



Building a Stable Northeast Asia:
Views from the Next Generation



edited by
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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 region.

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Foreword

The Pacific Forum CSIS organizes and promotes regional security dialogue aimed at addressing and hopefully ameliorating East Asia security challenges and concerns. We regularly host conferences and seminars with like-minded institutes throughout the United States and Asia to explore contentious issues, share ideas, and build networks of individuals and institutions that can influence regional policy-makers.

A common theme has emerged in our discussions: the impact of generational change, especially in democratic societies. The post-World War II/Korean War and colonial-era generations are being replaced by more nationalistic, less patient societies. These groups see the world and their place in it quite differently from their predecessors. They are more focused on the future and less captured or controlled by the past. Yet as we look around our conference tables, we have been confronted by a troubling fact: while a great deal of time is spent analyzing the new generation, few of its members are present at such gatherings. This is disturbing on two counts. First, it deprives these individuals of interaction with more experienced experts and analysts. Second, our discussions lack the insight of this younger generation, views that are becoming increasingly important, and increasingly divergent from those of their elders. The gap is especially evident among young professional women who are even less integrated into international policy debates than their male peers.

To help remedy this situation, the Pacific Forum CSIS founded the Young Leaders fellowship program in 2004, with the support of grants from the Freeman Foundation and the Hawaii-based Strong Foundation, plus in-kind support from the CNA Corporation's Center for Strategic Studies. The program aims to foster education by exposing Young Leaders to the practical aspects and complexities of policy-making, while also generating a greater exchange of ideas between young and seasoned professionals, thus promoting cross-cultural interaction and cooperation, and enriching policy research and dialogue. This is the third volume of Young Leaders' papers; the previous two are available on our website, www.csis.org/pacfor/.

We hope the Young Leaders program will provide an extraordinary opportunity for networking and training for young professionals from the U.S. and Asia who would otherwise have only limited opportunities to be involved in senior-level policy research and debate. We believe this program provides unique benefits and opportunities not only to the upcoming generation, but to the deliberations of their senior colleagues as well. The high quality thought and analysis contained in this volume's papers attest to the major contribution that the next generation can make to the international security debate when given the opportunity.

Ralph A. Cossa
President, Pacific Forum CSIS

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Dr. Ezra Vogel at Harvard University and Dr. James Auer at Vanderbilt University also helped to identify Young Leader candidates and helped provide support for their involvement. We also appreciate the help from the CNA Corporation, and RADM. (ret.) Michael McDevitt, director of its Center for Strategic Studies, for their unswerving support of Young Leaders.

The views expressed here represent personal impressions and reflections of the Young Leaders program participants; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes.

Introduction

There is a growing burden on the next generation in the United States, Japan, and China. The three countries are world leaders in every dimension of national power, and will play critical roles in the solution – or the aggravation – of regional and global problems. This younger generation will eventually wield power in each society and they will shape the destiny of their countries and their relationships with other governments.

This generation sees the world in different terms than its predecessors. New opportunities and new technologies afford them new perspectives on their own country and the world in which they live. They are increasingly free to engage each other on their own terms and see their partners in a new light – free from many of the cultural and political filters that have imprisoned their parents.

That freedom can be used or abused. The size, strength, and wealth of the three countries mean that each has an extraordinary impact on regional and global developments; if they work together that influence is greatly magnified. More significantly, a refusal or inability to cooperate will have equally powerful consequences. Yet, it has become increasingly clear that such compelling grounds for cooperation are not enough to ensure cooperation. The relationships – bilateral and trilateral – range from cordial to competitive; sometimes, even conflict seems possible. Distrust pervades relations among the U.S., Japan, and China: even in Washington and Tokyo, there are periodic doubts and fears about the durability and consequences of their alliance.

The Pacific Forum CSIS Young Leaders program focuses on the opportunities presented to this next generation. For two years now, the program has allowed young professionals and academics to join our meetings. Their participation has given them insight into the workings of track two, provided them with chances to interact with professionals and seniors in their fields, and given those professionals – and our discussions – better access to the thinking of the next generation. We hope that all have profited from this project.

To date, nearly 60 Young Leaders have joined this program. Many of them have been able to attend several conferences, which have been held all over the Asia-Pacific region, from Hanoi to Honolulu. In addition to this, the third volume of collected Young Leaders papers (the other two are also available on the Pacific Forum website, www.csis.org/pacforum), they have a blog at which they can exchange ideas, articles, and build the network that is a building block of the Young Leaders program. We hope to publish more volumes of edited papers in the months ahead.

U.S.-China-Japan trilateral meeting, Aug. 15-17, 2005

More than 50 experts, academics, and Young Leaders convened in Honolulu to assess the state of trilateral relations. In most eyes, cooperation is the dominant theme in relations among the three, but efforts have been impeded by sharply divided publics, misperceptions, and misconceptions. Most significantly, each country is locked into a particular perspective and the world looks very different, depending on which (or whose) lens is used.

In one sense, trilateral relations are the sum of the various bilateral relationships. Those vary, but all are characterized by mixes of cooperation and competition, with distrust casting a long shadow. Realizing the promise inherent in trilateral relations requires work by all three parties, both individually and together. Ambitions should be high, but realism is important, too. That means accepting that current relations are more triangular than trilateral: there are three distinct and unique bilateral relationships rather than routine official three-way discussions. (For more on this meeting, see “U.S.-Japan-China Relations: Trilateral Cooperation in the 21st Century,” *Issues & Insights* Vol. 5. No. 10, available at www.csis.org/pacfor)

Our Young Leaders understood the value of good relations among the three countries. Having spent considerable time (living, traveling, studying, and/or working) in one or both of the “others,” they appreciated the complexities of each society and were ready to see events from the perspective of another country. Most of them are realists, however, and were quick to acknowledge the considerable differences among the three. When our discussion turned to values, several Young Leaders wondered whether there were sufficient commonalities for long-term cooperation. As one pointed out, “history is not the only problem; national interests also get in the way.” There was also agreement that democracy can fan the flames of discontent, and wasn’t necessarily a balm. This is especially problematic for China, which is trying to balance the need for political reform with concerns about populist emotions getting out of hand. The dynamism of these societies compounds the perception issues already noted.

Ironically, several Young Leaders admitted that generational change may not necessarily make it easier to realize good trilateral relations. Several Chinese noted that their elders are more open-minded toward Japan than their peers. One credited the perspective that comes with age. All agreed that increasing exchanges, more exposure at the grassroots level, and better education would help smooth out some of the wrinkles in the various relationships.

One wrinkle may not get smoothed: Taiwan was as formidable an obstacle for Young Leaders as it was for their “seniors.” The room was divided – and not by nation – on the right of governments to use force against their own people. While all hoped that China would launch no more than a “charm offensive,” several Young Leaders – and not all of them Chinese – argued that Beijing had the right under international law to use force.

Several Young Leaders also argued that the U.S. should play a more aggressive role to promote reconciliation in the region: between Beijing and Taipei, and between China and Japan. Others were skeptical, and even suggested that the U.S. was one of the reasons for friction between various governments. Plainly, some misunderstandings survive generations.

U.S.-China bilateral workshop, Aug. 17-19, 2005

The United States-China relationship continues its evolution. Managing this vital relationship is increasingly difficult at a time of internal change in both countries and as the external environment evolves. The sixth round of the annual U.S.-China workshop studied the forces at work on the relationship and focused on ways to build and maintain positive relations between the two countries.

The dominant view in the U.S. is that China is rising and the U.S. must work with that country. At the same time, however, there is unease in the U.S. about the long-term impact of China's rise, Beijing's economic policies, and a military modernization program that seems disproportionate to threats; these fears are exacerbated by a lack of transparency regarding Chinese capabilities and intentions. For their part, Chinese worry that the U.S. is attempting to block its rise or will contain China once it has risen.

There is promise in the cooperation in dealing with the North Korean nuclear crisis and the attempts to ensure that tensions in the Taiwan Strait are contained. Both countries agree that East Asian integration is good in theory; differences arise over how it is implemented. This cooperation and shared views and interests provide a foundation for stronger relations. The two countries need a better understanding of the goals they wish to achieve, the burdens they share, and how responsibilities will be apportioned. Both nations are uncertain about how they will relate to each other as their relationship intensifies and becomes more complex. (For more on this meeting, see "U.S.-China Workshop: Toward a New Vision," *Issues & Insights*, Vol. 5, No. 11, also at the Pacific Forum website, www.csis.org/pacfor).

The U.S.-China workshop concluded a week of meetings that began with the U.S.-Japan-China trilateral discussion. Our Young Leaders had spent six days together, going over various issues. They also conducted a field trip to the USS Arizona Memorial at Pearl Harbor, which helped stimulate discussions of history and how various nations, and individuals, deal with the past. To their credit, their energy and enthusiasm never flagged. Our Young Leaders session benefited from the week of discussions: the exchange was open and direct. There was considerable disagreement, but there was also mutual respect and a shared desire to move beyond those differences.

As in other discussions, the role of perceptions was given considerable attention. As one Chinese explained, "I always hear about 'China's rise' – even from Chinese – but when I am at home, I wonder if China is rising." Another Chinese was plaintive, asking bluntly why Americans don't recognize Chinese weaknesses. An American suggested that the problem was like that of blind men examining an elephant: perceptions depend on what part of the beast one is holding.

Unlike an elephant, China is changing, however. This prompted a discussion of what change means: Is China a rising power? A status quo power? Is the U.S.? What does that mean? One American was blunt: "it's about influence." Both governments seek to maximize their influence – and room for maneuver – in the region and the world. Several Young

Leaders argued that the old calculus was of increasingly limited utility. The division between domestic and international issues is growing more blurred, especially in an era of interdependence – and when both countries need each other to accomplish their own objectives. Several Chinese Young Leaders pointed out that the U.S. is the most important partner for China, but they also acknowledged that most Americans did not feel the same way.

Time may change that outlook, but in the interim all our Young Leaders endorsed more people-to-people exchanges to bring more perspective to these relationships. Virtually all of the Young Leaders had a personal experience that illustrated the positive value of grassroots action. One Chinese participant noted that her time in Japan had made her “much more empathetic toward the Japanese.” The result was depression – rather than anger – at the continuing downward spiral in relations between Japan and China.

Another Chinese explained that increased exposure to other countries helps shape not only perceptions, but expectations. Knowing more about the “other” helps us appreciate what they can and cannot do – and why. By seeing both strengths and weaknesses, our Young Leaders better understand the fundamental nature of relations between their countries. Stripping away illusions, prejudices, and misperceptions permits them to build a foundation for the cooperation they all agree is needed.

Chapter I
United States, Japan, and China Relations:
Trilateral Cooperation in the 21st Century

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The Weaker Voices in Northeast Asian History

By Claire Bai

It has been 60 years since the end of hostilities in World War II. People expect to see commemorative activities in East Asia, where countries were deeply wounded in that war. This summer, three Northeast Asian countries simultaneously published *The Contemporary and Modern History of Three East Asian Countries* – a history textbook for teenagers collaboratively written by scholars and historians in China, South Korea, and Japan, in the hopes of establishing a jointly recognized interpretation of history among the three countries, in particular the WWII period.

This nongovernmental project was proposed in 2002 at the “East Asia Peace Forum on History” in Nanjing and commenced in April 2003, involving a total of 200 people from academic and civic groups in all three countries and a series of domestic and international conferences. When first released in May 2005, the initial print run of 20,000 copies sold out in Korea and President Roh Moo-hyun congratulated the publishers on their accomplishment; subsequently, the Japanese press printed an additional 15,000 copies.¹ As the editorial committee emphasizes, this book is not a narration of history from an exclusively nationalist point of view, usually accompanied with harsh criticism, but an account that views history with an open mind and respect for all parties. The committee is currently working on the traditional Chinese, English, and Esperanto versions of the book to reach a wider readership.

My first impression of this book is its “febleness”: due to the succinctness of the Chinese language, it comprises only 230 pages and is seemingly overpriced at RMB 29 (\$3.58) per copy. (The Korean version: 249 pages/12,000 won (\$11.7); and the Japanese version: 223 pages/1,680 yen (\$14.98).) It focuses primarily on societal changes and interactions with each other during the three countries’ modernization, especially Japan’s modernization which took the form of imperial expansion. Domestic affairs of each and their dealings with non-Asian countries were discussed only briefly. Chapters usually start out with a series of questions and follow with general descriptive facts of all three countries; unfortunately, the lack of in-depth analysis is not rectified with the visual shock from abundant archival pictures or vivid personal anecdotes that are scattered throughout the book.

The timeframe of the book stretches from the middle of the 19th century through today, but with relatively scant coverage of the latter half of the 20th century. After a prologue outlining the cultural and economic exchanges throughout history in Northeast Asia, it proceeds to the opening of commercial ports to the West and modernization movements in the 19th century in all three countries. For example, chapter two “The expansion of Japanese imperialism and the resistance of China and Korea” follows events up through the 1920s. The third chapter “Invasion and the people’s sufferings” provides a largely unbiased narration of the major controversies, such as the Nanjing massacre (p. 130-131), the Marco Polo Bridge incident (p. 118), the Tokyo War Crimes Tribunal (p. 186-189) and so on. It also gives comprehensive descriptions of incidents that the disputed Japanese

¹ “Nanjing Massacre death statistics still controversial,” *Beijing Legal Evening Post*, June 9, 2005. Accessed at <http://fzwb.yinet.com/article.jsp?oid=5526996>.

history textbook deliberately underplayed or omitted, such as the “comfort women” issue (p. 136-137), Hanaoka forced labor incident (p. 129), and the atrocities committed by Unit 731 (p. 134-135).

Chapter four ‘Postwar East Asia’ mainly talks about national rebuilding, reparations, and the reestablishment of diplomatic relations. The book concludes with an epilogue “For a peaceful future of East Asia,” which illustrates continuing controversies such as compensation for “comfort women” (p. 210-211), revisionist textbooks in Japan (p. 212-213), and Yasukuni Shrine visits (p. 214-215). There is also a summary of international anti-war sentiment, making reference to protests against the recent war in Iraq (p. 223), for example.

Reading the book, one is frequently moved by traces of persistent idealism. The significance of this joint effort is that it encourages young people to start caring about and questioning historical conflicts, even if they do not immediately find answers in this book. I was also constantly aware of “three voices,” weak but distinct, often repressed in the traditional teaching of history.

Voice #1: mutually justified victimization

Although this textbook seems to tone down the nationalism that so often appears in history texts used in each country, some might argue this is largely a leftist account of history. Despite the lack of in-depth analysis, it is very beneficial for Chinese students to gain insights into the perspectives of Japan and the ROK, their social development, economic reforms, and democratization, as well as the sufferings of their people during the war. Interestingly, in finding a “common ground” or arriving at a “unified recognition” of history, there seems to be an assumption that a presentation of history is valid only if it comes from the victims or participants in that history. For this reason, cynical readers might suspect the textbook to be in harmony with each country’s victim narratives. Suspicion or no, it is a respectful description that opens up a window into all countries’ victim experiences.

It is worth pointing out that this book acknowledges the KMT’s effort in fighting the Japanese army in WWII more than existing middle-school textbooks in China. Students sometimes question typical Chinese Communist Party (CCP)-style storytelling, as if the CCP alone contributed to the victory over Japan. Of course, great numbers of soldiers and civilians died during the Japanese cleansing in areas controlled by the CCP. It is clear in the joint textbook that the KMT demonstrated amazing resistance on the front battlefield and was an indispensable contributor to the end of war.

Voice #2: women’s rights and the use of WMD

The second and third chapters talk at length about changes in social status for women. Pages 86-89 and 102-103 dedicate six columns to six female activists, who devoted their lives to liberating their fellow countrywomen from exploitation, as well as progressively participating in revolutionary movements in all three countries. Pages 93, 95-96 and 99-100 illustrate in further detail the actual changes in women’s lives in Korea, China, and Japan. Pages 136-137, 148-149 (mainly about those from Korea), and 151 (special column) describe with personal anecdotes the history and impact of the “comfort women system” established

by the Japanese military; while page 163 spends a column on Japanese women's role in WWII. Pages 210-211 focuses on the implications of the "comfort women" issue in the present day, especially since it became widely known in the 1990s, and suggests that society pay more attention to war crimes against women. It also encourages students to consider protecting women's rights in the context of solving regional historical disputes, and even to attempt proposing multi-dimensional methods of compensation.

Another noteworthy item is the illustration of Japan's use of biological and chemical weapons in China. While the U.S. dropping of two atomic bombs dominates debates about the use of weapons of mass destruction in WWII, people ignore or tend to forget the other two components of WMD. Pages 134-135 give a full account of the history and terrifying results of Japan's violation of international conventions, as well as its continuing physical damage to the Chinese people today.

Voice #3: and those left unheard

Professor Su Zhiliang, chair of the History Department at Shanghai Normal University, recalls in an interview that at the committee's meeting about the sixth and final draft, he discovered that the text contained the description "On July 7, 1937, gunshots rang out at the Marco Polo Bridge and the war began." He disagreed as a matter of principle, as he deems it very important to indicate exactly who fired the first shot that triggered the war. However, this precision does not carry into latter chapters. In the section on Korean War, which takes only two pages, there is no indication of who fired the first shot that triggered the war. Instead, it is mainly accounted in the context that conflicts still existed among the three nations after WWII. Furthermore, in the postwar chapters, when the book talks about Korea, it refers only to the ROK, with little discussion of the DPRK and not a single mention of the "Great Leader" Kim Il-sung.

Thus far, the joint textbook has proven to appeal mostly to adults in Japan, according to Umeda Masahi of Kohbunken Co., its Japanese publisher, while it is mainly intended to serve as a supplement to nationally approved curricula in China. Ten days after its release, the book sold out 70,000 copies in China and was already in its fourth reprint by late June, totaling 100,000 copies. The Chinese sub-committee is currently petitioning to the Ministry of Education to officially make this book a key reference in middle school history classes.² In spite of these promotional efforts, one cannot help but wonder why the authors and publishers did not push for wider distribution of their work, simply by lowering the price, (although it would not be surprising if the committee had to pay royalties to archives from whom they obtained permission to use photographs and other historic records). Instead of soliciting business corporations and philanthropic organizations to purchase the book and donate it to schools, wouldn't it be better if young students sought this book on their own initiative?

Since the normalization of diplomatic relations between Japan and China in 1972, several prime ministers and the emperor himself have apologized to China on 17 occasions for the brutal conduct of its occupying army in WWII. Seven years ago, Japan made a written

² "Joint history textbook in fourth reprint," *Jinghua Time*, June 19, 2005. Access at <http://news.tom.com/1002/3291/2005619-2231506.html>.

apology for its 36 years of harsh colonial rule on the Korean Peninsula.³ These facts are not mentioned in the joint textbook, even if these expressions of regret have never been seen as sufficient by the Chinese and Koreans.

Overcoming bitter memories of the 20th century and building a genuine partnership to ensure those tragedies will not reoccur will require candid and concrete actions from all sides. It seems increasingly likely that the younger generation, my generation, growing up reading a “uniformly recognized” history, will be left with the “burden” to eventually resolve historical disputes and realize permanent peace in Northeast Asia.

³ “History that still hurts,” *The Economist*, April 13, 2005. Accessed at http://www.economist.com/agenda/displayStory.cfm?story_id=3856623.

Identity Security Dilemmas in East Asia: PRC and Taiwan, Japan, and Article 9

By Leif-Eric Easley

The People's Republic of China (PRC) claim over Taiwan and Japan's claim to "normal" nation status are often cited by security specialists as potential flashpoints for international conflict. Studies of East Asian security tend to address both situations empirically, but rarely compare the two on theoretical grounds. This is understandable given important distinctions concerning the number/autonomy of actors, constraints on the government because of political system/public opinion, and the role of external players such as the U.S. This paper however, argues that the two issues in fact share important similarities. In both cases, the state asserts its claim is a domestic matter within its sovereign right. Relations with Taiwan in large part define the military posture of the PRC, as wrestling with Article 9 does for Japan. Both situations are intimately wrapped up with each state's nationalism and historical memory. And given that these issues are in fact interactive – PRC claims over Taiwan having some effect on Japan's planned military status and vice-versa – it is useful to consider the two issues side by side. This paper does so by adapting a well-known model from international relations theory: the security dilemma. The concept of an identity security dilemma is presented below, and the cases of China and Japan are considered. The paper concludes with implications for managing U.S.-Japan-China relations.

The identity security dilemma

The standard security dilemma says that a state's efforts to make itself secure cause other states to feel less secure. States are naturally sensitive to changes in perceived threat, and a combination of uncertainty and fear of being exploited lead a state to assume the worst about the intentions behind the actions of others. Increase in one state's military capabilities thus encourages an increase in the capabilities of its neighbors. The dilemma is that even if the states involved are simply security seeking without aggressive intentions, an arms race ensues, raising the stakes, and the likelihood of military conflict. The process behind a standard security dilemma looks something like this:

state security seeking → increase military capabilities → neighbors feel less secure

States, of course, are more than security seeking. They also aim for what I call a *target identity*: the status a nation believes its state should have in the international system. In an identity security dilemma, a state asserts its sovereign right to realize some aspect of its target identity. For the PRC, this is unification with Taiwan, and for Japan, attainment of normal nation status. The dilemma is that by taking steps toward its target identity, a state motivates feelings of distrust among its neighbors. An identity-seeking state sees itself as acting on a domestic matter to achieve its sovereign claim; neighbors meanwhile see a revisionist state dangerously dissatisfied with the status quo. The basic chain behind an identity security dilemma can be mapped as follows:

state identity seeking → sovereign claim over target identity → neighbors feel distrust

Whereas the standard security dilemma focuses on the defense of territory already controlled by the government, the identity security dilemma involves nationalist claims and strategic distrust between nations. Both dilemmas can incite unintended arms races; unintended because states generally do not want to engage in dangerous and costly escalations of military build-up and counter build-up. Such escalations are the tragic outcome of states working to meet their own goals. In the standard security dilemma, the goal is to make the state safe from external aggression. In an identity security dilemma, the state's goal is to attain what it considers its rightful national condition. The PRC claim to Taiwan and Japan's claim to normal nation status appear to be driving identity security dilemmas in East Asia.

Taiwan and Article 9

In the case of the PRC, the people and government are one in the position that Taiwan must be unified with the mainland. What is more, Taiwan's status is not only a test for the domestic legitimacy of the PRC government and the center of nationalist political debate; it is more deeply an issue of Chinese national identity. The Taiwan matter goes to the heart of how Chinese define their state and how the PRC relates to other countries, particularly Japan and the United States. When Chinese people speak passionately about Taiwan belonging to the PRC, it is not because of a strategic calculus for maximizing state security. It involves deeply held beliefs about the Chinese nation and its status in the international system. As a result of these beliefs, the PRC makes sovereign claim over its target identity: a unified China, prosperous in the world and recovered from the legacies of foreign imperialism and civil war. The dilemma is that while the PRC government and citizens see this target identity as their sovereign right, the steps for making it a reality motivate distrust among other states. Missile deployments in the south of China and measures such as the Taiwan Anti-Secession Law are considered provocative internationally. The identity security dilemma ultimately strains relations and encourages an arms race because Chinese national identity is for Chinese to decide – it is not negotiable like some security arrangements, and other actors cannot help but hedge against a conflict in the Taiwan Strait.

In the case of Japan, there is no broad domestic consensus about Japan's military status. It is clear however, that Article 9 has been stretched over time. Japan is once again a military power, despite its constitutional prohibitions. What is more, Japan is taking on a more active international security role as Japanese shape their post-Cold War, post-economic miracle national identity. Some Japanese (many in the present government included) believe that Japan should revise Article 9 and restore Japan's normal nation status. Of course, there is more to this than protecting Japanese security and having doctrine match institutional reality. Article 9 is very much a point of contention for Japanese identity, involving the state's international orientation (active as opposed to passive), source of pride (military, economic, cultural), and putting to rest legacies of war and occupation. Japan maintains, as does the PRC concerning Taiwan, that Article 9 revision is a domestic matter to be addressed under Japanese sovereign right. But as in the China case, an identity dilemma arises because Japanese steps toward their target identity incite mistrust among neighboring countries. In Beijing, Seoul, and elsewhere, expanding the status and role of the Japanese Self-Defense Forces is seen as provocative and unnecessary. But there is no authoritative international

body to certify that Japan has atoned for past aggression and is now cleared to assume normal nation status. This is a matter of Japanese identity for Japanese to decide, but other states can be expected to respond.

Implications

The circumstances of an identity security dilemma appear to paint a grim picture. What makes these dilemmas so intractable is that they involve much more than just state security-seeking behavior; they are actually motivated by what nations believe their states should be. The identity-seeking state sees objections to its pursuit of the target identity as affronts to its sovereignty. Meanwhile, outsiders do not fully understand or appreciate the target identity and are naturally suspicious. Each side sees the other's actions as unreasonable. A dilemma arises because there are obvious dangers in trusting too much. States hedge with increased military capabilities, nationalist diplomacy, and the like. But there is also danger in trusting too little. Arms races are in themselves costly and nationalist diplomacy can lead to self-fulfilling prophecies of conflict. So what can we learn from considering the China and Japan cases as identity security dilemmas?

1. Once an issue has been out internationally for some time, it is difficult to reel back in.

Identity security dilemmas blur the already thin line between domestic and international politics. Although the identity-seeking state maintains it is acting within its sovereign right, such actions have serious international consequences. Japanese leaders must be aware of this as they draw up revisions for Article 9.

2. States can be willing to fight even if they are secure.

States are not simply security seeking, they are identity seeking as well. Even if the state is safe from external threat by traditional security standards, leaders may be willing to confront other states and their populations willing to endure significant costs for meeting the target identity. Recognizing this, other actors should not underestimate PRC willingness to fight for Taiwan.

