prosperity, resolution of disputes through peaceful negotiation, adherence to international law, non-proliferation of weapons of mass destruction, anti-terrorism, and autonomy for smaller countries. The basic interests of both countries would seem safe in such a world.

The common strategic, political, and economic interests that bind the U.S. and China together has arguably grown whether one looks back 50 years ago or five years ago. Recent areas of increasing convergence between China and the U.S. are the North Korea nuclear issue, counter-terrorism, and non-proliferation. If this collection of common interests continues to grow, the outlook for stable and peaceful bilateral relations brightens.

Complicating factors

There are, however, several important obstacles to substantially improved U.S.-China relations through this era of transition.

One general obstacle is **trust**. Do the two countries believe each other's public rhetoric? Can China be a big power that does not act like a typical big power, as Beijing promises? Interestingly, the United States similarly started out as a self-styled "moral" country committed to breaking away from the "immoral" ways of Europe, and content to serve as a positive example for the global community. With the growth of its capabilities and global opportunities, however, perceived American interests also increased, including a desire to control the international political environment. This spawned the policies that the Chinese have in recent times condemned as "hegemonism." The question now is whether China will be able to resist the urge to practice its own brand of regional "hegemonism" as its relative capabilities increase. Up to now Beijing has been successful in dampening a potential regional backlash and outright containment by the United States. This, however, is a transitory period of Chinese introversion, with a focus on consolidation and economic development.

On the other side, many Chinese do not believe the U.S. government welcomes a strong, prosperous China in any form, and that many U.S. officials harbor a secret agenda to repress China to preclude a strong rival for power in Asia. For Chinese who hold these suspicions, it is hard to believe China could achieve its aspirations in a region where the U.S. retained strong influence.

The fact that the two countries have different political systems (each vilified by the other) and different interpretations of recent history, not to mention racial and cultural differences, decreases the chances of a smooth transition. By contrast, for example, it was relatively easy for Britain to accept a diminished global role for itself and a greater role for the United States in the 20th century because of the broad similarities between these two polities.

A more specific obstacle is the **Taiwan** issue. This is clearly the most serious bilateral point of dispute between China and the U.S., and the only one that could realistically cause a Sino-U.S. war in the foreseeable future. Nor is it an issue that is likely to be resolved happily for all sides any time soon.

Taiwan appears to be leading a noticeable downturn in U.S.-China relations, which had reached high levels of mutual satisfaction in the middle of George W. Bush's term in the White House. As some Chinese observers expected, the U.S. might now be returning to pre-9/11 fears about the rise of Chinese power and particularly China's successes in military modernization. We should remember that most U.S. planners saw China as the number one threat to American security before the terrorist attacks of 2001. Chinese officialdom and the Chinese media have taken a perceptibly sterner attitude toward America since Taiwan President Chen Shui-bian's re-election along with their hardening attitude toward Taipei. This will, in turn, tend to steel American opinion for a confrontation with China.

Chapter 4-2
Common and Conflicting Interests between China and the U.S.

By FU Mengzi
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The Significance of Discussing National Interests between Chinese and American Scholars

The common interests between China and the U.S. are the universal interests pursued by all nations, in my view. National interests, which are relatively fixed, often reflect the internal and external conditions necessary for a country's survival and development.

China has taken a long twisted journey to reach the current correct understanding of its national interests. National interests were a sensitive topic for decades after the founding of the People's Republic of China. China's capability to define its interests was largely restrained by the external security environment and ideological factors, resulting in Beijing over-emphasizing the international interests of the proletariat. External politics and diplomacy all reflected this concept. Although Chinese enterprises were engaged abroad and China provided foreign aid, these activities were not motivated by economic interests. National interests were overshadowed by internationalism. We used to believe that only by promoting internationalism could China protect its own national interests, and the interests of the Communist Party were prioritized above the interests of the nation. China had suffered from constant internal political turmoil. The struggle within the Party about the guidelines seriously hindered Chinese economic development and capabilities. National interests for a long time were deprived of a material basis.

