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Challenges and Opportunities

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edited by
Ralph A. Cossa

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**The New Pacific
Security Environment:
Challenges and
Opportunities**

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The New Pacific Security Environment: Challenges and Opportunities

The 1992 Pacific Symposium

Edited by
Ralph A. Cossa



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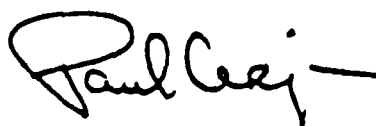
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Foreword

It has become commonplace to observe that the end of the Cold War and the subsequent disintegration of Soviet military power have helped create a new strategic landscape. Although the changes have been most dramatic in Europe, they also affected the Asia-Pacific region. For that reason, the annual Pacific Symposium chose to examine the theme of "challenges and opportunities in the new Pacific security environment."

The papers and discussion at the Symposium spotlighted recent changes in the national economies and general security environment across the region, and then turned to the roles of the United States, its friends, and its allies in the decade ahead. For example, one paper looks at the changing defense policy of the economic superpower Japan; another analyzes the US role in fostering economic cooperation in the region. To the original Symposium papers, the editor has added several essays written later to make this collection as comprehensive as possible. Notably, a Chinese perspective of that country's "three-part transition" affecting mainland China, Taiwan, and Hong Kong has been included.

With this volume, the Pacific Symposium once again has distinguished itself as a vital forum for the free and open discussion of the most important issues involving peace and stability in the Asia-Pacific region.



PAUL G. CERJAN
Lieutenant General, US Army
President, National Defense University

Part One:
Regional Overview

1. The New Pacific Environment: Defining the Challenges

Ralph A. Cossa

IT HAS BEEN SAID THAT THE GREATEST CHALLENGE facing the United States in the post-Cold War era is to figure out what the greatest challenge facing the US in the post Cold War era is! This book provides no easy answers but attempts to frame the question by outlining the challenges and opportunities that confront us in the new Asia-Pacific environment.

Part one attempts to define this emerging new environment from both a security and economic viewpoint. Part two looks at the perspectives from various countries and regions within Asia. Part three addresses some of the specific security and economic challenges that US security planners must be prepared to deal with. Finally, part four provides alternative views on what path or paths the United States should follow in Asia. Most, though not all, the articles and commentary included in this volume were presented at the National Defense University's annual Pacific Symposium in February 1992 in Washington D.C. The Symposium shared the "Challenges and Opportunities" theme.

Featured in part one is Richard Halloran's overview of the current age of uncertainty in Asia. Halloran reviews recent Asia-Pacific history, asserting that efforts to assess the region largely in the context of the Cold War are misleading; that it is more appropriate to think in terms of colonialist, post-colonialist, and emerging independence eras. The Cold War was something going on between the United States and Soviets that impacted Asia. However, Asia's dynamics, not the Cold War per se, have been the primary driving force behind events in this vast region.

Colonel Ralph Cossa, US Air Force, is currently Chief of the Policy Division on the staff of the US Commander in Chief, Pacific (USCINCPAC). Formerly, he was a Senior Military Fellow at the Institute for National Strategic Studies, National Defense University.

The future holds great hope and great risks. There are opportunities for greater democracy, prosperity, social justice, and peace. At the same time, there are the ever-present risks of dictatorship, economic turmoil, social oppression, and conflict. As a result, Halloran sees a new age of uncertainty until the promises and the risks sort themselves out.

The United States has vital interests in the area: some positive, others preventative. Among the positive are gaining or maintaining access to natural resources, raw materials, supplies, manufactured goods, and, most importantly, markets and capital. *Promoting democracy and stability enhances our own security.* So too, on the preventative side, does stemming arms races and weapons proliferation, halting the flow of narcotics, and preventing the emergence of a global rival or dominant regional power. But, Halloran warns, the United States is not paying enough attention to the dynamic changes and trends afoot in Asia. We can either help shape these changes to our benefit or we can ignore them and be shaped by them, most likely not to the well-being of the nation.

In chapter 3, Lee Endress picks up on the theme outlined by Halloran and discusses Asia-Pacific economic trends and their impact on US security interests. He documents the spectacular growth in Asian economies and the dramatic rise in intra-Asian trade. Unfortunately, the growing Asian perception of US economic decline and dwindling interest and influence in Asia, and uncertainty regarding current economic initiatives (i.e., the ongoing Uruguay Round of GATT, APEC, NAFTA, and the EAEC), could negatively impact American interests and influence in Asia.

Endress observes that during the Cold War, the United States viewed Asia almost exclusively in strategic and geopolitical terms. While these factors are still important, they will be overshadowed in the future by economic interests. The United States may be missing the boat in Asia unless it remains fully engaged in all dimensions: military, diplomatic, and commercial. In closing, Endress provides some recommendations on how the economic dimension of a US engagement strategy should be pursued.

Part two begins with a Russian perspective of the implications of the break-up of the Soviet Union and the end of the Cold

War on the new strategic environment in the Pacific. Vladimir Ivanov outlines positive Russian initiatives and makes the case for a closer US-Russian partnership in dealing with Asian security issues—to include a redefinition of both nations' security strategies. He outlines Russian views on relations with China, the Koreas, and, most importantly, Japan. His thoughtful analysis of the Northern Territories dispute between Russia and Japan offers some compromise solutions that recognize sensitivities on both sides. The United States and United Nations could also be helpful in negotiating a solution to this territorial dispute.

Ivanov identifies the US-Japan relationship as the key to regional security and argues for its redefinition, now that the Soviet/Russian threat no longer serves as a credible basis for that relationship. *Russia can help in this regard*, and promote greater regional security, by unilaterally denuclearizing all aspects of its military forces in the Far East. Russia must develop closer economic and security relations with all its Asian neighbors. This is not just a problem of technical, political, or economic presence: it is a problem of entirely new strategic thinking and new priorities both in Russian foreign policy and defense posture. A (Russia-included) multilateral approach may provide the best means of solving future security problems in the region.

In chapter 5, Jim Auer echoes Ivanov's contention that the US-Japan security relationship is key to regional security. Auer reviews this relationship and notes the great progress that has been made over the past decade since Japan, in 1981, committed to a division of defense responsibilities with the United States. In the remainder of the decade, Japan increased its air defense and anti-submarine capability significantly, so as to make its goal to defend its sea lanes out to 1,000 nautical miles a near reality. Although Japan has not yet reached its 1976-stated peacetime force structure/capabilities goal, the end of the Cold War—with its promise of large-scale US/USSR arms reductions—will make it difficult for Japan to maintain, and particularly to increase, defense expenditures.

Auer notes that Japan is still defining its post-Cold War role; but, to do this effectively, it must be assured of continued US

commitment. The hype surrounding the 50th anniversary of the attack on Pearl Harbor overshadowed the more important 40th anniversary of the US-Japan security treaty. As long as the United States remains a Pacific power, and as long as the US-Japan defense ties remain strong, there is no need for Japan to abandon its defensive shield policy (and go offensive).

As long as the United States remains credibly present in Asia, the task for Washington and Tokyo then becomes the adjustment of the very successful US-Japan roles and missions worked out in 1981 to the post-Cold War order. The dispatch of mine-sweepers to the Gulf in 1991 and the earnest discussions toward passage of a peacekeeping bill raise the possibility of meaningful Japanese participation in defensive tasks outside Japan, within Japanese political and legal constraints, and without unduly alarming other Asian nations.

In chapter 6, Bill Pendley reviews the security situation on the Korean peninsula in light of the changes sweeping the rest of the communist world. While somewhat optimistic over the long term, he sees several formidable obstacles in the path of peace on the peninsula.

First and foremost is North Korea's nuclear weapons potential. This must be nipped in the bud! Nothing less than comprehensive international inspections and the destruction of any reprocessing facilities are required. It is in the interest of all Pyongyang's neighbors—and the world at large—to see North Korea step back from the nuclear threshold. The pressure on North Korea must come from all directions.

Also of concern is leadership transition, especially in the north. Of lesser concern, but not to be dismissed, is the impending change from one democratically elected government to a new administration in Seoul. Some domestic turbulence could occur and there is always the fear that Pyongyang might miscalculate and attempt to capitalize on this.

Pendley believes that confidence-building measures, transparency, force reductions (by both sides), and a pullback of forces from the immediate vicinity of the DMZ are all ways of reducing tensions on the peninsula. They also help pave the way for

normalization of relations between North and South, a key step on the road to reunification.

Chinese scholar He Di next provides a People's Republic of China perspective on the dramatic transitions taking place, simultaneously and independently, in mainland China, Taiwan, and Hong Kong. He also outlines how these developments interact with and impact one another.

Mainland China is undergoing a generational transition which is bringing with it a shift from Marxist totalitarianism to an Asian authoritarian-style of leadership. It is also experiencing an irreversible shift toward a market economy, accompanied by economic and political reform. Taiwan is in the midst of an indigenous transition which has hastened the shift from Asian authoritarianism to multiparty democracy. Hong Kong is preparing for a sovereignty transition while also experimenting with self-rule as it leaves its colonial past behind.

All these transitions are fundamental in nature. Each is proceeding at its own pace and in its own direction. The challenge all three entities face is how to reduce friction generated by such differences and thus avoid misunderstanding and miscalculations which could result in crisis.

He sees the mainland's transition as central. If it goes according to Deng Xiaoping's wishes, the new environment in Beijing will permit an uneventful incorporation of an economically independent Hong Kong into the mainland. A smooth transition into a new generation of progressive leaders will also permit mainland China and Taiwan to deal with each other's differing perspectives and ultimately bring about peaceful reunification.

If mainland China goes the way of the former USSR, however—or even if the situation remains ambiguous over an extended period of time—then a great deal of uncertainty and instability lies ahead. There are too many variables to hazard a prediction as to how all three transitions will turn out.

To avoid crisis in the interim and prepare for eventual peaceful reunification, all sides must focus on their common interests and build upon their economic interrelationship as the best path toward establishing trust and mutual understanding.

He's article is based on his remarks at a symposium on "Pacific Security After the Cold War" sponsored by the Institute for Global Conflict and Cooperation. We are grateful to He Di and IGCC for allowing us to use his insightful commentary.

Turning next to Southeast Asia, Douglas Pike provides an overview of developments in Vietnam, Laos, Cambodia, and the region as a whole (to include the Association of Southeast Asia Nations, the PRC, and Sino-Vietnamese relations). He then homes in on Hanoi's immediate and future national security interests and concerns.

Pike notes that Vietnam is a nation in enormous flux, with more significant developments occurring in 1991 than in the previous 15 years since the end of the Vietnam War. Clearly, Hanoi feels the winds of change and is attempting to react. It acknowledges that the Cold War is over, but remains uncertain, given the many contradictions, what this so-called new world order will be.

The Vietnamese leadership has plans to stabilize their socialist system and appears to believe that they can succeed where Gorbachev and others have failed. While they may stave off instability for a few years, it is clear to Pike that the leadership in Hanoi is now existing on borrowed time; but it's anyone's guess how much time or what will emerge. (Beware, he cautions, of anyone who is willing to predict when the inevitable change will occur.)

Vietnam's primary threat, its "great enduring nemesis," is China, and Hanoi's security blanket against that threat—its Moscow alliance—is clearly dead. The focus of the current PRC threat is the Spratly and Paracel archipelagoes, which Vietnam would be hard-pressed to defend.

Also of concern to Hanoi is the spread of imperialism, which the Vietnamese fear could include actions by "emigrant reactionaries." These perceived external threats, plus the ever present one from counter-revolutionaries, mean that the Vietnamese Armed Forces (PAVN) and the military High Command must assume a greater role in political affairs. PAVN ability and enthusiasm for playing this role is questioned, however, given problems of morale, corruption, expanded "non-military duties," and a broad assortment of economically induced challenges.

Vietnamese security is inextricably linked to a strong PAVN which, in turn, is linked to an economically healthy Vietnam. Most, though not all in Hanoi now believe that the prescription for the latter is a market economy. Pike implies that economic reform will occur. He is less clear on whether the Vietnamese will realize that some form of political reform—though not necessarily based on a US or Western model—is also essential to provide the necessary foundation on which to build the future.

In chapter 9, James Nockels looks at defense cooperation in Southeast Asia and the South Pacific. He begins with a working definition of what the new world order is or should be and what significance it might have for regional defense cooperation. He then provides a generally positive regional security outlook that outlines some *significant examples of multilateralism in action today*.

Not the least of these is the Five Power Defence Arrangement which links Australia, Britain, Malaysia, New Zealand, and Singapore in a common security arrangement that has stood the test of time. He also outlines how ASEAN—a political-economic grouping that was never envisaged to have a military dimension—provides a framework and environment conducive to bilateral military cooperation among its partners. He also highlights how separate links between individual ASEAN states and both Australia and the United States provide a *de facto* security blanket that contributes to regional stability. Australian and New Zealand links to the island nations of the South Pacific likewise contribute to the security mosaic.

Nockels concludes that the emerging defense cooperation framework in the Southeast Asia-South Pacific region is one of layered and interconnected fora. These bilateral cooperative activities and subregional groupings serve one clear objective: enhanced economic and strategic security.