3. The Taiwan and Article 9 issues are dynamic and interactive.

Identities are constantly being contested and reconstructed. Herein lies both opportunity and danger. Target identities can be framed in ways that are more or less a source of concern for other actors. They can also interact with one another via diplomatic competition, military or even identity arms races. One state, in reacting to the claims of another, may revise its claims upward, set artificial stipulations or deadlines, etc. Identity-seeking states should therefore manage their claims to avoid brinkmanship and painting themselves into a corner. The lesson here for the U.S. is that better understanding China's and Japan's target identities are necessary to wage effective diplomacy.

4. The need to reduce misperception between populations.

Standard security dilemmas are based on misperception between states. In dealing with identity security dilemmas, it is necessary to deal with misperceptions between populations. The clearest solution to the standard security dilemma is to find alternate means for increasing security other than a military buildup, such as arms control treaties and collective

security agreements. In addressing an identity security dilemma however, it is extremely difficult for states to back away from their sovereign claims. But there is promise in developing mechanisms of greater transparency, exchange, and mutually beneficial interdependence. Through these means, we may be able to reduce misperception between populations in East Asia. This will by no means be easy, but it surely helps to know what kind of dilemma we face.

They Hate Us/We Hate Them: Polarized Educational Narratives and the Future of China-Japan Relations

By David P. Jänes

On April 5, 2005, the Japanese Ministry of Education approved a new middle school-level history textbook, the *Atarashii Rekishi Kyokasho*, for use in Japanese schools. Only days later the Chinese press reported that this textbook whitewashed atrocities that Japan committed in China during the Pacific War and relations between China and Japan took a turn for the worse. Riots broke out across China, some containing upward of 20,000 people, with many holding anti-Japan signs and some throwing objects at Japanese businesses and consulates. Newspapers subsequently reported that Japan-China relations were the worst they had been since the countries normalized relations. This dramatic worsening of the relationship between Japan and China occurred on the heels of one of the most dramatic economic transformations in East Asia: in 2004 China became Japan's largest trading partner, accounting for just over 20 percent of Japan's trade.

Many newspapers, politicians, and scholars have stated that the recent anti-Japan protests in China have little to do with Japan's textbooks, but rather have everything to do with Chinese people's domestic displeasure with their own government. Such may indeed be part of the context for understanding the recent demonstrations. However, textbooks currently in use at the middle-school level in both Japan and China are providing young children with polarized historical narratives that will have long-term effects on the future of China-Japan relations. While the current tensions between China and Japan are multifaceted, with political battles being fought over territorial rights, oil rights, Japan's seat on the UN Security Council, Taiwan, North Korea, and increased militarization on both sides, the long-term implications of the contents of textbooks should be a real concern for leaders in China, Japan, and the United States if their goal is to develop a long-term positive relationship among these countries. While textbooks are real political tools that are being utilized today to achieve foreign policy objectives, perhaps their more important impact lies 20 to 30 years from now when these children become leaders.

Recently I conducted an analysis of three textbooks, *Chinese History, Book 1* (the most commonly utilized history textbook for middle schools in China with an 80 percent market share), the *Atarashii Rekishi Kyokasho* (the controversial new history text that is used in approximately 12 schools in Japan), and *Atarashii Shakai Rekishi* (Japan's most widely utilized middle-school history textbook). The texts paint rather contrasting views of Japan's actions during World War II. For instance, the Chinese history textbook contains an entire chapter exclusively dedicated to the Nanjing Massacre. This section provides Chinese middle-school students with in-depth accounts of how people were murdered by Japanese soldiers. It includes a photo of young children being subjected to bayonet practice by Japanese troops and a copy of a news article from Japan that describes how two Japanese soldiers engaged in a "game" to see who could kill 100 people first, but, after having killed 105 and 106 respectively, they weren't sure who won and thus re-started the "game."

The Chinese textbook also includes an activity requesting that the Chinese students write letters to their Japanese peers informing them that the “Nanjing Massacre Should Never Be Forgotten.” This activity informs Chinese students that Japanese middle-school students are being taught by rightwing textbooks that claim that the Nanjing Massacre was a minor event.

But, Japanese students aren’t being taught by rightwing history textbooks, since only 12 schools throughout Japan actually adopted the *Atarashii Rekishi Kyokasho*. While this new textbook has many supporters, and has sold popularly in bookstores, it hasn’t made much headway into Japanese schools. The Chinese press, textbooks, and people often tend to overlook this fact. However, if the *Atarashii Rekishi Kyokasho* were indeed in use throughout Japan, there would be great cause for concern as it does gloss over many of the atrocities committed by Japan. Staying with Nanjing, for instance, this textbook provides readers with only two sentences about the incident. The first claims that “many people died” in Nanjing, but provides virtually no details. The second sentence, occurring later in the text, informs its middle-school readers that it was the Tokyo War Crimes Tribunal that indicated that Japan had “murdered many Chinese people” in Nanjing and then the text continues to explain that these tribunals used propaganda to make the Japanese ashamed of the war.

Nobukatsu Fujioka, the founder of the Society for the Creation of New History Textbooks, which produced the *Atarashii Rekishi Kyokasho*, has stated on numerous occasions that the history taught to Japan’s youth tends to be masochistic; their new textbook is designed to address that by providing a historical narrative over which they believe Japanese youth can be more proud. Their philosophy is that Japanese youth and Japan will be better off by understanding a version of the past where atrocities committed by Japan are almost eliminated from the text.

Atarashii Shakai Rekishi, one of the eight approved middle high school textbooks in Japan that is utilized by most schools, presents a somewhat more balanced view on the Pacific War. This text indicates that during the Nanjing Massacre the Japanese military killed women, children, and regular Chinese citizens. It also states that most Japanese people did not know about it. The text provides no additional commentary, photos, or descriptions. According to several scholars, earlier Japanese textbooks included greater coverage of Japan’s wartime actions, which leads one to ponder whether the *Atarashii Rekishi Kyokasho*, while rarely in use, is pointing the direction toward which the seven other middle-school Japanese history textbooks are headed.

With just this limited overview of the narratives students are taught regarding the Nanjing Massacre, it is possible to see a distinct gap between what is taught to Chinese students vs. what is taught to Japanese students. Unless the textbook is supplemented with additional information, Japanese students may have only a passing glance at the brief mention of the incident in their text, while Chinese students will labor over the chapter for hours in addition to writing letters to kids in Japan about the issue and supplementing their understanding of what happened with potential trips to sites that relate to the “Anti-Japan War” and by watching patriotic movies and television shows. Perhaps this is why during a

visit to China in 2002 a student at an elite public high school in Beijing, upon being asked about Japan, responded to me viscerally with the words, “They hate us and we hate them!!”

The governments of both China and Japan are responsible for the current narratives they teach children in their countries. Since post-Tiananmen, the Chinese Communist Party has been engaging in Patriotic Education campaigns that, while they may not overtly tell children to hate Japan, paint images of Japan that do not do justice to the contemporary debates over history that take place in modern Japan. In Japan, the Liberal Democratic Party has been supporting the rightwing history textbook (*Atarashii Rekishi Kyokasho*) over which China is protesting, and made it one of their main party platforms to have the text approved by the Ministry of Education in 2005. This support for the *Atarashii Rekishi Kyokasho* may not lead to that textbook’s adoption by schools in Japan, but it may lead other textbook publishers to present more rightwing views as such views are more likely to be supported by the Ministry of Education.

The current tensions between China and Japan occur in a unique context between neighbors with thousands of years of interaction and a contemporary climate where the roles of both in the international arena are growing. The textbook controversy occurs within this context and cannot be separated from it. But, it should also not be subordinated to these contextual issues, since children take textbooks to be authoritative and the worldviews formed in their minds today will be the worldviews held by the leaders of tomorrow. Both countries need to work collaboratively to create textbooks with narratives that are less polarized in an effort to promote long-term stability and even friendship between both nations.

Participating in this U.S.-Japan-China trilateral conference illustrated to me the deep importance that these differing perceptions have on the contemporary relations among these countries. Many participants indicated a desire to see this issue overcome through better teaching and through increased youth exchange. I believe it is necessary for Japan, China, and the U.S. to invest in programs that will specifically aim to improve this polarized situation. Among these include the continued creation of joint supplementary teaching materials, joint teacher training programs, and projects that connect schools in all three countries enabling kids to get to know one another and communicate regularly via the Internet and eventually meeting in-person.

A Sign of Good Faith: A Japanese Perspective of Japan's Relationship with China

By Kazuyo Kato

While the current U.S.-Japan relationship is based on respect and trust, the Japan-China relationship is troubled by mistrust and lack of respect. As a result, Japan currently has an exceptionally well-managed alliance with the United States – alliance watchers have claimed the alliance to be at its best since President George Bush and Prime Minister Koizumi Junichiro took office. Japan's political relationship with China, however, is full of tensions over issues such as history, territorial/energy rights, and the security of the Taiwan Strait. Recent developments have led to a loss of China's credibility and respect in Japan. For example, its foray into the disputed Senkaku/Diaoyutai islands and its drilling of the gas fields in East Asia Sea are considered an intrusion upon Japan's exclusive economic zone (EEZ). Violence by Chinese youths during the summer 2004 Asia Cup soccer finals and their anti-Japan sentiments have also led to a decline in Japanese positive feelings toward China. This situation serves neither Japan's nor China's interests. As a sign of good faith, Japan should take a number of important political steps to prevent further worsening of the relationship.

Japan's relationship with the U.S. is the most important bilateral relationship, one that determines Japan's security, economic prosperity, and its ability to become an influential player in international political affairs. A strong U.S.-Japan alliance is essential to deter potential conflict and maintain stability in the Asia Pacific and to ensure secure energy supplies to Japan from the Middle East. Japan imports from the region 99.7 percent of its oil, which accounts for 52 percent of Japan's total energy supply. As a power aspiring to become a peacemaker, Japan has also repeatedly stated the importance of allying with a country that shares similar values such as democracy and freedom.

However, Japan must not neglect its relationship with China, the rising economic, political, and military power in Asia which, for better or worse, will also affect Japan's security, political status in the international system, relationships with other Asian neighbors, and economic prosperity. For example, China is now the largest trading partner of Japan, and over 20,000 Japanese factories operate on the Chinese mainland. As a share of Japan's total outward foreign direct investment, investment in China rose from 1.1 percent in 1999 to 12.8 percent in 2004. Although China does not share the same values as Japan and the U.S., Japan has enough interests at stake to prevent China from failing economically and socially. Differences in values between China alone will not justify the relative weakness of the U.S.-China relationship vis-à-vis the U.S.-Japan relationship. While efforts on both sides are necessary, this paper seeks to identify a number of steps the Japanese leadership can take to help prevent further deterioration of its political relationship with China.

First, while it is extremely easy to blame the bias on China's education system, Japan can improve its own education system to raise awareness of its wartime actions toward its neighbors. Otherwise, criticism that Japan is "not facing up to its history" – when politicians of the wartime generation make comments or take actions that nullify Japan's official

apologies, for example – could fuel a sense of victimization that already exists among the postwar generation. Properly educating Japan’s postwar generation, the generation that lives in prosperity but also fears a low-growth economy, is crucial in improving the relationship because this generation is starting with a blank slate on the history of the bilateral relationship. They will form their own image of China through their own networks in the Information Age or through a thorough education of the history of the bilateral relationship.

Rather than emphasizing Japan’s wartime actions outside the country, government curriculum standards for teaching WWII in Japanese junior high school emphasizes the domestic hardships and sacrifices Japanese citizens made in the war and the fact that the “war brought horrors to the entire humanity.” This horror is ultimately symbolized by the atomic bomb and the announcement of defeat by Emperor Hirohito. Thus what stands out are the voices explaining the misery and devastation that the wartime generation, now in their 70s and 80s, experienced. The education also emphasizes postwar developments so that the current generation takes pride in their fathers’ and grandfathers’ post-war efforts. To the current generation, the accomplishments of the last 60 years, where a war-torn nation became the world’s number two economy and a provider of trillions of dollars of aid to other Asian countries such as China, is evidence of Japan’s full repentance.⁴

Hence many Japanese expressed confusion and dissatisfaction when massive anti-Japan demonstrations took place in China last April over Japan’s posture toward its wartime past. Most Japanese concluded that the demonstrations were fueled by discontented youth in China who took advantage of an opportunity to stage demonstrations that was out of control of the Chinese Communist Party (CCP). Scholars argued that China’s history education embedded anti-Japan sentiment in its society so deeply that it has become a structural problem in the Japan-China relationship: any small incident could trigger massive anti-Japan demonstrations, especially when youths have access to the Internet.

Although Japan upholds diversity in textbooks, diversity alone will not raise awareness of Japan’s wartime cruelties. Textbooks should be combined with in-depth classroom discussions on current issues such as the pros and cons of Prime Minister Koizumi’s visits to Yasukuni Shrine or making further apologies to neighboring countries. The media can provide an important venue for such discussions. Students should be exposed to the video shown at the Pearl Harbor memorial to remember how our greatest ally today once saw Japan. Moreover, Japanese high schools should make world/Japanese history a mandatory course, not optional. These steps are all the more important while the wartime generation still lives.

A second step Japan can take to mitigate political tensions with China is to increase communication and interaction between the two peoples. At the grassroots level, Japan should strengthen infrastructure to welcome more Chinese mass/group tourists to Japan and increase student exchange programs. In this respect, Japan’s decision in July to grant tourist visas to all Chinese visitors, not just to those from Beijing and other formerly designated

⁴ Japan’s ODA to China began in 1979 and from that time, approximately ¥3.1331 trillion (approximately \$2.8 billion) in loan aid (yen loans), ¥145.7 billion (approximately \$1.3 billion) in grant aid, and ¥144.6 billion in technical cooperation has been provided.

areas, is a positive step. Japan can also promote expansion of Japanese pop culture in China, whether it is animation or films. A joint filmmaking project between Japan and China could raise media coverage and increase the attention of the people in both countries to each other's popular cultures. This step can also be taken at the governmental level. To prevent development of unhealthy nationalism in both societies, Japan should hold top-level dialogues with China to demonstrate to the public that the two countries can maintain a benevolent relationship.

Fourth, if the Japanese people expect Japan to play a more responsible and larger role in international security, for example, by increasing the capability of its self-defense forces (SDF), Japan should clarify its political intentions to China, as well as to its Asian neighbors. Otherwise, Japan could be isolated diplomatically in the region and continue to face opposition to its proactive involvement in international security. While Japan receives positive feedback from countries such as the United States and Australia for becoming a more "normal" nation, i.e., deploying SDF to places outside its region and assisting in regional catastrophes such as the tsunami, such activities could be used as an excuse by its Asian neighbors to claim that Japan is reviving its wartime aggression. The fact that such fear arises despite Japan's lack of nuclear weapons, long-range missiles, or long-range bombers, is an indication that Japan has not made enough efforts to communicate its political desire to be a peace-loving nation. As part of this effort to earn trust as a peace-loving nation, Japan should continue to invest heavily in R&D to increase efficient energy use and share energy-saving technologies with China.

Fifth, Japan needs to convey to China that the U.S.-Japan alliance is not a containment strategy to keep China from rising – that China's rise is not a "threat." For example, although some critics say the February 2005 "2+2" talks between Japan and the U.S. showed hostility to China, this is in fact nothing new; the November 1969 Sato-Nixon joint communiqué also stated that Japan would regard the security of the Taiwan area as very important to its own security.

Finally, just as Japan would expect the same consideration from the U.S., Japan should study U.S. views of China and coordinate with its ally to form a balanced approach to China. U.S. watchers in Japan are concerned a more hawkish group that considers China as a major challenge and a "threat" is becoming stronger in the current U.S. administration. Indeed, the development of regional structures in East Asia that excludes the U.S., such as the East Asia Summit scheduled this December, has caused anxiety in some U.S. policy circles.

Considering this trend in the U.S., Japan should continue to engage China and pull it into the international system to prevent the U.S.-China relationship from collapsing. Efforts will include asking China for an open market mechanism and protection of intellectual property rights, as well as private property. On the security side, efforts will include telling Chinese leaders that illegal incursions of Chinese submarines and surveillance vessels into Japanese territorial waters are not actions taken by a respected international partner. A normal relationship between countries, one that recognizes each other's coexistence within

an international system and thus respects international law, can only develop when China understands such viewpoints.

By taking these actions, Japan will be able to help re-establish a better relationship with China based on respect and trust. However, such a relationship will only be established when efforts are made by both sides. A Chinese-Japan dialogue, especially between the younger generations, is warranted.

Enlisting Japan in the Taiwan Strait: Helping Hand or Guilt by Association?

By Andrew Bingham Kennedy

This year's report from the U.S. Department of Defense on the Chinese military makes clear Washington's growing apprehensions about the PLA's modernization. The report sounds a pessimistic note on cross-Strait military balance, noting the steady accumulation of Chinese power projection capabilities and the stagnation of Taiwanese defense spending. More broadly, the authors cite growing interest among Chinese strategists in regional scenarios and note that the modernization of China's air, naval, and missile forces is "scoped for operations beyond the geography around Taiwan."

To counter China's emerging capabilities, the U.S. is increasingly relying on Japan as a strategic partner in the region, and in particular, to maintain a favorable military balance in the Taiwan Strait. February's joint declaration citing "a peaceful resolution of issues on the Taiwan Strait" as a common strategic objective broke new ground in this regard, and built on previous revisions to the U.S.-Japan defense guidelines designed to enhance Japanese support for U.S. operations around Japan. In one respect, these moves have bolstered the ability of the U.S. to deter a cross-Strait conflict by making the U.S. threat to intervene more credible and more impressive. While Chinese analysts have previously questioned the extent to which the U.S. would be able to rely on regional allies in the event of a crisis in the Strait, Tokyo's willingness to state its interest in a peaceful resolution of cross-Strait differences would seem to make the possibility of Japanese passivity more remote. In addition, to the extent that Japanese forces are involved in the support of U.S. operations, the overall capabilities available to the U.S. would be enhanced as well.

At the same time, however, deterrence has a second side that must not be neglected, as strategic analysts going back to Thomas Schelling have argued. In particular, while convincing the adversary of one's ability to repel or punish an attack is essential, the target of deterrence must also understand that restraint on its part will not be exploited. Should this latter understanding be lacking, the adversary might be motivated to strike not out of lust for conquest, but rather out of fear that passivity is too dangerous. In this case, as Thomas Christensen has suggested, it is important for Washington to reassure Beijing that military restraint on its part will not simply allow its worst nightmare – Taiwanese independence – to come true. Recognizing the importance of this dynamic, both the Clinton and Bush administrations have disavowed U.S. support for Taiwanese independence in an effort to convince Beijing that it will not regret its forbearance.

In fact, while the focus has been on China fighting to stave off or punish a Taiwanese bid for formal independence, this is only part of the problem. The leadership in Beijing not only abhors the idea of Taiwanese independence, it also rejects the notion of permanent separation, as it made clear in the 2000 Taiwan White Paper and underscored in the Anti-Secession Law (ASL) passed in March. In particular, the ASL not only authorized force in the event that "events entailing Taiwan's secession from China should occur," but also if "the possibilities for peaceful unification should be completely exhausted." Accordingly, even if

the U.S. has no interest in Taiwanese independence, the perception that the U.S. opposes unification and is taking advantage of China's restraint by building up its capacity to maintain Taiwan's current autonomy indefinitely would be deeply disturbing to Beijing.

How does all of this relate to Japan? Japan brings to the Taiwan problem not only geographic proximity and additional military capabilities, as noted above, but also a uniquely acrimonious historical relationship with China. In light of this relationship, particularly Japan's history of colonial rule in Taiwan, Tokyo's increasing involvement in maintaining stability in the Taiwan Strait would seem to make it more likely that Chinese analysts will view U.S. intentions in a highly negative light. Indeed, such an impact would seem all the more likely given the recent deterioration in Sino-Japanese relations. In fact, already there is evidence that Chinese scholars see the U.S. as opposing unification in practice, and that the U.S. sees Taiwan as an indispensable element in an effort to contain – or at least hedge against – rising Chinese power. The more it relies on Japan to maintain stability in the Taiwan Strait, the harder it will be for the U.S. to dissuade Chinese analysts from this view.

What is to be done? Clearly, it is unrealistic to expect Washington to placate Beijing by reversing recent advances in U.S.-Japanese military cooperation. The U.S. could, however, take a number of steps that would help to limit the negative fallout from Japan's increasing support on the Taiwan issue. First, Washington could become more actively involved in attempting to reduce the current tensions in the Sino-Japanese relationship. While this is a complicated and long-term task, the U.S. has no interest in seeing relations between Tokyo and Beijing deteriorate further. And there are steps the U.S. could take that might be useful. In the short-term, Washington could post more diplomats with experience in Japan at its embassy in Beijing, while also sending more diplomats with China experience to Tokyo. The idea here would not be to “represent” China and Japan to each other, but rather to create new avenues through which the level of mutual understanding could be raised. In the longer term, the U.S. could encourage U.S. NGOs to become more involved in promoting grassroots exchanges between China and Japan. While there are already some Sino-Japanese programs of this sort, increasing support from U.S. NGOs could raise the level of interaction substantially. These grassroots exchanges, in turn, could begin to erode the some of the suspicions that exist at a societal level.

More directly, the U.S. should make an effort to reassure Beijing that it does not oppose unification between the mainland and Taiwan, as long as coercion is not employed. While this might seem to merely reiterate official U.S. policy, it could receive a greater degree of emphasis in Washington's public diplomacy. In particular, this position could receive more emphasis in the Zoellick-Dai “senior dialogue” and perhaps even be raised during leadership summits. To be sure, countering Beijing's skepticism will not be easy, but allowing misperceptions to fester only increases the probability of a military clash in the Strait that might otherwise be prevented.

The “New Taiwan Clause”: Its Implication for Stability in the Taiwan Strait

By Tetsuo Kotani

In the Joint Statement of the U.S.-Japan Security Consultative Committee (“2+2” Meeting) of Feb. 19, 2005, Washington and Tokyo called for measures to “encourage the peaceful resolution of issues concerning the Taiwan Strait through dialogue” as one of their “common strategic objectives.”⁵ This “new Taiwan clause” has strong significance for peace and stability in the Taiwan Strait. But before explaining the significance, it should be explained why this is “new.”

In the February 2005 Joint Statement, Washington and Tokyo mentioned Taiwan security for the first time in 36 years. In the Joint Statement of November 1969, Washington and Tokyo stated that the security of the Taiwan area was one of the “most important” factors for that of Japan. This part of the statement, later called the “Taiwan clause,” implied that Tokyo guaranteed a positive attitude toward prior consultations regarding the use of U.S. bases in Japan should an armed conflict occur in the Taiwan area (the Joint Statement also stated that “the security of the Republic of Korea was essential to Japan’s own security” – the “Korea clause”).

As a matter of course, the Taiwan clause was criticized by the Japanese opposition parties as well as by Beijing. But it was a price for the reversion of Okinawa rather than Tokyo’s strong commitment to the defense of Taiwan. Then, under extraordinary circumstance after the sudden announcement of Nixon’s trip to China, virtually everybody in the Japanese government, the opposition parties, business circles, and the media became totally committed to dealing with Beijing. Tokyo came to regard the “Taiwan clause” as an obstacle to normalization with China. Accordingly, after normalization took place, Tokyo virtually abrogated the “Taiwan clause.” Until February 2005, the “Taiwan clause” was never reaffirmed (whereas the “Korea clause” was reaffirmed in 1975).⁶

However, Beijing put aside objections to the U.S.-Japan Security Treaty in general and the “Taiwan clause” in particular during its normalization talks with Tokyo. For Beijing, its priority was better relations with Washington vis-à-vis Moscow and the U.S.-Japan alliance was now a hedge against Japanese “remilitarization” in the future as well as against the Soviet threat. Taiwan was a significant issue, but it was not the highest priority. As long as Chang Kai-shek stood for reunification, not independence, Beijing could wait “50 to 100 years.” Later both Washington and Beijing began to seek a tacit alliance vis-à-vis Moscow and postponed disagreement over the Taiwan issue for the rest of the Cold War.

⁵ Joint Statement of the U.S.-Japan Security Consultative Committee, Paragraph 10, <<http://www.state.gov/r/pa/prs/ps/2005/42490.htm>>.

⁶ Regarding the history of the Taiwan clause, see James Auer and Tetsuo Kotani, “Reaffirming the ‘Taiwan Clause’: Japan’s National Interest in the Taiwan Strait and the U.S.-Japan Alliance,” in *Japan-Taiwan Interactions: Implications for the U.S.*, Report Prepared for U.S. Pacific Command, Directorate for Strategic Plans and Policy, Northeast Asia Division (J51) (April 25, 2005), The National Bureau of Asian Research, pp. 71-104.

Tokyo shirked its defense commitment to Taiwan not because of pressure from Beijing but because of domestic politics. While restricting domestic demands for normalization with Beijing, the Liberal Democratic Party (LDP) mainstream leaders had aligned with Washington's pro-Taipei/anti-Beijing policy since the 1950s. Before the Nixon shock, normalization between Japan and China had become nearly inevitable, but Washington's China policy and Beijing's response were still uncertain, and pro-Taipei members still had a loud voice in the LDP.⁷ But U.S.-China rapprochement consequently reversed the balance of power between pro-Beijing and pro-Taipei factions within the LDP. After the conclusion of the Japan-China Peace and Amity Treaty, the split between the pro-Beijing and pro-Taipei factions within the LDP moderated, and, subsequently, neither faction attempted to achieve a further breakthrough in Japan-China relations.⁸

The 1996 crisis in the Taiwan Strait, however, showed that the Taiwan issue could not be ignored indefinitely. Because of growing Taiwanese appreciation of their legitimacy as well as the demise of the Soviet threat and the modernization of China, cross-Strait relations have become more strained. In the 1996 crisis, Washington sent two carrier task forces to the vicinity of the Taiwan Strait, but there was no U.S.-Japan joint action, let alone a joint naval demonstration. It is obvious that Japan would be involved in a cross-Strait armed conflict, but Tokyo and Washington lacked policy coordination. Washington virtually commits itself to the defense of Taiwan by the Taiwan Relations Act. Should an armed conflict occur in the Taiwan Strait, what could and should Japan do?