The onset of reform and opening up was a landmark shift as China began to pursue genuine national interests. We abandoned the ideology-oriented foreign policy and expressed willingness to befriend any country in the world. We tried to better incorporate the interests of the Party into the interests of the nation, realizing that without greater productivity, rapid economic development, and improved living standards for ordinary people, the Party was doomed to collapse. The "Three Represents" theory has defined enhancing national strength as the top priority for the national interest.

Common Interests between China and the U.S.

It is quite normal that between China and the U.S. there are both tremendous common interests and outstanding differences. Their different social systems, ideologies, and worldviews should not hamper their pursuit of common interests. Yet there is never a clear-cut division between common interests and differences. Eliminating divergences as conducive to increasing common interests, and if we cannot consolidate common interests, divergences might widen.

In modern history, when China was very weak and poor, the American people provided Chinese people with genuine and unselfish assistance. However, the same people now are obsessed with apprehension and vigilance towards an increasingly powerful China.

The reason is simple: the rise of China. According to traditional analysis, when national interests affect international politics, they are usually manifest as pursuit of influence. Throughout history, the rising power has always challenged the exiting ones because the former were discontent with the current order and thus demanded greater influence. Therefore, some Americans are convinced that a rising China will certainly challenge the existing order and squeeze out American interests and therefore Sino-U.S. conflict is inevitable. This is the root of the remarkable strategic divergence between China and the U.S.

In fact, the strength of the U.S. is growing at the same rate as the rise of China. I have done some analysis based on the data in the UN Reports on World Development.

	1979	2003
Economic Scale of China	US$ 200 million	US$1.3 billion
Economic Scale of the U.S.	US$ 2.2 billion	US$12.0 billion

According to the above chart, despite the annual growth rate of China's gross domestic product (GDP) being three times higher than that of the U.S. in the past two decades, both economies have multiplied by six times. The synchronized economic growth of China and the U.S. has proven that the rise of China does not necessarily cause the decline of the U.S. The process of China's reform and opening up is actually a process of the Chinese economy integrating into the world economic system dominated by the U.S. Since China has benefited from such a process, it has no reason to challenge existing international institutions, and is even more unlikely to overthrow them, although China did appeal to readjust and improve the current world order.

Even though China's voice is getting louder with the growth of its power, its pursuit of influence is not the only manifestation of national interests in international politics. Professor Kenneth Waltz, who has been dedicated to revising realism theory, believes that the reflection of national interests in international politics is often the pursuit of common security. In the era of counter-terrorism, there is an obvious common interest between China and the U.S. to avoid the ruthless attacks of terrorists. In the long course of countering terrorism, big powers such as China and the U.S. need cooperation rather than conflict.

China and the U.S. once stood side by side against the common threat of the former Soviet Union, which was a major common interest between the two countries. Although this strategic basis is gone, the bilateral relationship now enjoys a more profound basis and broader common interests, including bilateral political consultations, dynamic economic and trade relations, and frequent people exchange. Regionally, we join in efforts to deal with urgent hot spots and maintain stability. Internationally, the

two countries have great potential for cooperating to combat new global challenges such as terrorism. These are the new elements in the foundation of Sino-U.S. relations. The two countries are more likely to develop a complex foundation for cooperation with these new elements that is stronger than having a single foe. In this sense, a stronger China is not imminently a challenger to the U.S.

In the era of globalization, interdependence between different countries results in interchanging, overlapping, and common national interests among them. There is no exception between China and the U.S. The U.S. therefore should replace any strategic suspicions with strategic confidence in and tolerance of the rising but responsible China to play a greater role in world affairs.

Diverging Interests between China and the U.S.

In my opinion, whether in world affairs or in multilateral settings, China and the U.S. are not confrontational by nature, although they do have different values and world views. Their divergences are limited to issues in bilateral affairs, most outstandingly on the Taiwan issue. There is a consensus among Chinese elites that the U.S. support of Taiwan is not driven by pure sympathy for Taiwan and its democracy, but by a strategic rationale of using Taiwan to contain China.