Our country-specific review ends with Francine Frankel's assessment of India's post-Cold War perspectives. Frankel points out that the end of the Cold War permits the United States, for the first time, to perceive India as important in its own right. The United States failed to seize previous opportunities for fear that improved relations with India would only come at the expense of the Pakistani defense link. This in turn led Indian leaders to prefer the USSR's

more reliable friendship. Today, the end of the Cold War and the disintegration of the former Soviet Union have created new realities that have forced a reassessment of national security policies.

From India's perspective, the collapse of the USSR eliminates a source of inexpensive arms and dependable international support. Meanwhile, the end of bipolar competition finishes the nonaligned movement as an international political force. On the other hand, during the Cold War, both the military alliance between the United States and Pakistan and India's preoccupation with what the Soviet Union might think, prevented India from doing many things it should have done—in its own national interests—with the United States.

For the first time since independence, India now looks to the United States as a country with which it can have a cooperative defense relationship based on common interests. In fact, Frankel asserts that India, without saying so, is actually providing the outline of a new world order, one in which the United States protects its interests in cooperation with regionally dominant powers, who pursue their own interests—in some instances against US preferences.

In contrast to India, Pakistan appears to offer a cooperative relationship more familiar in terms of American Cold War security strategy, in which the United States remains the regional security manager with the help of dependent allies. Pakistan has also taken advantage of the emerging new world order trend by proposing various multilateral approaches to bring about a South Asia nuclear free zone or to force India to sign the NPT. In return, Pakistan hopes for a lifting of Pressler Amendment restrictions against US military assistance, an action Frankel believes would add to tensions in the region and abort the best chance in recent history for a constructive Indo-US security and/or economic relationship.

In part three, Susan Pederson and Michael J. Cusack open our discussion of transregional challenges with perhaps the most pervasive and threatening post-Cold War concern: the proliferation of missiles and weapons of mass destruction. The authors relate this proliferation to the security, technical, and economic setting from which it derives. They put the spotlight on Asia-Pacific not only as an arena for proliferation but also as the home of several increasingly willing suppliers of "taboo capabilities for taboo markets."

They address the factors that appear to be motivating a concerted arms export push by China, North Korea, Pakistan, and to a lesser degree India and even South Korea. In many instances, the perceived need for sizable defense allocations, when combined with faltering economies, makes arms exports not only attractive, but seemingly essential. Ironically, the inability to compete in the more technologically advanced "legitimate" arms markets has prompted some exporters to either seek out customers no one else will deal with or sell goods no one else will offer, or both. In this manner, security, technological, and economic factors become closely intertwined.

The authors provide a country-by-country analysis of how these factors apply. More importantly, they also address possible areas of US leverage in seeking to halt or avert undesirable export behavior. These include debt relief and economic assistance, trade linkages, defense cooperation, promotion of confidence building and other regional security enhancers, and multilateral initiatives. Such measures may reduce or counterbalance incentives to proliferate; they most likely will not eliminate them. Thus, planning to deal with a proliferated world (i.e., with the potential threat posed by nuclear- or missile-capable states) is an immediate necessity.

Dong-Joon Hwang looks at the flip side of the proliferation issue; namely the need for increased cooperation among arms producers. He focuses in particular on issues dealing with technology transfer and co-production. Shrinking defense budgets and decreased demand for arms are likely to cause increased competition among arms producers and threaten the unrivaled US position in the world arms market.

To deal with this, Hwang calls for the United States to chart out a priority list of major weapons systems, along with a long-term plan for joint cooperation in both the development and production of major weapons systems with key allies such as Korea. Such an approach would contribute to US national security as well as regional stability.

According to Hwang, this will, however, require a change in US attitudes—particularly a shift away from using arms sales as an instrument of foreign policy. Instead, economic considerations

should prevail. There is also a need for the United States to provide its defense industry with more flexibility (i.e., fewer regulations and restrictions) and direct government support to help US firms cooperate and compete internationally.

In chapter 13, Andrew Ma outlines how tiny Hong Kong has grown to be the world's 11th largest trading economy and a major trading partner with the United States, China, and the Asian region in general. Of particular significance has been Hong Kong's role in China's economic development. It is this Hong Kong-PRC link that makes Hong Kong strategically important to the US.

Ma observes that all the trends and developments toward liberalization and a free market society that the United States wants to encourage in the PRC are actively being brought about by the continued efforts and investment of Hong Kong's business community. Denial of Most Favored Nation status, Ma warns, if it occurs, could undermine these efforts, hurt the people we most want to help, and ultimately hurt Hong Kong and US interests more than China.

Ma is generally optimistic about Hong Kong's future when its colonial past ends and it becomes an economically autonomous part of China under the "one country, two systems" formula. This formula, devised by Beijing, provides proof that the PRC recognizes Hong Kong's unique role in fostering China's economic development.

Jim Gregor does not share Ma's optimism about China's intentions, at least not as they apply to the Spratly Islands and other disputed archipelagoes in the South China Sea. Gregor outlines Beijing's claims to the various island territories that are also claimed, at least in part, by Brunei, Malaysia, the Philippines, Taiwan, and Vietnam. When he adds China's new security strategy—with its emphasis on "local and limited conflicts"—and China's efforts to develop greater air and naval power projection capabilities, he concludes that China may be preparing to fish in troubled waters.

Gregor acknowledges Sinologists' claims that China is too preoccupied with domestic concerns, that it has too much invested in the region, and that Beijing is too reliant on outside investment and assistance to employ military force to settle the Spratly own-

ership question. However, he seems less than convinced that this conventional wisdom will prevail. While he stops short of predicting an attack anytime soon, he clearly sees both ability and incentive on China's part. As a result, he calls on the United States to make "a public, explicit, and firm" commitment to deter Chinese aggression in the South China Sea.

In the last "challenge" chapter, Zakaria Ahmad speculates on the nature of the next generation of Asian leaders and how they will influence events globally as well as regionally. While acknowledging that "prediction is difficult, especially if it is about the future," he provides a state-by-state assessment and then some more generalized observations.

Ahmad sees a careful grooming process underway in most Asian nations that will result in a new generation that will perhaps be more independent and assertive than current leaders, but still sympathetic to past trends and supportive of existing power base structures. He sees greater regional interaction but warns against ruling out conflict between regional players as they vie for power and influence for themselves or their nations in the future.

Ahmad's article provides the transition into part four which focuses on future strategies, largely from a US perspective. During the National Defense University's "Challenges and Opportunities" Symposium, several defense officials made reference to the six basic principles that guide US security policy in Asia. These principles, outlined by Secretary of Defense Cheney in Tokyo in November of 1991, include assurance of American engagement, a strong system of bilateral security arrangements, the maintenance of modest but capable forward-deployed US forces, sufficient overseas base structure to support those forces, an assumption of greater responsibility by our allies, and complementary defense cooperation.

In chapter 16, however, Doug Badow presents the opposing view. In his brief commentary, Badow argues that the end of the Cold War and the resultant disappearance of a Soviet threat in Asia have resulted in the need for a new strategic paradigm. The old containment strategy no longer applies, but is still being used to argue for a US force presence in Asia that is no longer needed.

Instead, we should pursue a policy of strategic disengagement, drawing US forces back to Wake Island, Guam, and Hawaii. However much it may be in the interest of Asian nations to have us stay, he argues, it is in our interest to leave.

Admiral Charles Larson would no doubt accuse Badow of playing catch among the crystal, of having good intentions, but a lack of appreciation as to the consequences if things do not go totally according to his plans (or perhaps even if they did). As he notes in his Symposium keynote address, luck is not a substitute for judgment; if you throw caution to the wind in a fragile situation, sooner or later you are bound to have a catastrophe.

Larson argues that many of the positive developments that we see occurring in Asia and elsewhere today were born of many factors but founded on US military power. A stabilizing US presence in Asia is needed, given historic animosities and social and economic pressures that provide potential for catastrophe. US presence and power act as a brake on instability and serve to promote cooperation in a region that is vital to our economic future.

Larson recognizes, however, that budget realities combined with reduced immediate threats will result in a smaller US military force. Hence, there is a need for new and innovative ways to maintain regional presence and bilateral ties. Increased multilateral regional cooperation could also be productive, provided that US power and current bilateral ties form the basis for this broader regional cooperation.

In chapter 18, Pat Cronin discusses prospects for multilateral cooperation in Asia-Pacific as a means of promoting regional stability. Major purposes or functions served by a multilateral approach include regional regime building, reassurance, and arms control and arms reduction. Multilateralism is also seen alternately as a cost effective way for the United States to either disengage or remain engaged in the theater.

Cronin analyzes six specific proposals in terms of their specific objectives, problems, and benefits. One is to create a Conference on Security and Cooperation in Europe (CSCE)-type structure in Asia. While a "CSCA" could provide a single forum

over a variety of security issues in the broadest sense, there are many problems and prejudices that inhibit the effectiveness of this type of approach in Asia.

A second proposal deals with the creation of a nuclear-free zone and a conflict-resolution regime on the Korean peninsula that would involve the United States, Japan, China, and Russia, as well as both Koreas. Such an approach presupposes a shutting down of North Korea's nuclear weapons production capability. A third proposal calls for the same six nations to participate in some form of cooperative regime, although it is acknowledged that an informal or ad hoc arrangement appears more workable than a more formalized structure.

Another proposal calls for a Southeast Asian Security Forum which builds upon ASEAN's success in the area of economic cooperation. Although it is doubtful that the ASEAN states would agree—or even desire—to expand ASEAN into a formal security alliance, it can serve as a forum for expanding security cooperation between and among its members.

Cronin also outlines a proposed Confidence- and Security-Building Measures (CSBM) Regime for the Pacific optimized for a variety of maritime surveillance and safety tasks (short of war). Such an effort, in addition to solving real problems, also could serve as a building block toward greater regional cooperation. Finally, the concept of a nuclear-free zone in South Asia is referenced, with little hope of much progress in this area.

Cronin warns that supporters of various multilateral approaches must be aware of, and take into account, several pitfalls. First is the recognition that the Asia-Pacific "community" is not a homogeneous one; that multilateralism has no roots and a bad track record in Asia. Other problems include the possibility that other existing institutions will be undermined or that America's position or clout in the region would suffer. There are also concerns about the high costs and inefficiencies inherent in a multilateral approach.

Despite these problems, Cronin concludes that there remains considerable scope for multilateral security approaches in the Asia-Pacific region. He endorses a multifaceted approach which bolsters existing international and regional multilateral in-

stitutions, strengthens existing bilateral arrangements (especially the US-Japan and US-Korea relationships), and then tries to use existing bilateral treaties as building blocs by expanding them into new multilateral institutions.

In the final chapter, Mike Byrnes joins me in offering another perspective on how we can turn current challenges into opportunities to protect and foster US national security interests in the Asia-Pacific region. This article is neither a wrap-up nor an effort to develop a consensus out of the preceding articles or the NDU conference, although both had an influence over the opinions being expressed.

The end of the Cold War presents an historic opportunity to structure an international system based on a partnership of nations operating in concert to achieve the common goal of global stability. In developing a national security strategy to achieve this goal, we need proactive, comprehensive, and complementary political, economic, and military strategies.

Politically, the United States needs to confirm and build upon existing alliances and friendships while attempting to constructively engage—not isolate—those countries whose ideologies or outlooks are contrary to our own.

Economically, the challenge will be to prevent inevitable economic competition from damaging or detracting from relations with traditional friends and allies who share our commitment to a free market society. A dispassionate long-term view will be required to identify and then converge on points of common economic interest.

Underpinning these political and economic strategies must be an active and credible military strategy, one that provides assurance of a continued US commitment to peace and stability in Asia. US forward-deployed forces, in conjunction with our treaty relationships, represent a force for stability. The US presence has traditionally served to balance not just the Soviet threat but the overall mosaic, which includes a nuclear China, a Japan with unrivaled economic power and growing military potential, a volatile North Korea, and many other security concerns and issues.

First and foremost, however, US forward-deployed forces protect and promote US security interests in Asia. Discussions on

appropriate US force levels need to proceed, but they should be based on a realization of how important a US presence is in maintaining the current balance. Also of importance is the realization that, as our relative economic clout declines—and it has and promises to continue to drop—our military presence becomes more important. Our military presence represents a powerful instrument of good will and potential influence even in peacetime, given regional threat perceptions that do not always coincide with our own.

Ultimately, it is the viability of the US defense commitment to Asia that will ensure continued stability and thus protect our political, economic, and military interests. The real challenge for the United States, over time, is to break the mindset that equates commitment solely with the forward stationing of US forces. Instead, we must seek more creative, less costly ways to continue playing the role that only we are equipped to play. More frequent exercises, exchange visits, port calls, civil engineer and other nation-building projects, more access to our military schools and training programs, and a greater level of security assistance, all provide alternative means of demonstrating commitment and building good will.

The challenge will be to find the proper mix between forces on the ground and alternative, more creative means of demonstrating that the United States intends to remain a force for peace and stability in Asia. Remaining forward-deployed forces will serve not to fill some suspected or feared vacuum, but to create a new equilibrium that promotes security and discourages arms races while keeping regional fears and suspicions dormant.

The central fact to keep in mind when developing—and justifying—our continued commitment to Pacific security is that it is not just in Asia's interest to keep the region secure; it is in our national security interest as well. The United States has an economic, security, and moral obligation to help keep the peace we spent billions to achieve, in Asia and elsewhere around the globe.