An answer was provided by the 1997 revision to the U.S.-Japan Defense Guidelines of 1978, which call for broader bilateral military cooperation, including Japanese rear-area support in contingencies in "areas surrounding Japan." Beijing quickly demanded the exclusion of Taiwan from the "areas surrounding Japan." Beijing's negative reaction to the new Guidelines led to splits among LDP members in the summer of 1997. LDP Secretary General Kato Koichi delivered a message to Beijing that the new Guidelines were not hostile to China. On the other hand, Chief Cabinet Secretary Kajiyama Seiroku said the Taiwan Strait was "naturally covered" by the new Guidelines. Then, Prime Minister Hashimoto Ryutaro reassured Beijing that no specific areas were envisioned.⁹ The official Japanese interpretation says that that area is defined not by geography but by situation, but it at least complicates Beijing's strategic calculations.

The Japanese political map concerning China has changed since the late 1990s. The rise of China has stimulated both pro-Beijing and pro-Taipei factions in Japan. The pro-Beijing groups in the Diet have always been bipartisan, while the pro-Taipei groups consisted of the mainstream in the LDP. But the influence of the Hashimoto faction, the largest and pro-Beijing faction in the LDP, has been declining. The Socialist Party has lost its voice in the Diet. Now the pro-Taipei groups have become bipartisan and diverse. Part of the

⁷ Sadako Ogata, *Normalization with China: A Comparative Study of U.S. and Japanese Processes* (Berkeley: Institute of East Asian Studies, Univ. of California, 1988), 15.

⁸ Akihiko Tanaka, *Nichu-Kankei* (Japanese-Chinese Relations) 1945-1990 (Tokyo: Tokyo Daigaku Shuppankai, 1991), 203.

⁹ Koji Murata, "Do the New Guidelines Make the Japan-U.S. Alliance More Effective?" in Nishihara, ed., *The Japan-U.S.-Alliance*, 31.

Democratic Party of Japan, along with part of the LDP, is strongly pro-Taipei. In addition, the younger generation of Japanese leaders are less influenced by pan-Asianism, or have less guilt concerning past Japanese behavior in China than the older generation. Even the executives of pro-Beijing groups do not blindly follow Chinese demands any more. (For example, the president of the Japan-China Friendship Parliamentary Group, former Foreign Minister Komura Masahiko, publicly advocates Chinese “graduation” from Japanese ODA; the vice president, Foreign Minister Machimura Nobutaka, was a principal who signed the “new Taiwan clause.”) This is the domestic situation under which the “new Taiwan clause” of the 2+2 statement came about.

The “new Taiwan clause” is a further step toward a reliable alliance to promote peace and stability in the Taiwan Strait. The statement was moderate, but at least it means that Tokyo and Washington are now coordinating their Taiwan policies after many years. Unlike the original “Taiwan clause,” the “new Taiwan clause” has a stronger domestic foundation of support as well. The Taiwan Strait is an international waterway, which lies within the vital sea lanes in the western Pacific. The maintenance of peace and stability in the Strait is in the interests of all the players concerned. The U.S.-Japan alliance is, in effect, the only key to cross-Taiwan Strait stability. It is expected there will be another U.S.-Japan joint security declaration and/or revision of the U.S.-Japan Defense Guidelines in the near future. It is desirable for Japan to join the U.S. policy of maintaining status quo – discouragement of either unilateral use of force by Beijing or unilateral declaration of independence by Taipei.

Also, the new clause might be a first step toward a multilateral framework to encourage talks for peaceful resolution of cross-Strait relations while guaranteeing the status quo in the Taiwan Strait. Japan-U.S.-China trilateral cooperation is significant for peace and stability in the Asia-Pacific region. One of the most difficult problems is Taiwan. If trilateral cooperation evolves, Taiwan might feel alone and abandoned (as it was abandoned once in the 1970s). If so, Taiwan might provoke China by declaring independence to bring about a U.S.-China confrontation. This dilemma is inherent in fostering trilateral cooperation. In short, the 24 million people of Taiwan cannot be ignored. We have discussed how to engage China for many years. Now we have to discuss how to engage Taiwan as well. It is necessary to invite Taiwan to the trilateral dialogue sometime in the future.

The question is whether both sides of the Taiwan Strait will accept quadrilateral talks. Beijing might regard them as interference in its domestic affairs; Taipei might reject them because a multilateral framework might lead to a reduced U.S. commitment to the defense of Taiwan. This raises the further question of whether a U.S.-Japan joint commitment to the maintenance of the status quo would induce Beijing and Taipei to talk. There is also another possibility. Maintaining the status quo does not necessarily mean maintaining a cross-Strait military balance. During the Cold War, Washington maintained the military balance across the Taiwan Strait by providing technology and weapons to both sides. But China, supported by Russia, has developed its military power since the end of the Cold War. And the EU has shown interest in selling weapons to China. So, four-party talks are not enough. Six-party talks among the U.S., Japan, China, Taiwan, Russia, and EU, which would guarantee the upkeep of the status quo in the Strait, should be considered for peaceful resolution of the

cross-Strait relations. And the “new Taiwan clause” between Washington and Tokyo provides the basis for it.

The Yasukuni Issue: Misinterpretation, Misleading, and Wrong Expectations

By Fan Li

Time can heal everything – but not in this case. Six decades after the end of World War II, the postwar generation in Japan and China is still witnessing, if not leading, an intensifying debate on history and war responsibilities.

In May, Morioka Masahiro, Japan's Health Ministry parliamentary secretary openly defended Japan's Class-A war criminals and questioned the legitimacy of the International Military Tribunal for the Far East; a month later, a small city in Tochigi Prefecture, followed by the Tokyo Metropolitan Board of Education, adopted two revised history textbooks that "whitewash" Japan's wartime crimes in Asia. Soon after, Prime Minister Koizumi Junichiro announced that he would continue his annual visit to Yasukuni Shrine at a press conference held right after dissolving the House of Representative.

Such behavior caused serious concern in China of "the rising right" in Japan. Yet, many Japanese are shocked and confused by spreading anti-Japanese demonstrations and a boycott of Japanese products in China this spring; this leads to increasing interest on issues regarding Japan's wartime behavior across the nation.

"The Yasukuni Issue" (*Yasukuni Mondai*) written by Takahashi Tetsuya of Tokyo University became a best seller this year. In this book, Takahashi describes the shrine as playing an "alchemic role": turning the sorrow of the families of dead soldiers into religious joy by glorifying them as martyrs, who died for the state that worshipped the emperor as a Shinto god. Takahashi also argues that it's wrong to trivialize the Yasukuni issue as just an A-class war criminal problem, since among the 246,000 dead soldiers enshrined at Yasukuni, more than 210,000 died during World War II, followed by those who died during the Russo-Japan War and Sino-Japan War. Takahashi points out that apart from 7,000 Japanese who lost their lives during the Meiji Restoration, the absolute majority who are enshrined in Yasukuni died during wars in Japan's modern history. Wars since the Meiji Restoration are an inseparable part of Japan's identity as it modernized.

Germany has frequently been used as a yardstick against which Japan is compared; while Hitler and his regime was seen as the embodiment of human evil, as is accepted by the majority of Germans today, A-class criminals such as Tojo Hideki are considered by Japanese to be government bureaucrats serving the Showa Emperor, who was not prosecuted by the Tokyo Tribunal. Therefore there is no acceptance of war guilt in Japan as in Germany: the war is seen as a communal action of a nation, which later became the victim of atomic bombings by the U.S.

The key to understanding the difference in attitudes of Germany and Japan is that while the former chose to administer justice to war criminals and to bear witness to the historical record, the latter sought to comfort the nations it attacked through developmental aid.

During Sino-Japanese normalization in the 1970s, in order to persuade the Chinese nation to forgive Japan and the great suffering the invasion brought to the Chinese people, Beijing concluded that the war is the fault of Japanese militarism that is represented by the 14 A-class war criminals, and the rest of the nation is innocent and should be given sympathy as a victim of the war. Therefore, Chinese should move on and be friendly to Japan. This conclusion has become the foundation by which Japan's war responsibility has been defined and is written about in every middle school and high school history textbook in China, which deeply influenced Chinese thinking about Japan. Rising anti-Japanese sentiment in China is a result of the gap between China's interpretations of Japan's war responsibility and how it is really viewed by the Japanese themselves. The Chinese were shocked when they heard that more than 40 percent of the Japanese people support the prime minister's visit to Yasukuni Shrine, which led to criticisms and worry about "the rising right" among Chinese. The truth is no ideology could be responsible for war crimes without a "subject"; although the majority of Japanese agree that the war was wrong, there was no common understanding on who should take blame for it since everyone in Yasukuni shrine died for the Shinto god, the emperor. The only consensus shared by every Japanese is the people who died during the war are victims themselves.

The U.S. has played a role in the formation of the Japanese victim mentality, too. For the sake of stability during postwar reconstruction, the U.S. decided not to prosecute the Showa Emperor for his role in the war. The 25 A-class criminals become the scapegoat for the Emperor and the Japanese public. This group was blamed for the destruction of people's homes as well as for the deaths of 210,000 people during the atomic bombings in Nagasaki and Hiroshima. The bombing and post-Cold War order allowed the Japanese to maintain a double standard toward the Tokyo Tribunal and their own responsibility for the war.

Takahashi argues that the complexity of Yasukuni Shrine, involving historical, religious, national sentiments, and a cultural prospective, means there is no easy solution to this problem. When I visited the history museum inside Yasukuni (*Yukyukan*, a museum that is famous for glorifying Japanese aggression against Asian countries) the other day, I read a message by an eight-year old girl in the guest book: "People who died during the war did their best to protect our country. We are so lucky that we can live in peace thanks to their contribution."

A jointly compiled history textbook of East Asia by Chinese, Japanese, and Korean scholars and historians was issued this year. This sort of history reconciliation is valuable but, it would be naïve to expect that the three countries could reach an agreement on every syllable of the story. As we look back to the process of Sino-Japanese normalization 30 years ago and how much the two countries benefited from it, both sides need to give serious thought as to why history still matters, and this balances with cooperative Sino-Japanese relations in the future. Only this prospective will permit Japan to find a way to make concrete efforts to improve relations with its neighbors, and for China to address the concerns of rising nationalism from Japan, as well as from other nations.

Looking from Within: What's Missing in the China Debate

By Mingjiang Li

China's economic development and increasing international influence have aroused concern and debate among observers since the early 1990s. Analysts are primarily interested in gauging the impact of China's wealth accumulation on its external behavior and the implications for the rest of the world, particularly the Asia-Pacific region. Strategic thinkers, especially those in the U.S. and Japan, are concerned about China's rise and consequences for security in East Asia and beyond. The recent wave of debate on the "China threat" seems to reinforce a popular perception that China is becoming another superpower and increasingly poses a serious challenge to security in East Asia and the Pacific region.

Outside anxieties about China's future security role are understandable. But before we focus our attention on China's rise and potential threat to regional security, we need to seriously ask: what is China's real national power when we take the nation's domestic conditions into consideration? How will those domestic problems constrain China's international ambition? My impression is that scholars give insufficient attention to China's domestic situation, which often leads to an exaggeration of China's strength and an overreaction to China's growth. Given its various domestic problems and challenges, China is currently an infant giant at most.

Let's start with a simple statistical observation. China's official GDP is about one tenth of the U.S., yet its annual military budget, by all estimates, stands at somewhere between one-twentieth to one-sixteenth of the U.S. figure. The percentage of China's military budget in its total GDP is also lower than many developed and developing countries. Intuitively, China's security needs are probably not fewer than those of major powers and it is commonly believed that a highly centralized government has an easier time converting national wealth into military expenditure. So this raises an interesting question: does Beijing willingly choose to spend less on military or do conditions within China allow for only that amount of expenditure?

I believe a positive answer to the latter question holds the key. Open the China "box," and we find there are many formidable domestic factors that have served and will continue to serve as long-term restraints on China's growth of national power and influence in international affairs.

The first and foremost questions one needs to ask are: what is the real China and its real national material power? Should we accept the official statistical reports at face value? These are not easy questions to answer, but we have reasons to be dubious about the official figures in the Chinese press and often cited by the leaders. The willful exaggeration of China's GDP, a tradition that the CCP has not been able to change since Mao's Great Leap Forward, is closely associated with various aspects of the system, including a lack of government transparency, almost no supervision of party-government leader, and the means of cadre promotion. The cycle of "numbers producing officials and officials producing numbers" is well-known. Over the years, some scholars have cast doubts on those official

numbers and proposed that China's real economic growth has been significantly overstated. But no one has been able to come up with a good estimate of how much China's GDP has been inflated. Local Chinese officials know better than anyone else on this matter. In a conversation with a county governor, I ventured to estimate 20 percent. The county governor replied by saying that if one takes into account the accumulated exaggeration over the decades, China's real GDP would be 40 percent less than its official number. In any case, this suggests that when estimating China's real power, one has to be cautious of the baseline used.

In addition to working with suspicious numbers, we can easily think of many socio-economic problems that will significantly discount Beijing's ability to convert domestic resources for international influence. Number one among these issues would be social welfare and security. The increasing income gap between different groups of people and a lack of social security protection for the vast majority of the population have become an increasingly thorny issue for leaders in Beijing. China's income gap has well surpassed the internationally accepted Gini coefficient warning line of 0.4, posing a great threat to social stability and sustained development. To curb the further deterioration of the income gap and to reverse the situation would require a huge amount of governmental attention and resources. It is also well-known that China's social security system is primitive at best. A large proportion of urban residents and almost all the rural population have not been covered by any social security measures. To establish a fairly effective social security system, which is a must as the market economy starts to take root, the central government will have to shift an enormous chunk of its financial revenue into social programs. Scholars estimate that the pension plan alone will need billions of money from the government as more people of the baby-boomer generation enter retirement.

Besides the social environment, the Chinese government also has an alarmingly polluted natural environment that calls for urgent attention. Decades of economic advances have been achieved at the cost of great environmental degradation. China has reached a point where it has to devote a significant proportion of its economic might to combat the further deterioration of the environment and improve the environmental qualities back to popular expectations. This will certainly be a long-term process and a disturbing drag on the nation's rapid growth in the foreseeable future.

China's aggregate economic might has reached an impressive level, yet the infrastructure in many parts of the country is far from being satisfactory. The Chinese economy is still constrained by many bottlenecks, such as energy supply and transportation. Investment in infrastructure to facilitate further economic growth, particularly in the mid-western regions, will be a prolonged and expensive task for the government. The overall Chinese economy, according to almost all economists in China, is still under-developed. This essentially means that the Chinese leadership, for a long time, will have to focus its attention on domestic affairs. Their grand international strategy will continue to be the pursuit of a stable and peaceful international environment that best serves China's domestic economic growth. A brief recount of the story in the 1980s helps elucidate the logic between a strategy of domestic economy first and inadequate attention and resources to foreign-military affairs. Chinese leaders had originally proposed four modernizations as the nation's blueprint for the

reform program. Not only was the modernization of the military listed as the last, but in actuality, to the dismay of many military leaders, it was given minimal attention and resources. Thus, in the 1990s, Chinese leaders realized that the military had sacrificed too much and started to increase expenditures, an action that primarily aimed at deterring Taiwan from going independent. Given all the difficult tasks in China's economic reforms, this pattern of socio-economic demands restraining military advancement will not change in the foreseeable future.

Many other factors are diminishing China's wealth as well. A notable phenomenon is rampant official corruption. Bribes, embezzlement, arbitrary capital allocation for private purposes, and lavish meals and travels paid from public revenues have become a chronic disease that negatively impacts China's wealth.

In a nutshell, many of the socio-economic problems in China are the results of decades of imbalanced development. Redressing the unevenness will be at least as hard as what China has gone through in the past decades of reforms. And the list of constraining factors can be very long. Also, the above analyses is based on the assumption that China will be able to maintain its current trend of growth and eventually find ways to solve those problems, but there are reasons to be pessimistic about the future. Given all those domestic constraints, there is some truth in Beijing's claims of "peaceful rise" (*heping jueqi*) and "no aspiration to be a hegemon" (*yong bu cheng ba*). These slogans do not simply intend to pacify outside anxiety over China's growth. Beijing is fully aware of the problems and difficulties in the domestic context.

No one can possibly deny the magnitude of China's increased wealth since the reforms, but there are also indications suggesting that the popular image of China's real power has been greatly inflated and many domestic factors have been either neglected or down-played. Strategic planners in the U.S., Japan, and other major powers need to pay more attention to China's domestic situation.

Chinese Multilateralism

By Alexander Liebman

In the past few years, China has created or joined a veritable alphabet soup of multilateral organizations. China has also shaped much of its rhetoric to tout its multilateralism, implying that such behavior presents a stark contrast to aggressive U.S. unilateralism. But what does this Chinese push for multilateralism amount to, and what does it mean for countries in the region? In the first draft of this essay, I made the case that Chinese multilateralism looks a lot like the diplomacy of Metternich, the Austrian foreign minister, in the first half of the 19th century. I still feel that this is true and make the case below; however, after the conference I think there is another element to Chinese multilateralism as well: namely, to create organizations in which China is the pivotal player, giving it the role of reasonable middleman. China may be trying to create a type of “hub and spokes” multilateralism.

China and Metternich

Like the Austrian empire, China faces not only external threats but also domestic threats of ethnic nationalism and emerging liberalism. Like Metternich's, Chinese foreign policy is fundamentally *conservative*, rigidly adhering to the balance of power and maintaining good international relationships to allow a free hand to deal with these domestic threats.

Consider the Shanghai Cooperation Organization (SCO), a veritable miniature Congress of Vienna, made up of China, Russia, and several Central Asian states. Metternich's principle goal was to arrange a concert of great powers that would be able to crush social upheaval – either of the nationalist or liberal variety; so too is the SCO's attention firmly focused on mutual support against domestic ethnic or democratic insurgencies. Each country faces some variety of Muslim threat; at a major meeting in Astana in July 2005, each country pledged to coordinate police and intelligence actions to fight “terrorism, separatism, and extremism” – and liberalism.

Indeed, like Metternich, China fears *ideas* more than it fears *force*. China's support for Burma, North Korea, Sudan, Zimbabwe, and, most recently, the dramatic show of support for Uzbek President Islam Karimov after his government was accused of massacring 200 people in a democratic protest are more in support of a *principle* than China's specific national interests: while the U.S. had a close relationship with Karimov for *tactical* reasons in the war on terror; China chooses to endorse him because it feels assailed by similar ideological trends. Today, China deserves Metternich's moniker as “the Revolution Doctor.”

China's diplomacy is also similar to Metternich's in trying to make China the key weight in preserving the balance of power. Consider the Six-Party Talks. This series of negotiations looks like the international conferences that followed the Congress of Vienna. Like Metternich, China is more concerned that the talks actually take place than the results that come out of them; China's greatest efforts come not in trying to convince other countries

to accept their position once at the bargaining table, but rather to get all the parties *to* the bargaining table. China wants a precedent that international action should only come after careful consultation, not by the rash actions of one party (France or Russia for Metternich, the U.S. or Japan for China). Just as Metternich made Austria the indispensable player in every European conflict for a decade, so too has China made itself the party to whom all others must turn to resolve the nuclear crisis.

The repeated Chinese desire for a “multi-polar” world should be seen in a similar light. Like Metternich balancing between Russia, Prussia, and France, so too does China hope to find security in a balance between the U.S., the EU, Russia, and itself. And, just as Metternich tirelessly defended the sovereignty of the German states to prevent them from being dominated by Prussia, so too does China defend the sovereignty of the states on its periphery from being dominated by the U.S. or Japan.

China as a new “hub”

As one of the U.S. presenters pointed out, China often cares more about the membership of a multilateral organization than what the organization actually does – it writes the invitation list before coming up with an agenda. This characterization is apt. If one looks at two of the key multilateral organizations China is creating or advocating, there is very little overlap among the major powers it includes – with the exception of itself. Since the mid 1990s China has formed a closer and closer relationship with Russia, which it has enshrined in the SCO. The recent joint Sino-Russian naval exercises, which the other SCO nations observed, is symbolic of the improved relations. Significantly, though, Russia is not among the countries that China has backed to attend the East Asian Summit (EAS). Instead, the only other major power that it wants to attend is Japan; they have explicitly discouraged India or Australia from attending.

One of China’s goals, therefore, seems to be to avoid having two great powers present in any of these organizations. In this way it can guarantee that Beijing will not be forced into unacceptable coalitions of great powers within these organizations. On the contrary, China is assured of playing the lead role in each organization. It might be useful to conceptualize China’s behavior as creating “hub and spokes multilateralism,” where in each multilateral organization it is the decisive force, or at least in which it can, through alliance with the smaller powers in the organization, exert influence on the larger power (this is most apparent in the EAS *vis-a-vis* Japan). This, indeed, is itself a Metternichean strategy. If I had to guess China’s next multilateral move, I would posit that it might try to create a multilateral organization in which it and India are the two main powers, with a roster of smaller nations from Central and Southeast Asia, while discouraging Russia or Japan from joining. If this analysis is accurate, China will take this course instead of pushing India to join the SCO.

Conclusion

Henry Kissinger wrote that “with an outmoded administration [Austria] confronted the rapidly multiplying problems of industrialization, nationalism, and liberalism.” Such a characterization describes China today. Napoleon’s threat to Austria was military, but also

social: he was bringing ideas that could crack the empire. China, too, faces a U.S. military threat, but the more dangerous threats are liberalism and nationalism, which could undermine Chinese Communist Party rule. For this reason, China has sought refuge with like-minded governments not to overturn the balance of power, but to preserve it; not to argue that principles (like human rights) have no place in international discourse, but rather to find counter-balancing principles (like sovereignty) on which it can base its own legitimacy.

Contrary to the assertions of the “China Threat” theorists, Chinese foreign policy is motivated more by *fear* than by *ambition*, more by preservation than by expansion. Indeed, if anything, the Chinese are guilty of trying too rigidly to preserve the status quo, not of trying too aggressively to overturn it. The result of these Chinese policies might best be thought of as “an autocratic peace” of which Metternich himself would be proud.

Buying Friends or Foes? Economics Meets Politics in U.S.-China and Japan-China Relations

By Mary M. McCarthy

Over the last quarter century, the economic relationships between the U.S. and China, and between Japan and China, have grown increasingly interdependent. In terms of trade, in 2004, the U.S. was China's top trade partner, followed by the European Union and Japan; China and the U.S. were Japan's top two trade partners; and China and Japan continued to be two of the U.S.'s top four trading partners (after Canada and Mexico).

Many in the U.S. and Japan view this as a positive development. The argument is that not only are they enriching themselves, they are integrating China into an international economic system (as well as bilateral and multilateral trade relationships), within which China's actions will be constrained by necessary considerations of external influences on its economic stability. In fact, it is this belief, that close economic ties mean less conflict and more cooperation that has driven U.S. economic policy toward China since the Nixon administration. U.S. policymakers, officials, and newspaper editorialists have all touted this seemingly beneficial connection.

However, the question remains whether economic relations are a stable foundation on which to build a good overall relationship with China. Recently we have seen increasing economic interdependence between Japan and China, accompanied by an extremely contentious political relationship. In addition, over the past two decades, we have witnessed numerous occasions on which the U.S. or China sought to manipulate or threaten trade relations to achieve some preferred political outcome. These examples do not seem to support the claim that increased economic ties will lead to peaceful relations. In fact, although interdependence may have a pacifying effect, it also means additional issues over which countries may argue and more competition over the distribution of gains, as well as the possible creation of relationships of dependency. So what impact does economic interdependence have on the U.S.-China and Japan-China relationships?

It has two conflicting effects. While interdependence has a dampening effect on conflict, dependence spawns conflict by being a means by which one country may gain power and leverage over another. Still, even dependence can lead to a positive outcome as long as the relationship is not highly asymmetrical and threats are used sparingly as a means to signal preferences. This is the direction in which the U.S., Japan, and China should strive.

U.S.-China

Economic interdependence between the U.S. and China continues to grow, as it has for the past 25 years. In 2004, the percentage increase in bilateral trade from the previous year was the largest in over a decade. The U.S. and China have become dependent on each other for economic growth and stability. Despite this, a number of serious political challenges persist, including Taiwan, human rights in China, and the future of the U.S. in the

Asia Pacific. So what role has economic interdependence played in terms of these and other political issues in U.S.-China relations?

The qualitative evidence suggests that while increasing trade ties have provided an incentive to reduce conflict, both the U.S. and China have used the threat (either explicit or implicit) of damaging economic ties to prevail on certain issues of contention. Quantitative evidence also illustrates that, as dyadic trade *interdependence*¹⁰ has increased, it has been less likely for there to be high-grade conflict, which includes actions such as ending a diplomatic relationship or using military force. Similarly, as *China's* trade *dependence*¹¹ has increased, it has been less likely to initiate such conflict. However, as the *dependence of the U.S.* increases, China is more likely to initiate conflict. In other words, China is pacified by its own increasing dependence and by the interdependence of the bilateral relationship, but emboldened by high levels of U.S. dependence.

Quantitative evidence reveals that the behavior of the U.S. does not follow this pattern. In fact, although anecdotal evidence shows that the U.S. does use trade as a weapon, that use does not seem to have anything to do with an increase in the dependence of China. The U.S. appears to make its foreign policy decisions with regard to China, without taking interdependence or dependence into account (even indirectly).

What does this mean for the future of U.S.-China relations? The U.S. can expect that by engaging in a more interdependent relationship with China and increasing China's economically important trade, China will be less likely to initiate or escalate conflict. However, given the U.S.'s economically important dependence on trade with China, it must be prepared for that dependence to be used against it by China as a tool of statecraft. China too should expect the U.S. to use trade as a tool or weapon, although it is not expected that the use will be related to China's dependence. However, this utilization of one's partner's dependency for one's own benefit need not cause serious rifts in the relationship, if it occurs within a relatively strong interdependent relationship and is managed correctly, as I will explain below.