The Taiwan issue represents China's core national interest because it is related to the united sovereignty and territorial integrity of China. Consequently, it is impossible for the Chinese government to compromise over this principal matter. On the issue of Taiwan, you may argue that China's bottom line could be reset. However, even if the bottom line is flexible, there is still a distinct unchallengeable "red line" between the One China principle and Taiwan independence in the legal sense. Recently the U.S. has sent some alerting signals over the issue of Taiwan: when the One China policy becomes vague, the real intention behind befriending and supporting Taiwan becomes apparent. Although the U.S. government has always repeated the One China policy, inharmonious voices denouncing the One China fact can still be heard from time to time. The most recent example is U.S. support of Taiwan to join the World Health Organization (WHO), and even the Organization of American States (OAS). Is the elevation of military-to-military relations between Washington and Taipei really aimed at balancing military strength across the Taiwan Strait or enabling Taiwan not to yield to the Mainland's superiority? Not at all. The real intention is to contain a rising China. Although sympathy to Taiwan is not the same as support of Taiwan independence, the pro-independence forces in reality believe that they are and will be backed up by the U.S. Some Americans argue that the U.S. has no reason to declare opposite to Taiwan independence because they have no objection to such an outcome if both sides across the Strait agree. This amounts to a change in the U.S. stance toward the future of Taiwan: although the U.S. says it does not support Taiwan independence, it would be more than happy to recognize the successful incremental independence as along as the risk of military conflict is zero. If the mainland resorts to military means, even if it is forced to do so, the U.S. could then justify its defense of Taiwan.

I would like to quote a statement made by Chinese leaders during the negotiation for establishing diplomatic relations with the U.S.: "As soon as we solve the issue of Taiwan, any problem between China and the U.S. will be easily solved." This remains true today. The common interests between China and the U.S. regarding Taiwan should be to maintain peace and stability across the Strait, promote mutually beneficial relations across the Strait, and take interests of the other two sides into account. As the Taiwan independence forces are rampant, I don't see any essential distinction between the openly-pursued Taiwan identity and clandestinely-pursued Taiwan independence, since they are both calling for desinification. In such circumstances, U.S. military assistance to Taiwan is actually conniving with Taiwan independence, and hence directly challenging the core national interest of China. If the U.S. continues to say one thing and practice another and cannot fulfill its policy commitment, the Chinese government might be forced to make policy options unfavorable to peace across the Strait. The future of Taiwan is then pessimistic. China and the U.S. should work together to curb Taiwan independence and maintain peace. To reach certain strategic understandings is a practical and urgent task for both countries.

Chapter 4-3
Future Visions of East Asia: Can We Share a Dream?

By Akio Takahara
Rikkyo University

There is no disagreement between Japan and China on the target of creating an East Asian community in the future. However, the visions of this community on both sides remain rather nebulous. On the other side of the Pacific Ocean, the United States, which has been preoccupied with Iraq and the war against terrorism, does not seem to be fully aware of the significance of the recent developments in East Asian regionalism. However, it seems there exists a basic, cautious attitude toward the creation of any framework in the region that excludes the United States. In any case, its policy towards the formation of an East Asian community should take shape as the vision develops and the contour becomes clearer.

Achievements: How Far Have We Come?

In recent years there has been a multi-layered development of multilateral frameworks in the region. The concern about protectionism in Europe and North America and the formation of 'economic blocs' prompted Japan, Australia, and other countries to initiate a framework for 'open regionalism' in the Asia-Pacific, which materialized in the form of APEC. Then the need for a forum to discuss regional security issues in the post-Cold War era urged Japan, Australia, Association of Southeast Asia Nations (ASEAN) and other countries to organize the ASEAN Regional Forum (ARF) in 1994. In 1995, the preparation for Asia-Europe Meeting (ASEM) brought ASEAN, Japan, China and the Republic of Korea (ROK) together for the first time. The eruption of the Asian Financial Crisis in 1997 caused the countries in both Northeast and Southeast Asia to realize that their fates were intertwined in the era of globalization. This led to the enhancement of an East Asian identity and the creation of the ASEAN+3 framework. We have now entered a stage in which it is widely believed in the region that the process of forming an East Asian community has begun.