2. An Age of Uncertainty: Asia Approaches the 21st Century

Richard Halloran

THE 21ST CENTURY IN ASIA AND THE PACIFIC, home for 60 percent of the world's people, will surely be an era of uncertainty filled with both promise and risk.

In promise, the new century will see Asians driven by vigorous nationalism, by uneven but encouraging moves toward new forms of democracy, by endeavors to achieve economic prosperity, by a search for social orders that are Asian in essence, and by attempts to forge a regional security.

The risks will lie in the potential for a reversion to totalitarian regimes, a collapse of fragile economies, internal conflict among political and religious factions, ultra-nationalistic maneuvers to gain hegemony, and open war.

In looking at the sweeping arc of Asia from the Kamchatka peninsula in the Russian Far East to the Gulf of Oman, it would be tempting to see the future largely in the context of the end of the Cold War.

That, however, would be misleading. The Cold War touched Asia, of course. But the dynamics of that vast region have driven events there far more than the Cold War; in essence, the Cold War was a conflict between the Americans and their allies in NATO and the Soviets and their satellites in the Warsaw Pact.

In contrast, the course of history in Asia over the last hundred years has revolved around the struggle of Asians to rid themselves of Western colonialism and to build independent nations. The Cold War was but an overlay to those fundamental endeavors.

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The Era of Colonialism

To understand Asia in the 1990s, it's best to go back 500 years. The mainstream of events in Asia and the Pacific was dominated by the spreading control of the West from about the year 1500 until 1945. The Portuguese, Dutch, Spanish, British, French and later the Americans, themselves ironically the children of colonists, gradually overwhelmed most of Asia, with the Russians and the Germans nibbling around the edges.

From an Asian point of view, two movements dominated the final 50 years of that imperial period. The first was the rise of nationalism and the desire for independence. Nationalists like Rizal and Emilio Aguinaldo in the Philippines and Sun Yat-sen in China, and groups like the Indian National Congress and nationalist schools in the Dutch East Indies and French Indochina provided the initial stirrings.

The fighting of World War I in Europe drew away the energies of the Western powers and stimulated the Asian drive for independence. More nationalists like Mahatma Gandhi in India, Sukarno in the Dutch East Indies, Ho Chi Minh in Vietnam, Mao Zedong in China, and Syngman Rhee in Korea led these new struggles.

The second movement during the last phase of the colonial period was the rise of Japan as an imperial power. Japan first sought to ward off the West, then to compete with the West, and finally to replace the Western powers as the imperial masters of Asia. In the end, the United States and the other colonial powers defeated Japan in 1945. Even so, the Japanese had broken the back of Western colonialism, loosing the forces of nationalism and independence.

Post-Colonial Era

Asia then surged into what has been known as the post-war period but which might better have been called the post-colonial era. It has been a turbulent time. In this post-colonial era, the peoples of Asia have had to grapple with the concept of the na-

tion-state, a body of political thought common to the West but alien to Asia. Asians have experimented with forms of governance ranging from Marxist totalitarianism in North Korea to tutorial democracy in Japan to a military party coalition in Indonesia to benevolent oligarchy in India.

Economically, Asians worked to recover from the destruction of World War II and more to overcome the long exploitation of the colonial period. They have tried various economic systems from free markets to controlled markets to socialism and communism.

At the same time, threats to internal security emerged. The Hukbalahaps in the Philippines, Communist insurgents in Malaysia, and similar threats elsewhere took their toll on nascent nations. Moreover, the new nations of Asia have fought with each other, one after another—India and Pakistan, North Korea and South Korea, China and India, China and Vietnam, Vietnam and Cambodia.

Twice the United States has been drawn into war in Asia, first in Korea and later in Vietnam. With the benefit of history, it seems now that the Korean War was both a facet of the Cold War and a civil war over who would succeed the Japanese colonial master.

In Vietnam, among the many mistakes the United States made in that agonizing episode was misreading the cause of the conflict. Americans saw it as part of the clash between the United States and the Soviet Union, between democracy and communism. But at rock-bottom, the war in Indochina was really the last of the anti-colonial wars fought to drive off the West and to determine who would succeed France as the dominant power on the Indochinese peninsula.

Now the close of the post-colonial period is at hand; it will probably end within this decade after a life of about fifty years. The post-colonial leaders—Kim Il Sung in North Korea; Deng Xiaoping in China; the last of the proteges of Japan's leading prime minister, Shigeru Yoshida; Suharto in Indonesia; Lee Kwan Yew in Singapore—are passing from the scene. The last outposts of empire, Hong Kong and Macao, will revert to China before the end of the decade. The transition in leadership already appears to have taken place in South Korea, Taiwan, Malaysia, India, and Pakistan.

In this new era, the peoples of Asia and the Pacific will be masters of their own fates, at least as much as any are today. Their

new nations will be full members of the family of nations for the first time in 500 years. This, rather than the end of the Cold War, is the salient point, the prime mover of most trends in Asia as the nations there approach the 21st century.

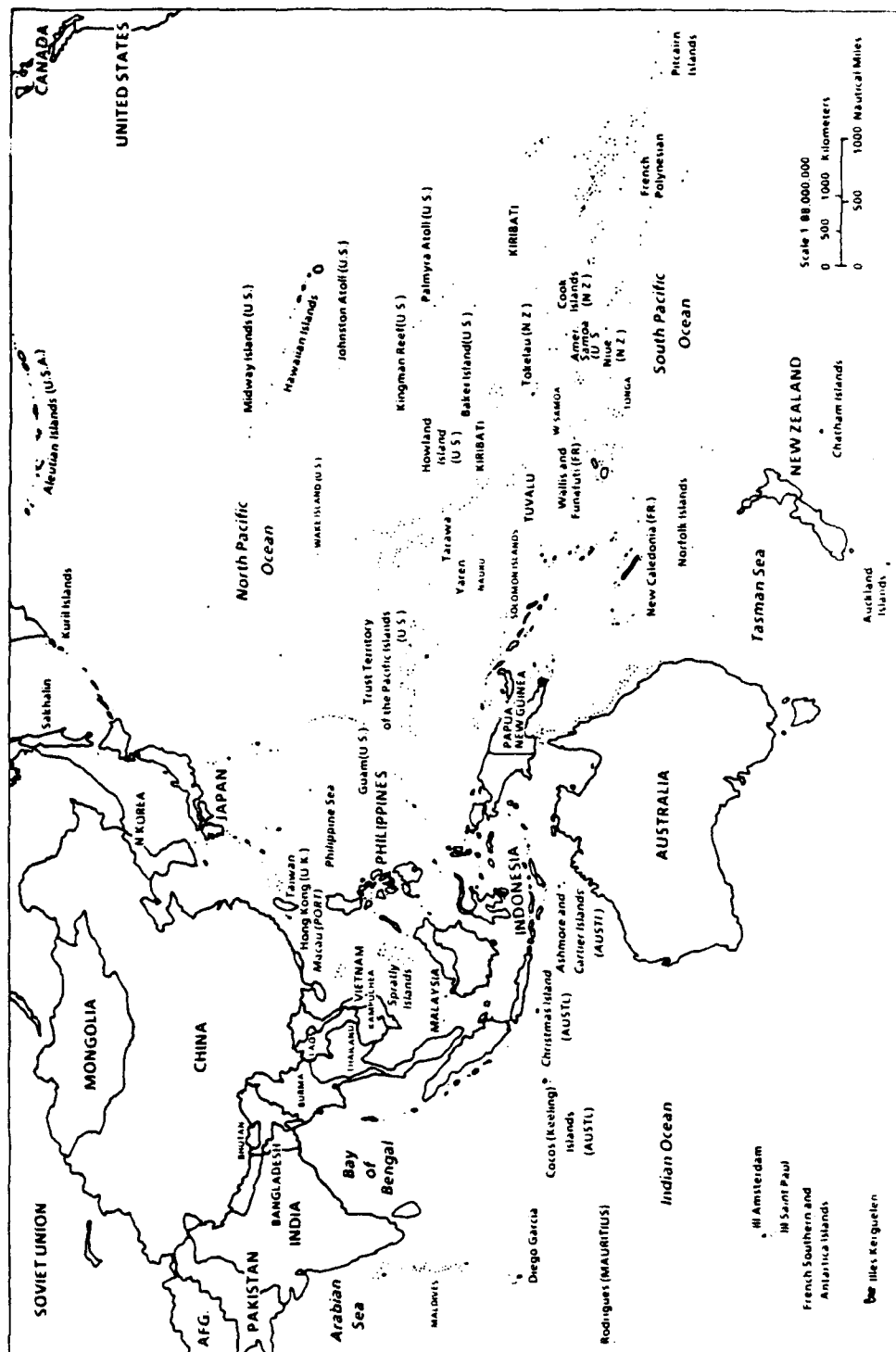
Era of Asian Independence

It has been said that the 21st century will be the century of Asia and the Pacific. But somehow that label does not adequately express the degree of change on the horizon. Perhaps this new day should be called the era of Asian independence, or the century of Asian resurgence, or the age of the Asian renaissance. Or, perhaps it is presumptuous of outsiders to try to prescribe a name; maybe that might better be left to Asians themselves.

In recent years, the term Asia-Pacific has cropped up more and more frequently to describe a region of the world. Among other terms are Pacific Basin, Pacific Rim, and Pacific Community. None, however, is rooted in history or even in geography; all these terms are artificial names imposed by Westerners and particularly Americans. Worse, they are inaccurate. The Pacific Rim, for instance, should include Mexico, Central America, and the west coast of Latin America. Pacific Basin leaves out some of Southeast Asia and all of South Asia.

In reality, Asia and the Pacific are two loosely defined triangles that have little in common. In this scheme, the triangle defining Asia begins at the Bering Strait between Russia and Alaska, sweeps south through Japan and the Philippines and across Indonesia to Australia, with a spur out to New Zealand. The line then moves northwest across the Indian Ocean and India to Pakistan and Afghanistan. Finally, it curves northeast across the rugged mountains and forbidding deserts of Central Asia and the wide steppes of Siberia back to the Russian Far East.

Within that triangle are 60 percent of the world's people and some of the world's highest densities of population, with peoples of great racial and ethnic complexity, and adherents to most of the world's major religions: Hinduism, Islam, Buddhism, Shinto



and other pantheistic religions, and Christianity. There are also followers of the philosophies of Confucianism, Taoism, Marxism, and western democracy.

This triangle encompasses some of world's most productive, fastest growing economies and its deepest pockets of poverty. Within its bounds are great consumers of energy and abusers of the environment. Within Asia are a wide variety in forms of government, swiftly expanding networks of communications within and among nations, and a packet of long-standing and new security issues.

The second, or Pacific, triangle is anchored in Papua-New Guinea, with a line running on a long northeast reach of ocean to Hawaii, thence southeast to Easter Island, and finally west to Papua-New Guinea.

In marked contrast with Asia, within the Pacific triangle is the sparsest population in the world, with islands separated from one another in great isolation. The island nations have relatively few natural resources and their economies are mostly subsistence. Many are places of breathtaking natural beauty that are being threatened by careless economic endeavor. The politics of the islands are mostly communal and tribal, with societies largely out of the mainstream of international communications. The region is thus of marginal strategic importance.

(In this scheme, note that the regions overlap somewhat, with Australia, New Zealand, Papua-New Guinea each having a foot in both triangles.)

In these two regions, Asian and Pacific leaders of the Asian renaissance will be influenced less by the colonial experience and Western education. They will energize their nations more by the traditions of their own peoples. The experience of growing up in the post-colonial era will motivate them far more than exposure to the West.

In domestic politics, new centers of power are being fashioned beyond the single parties and the armies that have been so powerful for so long—civilian bureaucracies, business, labor unions, universities and other intellectual institutions, the press and television, all functioning in expanding middle classes.

Various forms of democracy are evolving. In Japan, it has yet to be tested by a peaceful transition of power from one party to another. In India, it appears so far to have survived the communal, ethnic, and religious strife that has caused, among other violence, the assassinations of the Gandhis—Mahatma, Mrs. Indira Gandhi (who was no relation), and later her son, Rajiv. In South Korea, each leader seems to have been less autocratic than the one before. In the coming years, with a little luck, democracy will spread with a distinctive Asian flavor.

Economically, many nations in Asia are absorbing the Industrial Revolution. It started in the West in the mid-18th century, came to Japan in the mid-19th century, and was taken up by the rest of Asia in the mid-20th century. Japan has already reached a world-class level and set the mark against which other Asian nations could measure themselves.

The "Four Tigers" of Korea, Taiwan, Hong Kong, and Singapore are rushing forward and others—Thailand, Malaysia, Indonesia—are coming up fast. China and India seem to be laying aside some of the bureaucratic constraints that have seriously hampered their economies. Regional organizations, such as the Asia-Pacific Economic Cooperation forum, or APEC, are still in an embryonic stage but may foster economic and perhaps political cohesion.

In social order, the legacy of the West has left a deep imprint on Asia. Technology, industry, commerce, and finance top the list. Britain left functioning bureaucracies in India, Pakistan, Malaysia, and Singapore, as did the Americans in the Philippines. Japan's samurai class adapted Western bureaucracy and passed it on to Korea and Taiwan. The concept of public education came from the West as did, in many instances, the university. Concepts of political parties, law, liberal democracy, and Marxism came from the West. In the humanities, Asians have made Western art, music, theatre, and film their own. English is spoken widely and is the international language of Asia.