Japan-China

This brings us to the Japan-China relationship, one that is fraught with political friction despite growing economic interdependence. The question is whether bilateral trade can reduce the tension or whether it is a contributing factor. My analyses of the U.S.-China relationship give us some clue as to what effect economic ties may have on the Japan-China relationship, as well as to what we should expect to see in the future.

Like the U.S. and China, Japan and China have become significantly more interdependent over the past 25 years. Therefore, we would expect a similar pacifying effect on the *intensity* of conflict in the Japan-China relationship. This does not mean that low-level conflicts will not occur, but that they will be less likely to escalate. The question then becomes, under what conditions will low-level conflicts escalate?

¹⁰ Interdependence is measured as the interaction between the size and symmetry of the bilateral trading relationship.

¹¹ Dependence is defined as economically important trade and measured as GDP/bilateral trade.

As Japan and China have become more interdependent, they have also both become more economically dependent on bilateral trade. This is particularly true of Japan since 1999, as we see a significant increase in dependence on trade with China. Therefore, we should expect to see a parallel rise in conflict initiated by China and leveled against Japan, as China takes advantage of the increased dependence of Japan.

This does not suggest that Japan will necessarily back down or otherwise avoid confrontation. Here we need to consider the fact that China continues to be more economically dependent on bilateral trade than does Japan. Despite the pacifying effect of its own dependence, if the subject matter is of a high value to Japan, we should expect to see Japanese initiation or escalation, particularly during periods when Chinese dependence increases, such as the period since 2001.

So what does this mean for Japan-China relations? If economic interdependence continues to increase and both Japan and China continue to be economically dependent on bilateral trade, we should expect to see a more nuanced development of a signaling mechanism based on actions that threaten trade. The best use of this mechanism is to only initiate or escalate conflict on issues of extreme importance to oneself. The partner is then more likely to back down, as such a system creates greater transparency in preferences. Or, where the matter is of high value to both parties, there is more likely to be a negotiated settlement. In other words, the governments should pick and choose their battles carefully, according to their own priorities. This increases the effectiveness of the signaling tool and increases the likelihood of achieving one's preferred outcome with as little escalation as possible. If there is an arbitrary use of attacks on one's partner's dependence, then it has no use as a signaling mechanism and will eventually injure both parties. This would not be good for Japan-China relations.

Conclusion

While I have found that the U.S. does not make foreign policy decisions with regard to China on the basis of economic interdependence or dependence, both China and Japan arguably do. Therefore, it is important for both of them to be particularly cautious about their level of dependence, even while increasing the level of interdependence in each bilateral relationship. The answer to this is diversification – not to be wholly dependent on one partner as a supplier or market. The U.S. has been the most successful at this, but China and Japan are also both striving toward this goal.

The second objective should be to develop economic statecraft as an effective signaling mechanism. Combining economics and politics is not necessarily bad if it allows each country to express its preferences without resorting to military threats. However, economic dependence should not be utilized as a tool with any less consideration than is given to military actions. A country should not threaten economic ties on minor issues, and is less likely to do so as interdependence increases and asymmetry decreases. In those cases where arbitrary threats do occur, they are worse than useless because they cause needless friction, as we have witnessed in Japan-China and U.S.-China relations in the past. This is

something that Japan, China, and the U.S. should all actively avoid.

The Energy Debate in China

By Dewardric McNeal

As energy security concerns begin to mount over high prices and limited supply, China, because of its size and growing thirst for energy, is being treated with a great deal of caution, concern, and suspicion. In the United States and Japan, the fundamental question is whether China's emergence and quest for energy resources pose a threat to their own energy security. But Beijing is asking its own set of questions and is fully engaged in energy debate. Analysts believe that the debate is over the types of strategies that China should pursue to ensure that it is able to compete with the U.S. and Japan for vital energy resources. These debates are just beginning to surface and are far from complete, but already a number of key players have emerged that deserve its own consideration and attention.

Peering through the window

The current debate in China is being carefully watched by outsiders in an attempt to glean any information that will reveal how energy policy in China is decided. Analysts believe the most powerful voices in this debate belong to the Chinese oil companies, the State Development and Planning Commission (SDPC), the Ministry of Foreign Affairs (MFA), and to the Chinese military (PLA). A number of research scholars, journalists, and even a few environmentalists and conservationists are weighing in on the issue.

Chinese Oil Companies. A snapshot of the role of each of the key players reveals that the Chinese oil companies; China National Petrochemical Corporation (Sinopec), China National Petroleum Corporation (CNPC), and Chinese National Offshore Oil Corporation (CNOOC) wield power and influence over the energy policy decision-making process. The oil companies' influence comes from: 1) their expertise; 2) their close personal relationships with government elites; and 3) their ability to leverage the financial benefits they confer on the Chinese government from their profits. With broad support from the Chinese leadership, Chinese oil companies have embarked on a strategy of investment in overseas oil fields. This approach is prompted by the belief that maintenance of equity positions is both less expensive and more secure than purchasing oil on the international market. But given the tendency of Chinese oil companies to overpay for stakes in overseas oil fields and doubts about their ability to guarantee access to such oil in times of crisis, there is good reason to question the viability of China's acquisition strategy.

State Development and Planning Commission. This is the most important government bureau on energy policy because it has direct oversight authority for all energy deals and projects that exceed a set dollar limit (that usually includes most energy projects). The SDPC is also instrumental in setting energy prices and providing input into the drafting of the five-year energy plans. According to some analysts, the SDPC is the leading voice behind the push for setting up a strategic petroleum reserve (SPR) to buffer China against the impact of sudden disruptions in the supply of oil. Nonetheless, many in China, including some of the Chinese leadership, have expressed doubts about the cost effectiveness of constructing a strategic oil reserve. Moreover, discussion of the SPR has been plagued by disagreements

over how to finance the project and a belief that China's energy security is better pursued through other means. Given that this debate is ongoing, it is unlikely that the SPR represents a near-term option for enhancing China's energy security.

Ministry of Foreign Affairs. High-level officials in the Ministry of Foreign Affairs with an interest in China's energy security are aggressively pushing for the use of "Energy Diplomacy" to guarantee China's access to energy resources. Because of the focus on energy diplomacy in China, many officials of "pariah states" are welcomed guests in Beijing. Many policymakers and analysts in the West view these visits as proof that China has a strong disregard for human and political rights, when Beijing sees these visits not as "shared values partnerships" but as necessary actions to ensure its energy security. It is far from certain, however, that China's current overtures toward oil-exporting countries will be enough to ensure continued access in times of crisis and/or prevent oil-producing states from exploiting ever-growing dependencies wrought by China's oil diplomacy.

Chinese Military. The role of the military in this debate is the most difficult to discern. However, the one common theme in discussions of the military role in China's energy security debate is the need to secure shipments of oil imports. This may be one of the driving forces behind the Chinese desire to build a "blue-water navy," which would give China the ability to protect its own supplies and secure the strategic shipping lanes. Currently, China relies on the U.S. to secure those shipping lanes.

Conclusion

A number of unanswered and unasked questions about China's energy debates remain. Unfortunately few people are able to predict what is likely to emerge from these debates. Therefore, there is an urgent need for comprehensive studies on China's energy policymaking apparatus (their structures and processes). These studies should be an integrated (to include economic/market, political, and security issues) analytical assessment of China's energy security policies.

Perspectives on Japan's Emerging Global and Regional Security Roles and the Importance of Correcting Misconceptions

By Sachi Nagaoka

The drastic changes in U.S., Japanese, and Chinese security policies since the end of the Cold War have had a tremendous impact not only on East Asia, but also on the global security environment. Japan and China have expanded their security roles both in the regional and global contexts, and since Sept. 11, 2001, these two countries have become important partners for the U.S. in the war against terrorism.

However, trilateral relations have not been defined exclusively by the changes in the international environment; the influence of domestic politics and public attitudes has also played a key role, facilitating cooperation among the three countries. For example, while China's policy has not really changed since our last meeting with the U.S. in Beijing, emerging tensions in U.S.-China relations have become much more evident. As came forth in our conference this year, what took place in Washington has created this tension between the two nations. Regarding Japan-China relations, it was also noted in the conference that regime change in Japan caused by domestic issues – mainly the reform of the postal service – will greatly affect their future dealings.

Therefore, a correct analysis and understanding of domestic movements within each country is essential for constructing trilateral cooperation. Misconceptions sometimes cause deep resentment and anxiety, which is difficult to overcome. From this perspective, I will provide insights to understand the internal background of Japan's movement toward expanding its security role since the end of the Cold War, displaying the role of Japan's internal legislation and the response by the public in support of government policy. I believe this effort will lead to the avoidance of the misperceptions and future discomforts that should be prevented among the three nations.

The internal background of Japan's expanding role in global security

Following international critiques of Japan's "checkbook diplomacy" in the 1991 Gulf War, the Japanese government pushed ahead with legislative actions to enable the country's Self-Defense Force (SDF) to contribute to military operations in regional and global situations. The movement for internal legislative actions was accelerated by the Koizumi Cabinet beginning in 2001. (See Chart 1)

Chart 1: Legislative Security Policy since the End of the Cold War

Date/PM	Law	Objective	Area
06/1992 Miyazawa	International Peace Cooperation Law	To enable SDF (limited to logistical support) and civilians participating in UN peacekeeping operations	Global
05/1999 Obuchi	Law Concerning Measures to Ensure the Peace and Security of Japan in Situations in Areas Surrounding Japan	To enable SDF logistical support for U.S. military in regional emergent situations	Regional
11/2001 Koizumi	Anti-Terrorism Special Measures Law	To enable SDF logistical support for U.S. military and other countries participating in special counterterrorism operations in Afghanistan	Global
12/2001 Koizumi	Amendment of International Peace Cooperation Law	To enable SDF to engage in activities of UN peacekeeping forces	Global
06/2003 Koizumi	Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack	To outline and define the fundamental principles and responsibilities of the national government and local governments and the cooperation of the people in case of armed attack against Japan	Japanese territory
12/2003 Koizumi	Law Concerning Special Measures on Humanitarian and Reconstruction Assistance in Iraq	To enable SDF logistical support for U.S. military and to engage in reconstruction activities in Iraq	Global

To provide some background for these legislative actions, there has been a gradual change of public attitudes resulting from Japan's evolving role in international society, as indicated by Figure 1. During the Cold War, Japan's security role in the world was limited, a condition supported by public opinion. Most Japanese people believed that Japan should have a limited role as a soft power in the area of global economy and the environment.

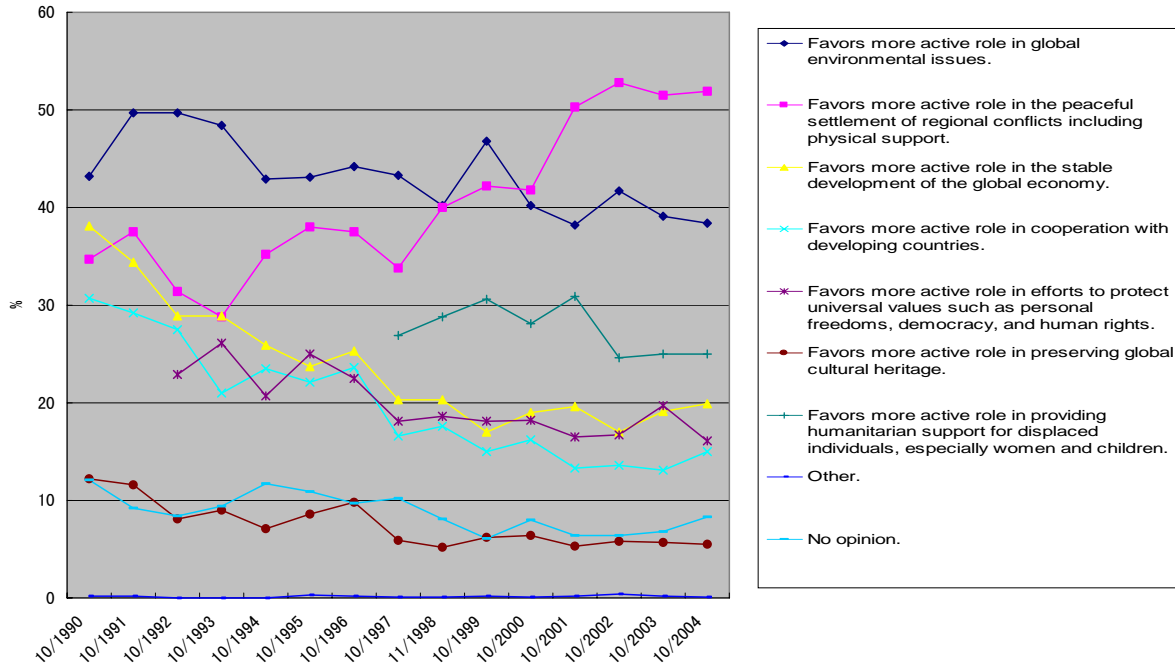
However, since the end of the Cold War, support for an expanded security role in the world, especially increasingly active participation in the peaceful settlement of regional conflicts, has increased. It is clear that there is public support for government to modify its global role only if it contributes to the peaceful settlement of conflicts. The rise of rightwing parties and the public support of militarization in Japan, which were pointed out in our conference, are misconceptions of Japan's actual direction.

Regarding the Japan-U.S. alliance, it should be understood as a mechanism that contributes to the stability of the global security environment. Japan has shifted its role globally, providing logistical support for the multilateral force in Afghanistan and engaging in reconstruction activities in Iraq. The Japan-U.S. alliance has been transformed into providing global security, such as fighting against terrorism. In fact, for every six pieces of legislations related to security policy that have been enacted after the Cold War (See Chart1), four bills define Japan's global security role, including participation in UN peacekeeping operations and Japan-U.S. military cooperation in a global context.

Figure1. Public Opinion Regarding Japan's role in International Society

Source: Opinion research by Cabinet Office, 10/1990, 10/1991, 10/1992, 10/1993, 10/1994, 10/1995, 10/1996, 10/1997, 11/1998, 10/1999, 10/2000, 10/2001, 10/2002, 10/2003, 10/2004

(The following graph does not appear in this form in any source, it was collected from the source above and put together by me.)



1998 North Korean missile test: a catalyst for Japan

Another key issue, discussed in the conference, which must be carefully examined, is China's apprehension at the fact that much of the Japanese public's support for government policy arises from China's threat and the Taiwan issue.

The event that had perhaps the greatest impact on public opinion and created realistic opinions in favor of government policy was the 1998 North Korea missile test, a show of force that made the Japanese people conscious of looming crisis. Since that test – which North Korea claimed was a satellite launch – public attitudes have drastically changed toward supporting a policy that would expand Japan's security role in the region, as research by the Cabinet Office shows.

To the question of "Is there any risk that may involve Japan in an armed conflict," the answer "Yes" was higher than the pre-1998 "No" responses, which had been consistently higher for nine years. Simultaneously, support for the U.S.-Japan security alliance increased to 72 percent after 1998, up from 68 percent in 1997. In 2004, 74.4 percent of Japanese people surveyed identified the Korean Peninsula as the issue about which they have the most concern regarding for Japan's peace and security.

The misjudgment of Japan's public perceptions toward regional threats could lead a deterioration in individual attitudes regarding the China-Japan relationship, which has grown worse in recent years. The Japan-U.S alliance should present clearly its security role in the region, while China should carefully examine the direction of the alliance and Japan's security policy, which would help to reduce anxiety among the Chinese people.

Conclusion

Since the end of the Cold War, there has been significant expansion of public support for an increasing role by Japan in global security issues. It appears that the Japanese people have accepted the reality of emerging regional and global threats, and they have shown themselves ready to pay for stability of the international order, not only in economic terms but in terms of security as well.

This position should be perceived as Japan's willingness to make a positive contribution to global security, as the enacted legislations shows. Additionally, as I have presented, public attitudes toward Japan's regional and global security role should not contribute to deteriorating trilateral cooperation. It will fall to all participants of this conference to explore the correct direction of internal movements of each country and work toward common efforts in the future.

Trilateral Building Block for Stability: Military-to-Military Consultation and Confidence Building

By Kerry Lynn Nankivell

Conventionally, positive contact between states has been limited to political, diplomatic, economic, and social, or cultural activities alone. In recent years, policymakers have emphasized that contact between national militaries plays an important role in the development of friendly relations. The logic of including military-to-military contact as a friendly, peacetime activity to encourage confidence among nations is rooted in the belief that increased transparency between militaries in particular will help to achieve a climate of confidence that is not possible through conventional channels alone. Such transparency helps to dispel alarmism, increase mutual understanding and appreciation of intentions, fears, and goals, and create communication links that may be invaluable in preventing escalation of tension or misunderstanding. While conventional thinking suggests that mutual suspicion impedes military-to-military initiatives, it may actually encourage it: it is in this arena in which the greatest progress can be made with the least institutional effort.

The U.S. has much to offer in this capacity, and the special role of Japan's Self-Defense Forces ensure that they need to work in concert to exploit the benefits of peacetime military diplomacy. Military-to-military interaction between the U.S. and Japan is already well established, as is U.S. peacetime military diplomacy among various nations in Southeast Asia. U.S. forces are actively engaged in a wide range of military diplomacy activities including bilateral and multilateral exercises, joint training, educational exchange, senior-level consultations, and others.

Arguably, the U.S. has much to gain by more actively including China in any number of these initiatives. Obviously, progress is most likely to be made on the low end of the spectrum, including educational exchanges and high-level visits and consultation. The cost of engaging China at this level would be low, but the benefits to the increase in confidence and military-to-military familiarity would be high.

In particular, confidence can be improved when such familiarization exercises are done in a specifically trilateral manner. The strength of the U.S.-Japan military alliance is of obvious concern to Beijing, and much diplomatic ground could be gained if this fear were addressed and if steps were taken by Tokyo and Washington to alleviate it. Most analysts agree that China is not opposed to the U.S.-Japan alliance so long as it is not aimed at impeding China's reunification with Taiwan. Increased confidence building initiatives between the three militaries might emphasize the multi-dimensional purpose of the bilateral alliance, which includes stabilization of the Korean Peninsula, ensuring security of the sea lanes upon which all three powers depend, and safeguarding against rivalry between Tokyo and Washington. This does not need to mean that either Japan or the U.S. renounce their stated interests in the peaceful resolution of the final status of Taiwan, but neither does trilateral military-to-military contact between the three powers need to be held hostage to this issue.

For its part, China has already proven itself interested in fostering improved relations with at least some of its neighbors through the use of peacetime military diplomacy. It has done this not only by increasing its military assistance to countries including Pakistan, Bangladesh, Myanmar, and Sri Lanka, but has also increased its limited interactions with Southeast Asian, European, and North American militaries through attendance to workshops or conferences, and limited exchanges in some kinds of training courses. Even this limited interaction brings greater exposure of foreign militaries to the personnel and tenor of the People's Liberation Army and its navy and air force.

It is in China's interest to expand this sparing use of peacetime military diplomacy to include both Japan and the United States. Logic demands that Beijing is aware that alarmists in Washington who choose to interpret developments in the PLA as threatening to the U.S. and its allies in Asia might prompt escalating tensions between the two countries sooner rather than later. As the weaker military power, Beijing must be wary of this and keen to ensure that its military modernization process is not viewed by either Washington or Tokyo as hostile to their interests. Without increased transparency, Beijing ensures that suspicion of the "known unknowns" will create powerful enemies of the U.S. and Japan long before China is fully modernized. The recent U.S. report to Congress, *The Military Power of the People's Republic of China* sends exactly that message to Beijing. The report warns that though current estimates employed by U.S. analysts suggest that China's capabilities remain limited, that "the outside world has little knowledge of Chinese motivations and decision-making and of key capabilities supporting PLA modernization." The report further notes that "China's leaders continue to guard closely basic information on the quantity and quality of the Chinese armed forces" and implies that this lack of transparency suggests reason for pause among those in Congress advocating the full engagement of the PRC.

The relatively low costs of the marginal increase of military-to-military contact make this an attractive option as a building block for trilateral initiatives to stabilize the strategic triangle. Furthermore, the current zero-position of trilateral interaction means that there is much scope for improvement. Last, the fact that initiatives in the political, economic, diplomatic and cultural spheres have developed fairly robustly over the past three decades without guaranteeing regional stability suggests that this last military-to-military pillar may be required in this task. All considered, pursuit of increased military-to-military confidence building and consultation is the most promising area for improved relations among Asia's giants.

New Security Multilateral Framework in the Asia Pacific

By Yasutomo Tanaka

In July, the Research Institute for Peace and Security, together with Asia-Pacific Center for Security Studies, and several Australian security experts, proposed policy recommendations “Japan, U.S., and Australia: In Search of a New Strategic Framework in the Post-9-11 Era.” I would like to explore a new security multilateral framework in the Asia Pacific, based on this report.

After the end of the Cold War, many multilateral institutions and mechanisms were explored in the Asia Pacific. Among them, ASEAN Regional Forum (ARF) was expected to be the most promising. Founded in 1994, the ARF was given the mission of creating confidence building measures, preventive diplomacy, and conflict resolution. It was assumed the three activities would build upon one another, and started with confidence building measures.

In the post-Cold War era, arms races became a new security concern in Asia. Even with the Soviet Union collapse, there are several remaining flashpoints in the Asia Pacific: the South China Sea, the Korea Peninsula, and the Taiwan Strait. On the other hand, many Asian countries enjoyed double-digit economic growth. Their economies enable them to procure modern weapons. The ARF could have played a role to avoid security dilemmas and arms races. The members of the ARF have to make their defense postures clear. Instead it enhanced and transmitted hostility among them.

There are also traditional security concerns in Asia. The North Korean nuclear issue is the most perilous of interstate security issues. However, in the post-Sept. 11 era, the focus of security policy is moving from interstate rivalry to transnational crime, including piracy and terrorism, and the proliferation of weapons of mass destruction.

The ARF is still in the stage of creating confidence building measures. It was devised and tinkered with during the Cold War. The aim was the avoidance of unintentional conflict in a security environment of severe rivalry. However, in the current security environment in Asia, interstate rivalry is not the highest-priority security issue. Unfortunately, the ARF has not taken any concrete measures against international crime or the proliferation of WMD. The ARF seemed to have not worked.

Many security experts anticipate that Six-Party Talks might become a viable multilateral framework in Asia, after the resolution of the North Korea nuclear issue. Even though it might be a concert of great powers, it is not the forum to provide concrete measures against international crime or the proliferation of WMD – just like the ARF.

In my opinion, the U.S.-led alliance systems in the Asia Pacific is the best way to deal with those security issues. The U.S.-Japan and U.S.-Australia alliances are especially effective. The three countries are maritime states. They share national interest in the preservation of maritime freedom. The three countries have developed economies, technologies, and well-trained armed forces. They can manage military operations with high

interoperability, and they can afford to engage in military operations against international crime on the high seas. As a result, they can work together against the proliferation of WMD. In this sense, I would pay attention to the Proliferation Security Initiative.

Rejuvenating the U.S.-Japan and the U.S.-Australia alliances might seem like “containment” directed against a “new enemy.” China might be afraid of becoming the target. However, project members don’t make use of the alliances in this way. The three countries should not build an exclusive security architecture based on the existing alliance systems. Trilateral cooperation should be a “platform” for an inclusive and informal multilateral security framework. That is so called “expanded bilateralism” or “bilateralism-plus” approaches. The policy recommendation is as follows.

The present hub and spokes U.S.-dominated alliance system in the region can be maintained over the short-term as a safety valve against unresolved flashpoints in the region (for example the Korean Peninsula). However, a trilateral security framework that encourages a truly inclusive regional security order can be simultaneously cultivated. As this security order ‘matures’, we believe it can eventually be transformed into a viable and enduring regional security community. To realise success for this vision, however, Australian, U.S., and Japanese policy planners will need to coordinate how they approach their common regional security concerns more effectively by viewing these relations more in the context of strategic reassurance and less in predominantly ‘threat centric’ terms.

We design trilateral cooperation as “a security version of ‘open regionalism’ often discussed in regional economic dialogues.” In that sense, “China, South Korea, and the ASEAN states should be perceived and related to as ‘security equals’ and fellow community-builders.”

I hope the three countries can build trilateral cooperation, instead of the U.S. relying on unilateral action. I hope China will join this platform for multilateral framework. China is also interested in maritime security and is against piracy and prevention of proliferation of WMD, even though it is not a member of the U.S.-led PSI.

Japanese Quandary Over East Asia Summit

By Kori Urayama

In January 2002, Prime Minister Koizumi Junichiro announced the “East Asia Community (EAC)” concept during his trip to Singapore: “[L]et us in concert compose a harmonious community of many voices raised for the greater good.”¹² In September 2004, during his speech at the United Nations General Assembly, Koizumi reiterated his willingness to push for the idea of EAC, building upon the existing ASEAN Plus Three (APT) structure.¹³ Later, APT declared the initiation of the East Asia Summit (EAS) in December 2004, to be held in Kuala Lumpur in December 2005. Leaders of APT declared that EAS will be an “indispensable forum for East Asian countries to engage their partners and the world on regional and global issues of common interest and concern.”¹⁴ The participants of the first EAS include APT as well as Australia, New Zealand, and India.

What would EAS entail for Japan? Its relations with the United States? Its relations with China? While a number of scholars and analysts have strongly supported an EAS¹⁵, recent events surrounding the initiative seemed to have caused a quandary within Tokyo. Some officials – particularly those close to the defense establishment – are downright skeptical. Even within the Ministry of Foreign Affairs (MOFA), there seems to be a fissure between strong advocates and the cautious.