Although much of these developments were initiated by Japan, ASEAN, Australia, and the ROK, the dynamism of East Asian regionalism undoubtedly gained force from the change in China's policy towards multilateral fora in the region. Until the mid-1990s, China remained generally passive in its attitude towards multilateralism in the region. As a "developing regional power," it feared that the upper hand it had in its bilateral relations with most of the states in the region would be lost in multilateral settings, and that the initiative and leadership of those fora would be overtaken by powers stronger than itself. The basis for change in this attitude was the staggering economic growth that it achieved from 1992. With a view to refuting the 'China threat theory' and avoiding isolation in the region, China adopted the ideas of cooperative security and comprehensive security, and turned to promoting the formation of multilateral frameworks with neighboring nations. What added force to this was the Asian financial crisis and the praise China gained by not devaluing the *renminbi* (RMB). In addition, the

new Japanese policy of exploring bilateral free trade agreements (FTAs) with the ROK and Singapore urged the Chinese to envisage a FTA with ASEAN. But a strong drive for China's regional policy stemmed from its confrontation with the United States in 1999 over negotiations to enter the World Trade Organization (WTO) and NATO's military interference in Yugoslavia. After the NATO bombing of the Chinese embassy in Belgrade, there was no illusion in Beijing about the inherent instability in China-U.S. relations. Good neighborly relations in the form of multilateral institutions were pursued with a view to avoiding isolation and securing some room for maneuver in its time of need.

After the Asian financial crisis, President Kim Dae-jung of the ROK proposed the establishment of the East Asia Vision Group. This group, which consisted of eminent intellectuals in the region, submitted its report to the ASEAN+3 summit meeting in 2001. The report was an attempt to create a vision that would inspire the East Asian peoples and governments to work towards building an "East Asian community." It contained fifty-seven concrete recommendations on cooperation in six areas, namely, economy, finance, politics and security, environment, society and culture, and institutions, such as the evolution of the ASEAN+3 summit meeting into the East Asian Summit and the establishment of an East Asian Forum. What followed was the report of the East Asia Study Group (EASG), which consisted of government officials. Their report, submitted to the ASEAN+3 summit in 2002, positively assessed the report of the East Asia Vision Group from the standpoint of the governments, and specified seventeen short-term measures and nine medium- and long-term measures as high priority, as follows:

Short-term Measures

- Form an East Asia Business Council;
- Establish GSP status and preferential treatment for the least developed countries;
- Foster an attractive investment environment for increased foreign direct investment;
- Establish an East Asian Investment Information Network;
- Develop resources and infrastructure jointly for growth areas and expand financial resources for development with the active participation of the private sector;
- Provide assistance for and cooperation in priority areas: infrastructure, information technology, human resources development and ASEAN regional economic integration;
- Cooperate through technology transfers and joint technology development;
- Develop information technology jointly to build telecommunications infrastructure and to provide greater access to the Internet;
- Build a network of East Asian think-tanks;
- Establish an East Asia Forum;
- Take concerted steps to provide access to primary healthcare for the people;
- Strengthen mechanisms for cooperation on non-traditional security issues;
- Work together with cultural and educational institutions to promote a strong sense of identity and an East Asian consciousness;
- Promote networking and exchanges of experts in the conservation of the arts, artifacts, and cultural heritage of East Asian countries; and

- Promote East Asian studies in the region;

Medium-term and Long-term Measures, and Those that Require Further Studies

- Form an East Asian Free Trade Area
- Promote investment by small and medium enterprises;
- Establish an East Asia Investment Area by expanding the ASEAN Investment Area;
- Establish a regional financing facility;
- Pursue a more closely coordinated regional exchange rate mechanism;
- Pursue the evolution of the ASEAN+3 Summit into an East Asian Summit;
- Promote closer regional marine environmental cooperation for the entire region;
- Build a framework for energy policies and strategies, and action plans; and
- Work closely with NGOs in policy consultation and coordination to encourage civic participation and state-civil society partnerships in tackling social problems.[27]

In the above step-by-step manner, the process of establishing an East Asian community is gradually becoming clearer.