On the other hand, Asian religions—Hinduism, Islam, Buddhism—are reasserting themselves. Confucian, Taoist, and other Asian philosophies exert marked influence. Human relationships, rather than what Asians consider the cold logic of the

West, govern daily life. The family, the group, hierarchy and respect for elders, class or caste, and personal loyalties prevail. Asians operate by consensus, not by votes; think of obligations, not rights; emphasize face and custom; and put much stock in benevolence, harmony, and the rule of men, not law.

Sometimes the Western legacies grow side by side with Asian traditions; sometimes one absorbs the other; and sometimes they clash. These two rivers today, however, are the mainstream of life in Asia.

Challenges to Stability

On the darker side, enormous difficulties may generate great risks in Asia and the Pacific in the 21st century. Most Asians seem ambivalent about regional unity, having just secured their independence. Cultural diversity is exalted, with a drive for national identity a strong force. Little sense of collective security has emerged. Only in trade do the nations of Asia and the Pacific have the beginnings of strong ties to one another.

Poverty in India, Burma, Bangladesh, Indochina, and the Philippines underscores the disparity in economic progress. Per capita income in Japan is \$23,500 a year while that in India is only \$350. Gaps within nations and among nations will surely be sources of discontent unless governments and international organizations find ways to alleviate them.

Political instability still reigns in the Philippines and Burma and may be churning under the surface in Asia's Communist nations, China, North Korea, and Vietnam. Marxism, an import from the West, may have run its course in Asia, although the intricacies of the dialectic will surely continue to be debated in intellectual circles. The future of the Communist parties is unclear. But they most likely have been shaken by the crumbling of their brother parties in the Soviet Union and Eastern Europe.

The risk of dictatorship and aggressive rulers is not far below the surface. China will soon have a new generation of

untested leaders and economic troubles could threaten South Korea's budding democracy. Japan's ruling Liberal Democratic Party is aging and corrupt, with no effective opposition party in sight. Taiwan's steps toward democracy are tentative. Military officers seem always ready to take over in Thailand. Pakistan has faltered on the road to benevolent government. Weaknesses appear all through the rest of Southeast Asia and South Asia.

Moreover, the stability in the former Soviet Union is suspect and those nations could revert to autocratic rule. The long-term effect of events in Moscow and Eastern Europe on Russia's policies toward their Far Eastern provinces is open to question: the formation of a separate republic there is possible. Russian policy toward Asia is unclear. The Russians have long talked of finding economic and technical assistance in Asia to assist in developing the mineral and natural gas resources of Siberia, but there has been little action so far. Russians have also indicated they would welcome greater trade with Asia and the Pacific. Today that accounts for only 8 percent of their overall trade—but the prospects are cloudy.

In values, the Islamic fundamentalism of some Arab nations and Iran, which has been parochial, intolerant, and often violent, may spread to the Moslem communities of Asia. Signs of Hindu fundamentalism have appeared in India. Buddhism, after a long period of passivity, may be awakening to exert new influence in the social order in East and Southeast Asia. Christianity, a Western religion and a reminder of the colonial era, has gained many new adherents in South Korea and may elsewhere and could prove to be socially disruptive.

Potential Security Challenges

In the international arena, many Asian and Pacific nations will most likely become more assertive. South Korean leaders have led, it be known that they aspire to considerable regional influence. India is gradually loosening its links with the former Soviet Union and the nonaligned world and is quietly looking for new ties to the

United States and the West. On the other hand, Japan has shown few real signs of accepting international responsibilities commensurate with its economic strength. Nor will it be able to until the Japanese confront the realities of their aggression in Asia from the invasion of Manchuria in 1931 to the defeat in World War II in 1945.

Speculating on whether and when the Koreans will reunite their divided land is one of the great guessing games of Asia. Most observers agree that little will happen so long as Kim Il Sung, who has been the unquestioned dictator since 1945, remains in charge. But after that...? Some observers assert that North and South Korea are headed for detente. But others caution that the process will be even more difficult than in Germany because South Korea has drawn so far ahead of North Korea politically, diplomatically and, most important, economically. Moreover, North Korea is a rogue state given to subversion and terror, which sets it apart from East Germany and, indeed, much of the civilized world.

Beyond Korea are animosities that criss-cross the region, some of them long-standing and suppressed by the superpowers in the Cold War, others the consequence of population pressures, economic disparities, and conflicts over oil and other natural resources.

Between China and Russia is a clash of empire and territorial disputes. The same is true between China and India. China has occupied Tibet and lays claim to Taiwan. Burma may have designs on Bangladesh, next door. Rooted in history are antagonisms between China and Vietnam, Vietnam and Cambodia, Korea and Japan, India and Pakistan, Russia and Japan.

In the future are potential conflicts that seem remote now. Japan and China could become rivals for hegemony in Asia or could clash over rights to oil deposits under the East China Sea. Several Southeast Asian nations, plus China, lay claim to oil deposits near the Spratly Islands in the South China Sea. Vietnam's ambitions beyond Indochina could cause a conflict with Thailand and Malaysia. Singapore, which has been building 200 bomb shelters, worries about a pan-Islamic movement in Malaysia and Indonesia. Some Australians worry that population pressures may one day cause Indonesians to look longingly at the vast spaces in Australia.

In this uneasy set of equations, some in the West contend that economic strength has replaced armed force as the primary instrument of national power. That, however, is only partly true. Among nations who agree not to use armed force in disputes, economic muscle may carry the day. But if a Saddam Hussein, a Kim Il Sung, or an Indian or Pakistani leader resorts to force, he usually can be met only with military strength. The lessons of Hitler and Munich in 1938 should not be lost.

It further seems that economic power works mainly among advanced nations where nuclear or conventional deterrence, and the fear of retaliation, has stayed the hand of those tempted to seek military solutions. Nations without substantial economic capacity—and many Asian nations fit this description—may resort to other means, including armed force or terror, as they try to enforce their will on their neighbors.

Among the great risks in Asia and the Pacific is the potential for an unchecked arms race. Of the world's eleven largest military forces, eight operate in Asia and the Pacific—Russia, China, the United States, India, Vietnam, North Korea, South Korea, and Pakistan. (The others are Iraq, Iran, and Turkey.) Some military spending in Asia is going up; China has planned an increase in military spending of 13.8 percent this year, bringing the total jump since 1989 to 50 percent. Other military spending remains steady, some of it at a high level. North Korea spends 26 percent of its gross national product on armed forces; India is in the middle at 8.5 percent, while South Korea, Taiwan, and Singapore average 5 percent. In comparison, the United States spent nearly 7 percent of its GNP on defense at the peak of the Reagan administration's buildup in the 1980s and is under 5 percent now.

Asia has become the world's leading importer of military weapons and will continue to be so as nations gain in wealth. The Russians have launched a campaign to sell arms to earn hard currency for their stricken economy; North Korea and China are doing much the same. Americans and Western European arms merchants have become unusually aggressive as military spending has dropped at home.

The threat from weapons of mass destruction has spread. India can make nuclear arms while the United States, China, and Russia have them deployed in Asia. North Korea and Pakistan are widely believed to have the capacity to make them, with Pyongyang going to great lengths to hide its production facilities. Vietnam was reported to have used chemical weapons in Cambodia and many Asian nations have acquired either the capacity or the potential to make chemical weapons and missiles.

A new development is that several nations, including India, Pakistan, Thailand, China, and South Korea, are building larger navies. Before, Asian military forces were mostly land armies. In the air, North Korea, South Korea, Thailand, Malaysia, and Singapore are acquiring new military aircraft. Russia continues to modernize its sizable fleet and air arm in its Far Eastern provinces although it has reduced its deployments on land.

Nowhere in this volatile situation is a serious effort at arms control, either for nuclear and other weapons of mass destruction or for conventional weapons. Nor are there real prospects for such negotiations despite occasional calls for organizing some sort of forum on collective security.

Among the larger nations are several question marks. In China, the lowest priority among its "four modernizations" is improving the armed forces. But a new generation of leaders may move that up. The Russians have caused anxiety over who controls their armed forces at the end of the long Trans-Siberian Railway. Some Indian military leaders have asserted that their nation, especially their navy, should acquire enough strength to make India the leading power from the Straits of Hormuz to the Straits of Malacca.

The United States is gradually reducing its forces in the region, with the issue left unsettled as to whether they will be completely withdrawn. That has left many Asian nations wary because, at least quietly, they see the United States as a stabilizing element even if the Russian threat has gone. Derek de Cunha, a scholar in Singapore, has written: "To keep the United States militarily engaged in a region which is rapidly evolving is not just sensible, it is indispensable. Visibility is the key to deterrence. The visibility of a superpower's military forces, even if they are modest

in number, more often than not has the desired effect of staying the hand of a potential aggressor or mischief-maker."

Only in Japan, which has the financial, technical, industrial and human resources to become a regional military power, is the outlook reasonably clear. Despite the fears of many other Asians who suffered under Japanese occupation during World War II, nothing in Japanese government policy, in military plans, or in public opinion suggests a resurgence in the Japanese militarism of the 1930s and 1940s. Japan has a modest defensive force but no capability to project military power and, so far, no plans to acquire it. Just as Japan is not ready to lead politically, so Tokyo gives no evidence of aspiring to military power.

From time to time, Asian leaders have talked about forming a new apparatus to discuss security issues and to find a replacement for the American policeman who has been something of a stabilizing factor but is now headed home. Little concrete action, however, has taken place and signs for the future are not hopeful.

American Interests

American interests in this region are difficult to define. Asia is so diverse in culture, religion, politics, economics, social order, and sense of security that it is only a slight exaggeration to say that Asia is merely a geographic term. Generalizations about Asia are thus to be taken with a dose of skepticism. On most issues, the United States will be forced to deal with each nation in a bilateral manner until a greater sense of regional unity comes along.

Even so, common threads of American interests run through the region. During the Cold War, American interests in Asia were centered on containment of the Soviet Union, China, North Korea, and North Vietnam. American policy called for political stability—but not necessarily for attention to human rights or the spread of democracy—to shore up the ramparts of containment. Similarly, the United States fostered economic development less for its own sake and more to reinforce containment. The

United States traded with and invested in Asian nations but in policy decisions, those efforts took a back seat to containment.

Today, much of that has changed. American interests during the decade of the 1990s can be classed into three levels: positive, for tangible or intangible gain; preventive, to avert threats to the United States or its interests abroad; and supportive, or objectives that help to realize the positive and preventive.

The positive interests of the United States are largely economic. The United States seeks to gain or retain access to supplies of raw materials and natural resources and to manufactured goods that enhance American life. It is also in the national interest for Americans to have access to capital from Japan now and from South Korea, Taiwan, and perhaps other Asian nations in the near future. To pay for its imports from Asia, Americans need access to export markets in Asia. All told, the value of United States exports to Asia has surpassed that to West Europe for more than a decade. Measured per capita, the United States sells more to Asian nations than it does to most Western European nations.

It is further in the American national interest to have access to technology. Japan is Asia's leader in developing new technology, but others are not far behind. Lastly, America's interests are served by access to the store of knowledge and ideas being generated in Asian nations that are not only developing their economies swiftly but expanding their educational systems and intellectual resources.

The preventive interests of America are traditional. The first is to prevent the emergence of a global rival or dominant regional power that could threaten the United States with military force. For this, the United States needs new and more imaginative relations with regional power centers—Japan, China, India, Russia, South Korea—to find a new equilibrium, balance of power, and regional stability.

Second, among its preventive interests, trying to halt the incipient arms race, in both nuclear and conventional weapons, would serve American purposes. A regime of arms control in Asia would be good for America.

An effort to forge coordinated policies and apparatus to combat terror would serve American interests. So far, Asia has been less

victimized by terror than the Middle East and Europe. But incidents of terror, such as the North Korean bombing of the South Korean embassy in Burma, have occurred and may well again. Terror is a cheap way for a poor nation to seek to impose its political will on others.

Similarly, a concerted and coordinated effort to establish better controls on the production and shipment of illicit drugs would be in the US national interest, if connected with a vigorous campaign to stop consumption at home.

Finally, evidence grows by the day that an AIDS epidemic may run rampant, like the bubonic plague of medieval Europe. Preventing AIDS from devastating America's friends and allies, and warding off the plague in the United States itself, should be a national objective of high priority.

To achieve the positive and preventive objectives are supporting interests. At the top is persuading Americans, Asians, Pacific Islanders, and the world that the United States is a Pacific power and intends to remain one. The United States has been an Atlantic power since the days of Columbus but a Pacific power only since Manifest Destiny in the 19th century. Thus, Americans need to be better educated and better informed about Asia and the Pacific than they are now. In addition, those Americans who know about Asia need to be better used by government, industry, finance, academia, and the press.

The United States should, as a matter of national interest as well as exerting moral leadership, foster the defense of human rights wherever and whenever it can. Standing up for human rights is not only right but enhances the perception of America in the eyes of people whom Americans seek to influence and lead.

Politically, it is in the United States national interest to assist Asians in developing democratic, or at least benign, political institutions. Not only is that in the American ideological tradition but such nations rarely threaten other nations and usually permit economic access.

Another supportive national interest is to encourage the formation of regional economic institutions with trade and investment rules that are inclusive, not exclusive. The United States

should not only make sure it is not shut out of trading arrangements but that other nations are also not blocked off.