Initially many MOFA officials considered the January 2002 visit a “good opportunity to hammer out Japan’s new Asia diplomacy” and aggressively pushed for the idea of an EAC.¹⁶ EAC advocates within MOFA argued that the concept would provide an opportunity for Japan to reorient its longer-term Asia policy. In addition, it appears MOFA hoped to use the EAC as a place to engage China in regular dialogues.¹⁷ As the idea for the East Asia Summit developed (based on the idea that the EAS would institutionalize itself into the EAC in the long-run), many MOFA officials endorsed EAS, arguing that it would provide Japan a chance to create a “new Japanese diplomacy.”¹⁸ As they view regional dialogues such as the ASEAN Regional Forum as something akin to “study group-level” talk shops, EAS advocates within MOFA were enthused at the prospect of creating a new regional initiative with more substance.¹⁹

This does not mean that MOFA as a whole has emphatically endorsed the idea. Indeed, the issue seems to have caused a certain level of disagreement within MOFA. On the one hand, there are strong advocates, as represented by such officials as Deputy Foreign

¹² “Japan and ASEAN in East Asia: A Sincere and Open Partnership,” speech by PM Koizumi Junichiro, Singapore, Jan. 14, 2002.

¹³ “A New United Nations for the New Era,” Statement by Koizumi Junichiro at the 59th Session of the United Nations General Assembly, New York, Sept. 21, 2004.

¹⁴ *Japan Economic Newswire*, July 27, 2005.

¹⁵ See, for example, Makoto Taniguchi, *Asahi Shimbun*, June 2, 2005.

¹⁶ *Sankei Shimbun*, Jan. 15, 2002.

¹⁷ *Sankei Shimbun* Jan. 15, 2002.

¹⁸ *Asahi Shimbun*, March 31, 2005.

¹⁹ *Sankei Shimbun*, Jan. 15, 2002.

Minister Tanaka Hitoshi. There are also skeptics, such as Vice Minister Yachi Shotaro.²⁰ In February 2005, Yachi was heard to comment that given that the U.S.-Japan relations is the basic pillar of Japanese diplomacy, if EAS were to contradict this notion it needs to be reconsidered.²¹

Such reservations within MOFA seem to be rooted in U.S. displeasure over the initiative. In December 2004, Mitchell Reiss (director for policy planning at the State Department) expressed wariness over discussions of new Asian regionalism that excludes the U.S.: “East Asians are developing a distinctive path to regional integration. And the United States, as a traditional western Pacific power, must remain involved. It has not escaped our notice, for example, that a regional trade and financial system is emerging... This poses some challenges for the United States... For our part, we seek an East Asia that is open and inclusive.”²² In February 2005, Secretary of State Condoleezza Rice told her Singaporean counterpart that the U.S. has “some concerns that the East Asian Summit will be inward looking and exclusive.”²³ Deputy Secretary of State Richard Armitage also expressed his concern in an interview that the newly emerging East Asian regionalism would exclude the U.S. from East Asia.²⁴

What undergirds such U.S. discomfort with the EAS? It seems to be a fear that this could pave the way for a rising China to exert overwhelming influence over the grouping at a time when the U.S. is preoccupied with Iraq and paying less attention to East Asia. Derek Mitchell, a former Clinton administration official, relates: “China is trying to dilute the effect of existing institutions by establishing new institutions centered specifically among Asia ... and excluding the United States.”²⁵ China has been playing an active role during the EAS negotiation process, aggressively pushing for earlier summit dates and suggesting that the second summit be held in China (the idea was ultimately shot down by ASEAN, which agreed that the EAS be held in ASEAN countries only). It has also been reported to be showing signs of reluctance to expand the participants outside of the APT framework. Furthermore, according to a U.S. official quoted in the *Asahi Shimbun*, China has approached certain ASEAN countries (such as Laos, Cambodia, and Myanmar) to endorse Chinese proposals regarding EAS and to reject Japanese bid to UNSC permanent membership, in an exchange for other measures.²⁶

Skeptics in Japan seem to echo such U.S. wariness. The *Nihon Keizai Shimbun* recently noted that “China’s aggressive moves to build an East Asian Community seem to reflect its intention to become the top Asian superpower by weakening the influence of Japan and the United States.” *Sankei Shimbun* sees Chinese enthusiasm in institutionalizing the APT framework as its strategic intention to try to drive a wedge between the U.S.-Japan as well as U.S.-ROK bilateral alliances.²⁷ Such sentiments are shared by some defense officials.

²⁰ *Sankei Shimbun*, May 7, 2005.

²¹ *Asahi Shimbun*, March 31, 2005.

²² “U.S. wary as East Asian Community nears reality,” *Nikkei Weekly*, Dec. 14, 2005.

²³ *Agence France Presse*, Feb. 26, 2005.

²⁴ *Asahi Shimbun*, May 1, 2005.

²⁵ *Agence France Presse*, Dec. 1, 2004.

²⁶ *Asahi Shimbun*, May 15, 2005.

²⁷ *Sankei Shimbun*, May 8, 2005.

One JDA official commented, “China is using EAS as a tool to exclude the U.S. and thereby increase its own political clout in the region. I doubt Chinese interest in EAS is out of genuine concern towards regional multilateralism.”²⁸

Such Japanese reservations toward China were certainly reflected in the subsequent actions the Japanese government took during the course of negotiations for the EAS. While China insisted on limiting the members to APT, Japan was keen to have other members – such as Australia, New Zealand, and India – partly to provide a counterweight to China, which it feared would otherwise dominate the summit.²⁹ One MOFA official was heard to comment, “It is inconceivable that Japan alone can be a balancer against China, unless others – at the least India – are included in the summit.”³⁰ Additionally, Japan suggested – multiple times – that the U.S. be given observer status at the December 2005 EAS so as to assuage U.S. concerns over the “exclusionary” nature of the summit. The idea was first floated by FM Machimura during the course of his talk in Nemuro in March 2005 when he said, “Welcome, India; welcome, Australia; U.S. is also welcome as an observer... It should be an open organization.”³¹ The idea was again floated by Japan during the ASEM Meeting in May 2005, but ultimately the U.S. rejected the “observer status” idea as Deputy Secretary of State Robert Zoellick commented later that month that the U.S. is not interested in participating in the first EAS as an observer.³² One U.S. government official was quoted as saying, “Why would we have to sit at the back of the conference room taking notes when we are a de facto Pacific power?”³³

There are also questions about how EAS will be positioned relative to existing regional institutions such as APEC and the ARF. Given that the EAS will be chaired only by an ASEAN country and will be hosted only in an ASEAN country, there are questions about how EAS is different from the ARF or APT and how effective it will be in terms of deepening regional integration.³⁴ As a JDA official noted, “It’s still unclear what EAS aims to achieve in the long-run. And there are serious questions about pursuing regional integration without being able to agree on basic ideals and principles. There may be a need for Japan to stress the fact that China is not a democracy and that a fundamental difference of political regimes could pose problems in regional integration in the long-run.”³⁵

This is not to say that these skeptics are against the idea of an EAS altogether. While they acknowledge that the U.S. existence is indispensable in future security arrangements in East Asia, they do not see full U.S. participation as a “must.” One JDA official commented, “It is certainly possible for Japan to participate in such a regional framework that does not include the U.S. Even under such a circumstance, Japan certainly can and should emphasize

²⁸ Interview with a JDA official, July 12, 2005.

²⁹ “East Asia Summit invitation list touches off diplomatic wrangle,” *Agence France Presse*, July 21, 2005.

³⁰ Yoichi Funabashi, “Asian-American discord over East Asia Community,” *Shukan Asahi*, March 11, 2005.

³¹ *Asahi Shimbun*, March 31, 2005.

³² *Kyodo News*, May 10, 2005.

³³ *Asahi Shimbun*, May 15, 2005.

³⁴ Interview with MOFA official, July 13, 2005.

³⁵ Interview with JDA officials, July 12 and July 14, 2005.

its interests based on the U.S.-Japan alliance. It may be desirable for U.S. to be present, but they need not always be around for Japan to stress its position as a U.S. ally.”³⁶

During the September 2005 general elections, both the Liberal Democratic Party and Democratic Party of Japan have included the creation of EAC in their party manifestos, reflecting Japanese enthusiasm for regional integration. Japanese official rhetoric has also been quite positive regarding the upcoming EAS, the first meeting of which will be held in Malaysia in December 2005. Nonetheless, it would be a mistake to assume that Japan embraces EAS wholeheartedly. Innumerable questions and concerns remain in the minds of many Japanese officials and analysts: What is the optimal institutional arrangement that enables more effective regional cooperation? How can a future EAC be made compatible with the existing U.S.-led security order (especially in light of the U.S.-Japan alliance)? Is this the beginning of a China-led regional order? What undergirds such questions is Tokyo’s discomfort with the rise of China and underlying confusion – even suspicions – regarding Chinese attitudes and intentions toward multilateralism. While skeptics do not deny the utility of multilateralism (many certainly seem to prefer the idea of dealing with China multilaterally rather than on a unilateral basis) and the importance of an EAS in dealing with urgent issues such as economic integration, terrorism and piracy, for now they seem to prefer a cautious, wait-and-see approach.

³⁶ Ibid.

One Crucial Factor in U.S.-Japan-China Trilateral Relations: Attitudes toward the History of World War II

By Qinghong Wang

Does the history of the World War II still matter in U.S.-Japan-China relations? The answer is definitely yes. It is not the history itself, however, but the attitude of each country toward that period of history that affects trilateral relations. All three nations – the U.S., Japan, and China – have both appropriate and inappropriate attitudes toward the history of WWII. In fact, many conflicts among and between these countries originate from these inappropriate attitudes. Therefore, to harmonize trilateral relations, these three countries should work closely to eliminate inappropriate attitudes and promote appropriate ones.

Attitude of Japan

After 60 years of development, Japan has rebuilt itself into an economic giant. Correspondingly, Tokyo's desire to politically and militarily play a more important role in the region and in the world has dramatically increased since the end of the Cold War. Both Beijing and Washington understand Tokyo's mentality very well and welcome the emergence of a more responsible Japan in East Asia. However, Japanese rightwingers have chosen an irresponsible and controversial way to approach this goal. They believe one of the most important preconditions to strengthen Japan's military and political power is to rebuild the Japanese national identity centering on the emperor. In their efforts to accomplish this goal, they have adopted high school textbooks that ignore the facts of history by covering up war crimes committed by Japanese militarism during WWII; they call for visits to Yasukuni Shrine, which only enshrines soldiers who died for the emperors since the Meiji Restoration in the late 19th century and includes 14 class-A war criminals of WWII; and, they support the punishment of roughly 300 Japanese school teachers, who refuse to pay respect to the "Hinomaru" national flag and the "Kimigayo" national anthem, both of which are reminiscent of the worship of the Japanese emperor and Japanese militarism during WWII.

Due to other Asian countries' tremendous suffering under Japanese militarism during WWII, the mutual trust between Japan and its neighboring countries, like China and Korea, is greatly harmed by the actions of the Japanese rightwingers. Koizumi's regular visits to Yasukuni Shrine during his term as prime minister in the past three years appeal to Japanese rightwingers, but outrages many Asians, especially Chinese and Koreans. You can image their feelings by thinking about how Jewish people would react if the German chancellor paid regular visits to a church where Hitler and other German war criminals were memorialized. Without basic trust, how can China and other countries be expected to support Japan's bid for permanent membership in the United Nation Security Council?

After large-scale anti-Japanese demonstrations erupted in China and Korea this spring, Japanese leaders have gradually changed their inappropriate attitudes toward history. On June 19, Koizumi attended a Japanese government memorial service in Iwo Jima as the first sitting premier to visit the island. It is a good sign that Koizumi chose this location over Yasukuni Shrine to pay his respect to the war dead because it avoided instigating further anti-

Japanese sentiment in China, Korea, and other neighboring countries. On June 28, Japanese Emperor Akihito paid his respects to the Koreans killed in Saipan during World War II when he commemorated the deaths of Japanese soldiers and civilians there.

It is a good start for Japanese leaders to reconcile the national hatreds toward Japan in China and Korea. During the 60th anniversary of the end of World War II, the Japanese emperor and leaders can take advantage of this special time to strengthen the ties of regional unity and cooperation among Japan, China, and Korea. To further this, Japanese leaders should also visit historical places in China and Korea to commemorate all people, no matter if they are Chinese, Korean, or Japanese, who died during WWII. Meanwhile, the Japanese government should control rightwingers and emphasize the importance of maintaining peace and trust in East Asia for Japanese national interests.

Attitude of China

Concurrent with the start of Japan's transition into a full-fledged country with strong military and political power in the 1990s, China emerged as the potential leading power in East Asia, with its traditionally strong military and geopolitical power and the rise of its newly reformed market economy. With the rapid growth of national powers, the strengthened patriotic education (*Aiguo Zhuyi*) after the end of the Cold War, and the emphasis on the legitimacy of China's sovereignty over Taiwan and other disputed territories, the self-confidence and the nationalist sentiment of the Chinese people dramatically increased. Beijing enjoys the ease of political mobilization and the great national cohesion created by the power of nationalism, but is gradually losing control over the growth of nationalism due to the fast development of the internet and civil society in China.

The unreconciled hatred of Japanese militarism during the Cold War period was triggered during the post-Cold War era among Chinese people, especially the younger generation, by the wrongdoings of Japanese rightwingers. The insufficient emphasis by the Chinese government on Japan's contribution to China's economic development since 1979 and the small percentage of Japanese rightwingers in the Japanese population left those who took a moderate stance with a weak voice, at best. The increasing anti-Japanese sentiment in China on the one hand helps to explain Chinese government's legitimate stance against Japan's bid for the permanent seat on the UNSC; on the other hand, it hinders high-level communications between China and Japan.

The over-the-top anti-Japanese demonstrations of April 2005 helped the Chinese government clearly understand that nationalism is a double-edged sword. The arrest and prosecution of those who attacked Japanese shops and restaurants during the April demonstrations indicate Beijing's resolve to restrain the excessive nationalism in China. But more importantly, Beijing should resume high-level dialogue with Tokyo on bilateral relations as early as possible. The greater the communication between China and Japan, the less chance there will be for misunderstanding and mistrust between two countries. Simply refusing to directly talk with Tokyo on this issue will only intensify the tension between China and Japan.

Attitude of the U.S.

As the only superpower and the predominant power in East Asia, the U.S. is now facing a strategic crossroads in East Asia. How should Washington deal with the rise of China and the integration of East Asia? Retard it or promote it? Washington's lack of a clear, unanimous, and mature strategy in East Asia leads to a situation in which the U.S. remains comparatively silent on the clash of nationalisms and the disputed attitudes toward the history of WWII in this region. Maintaining a passive attitude on this historical issue will accelerate the vicious downward spiral in China-Japan relations and eventually bring the region into turmoil, which will not only harm the national interests of the U.S. but also make Washington lose an opportunity to maintain its influence in East Asia.

To promote the peaceful rise of China by guiding its flood-like development into the channel of regional integration and opening onto the flood plain of globalization is the best strategic scenario for the U.S. Therefore, the U.S., the leader of the world's campaign against Nazism and the architect of current geopolitical relations, is presented with a timely opportunity to actively promote the reconciliation of East Asian countries, whose enmities are from 60 years ago. For example, the U.S. president or secretary of state could hold an East Asian summit for resolving historical issues at Pearl Harbor, a historic location that symbolize the entrance of the U.S. into WWII on Dec. 7. Reconciling the historical differences of WWII between the U.S. and Japan will inspire other leaders in East Asia to rid themselves of the heavy historical burden they carry on their own shoulders. U.S. NGOs and civil society groups can also work with their Japanese and Chinese counterparts to promote grassroots reconciliation and cultural exchange among the three countries.

On the whole, as long as these three countries sincerely cooperate with each other to adjust inappropriate attitudes on the history of the WWII, the people of this region, especially the younger generations, will see the dawn of peace and prosperity in East Asia.

How to Manage Structural Changes in Northeast Asia? Multilateral Organizations and the U.S. Bilateral Structure

By Min Ye

Studies of international institutions have not achieved consensus as to the utility of multilateral organizations in constraining states' behavior. Sufficient agreement has reached, however, that participation in multilateral institutions can share information, reduce transaction costs, overcome collective action problems, and facilitate cooperation among states. Many regions have achieved quite a number of multilateral frameworks to deal with their regional issues; the list includes Europe, North America, South America, Southeast Asia, South Asia, Africa, and the Persian Gulf. Northeast Asia, which occupies almost a quarter of global GDP and population, features a striking "organizational gap." Up until 1995, no regional organizations existed. Northeast Asian security was managed by a U.S.-dominated hub and spokes system, under which the U.S. employed two alliance structures with Japan and Korea respectively and two semi-alliances with mainland China and Taiwan. As a mode of operation, countries in the region addressed their security concerns through the Washington hub.

In the last 15 years or so, the political economy in Northeast Asia has gone through turbulent yet dynamic shifts. The region experienced three regional crises in addition to two global shocks. With two North Korean nuclear crises (the most recent one is still in progress) and one financial crisis, Northeast Asia continues to be a rapidly growing economy, with China becoming the largest destination for foreign direct investment and South Korea becoming a major player in outward FDI. The whole region is closely linked by trade interdependence and production networks, and is increasingly tightly linked.

With China rising and Japan stagnating, the U.S.-Japan alliance strengthening and China-Korea approaching each other, the regional power distribution is becoming uncertain and transitory. Making this more complicated is the fact that all the nations are going through significant domestic changes. The U.S. is more focused on anti-terrorism and homeland security. Japan is seeking "normal state" status, South Korea is becoming more populist, and China more nationalist. How can Northeast Asia maintain stability and prosperity? How can the U.S. maintain its hegemonic position, yet accommodate these changes? This essay argues that a multilateral regional organization in parallel to U.S.-dominated bilateralism can best manage the transitions and changes in the region, as well as serve long-term U.S. strategic interests.

National needs for multilateral organizations in Northeast Asia

At the heart of Northeast Asian security uncertainty is the rise of China. China's economy has grown stronger and more durable than previous projections. Given its size, China's rise inevitably creates pressure on neighboring countries. China is seeking multilateral, institutional means to stabilize regional relationships, as demonstrated by its recent voice and action of "peaceful rise" and institutional achievements with Southeast Asia. Multilateral cooperation has economic and political benefits for China. As the Chinese

economy becomes more interdependent with its Asian neighbors, regional cooperation can cope with common problems within Asia, including structural reforms, future crises, and cross-border social issues. Playing roles of institution-setter and rule-abider eases neighboring countries' apprehension of China's rise and contributes to regional stability. Stability is indispensable for China's economic development and overrides other concerns.

Second, Japanese "normalization" is inevitable, although slow. Being the second largest economy with some of the most advanced technology in the world for several decades, Japan remains under the security protection of the U.S. As the largest donor of official developmental aid (ODA), Japan's international influence is restricted to indirect means. This situation is not sustainable in Japanese domestic politics and in the global setting. It is also not conducive for lasting regional stability; a "weak" Japan essentially enlarges the military presence of the U.S. Yet, Japan hasn't reconciled its aggressive history with its former colonies. Recent anti-Japan protests illustrated that the war memory remains bitter in the former victims' minds. Multilateral organizations offer venues for mutual communication and confidence building. As binding mechanisms, regional organizations will also smooth regional acceptance of a "normalized" Japan.

South Korea is situated between the two large powers in Asia and shares strong economic ties with both. It feels more comfortable strategically with multilateral regional organizations in which it plays an important, unique role. South Korea has the most to gain from regional organizations strategically and economically. Korea was the hardest hit economy in Northeast Asia during the financial crisis of 1997. Korean governments and scholars have played an active role in brainstorming and planning East-Asia cooperation with a Northeast Asia focus. The long awaited East Asian Summit was envisaged by the East Asian Vision Group (EAVG) mostly composed of and supported by Korean specialists and officials. The populist movement against the U.S. military bases is likely to soften if multilateral cooperation involving Japan and China becomes stronger.

Although the three Northeast Asian nations have a clear need for multilateral regional cooperation, strong U.S. involvement is not only necessary, but desirable. As pointed out, nationalism in China, populism in Korea, and conservatism in Japan have made their relationships full of frustration and antagonism. They all prefer to continue bilateral relationships with the U.S. for the foreseeable future. Furthermore, significant perils to Northeast Asian security are not solely the result of big-power politics. Rather, major dangers lie with potentially irresponsible Taiwan and risk-prone North Korea. The strong U.S. influence contains these possibilities and maintains regional security in a relatively stable fashion. On the other hand, having a multilateral regional organization in parallel to bilateral alliance structures will enhance U.S. interests in the long run.

The U.S. main strategic concern in Asia is China. Many observers predicted inevitable strategic confrontation between an existing hegemon and a rising power. Yet there exists uncertainty regarding China's future. The first scenario is that China continues to grow economically, politically, and militarily. If that is the case, involving China in a web of organizations can not only "lock in" certain strategic advantages of U.S. hegemony but also stabilize the future power transition in Asia. The second scenario is that China's economic

growth slows and society goes through gradual changes. Multilateral organizations can share the cost of U.S. involvement in the region and in the world. The last scenario, which is the worst scenario for the region and the world, is a troubled China with economic stagnation and domestic unrest. Yet, even should that happen, availability of multilateral regional organizations can help stabilize the region and manage crisis at reduced costs.

Making national priorities straight

Resurgent Asian regionalism has resulted from increasing interdependence among Asian countries and a shared effort to cope with economic vulnerability in the region. Multilateral cooperation in Northeast Asia, without directly compromising bilateral influence of the U.S., serves regional and national interests. Yet countries involved are still hedging against multilateral organizations. The main issue here is lack of trust and strategic vision. First, China should make it very clear that China doesn't seek a regional hegemonic position through regional organizations. China should convey forcefully to the U.S. that it supports and in many cases leads regional institution-building as a regional stabilizer. China's activism should be based on a genuine recognition of and concern for region-wide issues. China should be more accommodating toward Japan's growing role in the region and in the world. As a rising power, China should convey directly to the Japanese public and officials that China does not want to diminish Japan's regional leadership but to share that leadership. When Japan has difficulty initiating regional cooperation due to domestic considerations, China should fill the role to push regional institutions forward.

The U.S. should learn to view Asian regionalism for what it is. Asian regionalism emerged when globalism and bilateralism failed; Asia is in need of regional cooperation to address regional crises, bilateral mistrust, and thorny strategic issues. The U.S. should encourage active participation by Japan in regional cooperation, by keeping a certain distance within the alliance. Japan is the most trusted ally of the U.S. and this won't change if it plays an active role in Asian institutions. Being actively involved in Asian regionalism is in the interest of Japan; the U.S. as a close ally should support it. To China, the U.S. position should be straight: the U.S. welcomes China's institutional leadership in Asia, but the U.S. discourages any attempt on China's part to seek regional dominance. There are some radical nationalists in China that seek power projection capabilities, although they are not the mainstream. But categorical objections to Asian regionalism will impress on the Chinese public that the U.S. seeks to contain China's legitimate international aspirations. Selective support of China's regionalist initiatives can foster a constructive rise of China.

Japan needs a new vision for its role in Asia and in the world. Prime Minister Koizumi Junichiro was successful in strengthening the alliance relationship with the U.S, but he did it at the expense of Japan's Asia policy. Anti-Japan sentiment has grown rapidly during his tenure. The next leader (either Koizumi or somebody else) should recognize that Japan is in Asia; economic, social, political, and environmental problems in Asia directly affect Japanese welfare. Japan's economy is increasingly dependent on Asian development. If Japan seeks to play a larger global role, it needs support from its neighboring countries. Through actively supporting regional institutions, Japan can foster mutual trust and confidence with Asian neighbors and it can also create understanding of Japan's international

aspiration. Instead of aggravating regional relations with continuous history textbook revisions, visits to Yasukuni Shrine, and Senkaku island disputes, Japan's leaders should reshape its Asian policies to stabilize regional security and to solicit regional support for its international strategy.

The Impact of Energy Security on Trilateral Cooperation

By Qi Zeng

Triangular energy conflicts

The competition for natural resources among the U.S., China, and Japan, currently the three largest energy consumers in the world, has become increasingly fierce.

Among the three bilateral competitive relationships, the China-Japan contest for energy has been the most vehement. One example of this can be found in the East Sea. There is a growing dispute between China and Japan over the demarcation of territory in the East Sea and, subsequently, for the vast energy reserves that lie beneath the surface. In April 2005, Japan released survey findings that Chinese drilling in the Chunxiao and Duanqiao gas fields could siphon off natural gas under Japan's territorial seabed. In July 2005, the Japanese government granted Teikoku Oil the right to test-drill on the Japanese side of the median line.

Another example is Japan's recent competition with China over Russia's project to extend a crude oil pipeline from the Eastern Siberian city of Angarsk. While China has proposed stretching the pipeline inland to Daqing, Japan is seeking an extension to Nakhodka, a port city facing the Sea of Japan.

China's soaring energy needs for its ever-expanding industrial production also brings Beijing into confrontation with the world's largest energy consumer, the U.S. Both sides are engaged in a competition for energy resources around the world, from Russia to the Middle East and from South America to Africa. The recent unsolicited CNOOC bid for Unocal not only shows that the U.S.-China contest for energy has extended to the Asia-Pacific region, but also indicates that contest has been upgraded to the level of a direct conflict between U.S. and Chinese competitors.

Contrary to the overexposed Japan-China and U.S.-China energy competitions, however, the U.S.-Japan energy contest continues to be both quiet and out of the public eye. Actually, the huge U.S.-Japan energy conflict has been well managed and advised by the cooperative programs of the two countries, such as the U.S.-Japan Cooperative Program in Natural Resources (UJNR), which was established in 1998 to aid in the negotiation of energy disputes. The high level of integration between the U.S. and Japanese economies, and the solid alliance between these two nations, are viewed as the main reasons for their well-managed energy competition.

Roots of energy conflicts

The expertly managed U.S.-Japan energy rivalry shows that economic antagonism is not the root of this problem. I believe that non-economic factors are the real basis for the energy conflict between China and Japan and between China and the U.S.

Japan's joining the global "treasure hunt" for energy helps to illuminate this argument. It is not due to an increase in domestic demand for energy that it has joined the chase. Japan's energy use has remained relatively stable. In fact, it is Tokyo's zero-sum mentality about energy resources in the world and her rivalry-psychology in the contest with China for regional leadership in East Asia that is behind the decision to spend political and economic resources on this competition.

