



## **U.S. interests in a changing Asia** by Stephen Bosworth

In "Chasing the Sun," a recent book co-authored by Morton Abramowitz and myself, we take a horizontal look at what is happening in East Asia today. Our major conclusions both surprised us and confirmed our prejudices.

It is evident that Asia is changing very rapidly and this process is being driven, if not led, primarily by China. China's economic success has transformed the landscape of East Asia and is driving economic integration of the region. Until now, this is almost entirely the result of private sector activity, not that of governments. Private companies inside and outside the region have been constructing production networks in East Asia. Few products today are produced in just one country. This process is drawing East Asian economies together and was accelerated by the 1997 financial crisis.

This evolution has been boosted by a sociological process – the growth of people-to-people contacts. Tourism is booming. South Korea is building tourism zones exclusively for tourists from Japan; similar efforts are underway elsewhere in the region. Asian tourism is no longer dependent on visitors from outside the region.

Let me identify four critical points of interaction between the U.S. and East Asia that will determine the nature and content of our relationship over the next generation. To start, it is extremely important for both sides to recognize that the U.S. is no longer the dominant, all-inclusive presence in East Asia that it once was. I like to say there are now two "magnetic norths" for Asians: they look to both Washington and to Beijing. Asians have adapted to this fact much better than have Americans.

Not surprisingly then, the first key issue is how the U.S. will deal with China. This is an unusually challenging problem for U.S. foreign policy. Indeed, working out a long-term strategy for China and implementing it is probably the most difficult foreign policy challenge the U.S. has ever faced. It is harder than the Cold War policy of containment because our relationship with China is much more complicated and complex than was our relationship with the Soviet Union. Relations with the Soviet Union focused on security issues; relations with China involve both security and economic concerns. And, plainly, China is not the Soviet Union: China is not a unidimensional country. Moreover, most of the U.S. relationship with China is positive. We must recognize that the U.S. cannot contain China and cannot control China. It can, however, influence China – the way it develops and the way it fits into the global system.

China's self interest will determine what China does. For the foreseeable future, China's dominant self-interest is the process of modernization. Lots of progress has been made, but much more remains to be done. This has implications for

Beijing's relations with its neighbors. China wants stability and tranquility on its periphery. Unrest is threatening. Moreover, its dependence on foreign supplies of commodities is driving China to develop an international economic policy and global policies sooner than most people anticipated.

The second issue is how the U.S. responds to regionalism in East Asia. The regionalization of East Asian economies is well under way, but the construction of East Asian institutions is just beginning. Some Americans are shocked by the notion that this is a process for East Asians and the U.S. doesn't need to be involved. Some in the U.S. thought our invitation to the inaugural East Asian Summit must have gotten lost in the mail.

But this is a trend that is going to continue. I don't think it is threatening. We should have confidence in ourselves and in East Asia to develop in ways that are not prejudicial to our interests. We should, however, insist that regional institutions be compatible with international norms and interests, and insist that they remain open. Indeed, that is most likely to occur anyway, because East Asia has a significant stake in the rest of the world.

What do Asians want from the U.S.? Traveling through the region you hear no coherent answer. Many view the U.S. presence as a hedge against China's assertion of regional hegemony. Many in Southeast Asia say we want you to pay attention to us, but I am not sure what that means. All recognize the U.S. military presence is important although they prefer the fleet remain over the horizon. They want political attention, and the assurance of U.S. engagement as a counterweight to China, but they also fear the U.S. may want to contain China. Regional governments don't want to be forced to choose. They certainly don't want open competition with China.

Third, the U.S. should continue to provide leadership in dealing with legacy issues of the Cold War, namely Taiwan and North Korea. As much as the East Asian outlook has changed, these flashpoints could shatter the optimistic predictions for the region. The U.S. has to remain actively and deeply involved in managing these issues.

We know little about North Korea, including such basic questions as how decisions are made, who makes them, and how it perceives the outside world. But we know that the regime puts its survival foremost.

The North Korean nuclear threat is real. North Korea is in effect a failed state in the heart of the most important region in the world today. The security challenge is how to deal with a failed state. There are two options. If you believe it is beyond redemption, they you try to remove it, and bring about change. The second option is to try to negotiate and find common ground. That means providing security assurances and

economic assistance that gets North Korea to behave in a less disruptive fashion. The U.S. has not really chosen between the two alternatives.

The U.S. should engage North Korea in a comprehensive fashion and try to change its nature and behavior over time. To do this, it must change the mix of costs and benefits. We should move closer to the ROK policy of engagement but engagement should be much more conditional. This will be hard, but it is not beyond the reach of our imagination. The main problem is that the U.S. and ROK are not coordinating policy.