Lastly, the national interests of the United States would be served by encouraging gradual moves toward some form of collective security in Asia to resolve or at least control long-standing antagonisms. Since Americans no longer can afford to be the policemen of the world, nor want to be, other security arrangements are needed to keep the peace. They should include efforts to assure supplies of energy to allied and friendly nations. They should also include efforts to protect the environment and improve health.

Specifically, the interests of the United States in Asia and the Pacific can be divided into four tiers of countries in descending priority:

- The first tier consists of those nations whose alliance or friendship, and even neutrality, strengthen the United States or would threaten America as adversaries: Japan, China, India, Russia, and South Korea.

Japan is the most critical because of its powerful economy and strategic position off the Eurasian mainland. China, while backward, has an enormous population, nuclear weapons, and age-old ambitions to dominate Asia. India is a newcomer to the top drawer but clearly desires to be the dominant nation in South Asia. Russia, while caught in all manner of internal political and economic troubles, still commands a large armed force and could revert to autocratic and aggressive ways.

South Korea, while not yet a major power, is vital to the United States because American forces there help to deter North Korea. In addition, South Koreans have made known that their ambitions include playing a political role in the future of Asia to rival that of Japan and China.

- The second tier would be those nations that could assist the United States as allies or friends and would undermine American security as adversaries: Australia, Indonesia, Malaysia, Pakistan, Singapore, Taiwan, and Thailand.

The United States, which has been forced to relinquish its bases in the Philippines, has recently acquired access to Singapore's shipyards to have warships repaired. This may establish a most useful pattern for the future. Asians may be reassured because the United States will have military power in the region—but not so intrusively as during the Cold War. American forces will demonstrate that they can reach trouble spots if needed and requested, but will also go away when the trouble is over. Many Asians fear that if Chinese, Japanese, or Russian forces are invited, they may not go home so readily.

Taiwan is included here for two reasons. It has become a thriving medium-sized economic power with healthy trade ties to the United States and sizeable sums of foreign exchange reserves. In addition, an open conflict between *Taiwan and China* could draw the United States into hostilities.

- The third tier includes nations with little effect on American security: Afghanistan, Bangladesh, Burma, Cambodia, Laos, Mongolia, Nepal, New Zealand, Philippines, Sri Lanka, and the Pacific Island nations.

New Zealand has broken with the United States over the issue of whether nuclear arms are carried aboard American warships making port calls there.

The Philippines has lost its strategic value not only by insisting that American forces withdraw but in the emotional and confrontation manner in which it negotiated this issue.

- In the fourth tier are nations that are hostile: North Korea and Vietnam.

If diplomatic relations are normalized between Washington and Hanoi, Vietnam would most likely move into the second category on the strength of its still powerful armed forces. Moreover, its ambitions to dominate Southeast Asia are still suspect.

Even though these vital interests are evident, political Washington is not paying attention to the immense changes in

Asia and the Pacific. That failure of the executive branch and Congress puts the nation in jeopardy. To be sure, political Washington has much in front of it—grinding domestic problems, the fascinating issue of whether the former Soviet Union and its allies, excruciating questions in the Middle East.

Asia, however, is passing through a momentous time of historical change that will surely affect the way Americans live and even more the security and prosperity of their children. Americans can either help to shape those changes to the benefit of the United States or ignore them and be shaped by them, most likely not to the well-being of the nation.

The United States has been a Pacific power since Americans reached the western shores of the continent in the days of Manifest Destiny. America began to be a power in Asia when Commodore Perry sailed his black ships into the bay of Uraga in Japan in 1853 and became more of a presence when Commodore Dewey sailed into the bay of Manila in the Philippines in 1898.

After that, America's failure to discern the realities of Asia has cost the nation dear. Americans fought the Filipinos in what they call the Philippine Insurrection and the Filipinos call the War for Independence. Americans fought the Chinese in the siege of Peking in 1900. The United States was taken by surprise by the Japanese at Pearl Harbor in 1941, caught off guard by North Korea and China in 1950, and drawn blindly into the quagmire of Vietnam from 1954 to 1972.

Americans have expended huge amounts of blood and treasure in Asia, some and maybe most of which could have been avoided had political Washington paid attention. Now the nation is caught in an expanding economic conflict, not just with Japan but with Korea, Taiwan, and China that has frustrated Americans because their political leaders have not been paying attention.

Oliver Cromwell had an apt expression that might well apply to political Washington today. He told Parliament in 1654: "It's a maxim not to be despised, Though peace be made, yet it's interest that keeps peace."

3. Economic Cooperation in the Asia-Pacific Region: US Role and Security Implications

Lee H. Endress

GLOBAL DEVELOPMENT AND TRENDS OF great significance are now shaping international relations in the Asia-Pacific region in ways we could not have imagined even two years ago. The end of the Cold War, the collapse of communism, and the dissolution of the Soviet Union have radically changed threat perceptions and the dynamics of international politics in Asia. However, of increasing importance to the region are economic factors. These include:

- The spectacular growth of the Asian economies during the 1980s. Table 1 compares the rate of growth of key economies in Asia over the last decade. The numbers are impressive, and it is important to recognize that many countries in Asia view continued economic growth and development as a matter of national security.

TABLE 1.—Real GDP Growth (%) 1981–1990

Japan	4.2
NIEs	8.7
South Asia	5.1
China	10.1
Southeast Asia	5.4
United States	3.3

Source: Data for Japan and the United State are for 1980–1989. Sources: *Asian Development Outlook 1991*, Asian Development Bank, Manila, Philippines, p. 278 and *World Development Report 1991*, World Development Bank, Oxford University Press, p. 207.

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• The dramatic rise in intra-Asian trade and investment since 1986. One way to gauge this trend is by looking at the growth in exports from Asia to various regions. As shown in Table 2, exports from Asian countries to other Asian countries have increased markedly.

TABLE 2.—Growth Rate (%) of Asian Exports, 1986–1988

Destination	Asian Export Growth Rate (%)
North America	11.9
Europe	27.0
Asia	27.7
Other	5.0

Source: James Reidel, "Intra-Asian Trade and Foreign Direct Investment," *Asian Development Review*, vol. 8, 1990.

• The prospect that the Uruguay Round of GATT (General Agreement on Tariffs and Trade) negotiations will end with less than spectacular results. The global open trading system has been key to the development of many industrializing Asian countries, especially those that are inherently poor in natural resources (e.g., Japan, South Korea, Taiwan, and Singapore). Slow progress to date in the Uruguay Round contributes to the fear that the GATT and the open trading system may be at serious risk.

• Growing perception in Asia of US economic decline. President Bush's trip to Asia in January 1992, with its emphasis on job creation, was not helpful in reversing this perception. The Gulf War clearly demonstrated the superiority of US military power. However, in the post-Cold War period, military power will not be a sufficient basis for international leadership and influence. Economic strength is becoming an increasingly important component of national power. Japan's growing economic presence in Asia since 1985 and the associated expansion of Japan's political influence in the region are evidence of this.

• Rising trade tensions between the US and Asian economies with attendant Asian concern about protectionist and

"America First" isolationist sentiments in the United States. The US recession and election year politics have not helped here either.

- Fear in Asia that the European Community (EC) and the prospective North American Free Trade Area (NAFTA), involving the United States, Canada, and Mexico, may leave Asia as a residual in the global economy.

More than ever before, these factors underscore the perceived and actual need for economic cooperation in Asia and the linkage of such cooperation with regional security. Of particular importance to the consideration of regional cooperation are developments external to Asia, specifically the Uruguay Round, and economic concerns in both the United States and Europe. I will consider these external issues in greater detail *because they condition* how Asian nations view the US role in Asia.

Prospect for the Uruguay Round

The Uruguay Round of trade negotiations was launched in 1986 and was scheduled to end in December 1990 in Brussels. Unfortunately, the Uruguay Round broke up at the Brussels meeting after the United States, the EC, Japan, and Korea failed to reach agreement on several agricultural issues such as market access, internal supports, export promotion subsidies, and health standards. The Round formally resumed in February 1991.

The Bush administration continues to view the Uruguay Round as its top trade priority. President Bush has termed the Round as the "ultimate competitiveness initiative."¹ The Department of Commerce estimates that successful conclusion of the Round could result in a cumulative increase in US output of more than \$1 trillion over a 10-year period.²

Agriculture remains the linchpin of the Round. However, since the talks resumed in February 1991, participants have focused mainly on resolving technical issues, leaving tougher political questions for later in the negotiations. The EC has yet to make substantive concessions on basic agricultural issues. The GATT

office of the Department of Commerce characterizes France, in particular, as being obstructionist. Japanese strategy has been to lie low; Japan has not exercised any initiative or leadership during recent negotiations. However, rumors circulate that Japan will table a modest offer on rice late in the game.

Several deadlines for concluding the negotiations have been set, but none has held firm. The United States and other participants have not been willing to adhere to a deadline until serious negotiations take place and substantive progress is made on key issues.

The GATT process appears to have become a victim of its own success. Earlier rounds of GATT negotiations were extremely successful in removing tariff barriers to international trade. Now that major tariff cuts have been achieved, the GATT is left to contend with much more difficult problems, including non-tariff barriers to trade, which are hard to measure and involve domestic issues basic to the internal economic and political structure of many countries. Some new items on the agenda are also indicative of the technical complexity of the negotiations: General Agreement on Trade in Services (GATS), Trade Related Investment Measures (TRIMS), and Trade Related Intellectual Property Rights (TRIPS). Challenging in their own right, these new agenda items have been cross-linked with each other and with agriculture in ways that further complicate the negotiating process.³

Economic Concerns in the United States and Europe

The growing inward focus of policy debates in both the United States and Europe conditions how countries in Asia see their place in the evolving global economy. Underlying much of the discussion in the United States about its domestic and foreign policy is the emotionally charged issue of US economic decline. In Europe, concern centers on economic integration and its likely effect on national sovereignty, defense relationships, and the welfare of individual countries.

The origins of concern in the United States over declining economic power date back to the early 1970s and two key events: the collapse of the Bretton Woods system of fixed exchange rates and the oil crisis. The debate intensified in the 1980s and the early 1990s with the escalating Federal Government debt and the publication of several popular books either espousing or opposing the declinist viewpoint.⁴ Whatever the merits of the declinist argument, the self-confidence of the United States seems to have diminished over the last two decades and this has influenced the US approach to economic foreign policy.

US Posture on Managing Trade

Official administration support for the GATT multilateral trading system notwithstanding, US actions indicate a clear preference for unilateral and bilateral approaches to trade negotiations. A premier example of "aggressive unilateralism"⁵ is the Super 301 component of the 1988 Omnibus Trade and Competitiveness Act, which directs the US trade partners and takes action, including punitive measures if necessary, to eliminate those practices. Despite serious questions concerning the legality of Super 301 in 1989 to target Japan, Brazil, and India for trade practices it unilaterally found unacceptable. The Super 301 provision has now expired, but Congressmen Gephardt and Baucus have introduced proposed legislation to revive it.

Bilateral negotiations between the United States and Japan, conducted under the rubric of the Structural Impediments Initiative (SII), totally outside of the GATT framework, have attempted to address factors related to the fundamental structure of economies in both countries that may create barriers to trade or restrict international economic adjustment. In this regard, the United States identified structural problems in the Japanese economy which span six broad areas: an excessive savings rate in Japan; the complex distribution system; pricing mechanisms that discourage domestic consumption; the "keiretsu" system of industrial groupings; distortionary land-use policy; and lax enforcement

of antitrust policy. In return, the Japanese government identified weaknesses in the American economy, including the low US savings rate, the need for improvements in export promotion, and work force training and education. The initiative produced a joint report in June 1990. However, substantive structural changes in either country have yet to be achieved and continued absence of expected results will only contribute to the economic tension between the United States and Japan.

The most recent example of the US approach to trade is the proposed North American Free Trade Area (NAFTA) with the United States, Canada, and Mexico, now under negotiation. At a meeting of the ASEAN economic ministers in Kuala Lumpur in October 1991, US Trade Representative Carla Hills gave assurances that the United States was not seeking to erect a North American trade bloc. Nonetheless, without detailed economic analysis to the contrary, Asian nations have legitimate concern that NAFTA may result in trade diversion or investment diversion adverse to Asia.

The nature of US trade policy is largely shaped by congressional pressure and reflects several factors. First is a continuing concern over loss of US international competitiveness.⁶ Second is mounting US frustration over the lack of progress in the GATT. Most visible perhaps is the annoying persistence of the US trade deficit, which has been frequently offered as evidence of unfair trade by other countries, especially Japan. Macroeconomic influences on the trade balance, such as the broad gap in the United States between national savings and investment, often are not acknowledged by policymakers. Whatever the motivation, US preference for unilateral and bilateral approaches to economic foreign policy undermine the credibility of its support for GATT and the multilateral trading system.

Implications of the European Community

Progress toward 1992 is well on track, but events over the last two years are transforming how Europeans view the community. The most significant developments are German reunification,

the fragmentation of the Soviet Union, and the debate over the future of NATO.