Not unlike many Japanese politicians, and due largely to an outdated, Cold War mentality and a nationalist fear of China's rise, some U.S. policy-makers have also politicized and demonized Beijing's demand for energy.

Resolutions to the energy conflicts

To aid the resolution of their disputes, these nations need to remain focused on one main principle – the resolution of energy conflict through non-violent means. The previous two world wars were triggered in large part by a contest for raw materials and energy. After witnessing the horrendous disaster humankind suffered during these wars, the countries of the 21st century must avoid repeating their mistakes. There are many negotiation frameworks available for use in resolving energy disputes, such as the World Trade Organization and Asia Pacific Economic Cooperation. To further aid in the resolution of potential conflicts, China, Japan, and the U.S. should establish new bilateral and trilateral dialogue systems on this issue as well.

These countries should re-define energy conflicts in trilateral relations as a purely economic issue by avoiding reversion to the outdated Cold War view, a zero-sum mentality, and the crutch of nationalism. The rapid growth of demand for energy in China is the result of economic development. Before 1994, China was largely self-sufficient in providing for its energy needs, and in fact was a net oil exporter. With its rapid economic growth, China's demands for energy skyrocketed. In 1994 it became a net oil importer, and in 2003, it replaced Japan as the world's second-largest oil consumer, trailing only the U.S. China acquires energy around the world not for ideological reasons, or to control resources, but for industrial production and other market purposes.

Finally, China, Japan and the U.S. should not look at energy conflicts as a domestic issue but as a mutual problem, and should cooperate with each other to solve this problem. Unlike the economic development of South Korea and Japan, the rise of China's economy mostly depends on FDI. In other words, the growing demand for energy is an indicator of the rapid development of foreign companies in China. To help China with the energy issue is, in fact, aiding U.S. and Japanese companies that have moved production to China. In the era of globalization, the growing number of international corporations has served to erode national boundaries.

Conclusion

In the context of globalization, it is very necessary to depoliticize the energy issue. Japan, China, and the U.S. should have an understanding that the energy game is not really a

political one. A framework that will help to diminish misunderstanding and military confrontation needs to be established.

For more than two decades, the U.S. and Japan, two allied countries, have conducted energy policy dialogues to promote networking and to exchange ideas among energy decision-makers. At a conference convened in 2000, they discussed the increase in U.S.-Japan bilateral cooperation and their cooperation with other Asian countries regarding energy issues, with the goal of achieving sustainable development in Asia.

I believe that China and the U.S., the world's two largest energy consumers, working together can also effectively meet their own energy challenges and make the world energy situation more stable. Both countries have a similar goal of reducing reliance on energy imports. At the same time, they have converging areas of expertise, such as the U.S. leadership in many fields of energy research and technology, and China's achievements in high-energy physics and nuclear reactors. It would be to the advantage of both parties if their research was shared, with the goal of aiding in the creation of an Asia-Pacific sustainable energy use policy.

Based on the above-mentioned cases of bilateral cooperation, the U.S. could further promote a trilateral dialogue, encouraging all three parties to view demand and other energy problems as common challenges rather than as sources of competition in which one side's interests are met at the cost of the others' well-being. It will be beneficial for all three parties to forge an alliance rather than to compete with each other. Given the dramatic increase in economic growth and energy use in Asia, it is time for Japan, China, and the U.S. to promote trilateral cooperation and cooperation with other Asian countries in the realm of energy.

Chapter II
Sino-U.S. Relations and Regional Security

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Forging a Greater Chinese Identity across the Strait

By Claire Bai

In 1985, Taiwanese writer and critic Long Ying-tai published a collection of essays entitled *Wildfire (Yehuoji)*. She expressed her frustration about the corrupt bureaucracy, unbalanced economic growth, stagnant educational system, reckless destruction of the environment, and waste of natural resources in Taiwan. Today, if one replaced all mentions of Taipei in *Wildfire* with Beijing, one would have no trouble believing it to be about problems in the mainland capital. Taipei and Beijing, one strait and 20 years apart: how can there be such shocking similarities? The answer is simple: within each city reside people sharing the same Chinese identity and system of values. Both groups are experiencing the painful process of modernization; the only difference is that Taiwan had a head start.

Long also expressed her optimism that the greater China region would successfully modernize; she was especially confident in the significance of a greater Chinese identity. As director of the Taipei Bureau of Cultural Affairs from 1999-2003 – appointed by Taipei Mayor Ma Ying-jeou – she strongly believed and made attempts to promote cross-Strait cultural exchanges, including an invitation to the China Academy of Peking Opera to perform the revolutionary “Story of the Red Lantern” in Taipei in 2001.

On July 16, 2005, the same Ma Ying-jeou who solicited Long’s assistance was elected chairman of the Kuomintang (KMT). This election has received unprecedented media attention in both Taiwan and mainland China. Ma recognizes the greater Chinese identity, even though he claims that the interests of the Taiwan people are his top priority, and demands that the mainland democratize.³⁷ Many people have posted on various mainland online fora rooting for Ma and praising intra-Party democratic elections. They also showed a great concern for future developments within the KMT and the prospect of improvements in cross-Strait relations should the opposition party return to government in 2008. At the press conference after his victory, Ma announced his plans to reform the KMT, and confirmed that he would visit the mainland in the near future.

In fact, tension in cross-Strait relations began to thaw in the spring of 2005, following visits to mainland by then KMT chairman Lien Chan and People’s First Party Chairman Soong Chu-yu. Lien and Soong both met with Chinese President Hu Jintao and issued joint statements proclaiming further cooperation. They also gave speeches at Peking University and Qinghua University, respectively two of the mainland’s finest educational institutions. While Beijing’s subsequent proposals promoting tourism to and import of fruits from Taiwan have excited many people, the live broadcast of the two speeches delivered at Beida and Qinghua gave both the public and intellectuals a unique experience of a different leadership style. A reconsideration of cross-Strait relations surged among mainland intellectuals. Meanwhile in Taipei, a Mainland Affairs Council poll in early May showed that “the public’s

³⁷ Liu Yawei, “Taiwan KMT election is Chinese election,” July 17, 2005, accessed via China Election & Governance Website, <http://www.chinaelections.org/readnews.asp?newsid=%7B8529056D-EB19-49F0-A8E9-3E41F3642D0B%7D>.

sense of Beijing's hostility toward Taiwan had fallen to the lowest level since the series of polls were first published in 1992."³⁸

Lien Chan and Soong Chu-yu were both educated in the U.S., and are thus familiar with the Western democratic tradition. Backed by a strong understanding of Chinese culture and mastery of the language, they demonstrated eloquence, sharp-mindedness, and an ease in conveying their messages in public addresses – all of which are essential qualities of a good leader. In Lien's Beida speech, he talked about the evolution of a liberal environment in Taiwan – lifting restrictions on the press and the Party, and general elections during Chiang Ching-kuo's term – as well as making an interesting reference to the tradition of academic freedom at Beida, proposed by its very first president, Cai Yuan-pei. While explaining the democratization process in Taiwan, Lien praised the ongoing village elections in China and articles in the Chinese constitution on the protection of private property. Soong's Qinghua speech, instead, focused on the economic aspects of the "Taiwan experience" by discussing the increasingly equal distribution of wealth in Taiwan today. Soong also talked about the difference between seeking "independence" and seeking a "Taiwanese identity." In a sense, Lien and Soong were discussing the core values that the Taiwanese people care about most.³⁹

It seems the shock-response paradigm may be applicable to cross-Strait relations. The visits by Lien and Soong could actually be seen as the harbinger of an outside force, which could eventually realize "peaceful evolution" in mainland China by means of reunification. The Chinese Communist Party (CCP) should be prepared for this prospect. It is inevitable that after reunification, mainlanders would only get more interested in the democratic system in Taiwan; if the CCP's corruption problems persist or even worsen, more radical political reforms could ensue if ignited by a serious crisis either in China's economic development or foreign relations. Understandably, people in Taiwan are most concerned with the future of their existing democratic system; unfortunately, the mainland's dealings with the Hong Kong SAR have done little to assuage their fears.

While Chen Shui-bian's administration persists with an inflexible approach to Beijing's proposals, the election of Ma Ying-jeou as the KMT's new chairman becomes especially significant to cross-Strait relations. Unlike the 1996, 2000, and 2004 elections, this time the mainland government kept a neutral stance and allowed objective and unbiased media reporting. It is fairly likely that Ma will be a major candidate in the 2008 presidential election, in which case, for the next two years, seeking common ground with and eliciting cooperation from Ma should be a top priority for Beijing. With this in mind, leaders in Beijing should enhance communication with Ma to persuade him to "dilute" the relationship between Taiwan and the U.S., and reconsider U.S. influence in cross-Strait affairs. Hopefully Ma will continue Lien's policy and advance measures such as the "three links" to promote peaceful reunification.

The key to solving the Taiwan issue lies in "confidence building" on both sides of the Strait. Broadly speaking, confidence building measures can be anything – political, military,

³⁸ David G. Brown, "Opposition Leaders Visit China," *Comparative Connections*, Vol. 7, No. 2, July 2005.

³⁹ Long Yingtai, "The Taiwan you might not know," *China Youth Daily*, May 25, 2005. Accessed at http://zqb.cyol.com/gb/zqb/2005-05/25/content_8773.htm.

economic, or cultural – that aims to address uncertainties and promote common understanding among the parties involved. In the case of Taiwan, several practical steps could be taken to further improve the situation. They include: 1) Call for intellectuals from both sides to hold a series of conferences or work together on joint publications to help forge a greater sense of Chinese identity and let each side come to better understand the other; especially to help mainland people gain a comprehensive understanding of the “Taiwan experience;” 2) Encourage personal interactions and exchange programs, especially among the younger generation. This could start with student conferences and “summit” type political simulations to help them think from the other side’s perspective and thus to better understand their concerns; 3) While the mainland facilitates more Taiwanese students’ enrollment in local universities, Taiwan should eliminate implicit employment discrimination against students who hold degrees from mainland universities; and 4) Given the inflexibility of Chen’s administration, nongovernmental organizations in Taiwan should work to pressure Chen to respond more positively to mainland initiatives.

Nexus of Nationalism and Security: Managing Strength, Autonomy, and Reputation

By Leif-Eric Easley

People pay for, fight for, and sometimes die for their country, and demand that it be worth the sacrifice. States engage in policies of war and peace, affecting the national pride of their citizens in the process. The linkages between nationalism and security policy determine how sudden change or gradual evolution of one ultimately impacts the other. Yet despite the great consequence of mechanisms connecting nationalism and state security behavior, our understanding is limited by theoretical obstacles and empirical complexity. This short paper makes a modest attempt at clarifying the interaction of nationalism and security policy by investigating causal arrows in both directions. First, definitional issues are addressed. Then various means of interaction are discussed and a framework for analysis is presented. Examples are provided by application to the China case. The paper concludes with general implications for managing the linkages between nationalism and security policy toward constructive international competition and away from costly military conflict.

Established state nationalism

With respect to the great diversity of opinion about what nationalism is and how to study it, a few words are necessary on the conceptual focus of this paper. Nationalism has mattered throughout modern history as a powerful ideology motivating nations to fight for their own state. This has involved the creation of republics in place of monarchies, the union or division of existing states, the establishment of states by peoples freed from colonialism, and so on. Nationalism has also been a force for terrible death and destruction in the hands of fascist Germany and imperial Japan, and in civil wars in Africa and irredentist/separatist terrorism around the globe. However, this paper does not examine brands of nationalism that seek a rightful state for the nation or that aim to bring about domination or destruction of other nations. The focus here is established state nationalism, the goal of which is to achieve a “rightful” place in the international system for a nation’s existing state. This form of nationalism entails the beliefs of a nation about the role their state should play vis-à-vis other established states.

Nationalism is not antithetic to rational maximizing behavior but rather is the product of psychological needs for meaning and purpose. It is a matter of identity wrapped up with emotional justifications for the prevailing institution of socioeconomic order. In other words, it is about the continuation and prosperity of a nation’s state. Nationalism presents methodological complications because it cannot be easily studied as an independent or dependent variable within a standard social science research design. It involves both how citizens place demands on national leaders as well as how the state leadership maintains legitimacy and mobilizes populations for a national cause. Ultimately, nationalism informs the utility functions of states so that security policy follows a combined logic of appropriateness and consequences. What is more, state security behavior inspires change in the content and intensity of nationalism. The issue at hand then is specifying the mechanisms

that tie the two together – where do we look to observe the interaction between nationalism and security policy?

Linkages with security policy

A state’s use of force and efforts at peace are more than affected by nationalism. These policies also influence what posture people believe their state should assume in a dynamic international environment. I propose a framework examining the interaction between nationalism and security policy on three dimensions:

1. *national strength*: relative military capability;
2. *strategic autonomy*: freedom of action in security matters; and
3. *international reputation*: prestige among nations.

I suggest it is on these three dimensions that nationalism and security policy interact and that the following mechanisms mediate change in either direction:

	nationalism → security policy	security policy → nationalism
strength	defend against external threat	military buildup
autonomy	defend national purpose	relationships with allies
reputation	defend national pride	diplomatic offensive

If we know which dimension a state’s nationalism emphasizes at a particular time, we can anticipate the relevant mechanism pushing for an update in security policy. If we observe change in security policy associated with a particular mechanism, we can predict change in nationalism along the corresponding dimension. This framework is not meant to be a tool for precise measurement of nationalism or predictions about security policy, but is useful in suggesting where to look for consequential interactions between the two.

Lessons from China

There is a great deal to learn from China in terms of evolution of nationalism and security policy along the dimensions of national strength, strategic autonomy and international reputation. U.S. strategic planners are concerned about what they perceive as increasing Chinese nationalism pushing for a more aggressive security policy. But the relationship between nationalism and state security behavior is neither one-dimensional nor one-directional. Several key examples illustrate this below.

Chinese nationalism regarding strength affects security policy via calls (by the public, political leadership, or both) to better defend the nation against external threats. This involves emphasizing the dangerous capabilities and intentions of competitors. Such calls will encourage state security policy to increase military capabilities. The military buildup then plays a role in Chinese nationalism because a stronger, more advanced military increasingly becomes a subject of national pride. This process is clearly exhibited by Chinese concerns for the more assertive defense posture of Japan.

The autonomy dimension of Chinese nationalism affects security policy via appeals to the national purpose. The core international function of the state is to serve as an autonomous political unit that acts as the nation's legitimate representative on the global stage. If Chinese nationalism finds the state's strategic autonomy to be compromised, such appeals to the national purpose will be the mechanism to influence security policy. The corresponding mechanism that connects change in security policy to nationalism is the state's relationship with allies. In pursuing a more autonomous security policy, a state will rely less on allies and increasing strategic independence will play back into nationalism. This process was at work during the Sino-Soviet split, after which China became more self-reliant and took greater pride in its strategic autonomy.

Chinese nationalism concerning reputation influences security policy via demands to defend the national pride. Such demands come in the form of public protests and government officials' fear of a crisis of legitimacy. The corresponding mechanism that links change in reputational security policy and nationalism are diplomatic offensives ranging from international security contributions to saber-rattling to coercion. For example, after the U.S. bombing of the Chinese embassy in Belgrade, public protests and government face-saving motivated a more assertive diplomacy. Chinese nationalism subsequently showed increased sensitivity along the dimension of international reputation.

Nationalism is inevitably concerned with national strength, strategic autonomy, and international reputation, as is state security behavior. Although it is very difficult to predict with accuracy changes in nationalism or security policy, the framework applied above helps to demystify the mechanisms that link the two. Attention to these mechanisms can better our understanding of the interaction between nationalism and security as the Chinese nation redefines the international role of their state.

Nationalism's choice: costly conflict or constructive competition

Nationalism and security policy are fundamentally linked on the dimensions of strength, autonomy, and reputation. It is unlikely that nationalism and state security behavior can be decoupled in the foreseeable future given the roots that connect them. However, by understanding the mechanisms that link nationalism and security, it is possible to better manage the interaction. While domestic calls to defend against external threat, defend the national purpose, and defend national pride are to be expected, they need not be met by security policies that tend toward military escalation. Take for example Chinese efforts at arms control, security engagement with SCO and ASEAN, and deployment of military assets for relief work in the wake of the 2004 tsunami disaster.

Working to manage the mechanisms connecting nationalism and security policy can help states avoid identity security dilemmas and arms-races. Moreover, nationalism evolves with a nation's historical memory, so with a new generation comes new opportunities to address issues of national strength, strategic autonomy and international reputation. The interaction between nationalism and state security behavior is complex but can be steered in the direction of costly conflict or constructive competition. It is ultimately up to the people of our nations to choose.

Embracing China: The Role of the U.S.-Japan Alliance in Contemporary US-China Relations

By David P. Jänes

Ambassador Michael Mansfield once described the U.S.-Japan alliance as “the most important bilateral relationship in the world, bar none.” At many high-level U.S.-Japan-related events one hears the rhetoric that the alliance between the U.S. and Japan is currently the “best ever.” Conversely, Japan-China relations were recently described as the worse they have been since relations were normalized. In mid-April 2005, thousands of Chinese took to the streets proposing boycotts of Japanese goods and screaming such phrases as “Kill Japanese.”

How does a strong U.S.-Japan alliance and a poor Sino-Japan relationship affect relations between China and the United States? What role should the U.S. play in resolving tensions between China and Japan? Can the U.S.-Japan alliance play a positive role in helping to manage the rise of China and work to integrate China into the world community, or will Japan and the U.S. portray China as an enemy with whom they are destined for conflict? Does tension between China and Japan serve a positive role for U.S. foreign policy, or would a more optimal situation be for Japan and China to establish a stronger relationship? These are some of the questions to be explored below and which were discussed at the U.S.-China bilateral dialogue.

The nature of power transformation in East Asia is unprecedented, with China “rising” and Japan “normalizing.” Historically, either China or Japan dominated the region and the key question today is whether it is possible for leaders of both nations to view this regional transformation as a Pareto improvement instead of a zero-sum game. Part of the answer, as many conference participants stated, lies in how China changes as it rises. Currently, the Sino-Japan relationship is in a unique state of deep economic/trade integration, while simultaneously experiencing a growing polarity with regard to politico-military relations.

On the military side, tensions between China and Japan have recently been driven by four primary factors. First, in February 2005, Japan announced at the “2+2” talks that it firmly aligned itself with the U.S. in regard to Taiwan. While China’s rhetoric regarding Taiwan recently grew stronger with the passage of the Anti-Secession Law, Japan’s position statement that it shares with the U.S. a strategic interest in the future of Taiwan has increased the strain on the Sino-Japan relationship. Second, China’s military modernization efforts have raised concerns in Japan (and the U.S.) and caused Japan to contemplate measures to protect itself against a potential military threat from China. Third, China and Japan are engaged in battles over maritime territories that hold potential energy reserves. Fourth, Japan’s political parties are conducting serious discussions over the revision of Article 9 in the Japanese Constitution. All major political parties in Japan appear to be in agreement that the article needs to be amended. Even without this revision Japan has been expanding its military activities with its troop movement to Iraq being the largest since World War II. These actions unnerve China.

This does not exhaust the list of current tensions between China and Japan, as both nations are also engaged in a political battle over history and Japan's quest for a permanent seat in the United Nations Security Council. Japan and China teach their children differing narratives of WWII and the metropolitan Tokyo school district's recent approval of a rightwing nationalistic textbook raised grave concerns in China. Not only did these concerns spark anti-Japanese sentiment, but also helped to serve as justification for China to passionately claim that no nation that cannot adequately deal with its past should serve as a permanent member on the UN Security Council. Over 40 million Chinese people signed petitions to keep Japan from obtaining a seat in the Security Council and the Chinese government has not looked favorably on the request. Prime Minister Koizumi's repeated visits to Yasukuni Shrine added fuel to these protests.

But while the political culture of China and Japan is leading to a strained relationship, the economic interaction between China and Japan tends to be increasing and improving. In 2004 China replaced the U.S. as Japan's top trading partner, accounting for close to 20 percent of Japan's trade, and became Japan's third largest destination for foreign direct investment.¹ This economic relationship has led business leaders to call for Prime Minister Koizumi to stop visiting Yasukuni Shrine and to engage in policies that are more pro-China. Yasukuni is clearly a divisive issue as it came up numerous times at the conference and many were in clear support of Japan developing a separate military cemetery for the war dead that was not connected to one specific religion.

It is therefore likely that Japan's trade relationship with China will continue to increase, but unlikely that we will see a more positive political/military relationship in the short-term. Thus, Japan's relationship with the U.S. will continue to be strong, while its relationship with China may worsen. Within this context, the U.S.-Japan alliance can serve three main purposes.

First, the expansion of Japan's military both in terms of the domestic legality of its expanded role and in terms of its technological capabilities could serve as an effective deterrent against China. Several conference participants pointed out that the Chinese military appears to be growing beyond its needs for regional projection. Therefore, deterrence could prevent China from utilizing its military against Taiwan or from contemplating any direct first strikes against Japan or the U.S. This could persuade China to focus on enhancing other sectors, such as banking and industry, so that it is viewed in a more positive, less threatening light. Such actions could bring about improved relations between the U.S. and China.

Second, the U.S. alliance with Japan, as well as its alliance with other nations in Asia, can serve as an effective management tool for the rise of China in ways far beyond military deterrence. As one conference participant stated, these alliances can help constrain China's options as it rises. While many Chinese participants expressed the view that these alliances were meant to keep China from rising, it was repeatedly pointed out that the aim was not to prevent China's growth, but to prevent it from growing in such a way that it comes into conflict with neighboring states, with the U.S., or with its allies. This constraining effect can

¹ *Facts and Figures of Japan 2005*. Tokyo: Foreign Press Center of Japan, 2005: 101

assist in encouraging China to engage deeper in multilateral organizations that, in fact, can assist in its economic development.

Third, the U.S. and Japan, as the world's first and second largest economies and as strong democracies, possess institutional knowhow and technological ability that can assist China as its economy expands and its demand for energy and other materials increases. Whereas many Chinese people tend to view the U.S.-Japan alliance as a threat to their country, and some hardliners aim to sever this alliance, it may indeed be a potential source of richness for China and therefore improve China-U.S. relations. As conference participants pointed out, China's demand for energy is immense and growing, but its energy use is inefficient. Efficiency gains can be made through technology transfer from Japan and the U.S. to China.

An improved relationship between the U.S. and China requires an improvement in Sino-Japan relations. The conference leads me to believe that the U.S. has a meaningful role to play in improving this relationship and that such an improvement will bring about better U.S. relations with both countries. Furthermore, it is not the case that the U.S. is engaged in keeping these two countries at odds with one another. It was surprising for me to hear such rhetoric believed by many Chinese participants at the conference, but, as one participant said, the U.S. need not expend energy on such an issue as both China and Japan cause more than enough friction on their own.

It is also of key importance that leaders in Japan and the U.S. do not utilize negative images to portray the rise of China, which can lead to unneeded friction. The rhetoric that was used to paint Japan as an enemy in the 1970s and 1980s appears now to be in use against China. But China's gain need not be America's and Japan's loss. Japanese and U.S. leaders must support cultural, intellectual, and educational exchanges to assist in promoting images of China that are realistic and human. Perhaps it is time to consider the establishment of a foundation that can fund such projects.

The U.S.-Japan alliance remains one of the most important bilateral alliances in the world, but the U.S.-China relationship is also of great importance, and, if not cultivated properly, has the potential to turn disastrous. Cultivating the U.S.-China relationship properly requires the U.S. to maintain and continue to enhance its alliance with Japan in a way that embraces China's rise while ensuring that such a rise is indeed as peaceful as the rhetoric coming from China states.

A Time for Strait Talk on Taiwan

By Andrew Bingham Kennedy

As this year's report on the Chinese military from the U.S. Department of Defense makes clear, U.S. analysts are increasingly worried that the PLA's rapid modernization is undermining stability in the Taiwan Strait. As China invests in more advanced means of power projection – from more accurate missiles to stealthier submarines to electronic warfare – it acquires new means of coercing Taiwan and complicating U.S. intervention should a conflict over the island erupt. While China's emerging capabilities do not rival those of the U.S., Chinese strategists express confidence that the PLA could still pose a serious challenge to U.S. forces in a conflict over Taiwan, citing in particular the political and logistical constraints such an intervention could face. In response to China's growing capabilities, therefore, the U.S. is reviving its military contacts with Taiwan, deepening its strategic cooperation with Japan, and augmenting its military presence in the Western Pacific.

While Washington hopes these moves will help to stabilize the situation, their impact depends largely on how they are interpreted in Beijing. Should Chinese analysts come to see increasing U.S. support for Taiwan as evidence of U.S. backing Taiwanese independence, the leadership in Beijing could believe it had little choice but to use force to stave off such an outcome. Recognizing this danger, successive U.S. administrations have sought to reassure the PRC with respect to their intentions toward Taiwan. During his 1998 visit to China, President Bill Clinton's "three no's" disavowed U.S. support for Taiwanese independence. In August 2002, the Bush administration reacted frostily to Taiwan President Chen Shui-bian's suggestion of "one country on either side of the Strait" (*yi bian yi guo*). The following year, President George Bush personally chastised Chen for pushing for a controversial referendum prior to the Taiwanese presidential election. And in private discussions with Chinese leaders, Bush has been clearer still, saying he "opposes" Taiwanese independence.

While these gestures have reassured Beijing to some degree, U.S. analysts should recognize that in the end they do not go far enough for China. China's leaders do not merely fear the possibility of Taiwanese independence; they also seek to avoid permanent separation. As the 2000 Taiwan White Paper made clear, China feels entitled to use force against Taiwan in response to the latter's "indefinitely" (*wu xianqi*) postponing unification talks. Jiang Zemin subsequently re-emphasized this particular precondition for using force at the 2002 16th Party Congress. While President Hu Jintao has downplayed the so-called "third if" since coming into power, there is no guarantee that he (or his successors) will continue to do so, and the ultimate goal of unification remains. Indeed, the Anti-Secession Law passed in March kept this precondition very much alive by justifying force in the event that the "possibilities for a peaceful reunification should be completely exhausted." Accordingly, the perception that Washington and Taipei were conspiring to maintain Taiwan's current autonomy indefinitely would be profoundly disquieting to Beijing.