No observer of the U.S.-ROK relationship can be unworried about the alliance. The basic problem is that we have very different visions of the Korean Peninsula. Until we can bring the two sides closer together, it is going to be tough to solve. This is not the first time we have had differences: there was a major divergence in 1998 after the Taepodong test. The Perry process provided a course of action. We understood we had shared goals even if the U.S., ROK, and Japan had different routes to achieve them. There is no such coordination anymore.

Taiwan's desire for recognition is natural given its political and economic success, but it just isn't going to happen. The tide of history is running against the island. I am especially concerned because Taiwan is being left out of the process of regional integration. Economic integration across the strait is proceeding, but Taiwan is marginalized from regional political discussions.

The reality is that as China's role and influence grows, it is harder for Taiwan to find international space. China has a growing ability to punish countries that recognize Taiwan. I am not entirely pessimistic, however. China has made progress in helping its own people and the PRC leadership doesn't want to rock the boat. Spikes in cross-strait tension are inimicable to Chinese interests: they are bad for its image and that hurts investment. Still, Taiwanese attempts to change the existing relationship will provoke a sharp reaction from Beijing. I have a positive outlook for Taiwan in the medium term. At some point, a compromise will be acceptable for both sides.

I hope that economic integration will provide a solution. The likelihood of conflict is not high but it cannot be ruled out. The U.S. must remain actively engaged, not just to deter China, but to make sure that the Taiwanese understand reality and don't do something fundamentally stupid. That has become more difficult as Taiwan becomes more democratic and the U.S. cannot act in preemptory fashion. Most Taiwanese understand that the current situation is in Taiwan's interest.

The Taiwan Strait is one area where PRC military policy has gotten a lot of U.S. attention and rightfully so. It will be a long time before China can challenge the U.S. military globally and regionally. In this one area, they can't challenge us but they are making things difficult for the U.S.

Fourth, the U.S. must help the great powers of Asia – Japan and China – to manage their relationships in a way that does not threaten the overall security and stability of the region. I am not surprised that China's growth has upset the

existing hierarchy in the region. China is looking to assert itself – but not in ways that threaten its long-term interests. Japan, long the regional leader, watches China's rise with suspicion and concern. For all the attention given to China, we should remember that Japan remains the world's second largest economic power. U.S. wisdom and maturity of judgment are important as East Asia works out important relationships, especially those involving the PRC, Japan, and South Korea.

In this context, I am particularly troubled by the rise of nationalism. Leaders in all three of the countries I just mentioned have rediscovered that nationalism is a useful political mechanism in the short term and leaders in all three countries have been willing to use nationalism to their short-term political advantage.

That said, there are some real factors behind nationalism and frictions in Northeast Asia. One of them is the legacy of history. Leaders are not sensitive to the feelings of their neighbors. As Japan contemplates a new leadership, this is something the next government must deal with.

Many Japanese looking to the future understand that their country's self interest is directly threatened by the expression of nationalism in its current form. I understand that it is appropriate that Japan honor its war dead but visits to Yasukuni Shrine are insensitive to the country's neighbors. Tokyo should understand that this is provocative and undermines its own interests.

As a result, Tokyo's political influence in Southeast Asia is far smaller than it should be given Japan's political strength and central role in the region. It has spent billions of dollars in assistance and been (and is) a critical player in the regional trading system. Yet, its regional influence is still very slight. One reason for that is a sense in East Asia that every expression of regret from Japan comes so grudgingly that it is almost not worth the effort to try to get it.

Despite the various challenges and complexities, on the whole, I am quite optimistic. The center of gravity in the world economy is clearly shifting to the Pacific. This is the most dynamic part of the world and rest of the world is dependent on East Asia as an engine of growth. There are enormous problems – energy, the environment, quality of life, urbanization – but on the whole it feels like the region is in pretty good shape, especially when compared to, say, the 1970s. The transformation is both dramatic and positive.

We in the U.S. must change the way we think about Asia and America's role in Asia. Asians want their own institutions and want to be more visibly in charge of their political destinies. But that is not – and should not be – threatening to us.

*Stephen Bosworth is dean of the Fletcher School of International Affairs. These comments are drawn from his "L.W. 'Bill' and Jean Lane Lecture in Diplomacy" presented at a Pacific Forum CSIS Honolulu International Forum on Aug. 11, 2006. "Chasing the Sun," co-authored by Stephen Bosworth and Morton Ambramowitz, is published by the Century Foundation.*