Many political leaders in Europe want to keep the EC outwardly oriented, and much of the rest of the world is now reassured that the EC's economic policy will not result in a "Fortress Europe." Barriers to trade in agriculture remain the exception. Asia, especially ASEAN, whose future growth will be so dependent on world trade, remains concerned. European attention, however, will more likely be focused on absorbing the former communist East European regimes into the European market system. In the view of political economist Lawrence Krause, "They [Europe] will not have the energy nor the interest in addressing the consequences of their own actions on the rest of the world."⁷

The likely impact on the Pacific region will be on the acceleration of forces in the Pacific leading to cooperation and a collective sense of identity. If the EC begins to discriminate against the rest of the world, the need for increasing the formal structure of Asia-Pacific economic cooperation may be recognized.

Evolution of Economic Cooperation in the Pacific

Initiatives for Asia-Pacific economic cooperation began early in the postwar period. Since that time, several institutions have developed to advance the objectives of cooperation. Progress has been most dramatic since 1980. The proliferation of acronyms is easily confusing. As background for the subsequent discussion, we provide a short survey of existing and proposed multilateral arrangements. A broader review can be found in Annex A.

Major Regional Bodies

ASEAN (Association of Southeast Asian Nations) was founded in 1967 by the noncommunist nations in Southeast Asia

in response to the perceived communist threat. Member countries include Thailand, Malaysia, Singapore, Indonesia, the Philippines, and Brunei, which joined in 1984.⁸

The PBEC (Pacific Basin Economic Council) was established in 1967. The council is made up of twenty countries and is now the largest regional body dealing with regional cooperation. It serves as a mechanism for the business community to participate in economic cooperative initiatives and processes. Close coordination exists between the PBEC and the PECC.

The PECC (Pacific Economic Cooperation Conference) held its first meeting in Canberra in 1980. This forum is an unofficial cooperative effort among high-level businessmen, government representatives (in an unofficial capacity), and academics of Pacific Rim nations to promote free trade and economic coordination. The writer Chungsoo Kim has characterized PECC as the "opinion leader organization" for the region. PECC seeks to enhance economic policy dialogue, anticipate areas of potential conflict, engage in selected studies, and make recommendations to official bodies such as APEC.

AUI (ASEAN-US Initiative) was signed in Washington in 1990. The initiative is intended to enhance economic cooperation between ASEAN and the United States and serve as a catalyst for increased trade and investment between the two parties through information exchange and policy dialogue. Of key interest are increased opportunities for small business.

APEC (Asia-Pacific Economic Cooperation Council) was inaugurated in Canberra in November 1990 and consists of the ASEAN countries plus the United States, Canada, Japan, South Korea, Australia, and New Zealand. Recently, China, Hong Kong, and Taiwan have been admitted. In contrast to PECC, APEC is an official body designed to strengthen processes for regional economic cooperation.⁹

The East Asia Economic Caucus (EAEC)

The most recent development is EAEC, a watered-down version of the EAEG (G for grouping), which was proposed by

Malaysian Prime Minister Mahathir in December 1990. The proposed grouping was to be restricted to Asian countries, thus excluding the United States. Mahathir's motivation is not completely clear, but reasons for the proposal include concern in Asia about NAFTA and rising US protectionism; fear that the United States may no longer have the will or economic power to sustain the open global trading system through the GATT process and the Uruguay Round; the desire to bring in nonmarket economies now excluded from APEC; and Mahathir's ambition to advance Malaysia's leadership role in Asia.

Among the Asian countries, only Singapore and Thailand signaled support for EAEG. Neither Japan nor South Korea expressed much enthusiasm. At the meeting of ASEAN economic ministers in Kuala Lumpur in October 1991, the participants agreed to form an EAEC "to discuss issues of common concern to East Asia economies and to meet as the need arises."¹⁰ If it goes forward, it appears that EAEC will be an informal structure existing within the APEC framework.

US officials were restrained in their reaction to EAEC during the Kuala Lumpur meeting. US Trade Representative Carla Hills said, "A caucus is just a group for talking."¹¹ In November 1991 at the APEC meeting in Seoul, US Secretary of State Baker expressed much stronger opposition to the proposed EAEC by encouraging Japan and South Korea not to participate.¹² Tokyo officials have declined to comment officially on the proposed caucus, so the Japanese position is not yet clear.

ASEAN Free Trade Area (AFTA)

A major breakthrough was achieved at the ASEAN Economic Ministers Meeting just held in Kuala Lumpur. The ministers decided on a package of proposals to establish a free trade area in ASEAN within 15 years called the ASEAN Free Trade Area. The initial Thai proposal had set a 10-year period for eliminating all trade barriers. Indonesia and the Philippines, however, objected to

the original time table, claiming that their industries were less developed and thus needed protection over a longer period of time. While there was a conceptual agreement on the AFTA among the ministers, the qualifications that were attached to the agreement indicate that much work remains to be done before AFTA becomes a reality.

The Role of the United States in Asia-Pacific Economic Cooperation

US preoccupation with Europe, the Soviet Union and its dissolution, and the Middle East has reinforced the perception in Asia that US interest and involvement in the region may be declining, especially now that the Cold War is over. In this regard, the reaction to the initial cancellation of President Bush's November 1991 trip to Asia was revealing. Commentators and government officials in Asia publicly reaffirmed their desire for continued US commitment and presence in the region. Particularly striking in the commentary was the explicitness of the concern that a potential vacuum created by US disengagement might be filled by one of the middle powers: Japan, China, or India. Until then, regional concern had been generally expressed in more vague terms of regional instability. Such commentary suggests that the future US economic role in Asia should properly be considered in terms of both regional interests and US interests.

Regional Economic Interests

Many developing countries in the region regard their continued economic growth as a matter of national security. Serious and persistent economic stagnation could threaten the basic social fabric of these countries, leading to internal and perhaps even external strife. And continued economic growth is becoming increasingly dependent on regional economic cooperation and maintenance of the open trading system.

Sustaining the momentum of economic cooperation in the Asia-Pacific region will require continued leadership. As an economic powerhouse, Japan certainly has the potential to become a major leader in the region, but to date Japan has demonstrated neither the willingness nor the political capability of fulfilling that potential. Many Asian countries are still uncomfortable with the idea of an expanded leadership role for Japan without US participation as a counterweight. At this time, only the United States has the stature, economic strength, and the trust of other Asia-Pacific nations to fill the leadership role.

US Economic Interests

Throughout the Cold War period, the United States viewed its interests in Asia primarily in strategic and geopolitical terms. While these interests remain valid, they are likely to be downgraded in importance as US economic interests in Asia become more fully recognized. Unfortunately, such recognition has been slow or absent in some US policy arenas, especially within corners of the US Congress. Recent work by economists and political scientists is beginning to correct this problem.

William Overholt, Director of Research of Bankers Trust Securities in Hong Kong, has stated that the Asian economies are the most dynamic in the world and have become especially resilient to outside economic shocks (e.g., oil shocks). This resilience should make Asian economies especially attractive to US business investment. The vitality and staying power of the Asian economies, however, is not well understood or appreciated in the United States. A fundamental question for the US policy in Asia was posed by Overholt during the 1991 NDU Pacific Symposium: "Do we ally with the Asian economic miracle, or do we fight it?"¹³

Fred Bergsten, Director of the Institute for International Economics, has written that the current recession is the culmination of exceptionally slow growth in the US economy since early 1989. Export-led growth may be the best strategy in the 1990s for

the United States to reinvigorate the economy. Neither monetary policy nor fiscal policy is likely to be successful.¹⁴

As discussed by Lawrence Lindsey, Governor of the Federal Reserve Bank in Washington, DC, research at Harvard University and the Federal Reserve shows that, contrary to popular belief, America's advantage is in the production of high technology capital goods. This means such commodities as computers, aircraft, and industrial machinery, not Buicks and TV sets. And that advantage has been growing. In the late 1960s, only 20 percent of American capital goods were exported. Today, about 45 percent of capital goods output is sold abroad. Capital goods export now amount to 4 percent of GDP.¹⁵

US trade policy based on the notion that Europe is America's best friend, while Asia is the enemy, is fundamentally flawed. So asserts Bernard K. Gorden, professor of political science at the University of New Hampshire.¹⁶ The best foreign markets for the United States, now and in the future, are in the Asia-Pacific region. For example, the value of US exports to the Asia-Pacific region has surpassed the amount for Western Europe for over ten years. The gap between Asia and Europe grows wider every year, because the growth rate of US exports to the Asia-Pacific region is greater than anywhere else. For the period 1968-1988, American exports to Asia grew by 1,488 percent. Over the same period, growth of US exports to Europe attained only half that level, 743 percent. On a per-capita basis, the Asian economies, as markets for US products, are well ahead of almost all of Europe. As Table 3 shows, Japan's imports from the United States, on a per capita basis, are very close to America's imports from Japan.

TABLE 3.—Per Capita US Trade With Major Partners (\$US)

Country	Imports From US	US Imports From Partners
UK.	342	76
Italy	134	50
West Germany	272	111
Japan	344	378
South Korea	298	86
Taiwan.	606	107
France.	243	52

Much research on the development of Asian economies has been done by the East-West Center in Honolulu and the University of Hawaii. Seiji Naya, Professor of Economics at the University of Hawaii and architect of the ASEAN-US Initiative, stated that while the US market has absorbed growing shares of ASEAN exports in the 1980s, the United States has barely maintained its modest share of 16 percent of ASEAN imports. In contrast, Japan has been aggressive in capturing trade opportunities, raising its share of imports to 24 percent. Direct foreign investment (DFI) in ASEAN increased sharply in 1988 and 1989, especially from Japan, but also from Taiwan and South Korea. US DFI to the region has increased slightly but has not kept up the pace of total DFI flows. Overall, the US share of DFI to ASEAN has declined significantly.¹⁷

Many small-sized and medium-scale American firms have products and technologies that are desired by countries in the Asia-Pacific region. While US firms aspire to expand to Asian markets, the institutional mechanisms to help these firms are not in place. Lack of adequate information on investment opportunities, DFI tax incentives, export rules, and local business regulations puts small- and medium-sized firms at a serious disadvantage. To increase or even to maintain its commercial presence in the region, US firms must be encouraged to invest in ASEAN. To compete with Japanese firms in the region, however, US firms will need some assistance. In Japan, financial arrangements, information on regulations, markets, and customs, and marketing support are provided by Japanese trading firms. In the United States, despite the established programs in the Department of Commerce's office of trade promotion, no counterpart public or private service exists to assist potential US investors.

The bottom line is that the United States may be missing the boat in Asia.¹⁸ It is in the fundamental economic interest of the United States to expand its commercial presence in the Asia-Pacific region.

Security Implications for the United States

Global events in both the economic and security spheres are stimulating initiatives in Asia for regional cooperation. To

date, these initiatives mainly concern multinational economic arrangements and relationships. As these multinational arrangements develop and mature, however, broad security issues will naturally appear on the agenda: energy, the environment, AIDS, drugs, technology transfer, competition for resources and markets, and regional arms proliferation.

Despite these evolving cooperative arrangements, the nations of the Asia-Pacific are not ready now for a formal multilateral approach to regional military security. Attempts by the United States to force prematurely or champion such an approach could undermine continued progress in regional economic cooperation. At the same time, the United States must be prepared for the possibility that economic cooperation in the region may lead to the desire for new multilateral defense structures and arrangements in the future.

If the United States remains actively engaged in Asia, such future arrangements could be consistent with US interests by promoting regional stability, and facilitating the mobilization of coalitions in response to regional contingencies. In this regard, Secretary Baker's "America in Asia," published in the winter 1991/1992 issue of *Foreign Affairs*, was both timely and forward looking. He anticipates the "need for a renewed defense structure for the Asia Pacific that reflects the region's diverse security concerns and mitigates intra-regional fears and suspicions. . . ." ¹⁹

Any new multilateral economic or security arrangement in the Asia-Pacific that excluded the United States would be directly counter to fundamental US interests in the region. To prevent the potential for such exclusion, the United States must remain fully engaged in Asia in all dimensions: military, diplomatic, and commercial. This should be part of a comprehensive US strategy for the Asia-Pacific region.

Recommendations

With regard to the economic dimension of US engagement strategy, the United States should pursue the following policies to increase its commercial presence in Asia:

- Increase foreign aid to less developed countries in Asia. Focus more aid on smaller private-sector oriented projects that promote US investment.
- Follow the Japanese example: establish agencies, mechanisms, and information systems to facilitate commercial activity and investment in Asia by the US private sector, especially small- and medium-size business enterprises.
- Participate actively in emerging regional multinational economic bodies such as APEC. Promote APEC as the vehicle for using the economic strength of both Japan and the United States, in a partnership arrangement, to influence the GATT and accelerate progress in global trade liberalization. Encourage (but do not force) the use of the APEC mechanism to deal with emerging broad gauged security issues: energy, the environment, AIDS, drugs, trade conflict, and arms proliferation.
- Continue opposition to regional forums that exclude the United States such as EAEC.

Notes

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18. *Private Investment and Trade Opportunities (PITO) Economics Brief No. 1*, "Is the United States Missing the Boat in ASEAN?," East-West Center, Institute for Economic Development and Policy, 1991.
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Part Two:
**The New Security
Environment**

4. The USSR Breakup: New Strategic Realities in the Pacific Basin

Vladimir I. Ivanov

THE YEAR 1991 AND THE END OF THE COLD War raised new international problems, due to the demise of the post-World War II order and the complete disintegration of the Soviet Union. Before the breakup, Soviet authorities and institutions brought the economy and the people to the brink of catastrophe. Russian's current situation is comparable to Japan or Germany in 1945. There are differences, however: the end of the Cold War came almost without violence; weaponry, including nuclear, has been retained; there was no occupation; and Moscow leaders remain responsible for major decisions. Independence is tempered, however, by the inability to address accumulated difficulties without external support.