Regrettably, such a perception appears to be taking root in China today. In a series of interviews conducted with Chinese foreign policy analysts earlier this summer, I found that most were relatively pessimistic about U.S. intentions toward Taiwan. In particular,

increasing U.S. support for Taiwan over the past decade was typically attributed to Washington's fear of the PRC's rising power in the post-Cold War era, regardless of administration. In this view, unification would contradict basic U.S. interests in balancing against Chinese power, so many of the analysts I interviewed expected the U.S. to do what it could (albeit quietly) to keep Taipei and Beijing divided. While Taiwanese independence was seen as desirable from an U.S. perspective, it would come at too high a price, and in any case, Taiwan's current autonomy would suffice for U.S. purposes. In practice, therefore, U.S. policy could be best described by a very different "three no's" than those uttered by President Clinton in 1998: "no unification, no independence, and no war" (*bu tong, bu du, bu zhan*).

As explained above, this perception is dangerous as it fosters the notion that U.S. and Chinese interests with respect to Taiwan are ultimately incompatible. While the U.S. cannot dictate political outcomes on Taiwan, its influence is considerable, so the prospect of deep-seated U.S. antipathy to unification is a highly unwelcome development from Beijing's point of view. To be sure, it may in fact be the case that the U.S. hopes to preserve Taiwan's autonomy indefinitely, in which case China's foreign policy experts are not so much pessimistic as realistic. Specifically, U.S. strategic planners may worry that Taiwan's political integration with the mainland could be unsettling to Japan, in which case the U.S. might have an interest in forestalling such a development. In addition, from a military perspective, Taiwan's unification with China would appear to make it more difficult for the U.S. to hedge against China's rise, at least to the extent that maintaining U.S. influence over the first island chain in the Western Pacific was seen as an important element in such a hedging strategy.

It remains possible, however, that the primary motivations behind U.S. policy toward Taiwan do not conflict with China's long-term goal of unification. In particular, to the extent that the U.S. supports Taiwan to maintain its own reputation for strategic resolve, or more generally to maintain stability in the region, there would seem to be little reason for Washington to fear peaceful unification. Even if some Japanese strategists would be uncomfortable with such a development, it is by no means clear that Washington would allow Tokyo to dictate U.S. policy on the Taiwan issue. Accordingly, inasmuch as the U.S. is motivated by these latter kinds of concerns, rather than a desire to use Taiwan to counter or contain China's rising power, it has a powerful interest in communicating this fact to Beijing.

In short, the U.S. should make an effort to sort out its priorities with respect to Taiwan and communicate them more clearly to Beijing. As argued above, notwithstanding repeated assurances from Washington, most Chinese analysts remain convinced that the U.S. goals for Taiwan are not in accord with China's long-term interests. If they are wrong about Washington's motives, the U.S. must seek to persuade them otherwise. This is not necessarily an impossible task – despite the widespread pessimism described above, there is a significant minority of Chinese analysts with more sanguine views of U.S. intentions. It should be possible to build upon this foundation by taking up the issue in the Zoellick-Dai dialogue and perhaps at leadership summits as well. In addition, the issue could and should be taken up as well in bilateral military to military dialogues, which regrettably remain quite constrained despite recent advances in this area. But before the U.S. can reassure China,

Washington will first have to figure out for itself what drives its support for Taiwan in an era of rising Chinese power.

Peaceful Rise or Not, the United States Has a Role to Play

By Fan Li

Last year, my Young Leader's essay for the U.S.-China bilateral workshop discussed mutual admiration between Chinese and Americans. I still believe it wasn't an odd topic: at that time, even the U.S. secretary of state was talking about a "honeymoon relationship" between the two countries. And in the past 12 months, there have been no embassy bombings, nor "spy wars" over the China Sea.

It looks like the conflicts and ominous feelings have something to do with a tricky phrase, "peaceful rise." Whether the terms "peaceful" and "rise" are technically related to each other is hard to tell; indeed, "peaceful development" (*heping fazhan*) is more likely to be the official expression of China's external strategy since President Hu Jintao used it at an International Economic Forum in Hainan last year. However, the real enigmatic phenomenon these days is a growing talk of a "China threat" among some U.S. politicians: China's military modernization, the fixed RMB rate, exodus of U.S. manufacturing jobs to China, and so forth. The list is so long that the traditional human rights card hardly gets noticed anymore.

The U.S. Congress' strong reaction to CNOOC's bid for Unocal reminds the rest of the world of how Japanese investors unnerved Americans in the 1980s when they bought Rockefeller Center and Universal Studios. Twenty years ago, "the Japan Miracle" was a model for China and other East Asia countries. Today, Japan's long recession throughout the 1990s has been used as a warning to China.

For the Washington politicians who worry about a China threat, the bad news is China is not Japan. It's very unlikely that China would respond to U.S. pressure to further revalue the RMB in the near future. The 2 percent revaluation of July is not a result of U.S. pressure, but an action to cope with the acceleration in economic growth of over 8 percent in the second quarter.

The good news is that the Chinese people are even more worried about being seen as a rising power. If you've been to China, it shouldn't be too hard to notice that under the shadow of skyscrapers and huge posters of Louis Vuitton, China is still a developing country with a huge population of poor and low-income families. The economic growth that China achieved has been obtained at a high price: natural resources are being depleted and environmental destruction is widespread. The country faces increasingly serious conflicts such as a rapidly aging population, lack of a full-fledged health and medical care system, income gaps between urban and rural areas, unemployment, etc. Sustainable development will be a big challenge to China for the coming decade and beyond.

Thus, realizing a "Harmonious Society" has become a catch phrase in China since it was highlighted as the major task by Premier Wen Jiabao at this year's session of China's legislature. According to Wen, a harmonious society should "feature democracy, the rule of

law, equity, justice, sincerity, amity, and vitality.” It is clear to all that China is at a crucial stage of social transformation, which is the key to understanding China’s external policy.

EU and its member nations have found a role helping China to achieve this “peaceful transformation.” Apart from becoming China’s biggest economic partner in 2004, ongoing corporate projects in China this year supported by the EU and its member nations reached 1.665 billion euros, most of them grants to government agencies, universities, hospitals, and NGOs that focus on health, education, HIV/AIDS, environment NGO capacity building, etc. In addition, EU member countries are also encouraging “soft power exports” to China. Take the U.K. for example: the number of Chinese students in the U.K. exceeded the number in the U.S. for the first time in 2004; in 2005, Nottingham University opened a satellite campus in ZhenJiang Province.

Unfortunately, similar support from the U.S. is mostly initiated and delivered by international private foundations and NGOs; the U.S. government’s involvement is close to invisible. China, in its own interest, is seeking cooperation with the U.S. for many reasons: the need to close the gap between developed and developing regions and the imperative of adjusting its political institutions to accelerating economic and technological revolutions. For worriers in Washington D.C., there is a simple solution: help China achieve a peaceful rise that does not exclude the U.S. from the region.

Right now, the world’s two biggest economies, the U.S. and Japan, seem almost alone in viewing China as a threat. Jacques Chirac said on a visit to China last autumn that China and France share “a common vision of the world” and that lifting the embargo on arms sales will “mark a significant milestone: a moment when Europe had to make a choice between the strategic interests of America and China - and chose China.”

For most Asian countries, in the event of a confrontation between the U.S. and China, they would seek to avoid choosing sides, especially Japan. China has been working hard to assuage Asian concerns about its long-term intentions and to define its vision of a multilateral security framework. No matter how strong and influential the U.S. has been in the Asia Pacific region, China has the geographical advantage and cultural links with the rest of Asia.

Henry Kissinger commented that the rise of Asia will be a test of the U.S. competitiveness in the world that is now emerging. It may take a few decades or even longer for China to become a real superpower. That is ample time for us to think seriously about the best history we can create for the next generation.

Ideological Politics: A Factor Affecting Long-term U.S.-China Cooperation

By Mingjiang Li

The U.S. and China have vastly different ideological orientations, at least at the level of political elites. U.S. society is notable for its endorsement of democratic liberalism, which to some extent serves as the ideological foundation of the public's perception of China and compels leaders in Washington to approach China in certain unavoidable ways.

It is unrealistic to bridge the ideological differences between the two countries in the short run. However, responsible political leaders in Beijing and Washington, if they refrain from using ideology as a political tool in the domestic context, can avoid the worst scenario in which ideological forces dominate bilateral ties. Indeed, from time to time, we have seen such worst cases in Sino-U.S. relations. Political leaders have often tried to link many issues in foreign affairs to ideological tenets or accuse opponents of deviating from or betraying American values in order to gain domestic political weight. As a result, foreign policy rationality was often sacrificed. U.S.-China cooperation in many areas has also been unnecessarily affected.

In this paper, I will use the 1992 presidential campaign and Bill Clinton's first-term China policy to demonstrate how domestic politics complicates the interaction between ideology and China policy. Clinton entered the White House in the aftermath of the Tiananmen incident, but many of the repercussions of Tiananmen had subsided by 1993. Given the fact that Clinton was perceived as a fairly pragmatic leader and his subsequent swift reversal of policy in mid-1994, it is perplexing why the Clinton administration would embark on such an ideological confrontation with China in that period. The answer lies in domestic politics.

The Tiananmen incident dramatized the ideological divide between China and the U.S. and completely changed U.S. perceptions of China. President George H.W. Bush, facing enormous political pressures from the Congress, the media, as well as the public, responded with economic sanctions and many other measures against China. However, Bush's actions in response to Tiananmen were regarded as weak, invoking a lot of criticism from domestic political forces, primarily the Democrats.

During the 1992 presidential campaign, the Clinton team was not daunted by Bush's strong foreign affairs background and achievements. The Clinton campaign focused their accusation of Bush's handling of U.S. international relations on the administration's soft stand on human rights and democracy overseas. To attack Bush, the campaign used many foreign policy advisors who were critical of the Bush administration's handling of China policy. Chief among these experts was Anthony Lake, who advised that to remedy Bush's foreign policy, America has to take an active role in promoting traditional U.S. values and democracy. Winston Lord, a former ambassador to China, who had been "increasingly

frustrated” with “the overly soft approach toward China by the Bush administration,”⁴¹ believed that “you can be firm with the Chinese but also have a broad agenda of positive things to accomplish.”⁴²

In a foreign policy speech in December 1991, while still running for the democratic nomination, Clinton declared: “The administration continues to coddle China, despite its continuing crackdown on democratic reform, its brutal subjugation of Tibet, its irresponsible export of nuclear and missile technology, its support for the homicidal Khmer Rouge in Cambodia, and its abusive trade practices.”⁴³

In June 1992, President Bush renewed China’s MFN status for another year without any conditions. Candidate Clinton, who had already apparently won the nomination, was quick to respond. Denouncing the decision as “unconscionable,” Clinton said that it represented “another chapter in this administration’s history of putting America on the wrong side of human rights and democracy.”⁴⁴ The 1992 Democratic Party platform praised “the hero who stood in front of a tank in Beijing” during the Tiananmen demonstrations and criticized Bush of “only reluctantly” supporting the “tide of democracy” in China.⁴⁵ In his acceptance speech, Clinton made his most remembered and resounding words that he would not “coddle dictators from Baghdad to Beijing.”⁴⁶

There are indeed many other occasions in which candidate Clinton spared no effort to make clear his opposition to Bush’s China policy. During the course of the campaign, the language that Clinton used on China was very strong, so strong that even his hardliner advisor Lord considered some “excessive.”⁴⁷ In his comments on Clinton’s harsh words on China and Bush, Lord acknowledged that “surely, there was a partisan element. Clinton saw that Bush was vulnerable on this issue, and it might play well before the American people. I’m sure that that was another factor.”⁴⁸

Clinton’s polemics against China and Bush’s policy served as an effective strategy for his campaign. Once Clinton framed China as he did during the campaign, it was impossible for him to show greater flexibility in dealing with Chinese affairs. Warren Christopher, who had extensive background in human rights, was named secretary of state. In his confirmation hearing, Christopher made clear his commitment to human rights in U.S. foreign affairs: “Our policy will be to seek to facilitate a broad, peaceful evolution in China from communism to democracy, by encouraging the forces of economic and political liberalization in that great and highly important country.”⁴⁹ Winston Lord, another strong advocate of human rights, was named assistant secretary of state for Pacific and Asian affairs.

⁴¹ Nancy Bernkopf Tucker, *China Confidential* (New York: Columbia University Press, 2001), p.453.

⁴² Nancy Bernkopf Tucker, *China Confidential* (New York: Columbia University Press, 2001), p.453.

⁴³ James Mann, *About Face: a History of America’s Curious Relationship with China, from Nixon to Clinton* (New York: Alfred A. Knopf, 1999), p.262

⁴⁴ Press Release, “Clinton Criticizes Bush Decision to Renew China’s Most Favored Nation Status,” June 3, 1992.

⁴⁵ *The Democratic Party Platform*, 1992, p. 14.

⁴⁶ Text of Clinton Speech to Democratic National Convention, July 16, 1992.

⁴⁷ Nancy Bernkopf Tucker, *China Confidential* (New York: Columbia University Press, 2001), p.455.

⁴⁸ Nancy Bernkopf Tucker, *China Confidential* (New York: Columbia University Press, 2001), p.455.

⁴⁹ Warren Christopher Confirmation Speech to Senate Foreign Relations Committee, Jan. 13, 1993.

President Clinton's first test on China policy came in mid-1993 when he had to make a decision on China's MFN renewal. Campaign rhetoric, to a large extent, "bound the new leadership to a tough approach" to new U.S. China policy.⁵⁰ Many Congress members, especially Nancy Pelosi in the House and George Mitchell in the Senate, expected him to honor his campaign promises on China.

After much bureaucratic infighting and lobbying efforts by various interest groups, Clinton finally made his decision through an executive order. In a presidential statement,⁵¹ Clinton decided to renew China's MFN for 12 months, but explicitly said that renewal in 1994 would have to be linked to China's human rights improvement. Clinton emphasized that his core policy toward China was "a resolute insistence upon significant progress on human rights in China."

Clinton's human rights-centered China policy was in sharp conflict with his domestic economic revitalization program. China, as a rapidly growing economy, has become a very important economic partner of the U.S. The Chinese leaders, for obvious domestic political reasons, could not yield to the Clinton administration's pressures.

Federal economic agencies, reflecting much of the business community's views, soon felt frustrated by the administration's confrontational approach toward China on the ground of human rights. In the words of Lord, these agencies were actually "attacking the president's own policy."⁵² Even within the National Security Council, there was significant disagreement over China's MFN status. Even the Pentagon soon became unhappy with Clinton's hard approach to China. They argued that a more amicable attitude toward Beijing could help resolve North Korea's nuclear crisis, which was becoming increasingly dangerous in mid-1993. Most unhappy of all were major U.S. companies, who had played little role in the design of the administration's China policy. Some 800 U.S. corporations wrote letters to Clinton, urging him to continue China's MFN status.⁵³

Sensing the unfeasibility of his own China policy, on May 26, 1994, Clinton declared that, "I have decided that the United States should renew Most Favored Nation trading status toward China. This decision, I believe, offers us the best opportunity to lay the basis for long-term sustainable progress in human rights, and for the advancement of our other interests with China."⁵⁴ By this point, it had become obvious that Clinton was using basically the same kind of words and tones that President Bush had used.

There were many other issues in U.S.-China relations when Clinton entered the White House, but the U.S. China policy was largely constrained by Clinton's campaign strategy and it took more than two years for Clinton to readjust China policy, which has been deemed a

⁵⁰ Nancy B. Tucker, "The Clinton Years: The Problem of Coherence," in Ramon H. Myers, Michel C. Oksenberg, David Shambaugh, eds., *Making China Policy: Lessons from the Bush and Clinton Administrations* (Lanham, Maryland: Rowman & Littlefield Publishers, Inc., 2001), p.48.

⁵¹ "Statement by the President on Most Favored Nation Status for China" (Washington DC: The White House, Office of the Press Secretary, May 28, 1993).

⁵² Nancy Bernkopf Tucker, *China Confidential* (New York: Columbia University Press, 2001), p.460.

⁵³ Peter Behr, "Major U.S. Companies Lobbying Clinton to Renew China's Trade Privileges," *Washington Post*, May 6, 1994, p. 19.

⁵⁴ "Press Conference of the President" (Washington DC: The White House, Office of the Press Secretary, May 26, 1994).

“disastrous policy debacle.”⁵⁵ The Clinton case is only one example in U.S.-China relations of the complex role of ideology in domestic and international politics. Given the ideological disparity between the two countries, frictions and conflicts are unavoidable. Yet, if political elites in both countries can refrain from excessively manipulating the ideological discourse for their own political benefit, the U.S.-China relationship would have a better chance of avoiding major disruptions and setbacks.

⁵⁵ Nancy B. Tucker, “The Clinton Years: The Problem of Coherence,” in Ramon H. Myers, Michel C. Oksenberg, David Shambaugh, eds., *Making China Policy: Lessons from the Bush and Clinton Administrations* (Lanham, Maryland: Rowman & Littlefield Publishers, Inc., 2001), p.48.

China's Role in the Six-Party Talks: "The Bird and Clam's Struggles are the Fisherman's Gain"⁵⁶

By Alexander Liebman

What role is China playing in the Six-Party Talks? Is it being particularly constructive, helping to bring the North Koreans to the table, or is not exerting all the pressure it could to resolve the nuclear crisis? After discussions at both the trilateral and bilateral conferences, I remain unconvinced that China is using all its leverage to solve the crisis.

Glass half full or half empty?

There is a debate about how cooperative China has been in resolving the nuclear crisis. Some argue that China has used a large amount of political capital bringing the DPRK to the bargaining table; such observers point to China turning off the oil pipeline "for technical reasons" for three days in January 2003, China's increased troop presence on the border, and warnings to the DPRK that China will not stand by Article 2 of the Treaty of Friendship, Cooperation, and Mutual Assistance, which calls for collective security against aggression. Such observers, including many Chinese, assert that such actions prove that China has a real interest in resolving the crisis; that the crisis is not yet resolved only shows that China does not have as much influence as is claimed. Others argue that China has proved unwilling to exert all of its influence; they point to China's statements that the U.S. must show more flexibility, specifically that the U.S. need not strive for "complete, verifiable, irreversible dismantlement" and that North Korea has a right to nuclear technology for civilian power purposes.

"Sit on the mountain and watch two tigers fight"⁵⁷

My assessment of Chinese strategy is that they are, in international relations theory jargon, "buck-passing." We should not evaluate China's interests in North Korea (it does have interests in denuclearization) in a vacuum, as if China were the only player in the region. More important to consider than the threat North Korea poses to China is the threat that North Korea poses to China *relative* to the threat North Korea poses to other actors (notably the U.S.). If two countries have a common problem, it makes sense that the one for whom the problem is potentially more dangerous will be more motivated to resolve it. The logic of "buck-passing" is simple: why should I spend energy and capital solving a problem when the same problem is even graver for you, and therefore that you are likely to solve the problem for me?

⁵⁶ "Yu Bang Xiang Zheng, Yu Weng De Li." 鹬蚌相争，渔翁得利。 This expression refers to situations in which two enemies fight while the unaffected third party is in a position to gain.

⁵⁷ "Zuo Shan Guan Hu Dou." 坐山观虎斗。 This refers to what international relations theory refers to as "buck-passing" – allow two dangerous enemies to fight each other so that you emerge unscathed.

China sits in a particularly advantageous strategic position vis-à-vis North Korea. In most issues in Sino-U.S. relations, such as Taiwan and trade disputes, the U.S. holds the preponderance of power, but China faces a larger threat. The crisis in North Korea, however, is precisely the opposite: the U.S. is the more threatened party and China has the preponderance of power. In these circumstances, the nuclear situation is a useful bargaining chip for the Chinese: as long as the crisis continues, the U.S. needs China's help on an issue of crucial national security. This forces U.S. leaders, including the president himself, to appeal to China, and also aids in toning down anti-China rhetoric. Whether or not there is explicit "linkage" to other issues, the DPRK crisis has been useful to China by making the U.S. more willing to accept China's stances on a variety of other issues. Indeed, whether China actually has the power over North Korea that many say it does, the *perception* that China has this power has been immensely useful in making it the critical player in the talks. I would argue that China is "buck-passing for concessions."

A shrewd strategy for China is to let the crisis simmer. China must weigh two sets of interests. On the one hand, if North Korea develops a large number of nuclear weapons and long-range missiles, or if there is evidence of DPRK proliferation, there is the danger that Japan will pursue nuclear weapons or that the U.S. will launch a pre-emptive strike, potentially endangering South Korea and Japan and at a minimum affecting the Chinese economy. On the other hand, if China flexes its muscles and resolves the crisis immediately, it loses a card to play against the United States. Thus, the ideal option for China is the continuation of the status quo – a simmering crisis in which China plays the role of the reasonable moderator, and in which all sides need its help in achieving their ends. It is for precisely this reason that it is so hard to tell whether the glass is half full or half empty: China has calibrated its actions to the point where the status quo can be maintained.

Thoughts from the conferences

While the issue of Chinese "buck-passing" was never raised outright, it was never refuted either. It is instructive to look at one Chinese participant's presentation on the Six-Party Talks during the bilateral workshop. He argued that the best way to resolve the crisis is to "stick to the Six-Party Talks with China as a host." Further, he stressed that we should keep "the spirit of mutual respect," and "keep patient...it will take time to build mutual trust after so many years without trust. Any hope for a quick solution on such a complicated issue is unrealistic." While there was some debate among both Chinese and Americans about whether China was merely "hosting" the talks or had actually become an active "mediator," what I felt was most apparent was that the Chinese side lacked any sense of *urgency*. Not one felt that this was a pressing issue that needed resolution; rather, they seemed rather sanguine about the status quo.

The Chinese response is that they do not have adequate leverage to solve the problem quickly. But, as a U.S. participant pointed out, every time that all five parties have put a demand to the DPRK, they have been forced to listen. This clearly implies that if China were to take a tougher stance – even without taking drastic measures like cutting off the oil – the North Koreans would have no choice but to comply. In another presentation by an U.S. scholar on the Taiwan problem, it was mentioned that some speculate that China is using

North Korea as a bargaining chip towards Taiwan. The point was not refuted or elaborated on by any of the participants.

One of the Young Leaders pointed out that because the U.S. needed to focus on Iraq, it opted to delay, hoping for regime change in the DPRK. But now that Chairman Kim Jong-il looks secure at home, it is time for the U.S. to stop delaying. First, the United States could make linkage to other issues explicit. In exchange for radically increased pressure from China (threatening to end all aid shipments, for example) on Pyongyang, the U.S. could talk tougher with Taiwan's Democratic Progressive Party and encourage it to resume talks with China, or Washington could make concessions on military deployments or textile quotas. If the U.S. suddenly got tougher toward Taiwan, my guess is that we would see a remarkable change in attitude from the Chinese on North Korea. From my interaction with U.S. and Chinese scholars, the probability of such an approach by the U.S. is almost zero.

Second, the U.S. needs to make China reassess its cost-benefit analysis. Currently, China gains from the crisis because it makes China the key player to whom everyone else must turn. Hence China still thinks it would be a bad idea to turn the issue over to the UN Security Council. The U.S. could tone down its rhetoric and take a lower profile on the issue, not so much to reassure the DPRK, but rather to try to convince China that Pyongyang is as much a threat to China as to the U.S., and that, therefore, China cannot "free-ride" on U.S. efforts. A compatible option is for Japan and South Korea to start talking tougher about the steps that they will have to take as long as the current crisis continues. If one had to consider the most devastating foreign policy failures that could befall China, standing watch while Japan became a nuclear power would have to be one of them. If Japan sent significant signals that it had to move in this direction for its own safety, the Chinese calculus might change. Of course, there is a danger that if Japan started moving in this direction, the South Koreans would face a hostile domestic response and become less willing to cooperate. But as long as the low-level crisis and the views of all the parties remains fixed, China stands to benefit from the crisis being prolonged and will not use all of its influence to end it.

A Troubled View of Sino-U.S. Relations from Washington

By Dewardric McNeal

When former Secretary of State Colin Powell was asked about the state of relations between the U.S. and China recently, he responded by saying that he felt they were “the best ever.” While the media took this statement at face value, analysts and policymakers were not fooled. For the most part they understood that this statement was all about the diplomacy of the moment – he was after all in Beijing. However, with the recent spike in rhetoric regarding China’s rise by Washington policy-makers, it has become hard for even the most optimistic to regard Powell’s statement as more than wishful thinking. Concerns about energy security, growing trade surpluses, renminbi revaluation, and of course the CNOOC-Unocal Bid have made Washington’s soaring summer temperatures seem mild by comparison.

But are the recent rumblings just a part of the normal political cycle here in Washington? Or are we witnessing, particularly in Congress, a genuine shift in positions on relations with China? If reaction to the CNOOC bid is indicative of how Washington feels about China’s emergence, then there may be reason to be troubled.

Some might suggest that resistance to the CNOOC bid was simply a result of poor timing. After all, Fu Chengyu announced the \$18.5 billion bid to buy Unocal just as Washington was negotiating the new energy bill, therein attempting to further secure U.S. energy resources. From a political standpoint, this was an inopportune time for a Chinese company, considered by many to be under the direct influence of the Chinese State Council, to announce to the world its intention to buy a U.S. oil company. However, many analysts in Washington argue that timing was not the issue. They instead maintain that a change in the overall climate in Washington made this bid a lightning rod for controversy. If so, then it also served to further alarm a number of key individuals and entities in Washington.

The players

The increased visibility and influence of two entities in Washington over the last several months should signal to China-watchers that the climate has changed. The Committee on Foreign Investment in the United States (CFIUS) and the U.S.-China Economic Security Review Commission (USCC) have gained significant attention as the concern over China’s emergence has grown.