What are the differences in the policies of Japan and China in promoting this process? It cannot be denied there is an element of competition in initiating and leading the process. When Prime Minister Koizumi first announced the goal of creating a "community that acts together and advances together" in his Singapore speech in January 2002, he added that this should be achieved through expanding East Asia cooperation founded upon the relationship between Japan and ASEAN. It was along this line of thought that the heads of state/governments of ASEAN and Japan gathered in Tokyo in December 2003 and signed the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium in December 2003. In addition, Koizumi stated in Singapore that he expected Australia and New Zealand, together with ASEAN+3, to constitute the core members of the community. This most likely reflected Japan's concern with the suspicion among the non-Asian nations, *inter alia* the Americans, which had earlier neutralized the initiative of Malaysia Prime Minister Mahathir bin Mohamad to create an East Asian Economic Group, or Caucus.

At the same time, Koizumi highly praised China in his Singapore speech for the active role that it was willing to play in regional cooperation. China had become increasingly open about its acknowledgment that the United States was playing a constructive role in the region, militarily as well as economically. Both Japan and China considered regional cooperation in Northeast Asia to be conducive to promoting East Asia cooperation, and in October 2003, together with the ROK, adopted the Joint Declaration on the Promotion of Tripartite Cooperation. The Declaration included a clause that read, "Tripartite cooperation will be carried out in a transparent, open, non-exclusive and non-discriminatory manner. The three countries will maintain their respective mechanisms for cooperation with other countries so as to benefit from one another's experience in the interests of their mutual development." There is little doubt

[27] "Final Report of the East Asia Study Group" *ASEAN+3 Summit*, November 4, 2002.

that this clause addressed, among other issues, security cooperation between the United States and Japan and the ROK.

Thus, in the development of these multi-layers of regional fora, East Asian nations will promote both the frameworks that include and exclude the United States. They will attempt to be flexible in choosing the right framework for the issue that they need to deal with at the time. For the time being how China and Japan master this technique constitutes a key factor in constructing a stable order in East Asia.

Challenges: How Far Can We Go?

The road that leads to an East Asian community is no doubt long and winding. First, there are domestic interests that oppose regional integration. In the case of Japan, there is a powerful lobby that effectively protects farmers' immediate interests by arguing against liberalized trade in agricultural products. In China, some old guards of the Chinese Communist Party seem to consider that freer trade, investment, and the movement of people would be hazardous to political stability. Another factor in Japan's hesitation is that it is still uncertain about its future relationship with China. The Japanese Ministry of Foreign Affairs explains that, while the possibility of free trade with China is in sight, the decision will only be made after taking into account factors such as China's implementation of its WTO commitments, overall relations between Japan and China including the situation of the Chinese economy, and the results of the negotiations over free trade with ASEAN and South Korea. But the uncertainty about the future relationship stems largely from the concerns over the security environment in East Asia.

Amongst the various areas for East Asian cooperation, the most difficult is undoubtedly security. The Japanese, for their part, are undecided as to the desirable security arrangement in the region. Japan faces an enigmatic North Korea, and it cannot be denied that many Japanese are increasingly worried about a stronger China. The Chinese military strategy that was adopted in the first half of the 1990s emphasizes the defense of maritime rights and interests, and extends the area of defense of the mainland to air and especially the territorial waters and exclusive economic zones. Recently, there have been many incidents of Chinese vessels entering Japanese territorial waters and exclusive economic zones without advance notification. Some Japanese regard that reconfirming the alliance with the U.S. is essential to maintain the power balance in the region. An increasing number of Chinese, including military personnel, are taking it for granted that Japan sooner or later will become a 'normal' country. Meanwhile, both Japan and China agree that exchanges between military personnel should be promoted to increase confidence and transparency. During Prime Minister Zhu Rongji's 2000 visit to Japan, for instance, China consented to the friendly exchange of naval vessels, which Japan had been proposing for some time.

Simultaneously, an increasing number of Japanese believe that Japan should promote the formulation of a multilateral security framework in East Asia. Such people include not only scholars but also politicians, among others the former Director of the Japan Defense Agency, General Gen Nakatani. He maintains that an unstable security

environment in Asia would negatively affect economic cooperation and integration, and that Japan should initiate a new security framework in the Asia-Pacific including Southeast Asia, China, the two Koreas, Russia, and the U.S. As a first step, Nakatani proposed joint research for a regional framework for cooperative security during an official visit to South Korea in April 2002. He was to do the same in China later that month, but that visit was postponed in the wake of Koizumi's second visit to the Yasukuni Shrine on April 21, 2002. Nakatani subsequently lost his post in a cabinet reshuffle.