The present crisis is painful for the average Russian, and could even undermine ongoing democratic changes and newly born institutions. The current situation has no parallel in history since the process of democratization is accompanied by declining industrial and agricultural production, disintegration of existing domestic and external economic links, strained relations among the newly formed independent states, and the shock of a radical ideological reorientation.

The old system of priorities has vanished, and a new one has only partly taken shape. The process is complicated by global economic problems, strategic and political confusion, and emerging tension among the United States, Japan, and Western Europe.

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In contrast to isolationism and ideological confrontation that dominated Russian foreign policy after 1945, the key words in 1992 are cooperation and integration in the world economy, including its Asia-Pacific sector. Achievement of this goal may require time, domestic efforts, pragmatic foreign policy, and external assistance. On their way to a mixed economy, Russians and other former Soviets must learn to cooperate among themselves. Meanwhile, the international economic assistance the former Soviet reformers and the current generation of politicians had hoped for is still under question.

Post-Cold War Regional Security Environment

There have been some positive developments in Asia-Pacific security relations: Washington-Moscow relations have greatly improved, the dialogue between North and South Korea is progressing, China and Russia are emphasizing domestic economic restructuring, and Japan is trying to develop closer relations with neighboring countries. Some elements of regional confrontation have lost their relevance. The United States is reassessing its interests and involvement in regional affairs.

China, the only remaining major communist power, emphasizes economic strength as the most powerful means of conducting global competition. Japan is facing a set of problems related to its international philosophy, its economic difficulties with Washington, and the problem of inadequacy of the policymaking apparatus. Korean politicians show a capacity for mutual understanding and may move beyond the agenda of confidence building to reconciliation. For the United States, the changes in the region will prove much harder to cope with than recent changes in Europe. Both the Cold War and shared perceptions of a "Soviet threat" to the region are disappearing and economic imbalances create a fertile climate for domestic criticism of spending on regional security. Canada is trying to play a "bridging" role in this changing international environment and is pursuing multilateral cooperation as a central strategy.

Several new factors must be considered in assessing the emerging regional security environment: (1) the new positive role Russian leaders are willing to play in the world and regionally; (2) the growing importance of *unilateral arms control measures*; (3) fragmentation of the existing international order and the need for new global leadership goals and methods; (4) an emerging opportunity for the United Nations to expand its role in crisis management and conflict prevention; (5) various nonconventional threats to security and stability; (6) the need to switch to a multilateral response to challenges; (7) the need for a shift from defense based on military instruments to a comprehensive security strategy based on a combination of economic competitiveness, technology, education, and other "human capital" factors; (8) the possible shift to *competitive disarmament strategy*, major defense restructuring efforts, and cooperation in comprehensive nonproliferation efforts.²

This new set of strategic and security factors pertinent to the emerging post-Cold War security environment will eventually determine the security perceptions, interests, and strategies of Russia and other major countries. In 1992 and beyond, all regional states and powers without exception may face the necessity to remodel their regional policies in order to adjust them to domestic economic and political needs, entirely new strategic priorities, and global post-Cold War security needs. The nature of existing military-political alliances may change.

New and Old Regional Problems: Russia's Role

By 1992, Russia's position on the Pacific was better than the Soviet Union's was in 1985. Relations were normalized with China, greater confidence was achieved in relations with the United States, and diplomatic and economic relations were established with South Korea. Dialogue with Tokyo became less emotional and covered a wider range of regional and international problems. Before the final act of disintegration in December 1991, the USSR was admitted to the Pacific Economic Cooperation

Conference as a member. In September 1990, US naval vessels visited Vladivostok after the units of the Soviet Pacific fleet had visited San Diego. First exchanges took place between top Japanese and Russian military officials. Tension on the Korean peninsula had substantially relaxed.

There have been some negatives, however. By the end of 1991, Russia's economic relations with the Asia-Pacific had virtually collapsed: the storage of hard currency, and delay in payments led to rapid degradation of trade links with ASEAN, then with Australia and New Zealand; the shortage of resources, plus the end of political and ideological commitment, led to a rapid scaling down of trade, economic relations, and economic assistance programs with Vietnam, Mongolia, North Korea, Laos, and Cambodia (their total debt to Moscow accumulated over the 1970s and 1980s reached US\$35–40 billion at the 1989 exchange rate);³ two main trading partners—Japan and Korea—were facing continuous problems with payments and many companies had to stop their exports to Russia; only China remained a rather stable trading partner; the former opening of Vladivostok was delayed for five-and-a-half years and by 1992 there was no breakthrough in economic relations with economies of the Asia-Pacific; the long-term investment program designed by the central government up to the year 2000 completely failed; recent rapid domestic developments, like the collapse of the Soviet communist party, affected Moscow's relations with China and North Korea while the territorial dispute with Japan is still pending; and Russia still maintains its threatening nuclear posture in the North Pacific.

With the breakup of the Soviet Union went the chance for a smooth transition to a new regional posture. Moreover, at least in the eyes of other major powers, Russia's political importance in the region declined. The continuation of the role of the former Soviet Union is neither possible nor desirable. On the other hand, Russia's regional interests—political, economic, security—are largely the same as those of the USSR. The breakup of the USSR has also meant the disappearance of a rationale for existing security alliances led by the United States.

Relations with China

Normalization of relations with China was a success of Moscow's policy. Both Moscow and Beijing sought to avoid the image that ideology might constitute the basis of normalization. They wanted to make it clear that a new alliance was neither desirable nor possible. The perception that a failure of reforms in one country can make life more difficult for reformers in the neighboring state was an additional incentive for cooperation and mutual help. In their *economic relations*, Moscow and Beijing sought to capitalize on structural complementarity and geographic proximity. China continues to need industrial, energy producing, and transportation equipment and other manufacturing products made in Russia. China's need for hard currency and its ability to export consumer and agricultural goods to Russia encourages it to cooperate with Moscow economically and to develop trade links on a local level.

Russia and China have been able to solve their security problems.⁴ They worked out a border agreement and participated in the settlement in Cambodia. They agreed not to seek "hegemony in any form" in Asia and elsewhere, and to coordinate reductions in their military forces (the very first development of this nature in the East Asia-Pacific region). They signed an agreement on the eastern (Russia) segment of the border, leaving the western one (Central Asian republics) for the future.

Contacts with Taipei

Taiwan is regarded as an inalienable part of China, but Russian companies are free to develop economic links with Taipei. Bilateral trade in 1990 doubled over the previous year's level, reaching US\$119 million. The Moscow based Science and Industry Association proposed the establishment of an Economic and Trade Promotion Association to help develop trade and economic links with Taiwan. In 1991 Taiwan relaxed visa requirements for pur-

poses other than business. Taiwanese universities and the National Science Council have expressed interest in inviting Russian students and scholars. The Taiwanese business community is interested in developing access to potential markets as well as to sources of raw materials and some advanced technologies.

Moscow and the Korean Peninsula

Divided Korea has long been a major obstacle preventing Moscow from developing nonconfrontational relations in the region, particularly with the US and Japan. There was a time of transition toward pragmatic relations for both Koreas in 1990-91. Presidents Gorbachev and Roh met three times in less than two years. There were no similar exchanges between Moscow and North Korea during that time. Changes in the international and regional environment forced North Korea to join the United Nations simultaneously with South Korea, to proceed with their high level talks, and later to reach a nuclear-free-zone agreement. The situation on the peninsula has become more stable and the first joint documents were signed.⁵ A North-South presidential meeting is planned for 1992.

Political relations with South Korea reached their high point when Mr. Gorbachev visited Cheju Island in April 1991. In early January 1991 Moscow expressed its official support for South Korean membership in the UN. During the summit meeting in April, Gorbachev proposed to negotiate a treaty of good neighbors, partnership, and cooperation similar to agreements with Germany, France, Italy, and Spain. Early in 1991, Soviet authorities expressed regret over the 1983 downing of South Korean Airlines KAL 007 airliner. *Political relations with the DPRK* became more difficult because of rapid progress in the Seoul-Moscow talks and because of alleged DPRK nuclear-weapons-related activities. Moscow halted uranium supplies and cooperation in the field of nuclear energy and urged Pyongyang to open its nuclear facilities to international inspection, although the DPRK officially continued to deny that it ever had plans to produce nuclear weapons.⁶

Contrary to Russian expectations, their policy on the Korean peninsula did not produce the substantial expansion of *economic contacts* with South Korea, or large scale economic cooperation. Political and economic instability were mentioned by the South Koreans as the major obstacles in the way of government guarantees against losses by Korean businessmen. Among the areas of interest are commercialization of advanced technologies and mineral resources development.

At least a dozen conglomerates in 1990-91 reached initial technology cooperation agreements with Russian firms or research institutes. The Korean Economic Planning Board and the Ministry of Science and Technology expect the commercialization of 48 Soviet technologies over the next five years.

Economic cooperation with DPRK worsened very quickly after the transition to payments in convertible currency and at world prices. This decision initiated by the Soviet side immediately put at risk the stability of Soviet supplies of oil, coal, equipment, and raw materials. According to preliminary estimates, trade turnover between the two countries in 1991 was about 25-30 percent of its 1989 volume.

Relations with Japan

Moscow proceeded with Gorbachev's 1991 visit to Tokyo with few illusions. Little flexibility was seen on either side, nor had any consensus been reached within either country about how their relationship should proceed. It became clear that the territorial dispute was an issue of domestic politics not only in Japan but also in the Soviet Union. Yet, for the first time since the reestablishment of diplomatic relations in 1956, the Tokyo meeting widened the agenda beyond the territorial dispute. There was a new willingness on the part of both sides to put their bilateral problems into a multilateral, regional, and international context.

The idea that a realistic settlement can be achieved through compromise became more visible on both sides. Russian compromise options include: (1) a two stage return of the islands

and economic assistance as part of the process; (2) a phased turnover, recognition of Japanese sovereignty over the four islands, their nonmilitarization, economic assistance, and a Sakhalin development program; (3) the proposal to solve the problem on the basis of the 1956 declaration; (4) permanent residence rights for Russians, assuring their legal status and property rights; (5) a joint economic zone and solution through economic cooperation (some Japanese experts have advanced similar proposals).⁷

Symbolic progress on the territorial dispute was achieved. All four disputed islands were named in the joint communique and the territorial problem was recognized as a part of the border delimitation and peace treaty processes. Moscow proposed to reduce its military forces on the islands and the two sides agreed to encourage economic cooperation and to facilitate people-to-people relations. Japanese citizens were allowed to visit the islands without visas (the Japanese government later made a similar offer regarding Russian visits to Hokkaido). In the joint communique the statement was made that the "former enemy" clauses in the UN charter have lost their meaning.⁸

Economic relations were the least successful part of the summit in Tokyo, and not only because of the territorial problem. All the proposals made by Moscow were questionable without government support of private companies and official low-interest rate loans. According to a JETRO report, there were only 33 Japanese joint ventures in the USSR in 1990 (1.8% of the total number, with 0.5% of the total invested capital).

Only 6 out of 107 major Japanese companies said during a special survey conducted by Nikkei that they would not extend economic cooperation as long as the territorial dispute and other political problems remain unresolved.⁹ Their concerns were: unclear ownership rights and inadequate legal framework for foreign corporations; lack of foreign exchange; and inconvertible currency, poor infrastructure and transportation system, inadequate economic regulations, domestic political instability, lack of understanding of market economy, red tape in decisionmaking, and unclear division of power between local and central authorities.

Moscow's approach to economic relations with Japan remained traditional. Its main emphasis was on large and capital intensive projects, like joint ventures in development of natural resources, and an unreasonable expectation of willingness from leading Japanese companies with underestimation of the potential for cooperation with smaller and medium-sized enterprises.

Still, some developments in bilateral economic relations took place. Japan proposed cooperation in the transfer of financial and monetary management expertise to help monetary and currency reforms. Technological and economic assistance to help Soviet reforms was considered by the Japanese Transport Ministry mission in modernization of the distribution system, transfer of technology, and expertise in building a high-speed train network. The Ministry of Labor agreed to provide assistance for a labor system suitable for a market-oriented economy. Daiwa Securities Company agreed to advise on organizing capital and financial markets. A number of large Japanese manufacturing and trading companies moved in with sales to establish service bases. There were some proposals to help convert some advanced and recently declassified industrial technologies for commercial use.

Among proposals made in April 1991 were: establishment of a joint development bank, cooperation in the conversion of the defense industry, production of consumer goods, modernization of the fishing industry, development of energy resources and modernization of oil refineries and lumber, pulp, and paper industries; development of infrastructure, transportation systems, and tourist services; technological and scientific cooperation, including uranium sales and transfers of enrichment technologies.

Russian economic overtures toward local Japanese businesses and governments achieved some momentum. Hokkaido, Niigata, Toyama, and other prefectures started to develop their own direct links with Russian cities and administrative units on the Pacific coast, Far East, and Siberia. Niigata Chuo Bank and 57 other companies set up an investment promotion company to invest in Russia Far Eastern areas, provide consulting and information, conduct market research, and support joint business activities.