CFIUS is a multi-agency panel chaired by the Department of the Treasury, with the Departments of State, Commerce, Justice, Defense, and other key Executive Branch agencies seated as members. The CFIUS mandate is to scrutinize the national security implications of U.S. and foreign mergers and acquisitions and report back to the president any finding that may be a threat to U.S. national security. The multi-agency group has made its presence on China deals felt on a few occasions already and by all indications CFIUS will be carefully considering Chinese companies’ merger and acquisition aspirations. Deals already scrutinized by CFIUS include the STT and Hutchinson Whampoa’s bid to acquire Global

Crossing, Lenovo's bid for IBM, and the CNOOC bid to acquire Unocal. In the case of Hutchinson Whampoa, CFIUS expressed concern that the company had links to the Chinese military – and ultimately the bid was withdrawn. The other China-related deal that received CFIUS scrutiny was CNOOC's bid, and according to its company executives the bid was withdrawn due to the current "political climate." It is important for China-watchers to note that CFIUS is not going away, and neither are the ambitions of Chinese companies. By some accounts China has more than \$711 billion in foreign currency reserves parked in financial instruments earning meager single digit interest returns. If this is true, then there will certainly be other attempts to acquire U.S. companies and assets, setting in motion the CFIUS review process and mobilizing the anti-China lobby in Washington.

The USCC was created in October 2000 by the Floyd D. Spence National Defense Authorization Act and is composed of 12 members, three of whom are selected by the Senate majority and minority leaders. The balance of appointments is made by the speaker of the House and House minority leader. The USCC mandate includes monitoring the bilateral trade and economic relationship between the United States and China, as well as investigating the national security implications associated with the various trade and economic relationships. Each year they submit an annual report with recommendations to Congress for administrative and legislative action. Although the USCC has been publishing reports and holding hearings since its establishment, until recently it has not been very influential on China policy. But with the increase in rhetoric about the perils of China's emergence, the USCC, regarded by some as the vanguard of the congressional anti-China campaign, has seen its prominence grow exponentially. USCC made its presence felt on the renminbi revaluation and the CNOOC issue, and it appears that it will continue to wield power on U.S.-China issues. According to Washington insiders that monitor China debates on the Hill, the USCC voice will be enhanced by an unusual coalition of conservative national security policy hawks, liberal human rights activists, and labor lobbyists that happen to agree with its stance on China.

There is a sizable pro-China business lobby and corps of policy analysts, think-tank scholars, and individuals who feel strongly about the importance of maintaining cooperative relations with China. One Senate aide speaking recently to reporters from the *Financial Times* described this group as the "pro-engagement" and "mainstream moderate" policy group on China. This group has in the past wielded an enormous amount of influence and power. Indeed, during the 2000 Congressional debates over permanent normal trade relations (PNTR) this group came out in strong support for engagement with China. However, in recent weeks and months this group has remained conspicuously silent on issues that threaten to poison the relationship between the U.S. and China.

Conclusions

It should be mentioned that the U.S. and China relationship has seen some high points recently. Cooperation on the North Korean nuclear weapons issue and the recent trip to Beijing by Deputy Secretary of State Robert Zoellick, which established a new dimension in the U.S.-China relationship in the form of "strategic dialogues," are high points. However, it does seem a stretch to characterize the relationship between the U.S. and China as "the best

ever.” Perhaps former Ambassador to China James Strasser’s comments can illuminate U.S. perspectives. He recently said that Washington policymakers “are looking for a scapegoat and they’re blaming all of the U.S. economic problems on China. [In today’s political climate] there’s no political downside to castigating China.” There may be real political repercussions if one is thought to be standing in China’s defense.

East Asian Regionalism in its Own Way and Time

By Sun Namkung

Conventional wisdom suggests that East Asian regionalism is not achievable due to the presence and the influence of the U.S. I believe the opposite is true. It is only recently that China and its neighbors (including the U.S.) have been able to find common values that allow regionalism to occur. For the region to form a permanent regional structure, the U.S. is necessary. This does not mean that the U.S. needs to be at the table, but observer status would be an appropriate role. There are currently multilateral regional structures like ASEAN Plus Three and the East Asia Summit, but these groups are non-binding and lack the regulatory teeth that would help cement Northeast Asian stability. In the end, China should welcome the U.S. presence in providing a stable environment for economic development and growth in the region. The U.S. is the fourth wheel that stabilizes a bumpy ride as China, Japan, and South Korea go forward with regionalism.

In a perfect world, China and Japan like their oft compared European counterparts, France and Germany, should be able to create a Northeast Asian group. But as recent events have shown, the drama of history and politics is preventing that. It is a fallacy to think that regional integration would or should happen along the lines of the European experience. The European model of integration came about through the political will of France and Germany. No such political will exists in Northeast Asia. The European Union was created out of deliberate actions and plans. Besides far-sighted leaders, common values are a cornerstone of European regionalism. Before ascension into the EU, member countries are expected to meet the criteria of transparency, free democratic elections, and the installment of free market mechanisms (to name a few). Viewed through the lens of the European experience, Northeast Asia seems to be the perfect candidate for regionalism given its shared heritage, but there is still a gulf in political values.

For instance, the concept of private property is well established in Japan and South Korea in the modern era. It has only been a year since China amended article 13 of its constitution (March 17, 2005) to “Citizens’ lawful private property is inviolable,” which goes beyond the 1982 wording of “the state protects the lawful right and interests and in accordance with the provisions of law.” The enshrinement of private ownership protects the economic gains that China has been making over the decades. As China begins to share the values of its neighbors, regional integration becomes inevitable.

At the opposite end of the integration spectrum is ASEAN. It would be a waste of time to set up an East Asian community that replicates organizations that currently exist. There are regional channels like APT for talk and consultation. These bodies have no teeth. One of the problems with East Asian integration is the problem of governing philosophy; China, along with Vietnam, North Korea, and Burma are still authoritarian states, whereas the rest of the region belongs in the democratic camp. The political cleft in the region needs to be addressed before any integration should occur.

The Northeast Asian integration that I see is more organic and grassroots and somewhere between the models of the European Union and ASEAN. Integration is occurring at the technical, commercial, and trade levels across national businesses and institutions. For example, though no free trade agreements (FTA) have been ratified, the free trade discussion between the three nations is gaining momentum. The U.S. initially wanted the World Trade Organization to be the institution to regulate U.S. trade with Northeast Asia; however with the lack of progress in the Doha Round, the U.S. has since rethought that position and is negotiating FTAs with as many nations as possible. A Japan or Korea FTA is thought to be in the future. But the actual codification of regionalism will only occur after significant private-sector integration has occurred. The political leaders of Northeast Asia are afraid to do it any other way, especially after whipping up nationalistic fervor over history and territorial disputes.

An important aspect of the integration process that is not usually mentioned enough is cultural and human exchanges. The ease at which people are able to visit and study in other countries will go a long way toward integrating the region. The U.S. has many successful programs like the Peace Corps and Fulbright and Marshall Scholarships that have improved and cemented relations with other countries. The exchanges between the U.S. and the Soviet Union during the Cold War helped defuse some of the tension between the two societies, even when the authorities were preparing their citizens for nuclear conflict.

If East Asian regionalism is a possible future for Northeast Asia, where will it take the U.S.-China bilateral relationship? If China is willing to let the U.S. play a role in the region, the deepening relations will assist in not only creating a permanent East Asian institution, but also help stabilize the global trading system. The U.S. should view East Asian economic integration as an alternative to a world trade system should the Doha Round fail. It is projected that in the next two decades the top three economies in the world will be China, U.S., and Japan, respectively. The policy implication is the U.S. needs to manage China's rise. Like the economic benefits of an integrated Europe, an integrated Northeast Asia will produce similar benefits. Asian countries have long memories. Rather than being remembered by the Chinese as naysayers and foot-draggers, I think it will do better for the long-run U.S.-China relationship to be more supportive of China's rise.

How Can China Peacefully Rise?

By Qinghong Wang

Since the inauguration of the 16th National Congress of the CCP in November 2002, the so-called “Fourth Generation” has set a new path for China’s modernization – the “peaceful rise.” In order to counter the “China threat” and the “China collapse” theories, Zheng Bijian, the architect of the new direction, stated that “different from the paths of Germany in World War I and Germany and Japan in World War II” as well as “that of the former USSR during the reign of Brezhnev, which relied on a military bloc and [an] arm[s] race in order to compete with the U.S. for world supremacy,” China’s rise will rely on self-development and peaceful cooperation with other countries.

Correspondingly, since Sept. 11, the Bush administration has gradually changed its view of China from that of “strategic competitor” (2001) to “global partner” (2005). Secretary of State Condoleezza Rice endorsed the Bush policy on China’s “peaceful rise” theory before her trip to China in March 2005. She stated that “America has reason to welcome the rise of a confident, peaceful, and prosperous China. We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities.”⁵⁸

Undoubtedly, both sides of the Pacific share the same hope for a peaceful rise of China in the 21st century. But how can we turn this hope into reality? How can China peacefully rise? It is meaningful to think about these questions in 2005, the 60th anniversary of the end of WWII, especially for us, the younger generations, who do not desire to experience the suffering that our parents and grandparents endured in the last two world wars.

A series of deep gaps to bridge

Due to the great differences in U.S. and Chinese values, cultures, systems, economic interests, and other national interests, there are a series of deep gaps to bridge between the U.S. and China before they can sincerely work on promoting China’s peaceful rise.

The first main gap is their different attitudes toward the buildup of nationalism in China. Backed by China’s rapid economic growth since 1979 and promoted by the strengthened patriotic education in the post-Cold War era (1991-present), nationalism has been dramatically growing in the past two decades in China. Chinese policy-makers think it is reasonable to use nationalism as proof of a legitimate claim for China’s sovereignty over Taiwan and other disputed territories and in making foreign policy. But the growing nationalism in China is being interpreted as a sign of aggressive expansion in Asia in the eyes of many Americans. This image is intensified by protests in China against Japan’s bid for a UN Security Council permanent seat in April 2005, the establishment of the March 14 Anti-Secession Law by China’s National People’s Congress, which legitimized mainland China’s use of nonpeaceful means to reunify the mainland and Taiwan, and the comment

⁵⁸ Remarks at Sophia University in Japan in 2005 <http://www.state.gov/>

made by one PLA general in July 2005 that Beijing would use nuclear weapons to attack the U.S. if the U.S. interferes with the reunification of mainland China and Taiwan.

The second main gap is the Cold War mentalities of policy-makers in governments. Most of the current policy-makers in China and the U.S. belong to the Cold War (1945-91) generation, and many of them intentionally or unintentionally look at U.S.-China relations in the post-Cold War era as the substitute for or reflection of Soviet-U.S. relations during the Cold War. Therefore, many Chinese strategists interpret the presence of U.S. troops in Asia as the military containment of China and interpret the upgrade of the U.S.-Japan Defense Treaty, which clearly expressed their concerns about the stability across the Taiwan Strait, in February 2005 as the Asian version of the North Atlantic Treaty Organization. Correspondingly, many U.S. strategists interpret the buildup of China's military capabilities as another emerging communist empire after that of the Soviets and interpret the Beijing-led Shanghai Cooperation Organization, which asked the U.S. to withdraw troops from Central Asia in July 2005 and held the first-ever Russia-China joint military exercise in August 2005, as the reinvention of the Warsaw Pact Treaty Organization in Asia.

The third gap is the zero-sum mentalities shared by policy-makers in both governments. Since it is well known that the U.S., the only superpower, is currently facing China, the emerging regional and global superpower, many policy-makers and observers naturally tend to define this bilateral relation as a zero-sum game. In other words, the more one party gains, the less the other party holds. Therefore, following this mentality, Chinese leaders show their preference for promoting East Asian integration that excludes the U.S., and U.S. politicians pledge to block the China National Offshore Oil Corp. (CNOOC) bid to acquire the California-based U.S. oil company (Unocal) in the name of protecting U.S. national interests and energy resources.

Four steps to approach the goal

Since the gaps discussed above are not easily bridged, the peaceful rise of China will be a long and bumpy journey. As Zheng Bijian stressed "a peaceful rise doesn't depend on China alone" and "it also demands that the rest of the world help China create an international environment where this sort of rise can take place," especially the cooperation of the U.S., I suggest four steps to reach this goal:

First, both China and the U.S. should adjust their definitions about each other in the region. China should acknowledge and welcome the unique and indispensable role the U.S. could play in the development and integration of East Asia. The history of European integration and politico-economic reality in the region show that any regional integration process in East Asia will not be very successful without the support and involvement of the U.S. China should welcome the U.S. to fully engage in "ASEAN Plus Three" cooperation. As the only superpower and the predominant power in the region, the U.S. should play a more active and more responsible role in promoting regional integration and solving regional conflicts in East Asia. For example, the U.S. should call a special summit of East Asian leaders to discuss historical issues and lower national animosities among those countries.

Second, China and the U.S. government should establish bilateral dialogue structures between each other and the multilateral systems with other governments in the region to discuss and solve common issues in East Asia through non-violence approaches. The inaugural “senior global dialogue” between U.S. and Chinese officials in Beijing in August 2005 is the first official high-ranking bilateral dialogue system between the two countries. Although no official multilateral negotiation system on all aspects of issues has been established in East Asia, the Six-Party Talks are a good model for this type of system.

Third, China and the U.S. should facilitate economic and trade connections between them and try to minimize political disturbances of bilateral business relations. Therefore, instead of blocking CNOOC’s bid for Unocal, the U.S. Congress should spend more effort persuading China to more effectively protect intellectual property rights. Ending the 11-year peg of the RMB to the U.S. dollar on July 22, 2005 shows China’s efforts to reduce governmental interference in U.S.-China business relations. But the thwarted bid for Unocal will frustrate the Chinese government’s determination for similar reforms.

Fourth, China and the U.S. should strengthen cultural and educational exchanges. The interaction between the soft power of both civilizations will not only reach the deepest differences between both societies but also expand mutual understanding and reduce hostilities. The U.S.-China Cultural Engagement Act, which provides \$1.3 billion toward promoting Chinese language instruction in U.S. schools and facilitating U.S.-China cultural exchanges, introduced by Sen. Joseph Lieberman and Lamar Alexander on May 25, shows the U.S. government’s initial efforts. Various nongovernmental organizations also can play a role in promoting cultural and educational communications between the two countries.

Economic Frictions between China and America: What Can China Do To Secure Relations with the U.S.?

By Min Ye

In the Sino-U.S. bilateral relationship, strategy and security seem to be paramount. Economic relations are assumed to go well or economic frictions are seen as un-important. In reality, often the opinions of the U.S. Congress and general public are deeply swayed by trade frictions between the two countries. In early 2005, when China's textile exports to U.S. skyrocketed to unprecedented levels and many textile factories in the U.S. were shut down as a result, the U.S. media was extremely negative about China. Critics strongly argued that China didn't play the economic game by fair economic rules: there was currency manipulation, labor issues, etc. Subsequently the state-sponsored CNOOC bid for Unocal caused wide and paranoid reactions in the U.S. Recent remarks by Secretary of State Condoleezza Rice suggest that bilateral trade frictions will be thorny and long-term.

In responding to U.S. criticism of rising Chinese textile exports, China's Minister of Commerce Bo Xilai lectured the U.S., saying the U.S. should invest more in industrial reconstruction rather than complain about China's pants and shirts. There is some truth to this statement. According to liberal economics, if an economic sector is not competitive in global markets, then the country should reorient its structure and focus on more competitive sectors, so that trading countries can realize their comparative advantage. This is not an ideal world, however. Industrial policy and social welfare are important for any government; jobs for the majority of its population are a political and social imperative. This essay recommends that Chinese economic planners overcome the comparative advantage mentality, incorporate other countries' industrial policies in China's economic planning, incorporate what the U.S. should do with what China can do to balance the bilateral trade relationship in the short term, and implement industrial restructuring in China over the long run.

The issue of bilateral trade is critical to the lasting stability of China-U.S. relations: the U.S. remains to be the number one destination for Chinese exports. The U.S. trade deficit with China has surged from \$103 billion in 2002, to \$124 billion in 2003, to \$162 billion last year. By comparison, the deficit with Japan was \$75 billion in 2004, and \$109 billion with the 25 countries that make up the European Union. Predictably, trade disputes and other disagreements are increasingly evident on both sides. Furthermore, China's economic growth will continue and its economic impact on the U.S. and the world will grow as well. Reshaping economic relations takes time, planning, and implementation. The following are a few economic measures that China should implement in combination or in sequence.

Recent vehement U.S. protests against China's trade surplus surprised some liberal economists in China, who consequently concluded that the U.S. has double standards in international economics. Many Japan specialists, however, commented that the U.S. reaction to such an enormous deficit was quite mild and slow. Memory of the U.S. reaction to "rising Japan" remains vivid. The analogy between China and Japan may not be completely accurate, but there are things that China can learn from Japan to play down the trade deficit.

In the end, millions of manufacturing jobs are and should be important to corporate America. These measures can also serve to push China's domestic structural reform, upgrading manufacturing sectors and increasing China's global competitiveness in the long run.

First, China can implement a variant of "voluntary export restrictions" (VER) to reduce the quantity of exports to the U.S. VERs were used by Japan in the 1950s and 60s to limit textile exports and in the 1970s and 80s to limit auto exports to the U.S. In both cases, Japan was able to use VERs to restructure its economic sectors and improve high-tech production. In 1994 the GATT in principle restricted the usage of VERs, limiting them to one sector in one country at a time. Under the current situation, however, some form of VER addresses well the bilateral trade conflict between China and the U.S. China can restrain textile or electronics exports to the U.S by quantity (the details can be worked out by economists in the two countries).

VERs will be highly appreciated in the U.S, and can increase profitability in China's export sectors. VERs only apply to the quantity of exports. By controlling quantity, the value-added content of production is compelled to increase. As a majority of China's products remain in the low- and medium-end of manufacturing goods, pushing some to medium- and high-end production will not only save some jobs in the U.S but will also stimulate technology development in China. Take the example of DVDs made in China: a DVD may cost \$40 in the U.S. but China has to pay \$30 for the technological content of the item. Subtract the shipping, handling costs, and a Chinese company makes less than \$5 on each DVD. If China can add more technology value to the DVD, say \$10, then exporting one DVD equals the previous export of three.

Second, China can diversify trading partners. A proportion of goods currently exported to the U.S. can be shifted to Japan, the European Union (EU), to Latin America, or to other regions. Recent efforts to establish a free trade agreement (FTA) with Southeast Asia is a step in the right direction. More efforts should be made in establishing FTAs in Northeast Asia, where Japanese and Korean markets still have much potential. Inter-regional trade agreements can be also important. Many economists have argued that a FTA between the two countries is more beneficial for the Japanese and Chinese economics than Japanese direct investment in China. The two countries can gain bilaterally, regionally, and globally by engaging each other more.

Third, deepen reforms of state-owned enterprises, and help develop Chinese private companies. A large part of exports to the U.S market are produced in foreign-invested companies, and therefore profits from U.S.-China trade is taken by investors from Taiwan, Hong Kong, Singapore, Southeast Asia, Korea, Japan, the U.S, and EU. The main reason for the dominant position of foreign-invested firms in China is not that these firms are necessarily more competitive (although in some cases, they are). Rather, Chinese policies and regulations favor foreign companies by giving the latter access to loans, tax incentives, land use incentives, and governmental support while denying the benefits to Chinese private firms. Why does the Chinese government disadvantage domestic private firms in favor of foreign firms? The reason is simple: they want to protect state-owned enterprises (SOEs) and

distribute rents to local governments and special interest groups. With protection, state-owned companies continue their inefficient operations; the loss of national assets is severe.

A SOE-FDI dominated economy is structurally weak and uncompetitive globally. From a technological perspective, indigenous progress is extremely limited and dependent on foreign inputs. Cases suggest that both SOEs and FDI in China are not engines for industrial technological takeoff. Take the auto industry: state-owned auto companies existed for over half a century with the majority of technological talents and investment, yet they haven't produced a single competitive model in decades. Joint ventures have created huge revenues for foreign owners and domestic partners (often SOEs), but they have not developed any independent models or exported to a third country. The only national models in today's China are produced by private Chinese auto firms.

Fourth, China should actively invest in manufacturing sectors abroad. China's manufacturing sectors are competitive enough to make feasible overseas operations. Currently Chinese state-owned companies and private companies have started to establish operations in Africa and Southeast Asia, mainly to draw raw materials and natural resources, which can be reprocessed back to China. China can diversify investments and utilize its strength in manufacturing sectors. If China can establish sufficient overseas investment, it can both target local markets and export to the U.S. In that case, tension due to the trade deficit in the U.S will be less visible.

Finally, the trade issue is often linked with human rights. Much tension over China's trade surplus to the U.S. was a result of the allegation that China's domestic production was not on a level field with that of the U.S.: there were no minimum protection and welfare for workers so that companies can operate at a much lower cost than in the U.S., even when labor costs are taken into consideration. Improving China's worker welfare can not only stabilize social unrest and leave tensions within China, it can also reduce human rights allegations that are linked to the trade deficit in the U.S.

None of the above measures are easy, and each takes time. Yet these measures are consistent with restructuring the Chinese economy and reducing contradictions within China, and they will also facilitate a sounder and more enduring relationship with the U.S. Chinese economic reform has progressed for three decades. It is time for Chinese leaders to implement serious structural reform rather than seeking the easy way out. Reform is painful, but it's the pain that a great China has to endure to realize its greatness.

Contra-Dance of U.S.-China Relations in the Trilogy: Nationalism, Regionalism, and Globalization

By Qi Zeng

Since the era of modernization in the 17th century, world development has undergone three stages: (1) the rise of nationalism in nation-states, (2) the construction of regionalism in different geopolitical areas, and (3) the emergence of globalization. After the end of the Cold War in 1991, the United States, the current superpower, and the People's Republic of China, the potential superpower, engaged in a contra-dance-like interactive bilateral relationship. It is important that the policy-makers from both countries cooperate to promote the peaceful transition of both countries through these three stages.

World development is unbalanced. Different nation-states and areas can be at different stages. While European countries have already evolved into the second stage to build a common entity – the Europe Union, East Asian and North American countries are still struggling with nationalism. However, development within nation-states and areas can vary. For instance, while the economic capabilities of the U.S. and China have both reached the stage of globalization, their political and cultural approaches are still very nationalistic.

Unbalanced development leads to the main contemporary international conflicts. In terms of U.S.-China relations, the incompatibility between their highly global economic capabilities and their underdeveloped premature global visions in politics, culture, and other aspects creates instability in bilateral relations.

On the Chinese side, nationalism is built up as the efficient approach to mobilization and as the legitimate base for the unification of mainland China and Taiwan. However, the downside of this buildup has been clearly witnessed during Chinese protest against Japanese products in April 2005 and in the PLA general's speech in July 2005, when he threatened to use nuclear weapons to attack the U.S. if the latter interferes in mainland China's attempt to reunify with Taiwan.

On the U.S. side, some policy-makers and media intentionally exaggerate the threat of China's rise, such as the panic over China's great demand for raw materials, job migration from the U.S. to China, and the huge U.S. trade deficits with China. The recent failed bid for Unocal by China National Offshore Oil Corporation Ltd. (CNOOC), China's third largest oil/gas company, in early August 2005 is the best example of this anti-Chinese sentiment.

What can we do to push the contra-dance of China and the U.S. to the tempo of the trilogy?

First, both sides should adjust perceptions of themselves and each other in the context of the three development stages. Both sides should be aware that this trilogy is an inevitable trend in development and that any attempt to block or slow these transitions will lead to regional and global confrontations. The U.S. should understand that China's active participation in the regionalization of East Asia can help China control its excessive

nationalism and promote regional stability and prosperity. Also, the U.S. should replace its unilateral foreign policy with a less ideological, more friendly, and cooperative multilateral foreign policy, and engage East Asian integration and other regional integration efforts. Meanwhile, China should understand that the U.S. is not China's adversary, but a global partner and that East Asian integration is necessary preparation for globalization that is U.S.-led. China also should try to reform its own systems to align with international norms, such as exerting more efforts to protect intellectual property rights.

Second, both sides should jointly establish more bilateral and multilateral dialogue channels aiming at resolving bilateral, regional, and global problems. Both sides should understand that there is no problem that only belongs to one country in the context of globalization. For example, Chinese economic growth due to foreign direct investment actually reflects the rapid development of U.S. and other economies. China's purchase of \$230 billion of U.S. bonds makes China the second largest holder of U.S. debt after Japan. All the evidence shows that there is a big overlap in U.S. and Chinese national interests. Helping China acquire necessary raw materials is helping the U.S. and its economic development. It is irrational to block CNOOC's takeover of Unocal, which accounts for less than 1 percent of total U.S. energy supply, using as an excuse the "threat to U.S. national security."

Third, both sides should understand that there are no clear boundaries between domestic issues and international issues in the era of globalization. Domestic problems cannot be resolved domestically, and international problems cannot be resolved just internationally. Neither China nor the U.S. has a unanimous voice on its foreign affairs, and the growth of international corporations changes the definition of national interests. Both sides should resist using external tensions to reduce internal pressures. The younger generations do not want to see a world war in our lifetime. A non-violent negotiating system is the only way to avoid the dangers of resorting to military approaches to contend for the raw materials and other national interests. They should take into consideration the domestic and international issues in a more comprehensive perspective. For example, instead of blaming China for "stealing" jobs from the American people, the U.S. government should impose higher taxes on U.S. corporations that move their factories to China and obtain big benefits from U.S.-China bilateral trade, so that U.S. social insurance, health care, and education can be improved.

Fourth, the U.S. and China should facilitate communication among non-governmental organizations (NGOs) and civil society in both countries. Using the experience of European integration, NGOs and other civil groups can play a unique role in strengthening mutual understanding between China and the U.S. It is only with compassion and cooperation that the U.S. and China can dance harmoniously together in the transition from nationalism to globalization.

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