The development of such thinking had been helped by the conciliatory approach of the Chinese government towards regional issues of security and bilateral issues of history. However, the recent surge of anti-Japanese sentiment in China has cast a cloud on the prospect of cooperation between the two nations. The most recent case was the booing of Japan's national soccer team during the Asian Cup games by Chinese spectators in Chongqing, Jinan, and Beijing. The abnormal atmosphere of the stadium was broadcast live on television in Japan, where many youngsters as well as adults were annoyed and puzzled by this display of strong hatred.

To overcome history is a necessary condition for an East Asian community. The Japanese should teach more of its modern history to their youth, especially why Japan waged war with China, and about the lessons their parents have learned. On the other hand, although it is understandable that the Chinese government finds nationalism to be a useful tool for national integration, the leaders should be aware of the harm that it could do to their regional policies. If "patriotic education" produces hatred towards China's regional partner, there must be something wrong with its methods and contents.

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ZHAI Kun is Assistant Professor at the Division for South and Southeast Asian Studies at the China Institutes of Contemporary International Relations in Beijing. In 2001, he was a visiting scholar at the Atlantic Council and at The Johns Hopkins School of Advanced International Studies, both in Washington, DC. He received the MA degree from the University of International Relations and is currently a PhD candidate at CICIR.

Appendix

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

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

August 2-4, 2004
Beijing, China

AGENDA

Monday, August 2
6:00PM Young Leaders Meeting

Tuesday, August 3
9:30AM Opening Remarks

9:45AM **Session I: Global and Regional Security Issues**

Each country's analysis of the key issues in contemporary global and East Asian relations that impact on bilateral and trilateral cooperation, including the North Korea crisis, China's social/economic stability, war on terrorism, etc.

Chair: WANG Zaibang
Presenters:
U.S.: Bates Gill
Japan: Matake Kamiya
China: LIN Limin

10:30AM Break

10:45AM Session resumes

1:15PM **Session II: Country Views toward the "Other" Bilateral**

Each country's views toward the other bilateral, i.e., Japan's views toward the US-China relationship, and how that relationship serves or threatens that country's interests. For example, on the face of it, the positive trend in U.S.-China and U.S.-Japan is seeming to co-exist very well compared to the past when an improvement in one led to nervousness in the other country. Are there potential conflicts down the road? Do the ongoing disputes in Japan-China relations adversely impact US security interests?

Chair: Jane Skanderup
Presenters:
Japan: Yoshifumi Nakai
U.S.: Brad Glosserman
China: YANG Bojiang

3:15PM Break

3:30PM **Session III: Perspectives on Multilateralism in Regional and Global Affairs**

Views from each country on convergent and divergent interests in the various forms of multilateralism taking shape at the global, regional, and sub-regional levels, and how interaction in these formats contributes to or causes obstacles to trilateral cooperation. Global multilateralism includes the UN and WTO; regional forms include APEC and ARF; subregional includes ASEAN Plus Three and "Plus Three," which exclude the U.S.; and ad hoc multilateralism including "coalitions of the willing," such as the Proliferation Security Initiative (PSI).

Chair: Seiichiro Takagi
Presenters:
China: ZHAI Kun
Japan: Tsutomu Kikuchi
U.S.: Edward Lincoln

5:30PM Session adjourns

Wednesday, August 4

9:00AM **Session IV: Future Visions of Comparative Interests**

Each country's vision for a peaceful and prosperous East Asia for the short, medium, and long term. Presentations should examine what are the common economic, security, and political objectives that three countries share, and likewise, what objectives they don't have in common.

Chair: Ralph Cossa
Presenters:
U.S.: Denny Roy
China: FU Mengzi
Japan: Akio Takahara

10:45AM Break

11:00AM Wrap-up discussion and closing remarks

11:45PM Meeting adjourns

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ShangriLa Hotel
Beijing, China

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