On Moscow's side there was an interest in addressing *security problems* in the multilateral format and in connection with US interests in the North Pacific. A trilateral approach for confidence building in the region was proposed. The idea of a direct dialogue on security issues with Japan was also advanced.

Sources of Instability and Uncertainty in the Region

Different and fluid security perceptions have always been and continue to be a problem of regional relations. The image of the Soviet Union—or now Russia—as the sole immediate threat to the stability of the Asia-Pacific region is rapidly fading. Defense planners now envision scenarios in which virtually every major country of the region, with the exception of Russia and the United States, is a potential security concern or threat. South Korean defense analysts no longer focus exclusively on North Korea, for example. Relationships are being reassessed, including America's security links with China, or even Japan and South Korea. Japan, not the former USSR, is the focus of power calculations, including economic relations, made by American leaders. Radical changes in bilateral political relations can cause substantial frictions and economic tension can spill over into political and security arenas. Historically complicated relations among the states of the Asia-Pacific region might lead to complications in the regional security and political environment.

The diminishing rationale for the traditional security vision that has long been provided by the United States means that military-political alliances are subject to less predictability. America's present relationship with Japan and Korea may well change by the year 2000 or even 1995. The picture is further complicated by the growing understanding that security involves more than military force. Food and energy security, North-South imbalances, refugee and mass migration problems, the proliferation of weapons, ethnic and border conflicts—the solution of these and other issues is beyond the power of a nation-state.

Indeed, the security of the region depends, to a large degree, on the ability of the United States and Japan to manage their economic and political relations in the post-Cold War environment and to build a new system of political and security relations in the region. There are some other areas where we may face greater uncertainty or unpredictability in the future:

- nuclear, chemical, biological weapons and missile technology proliferation and the major powers' nuclear strategy and deployments;
- the future of major power relations and their security perceptions;
- advanced technologies' military application and the future of conventional *ground, naval, and air power* in national defense;
- the problems of the Korean peninsula, including prospects for settlement and reunification;
- the future of China, and the PRC's relations with Hong Kong and Taipei;
- Moscow-Tokyo's territorial dispute and the future of their bilateral relations;
- the future of regional economic relations and economic institutions;
- extra-regional factors and their impact on regional stability.

With the end of the Cold War, the opportunity emerges to change regional relations. Russia as a partner provides hope for the future of a regional relationship with greater stability in the North Pacific. Current changes in Russia present an opportunity for the redefinition of security strategies, lowering defense spending, and converting military-industrial complexes.

Strategic Build Down in the North Pacific

By 1992 many elements of regional confrontation with the United States already had lost their relevance. All US

nuclear weapons had been withdrawn from Korea. President Bush had also proposed to dismantle tactical nuclear weapons, including sea-based theater nuclear forces in the North Pacific. The US policy of "neither confirm nor deny" had been abandoned, giving the "three non-nuclear principles" policy of Japan new meaning. The nuclear-weapon-free zone proposal on the Korean peninsula was accepted. US-ROK Team Spirit exercises were temporarily postponed. Nonproliferation is a major concern; the DPRK's nuclear program might cause a chain reaction in the ROK and Japan and impact China's future nuclear buildup and other nuclear related activities.

The security standoff with US forces in the North Pacific, as well as the military buildup in the Soviet Far East in the 1980s, was primarily centered on Soviet sea-based nuclear strategic forces in the Sea of Okhotsk, Sea of Japan, Bering Sea, and areas close to the Kamchatka peninsula.¹⁰ As the largest nuclear power in Northeast Asia, Russia is likely to continue to be a cause of suspicion and security concerns for other states. Its nuclear status could be an obstacle to bilateral and regional economic cooperation and will continue to affect perceptions of Moscow's regional policy.

New priorities make a reassessment of nuclear strategic posture in the region possible and desirable. The current strategic and political situation allows Russia to dismantle all nuclear weapons in all categories in the Far East and the North Pacific. The concept of strategic nuclear parity with the US has lost its relevance and must be abandoned. A large reduction of strategic forces will allow Moscow unilaterally to withdraw tactical and strategic nuclear weapons from the North Pacific and the Far East and to proceed with denuclearization of its navy and naval aviation. Russia can afford to retain only one strategic submarine fleet in the Barents Sea. This step alone will greatly ease the security environment in the vicinity of Japan.¹¹

The creation of the North Pacific Nuclear Weapon Free Zone will enhance the nonproliferation regime in Asia and will contribute to the Nonproliferation Treaty. It will help develop an entirely new approach to security in East Asia.

The Northern Territories Dispute: A Positive Approach

The reduction of security-related tension in the Moscow-Washington relationship in the North Pacific and its denuclearization make it easier to deal with the Northern Territories. This dispute has a long history and can be considered as a part of the relations between two former empires. In its current form the dispute is confined to the Habomai archipelago and three islands (Shikotan, Kunashir, Iturup) northeast of Hokkaido. The dispute is a direct result of Soviet World War II involvement in the Far Eastern theater in August 1945, when it drove Japanese forces from Sakhalin and all islands between the Kamchatka peninsula and Hokkaido. These four territories had not previously been under Russian control, although Moscow has produced historical records to show that the islands were first explored and populated by Russians.

A settlement of the territorial dispute would yield tangible benefits for both Russia and Japan. It would set the stage for Japanese economic involvement that is essential for the survival of the Yeltsin administration and the reforms underway. For Tokyo, a settlement would signal a more creative and independent stance in international affairs and reduce Japan's need for America's security umbrella. Yet there are hurdles to be negotiated on both sides.

Economic and domestic political conditions in Russia present formidable obstacles. The government cannot ignore public opinion, the feelings and interests of the 27,000 Russian inhabitants of the disputed territories, and legitimate security concerns. Evacuation, or an arrangement under which Russian nationals remained under Tokyo's administration, would create problems. These could be manageable, relative to the problems that might arise should anti-Japanese sentiment and other opposition be fomented by nationalistic elements. A settlement also would run the risk of a conflict between Moscow and the Russian Far East, including the encouragement of separatist movements. Finally, there are political and moral dangers associated with trading territory

for Japanese economic aid. The territorial dispute poisons otherwise positive perspectives in both Tokyo and Moscow. It is time to take steps toward a solution.

First, there is a need to find a face-saving formula based on compromise. It has to be solid enough to persuade not only politicians, but the public and the military on both sides. A compromise based on the return of two smaller islands proposed in 1956 by Nikita Khrushchev probably will not work. It caused the a in the Diet and then was torpedoed by the US Department of State, which did not want a settlement and warned that Okinawa may remain under occupation indefinitely. In current circumstances the return to the 1956 formula will be unacceptable to Tokyo and, regardless of the scale of concessions, may cause domestic political complications for present leaders.

Secondly, any formula must be compatible with the San Francisco Peace Treaty, under which Japan abandoned its rights and claim on the two bigger islands. Kunashir and Iturup were recognized by the treaty as a part of the Kuril chain. Since the revision of this treaty is unlikely, the proper legal foundations have to be found to facilitate a compromise.

Third, the formula has to be comprehensive enough to avoid its revision by future generations of leaders and politicians. During 137 years of formal agreements only one (*Shimoda Treaty*, 1855) was renegotiated peacefully. In 1875 Japan exchanged its rights over Sakhalin (the island was in common possession for twenty years) for control over the whole Kuril chain. Just three decades later this treaty was undermined and, after the use of force, a new agreement allowed Tokyo to capture the southern part of Sakhalin. Fifteen years later Japan advanced to northern Sakhalin and it remained under Japanese control until 1925. Stalin's revenge came in 1945.

Fourth, a fair solution requires the constructive involvement of a "third party." Theodore Roosevelt won a Nobel Peace Prize for his good offices in 1905, when the Treaty of Portsmouth recognized Tokyo's rights over the conquered half of Sakhalin. Franklin D. Roosevelt almost did the same thing in 1945 in Yalta.

but in Moscow's favor since it was in US interests to involve Russian troops in the Far Eastern theater to save American lives. Joint efforts have been made by Russia, the United States and Japan to alter the security environment in the North Pacific. This will eventually allow Russia to be treated as a partner. This also places the territorial dispute in the broader context of developing a new and long-term relationship.

Finally, the involvement of the United Nations could provide grounds for the solution of the dispute. This is an example of a *positive approach* to conflict resolution, which counts *all possible concerns and complications*: political, legal and humanitarian.¹² It represents a significant change and departure from the traditional "zero-sum" game approach to Russian-Japanese relations.

More important, such an approach goes beyond bilateral relations and, if implemented, can set a model for other dispute resolutions. A solution through the involvement of the United Nations may provide both prestige and independent financial foundations for its growing international peacekeeping efforts. In addition to *public and political consensus* both in Russia and Japan, an invitation for the United Nations to play a role in the Northern Territories settlement will send an important signal to the international community. It will mobilize international attention to Japan's and Russia's interest to play their roles in the Security Council of the United Nations. Indirectly it might help Japan to become a permanent member of the Security Council.

The solutions may include:

- demilitarization of the disputed islands;
- radical cuts in nuclear weapons in the whole of the North Pacific and Russian Far East with the intention to move toward a region-wide Nuclear-Weapon-Free Zone;
- the transfer of the disputed territories to UN administration;
- the conclusion of a peace treaty between Japan and Russia;
- eventual incorporation of Russia into the North Pacific multilateral and non-confrontational security structure.

Multilateral Political and Security Relations in the North Pacific

Political reintegration of Northern Asia and the North Pacific will require cooperation and readjustments in defense postures and military doctrines. Unilateral Russian nuclear weapons and related force cuts in the Pacific might initiate the creation of a North Pacific Nuclear-Weapon-Free Zone (NWFZ), covering the territory of the Russian Far East. In combination with the NWFZ on the Korean peninsula and the South Pacific NFZ, it could create a momentum for similar moves in Southeast Asia, the Indian Ocean, and Indian subcontinent. A nuclear-free North Pacific could facilitate improvement of Russian-Japanese relations. Decreased military tension in the Sea of Okhotsk and the Sea of Japan will eventually lead to the solution of the territorial dispute.

These developments will inevitably lead to a lower American military profile in the Asia-Pacific region and will require major rearrangements in the field of security. Multilateral relations in the future can substitute for existing security alliances.^v

An important precondition for the nonconventional security environment could be nonconfrontational regional relations. There is a growing recognition of the necessity to change the orientation and substance of the US-Japan security alliance, to find a new rationale for this bilateral alliance, and to enhance global US-Japanese leadership. US-South Korea security relations can benefit also if they become a part of a wider regional security structure.

The role of multilateral and preemptive measures in dealing with security threats may constitute a major element of the new, nonconventional approach to the concept of regional security based on: (1) a "positive influence," rather than deterrence, as an instrument of achieving required changes; (2) collective demilitarization efforts led by the US and Japan as a new rationale for their "global partnership" and security relations directed at the large scale transfer of resources from defense to the civilian sector; (3) regional security based on collective, nonexclusive and multilateral efforts; (4) a new approach and multilateral coopera-

tion with the problem of the reunification of Korea; and (5) joint efforts to encourage United Nations involvement in regional political and security relations.

US Foreign Policy Priorities

The concentration on current economic problems and election strategy in 1992 can potentially lead to a substantial delay in developing US long-term strategy in the region and complicate the existing situation.¹⁴ The Bush administration's foreign policy focus is not on Asia-Pacific affairs, and as President Bush's visit to Japan demonstrated, certainly not on a new US-Japan global partnership or major changes in regional relations beyond the Cold War. Although the growing importance of trade and economic relations with East Asia has been acknowledged by the White House, Pentagon, Department of State, and other federal agencies, the need for a positive linkage between US economic policy and its security-political presence in the region is not on the election agenda.

It is likely, under present circumstances, that the relationship with Europe, Middle East policy, and probably the problems of dealing with the former Soviet Union will dominate the foreign policy vocabulary during the election campaign. China could be a focus of political attention in East Asia, surpassing Japan as an issue of priority. US relations with Tokyo could be limited to the existing economic imbalances and recent emotional upheavals, not to long-term strategic prospects.

For Russia this creates another round of uncertainties in its regional policy, defense posture, and even economic reforms. Although the nature of Moscow's security and political relations with Japan is still predominantly regional, the development of full-scale economic cooperation with Tokyo is becoming a strategic priority for Russia. Without the involvement of the US, it is not very likely that all remaining difficulties between Russia and Japan will be resolved quickly enough to help domestic economic and political stabilization in Russia. And it is more than unlikely that Washington's policy toward Japan can incor-

porate the interests of Moscow, since even America's own interests in the region are quite distorted or largely ignored.¹⁵

The Crisis in US-Japan Relations

More than anything else, US-Japan relations will influence the international, environmental, political, security, and economic situation in the region. This area needs permanent attention, new approaches, political leadership, and imagination on both sides. There is a tremendous potential for cooperation for the restructuring of the post-Cold War world and, at the same time, a growing danger of conflict, if Washington continues to "keep Tokyo a political, ideological, and strategic colony of the United States."¹⁶

Declining American economic competitiveness and domestic and bilateral economic frictions with its trading partners lead to domestic political debates that can directly affect US long-term relations with the North Pacific. The resources needed to improve competitiveness can be provided only through cuts in the US defense budget and, therefore, in Washington's international security obligations. The dilemma is that with such changes it will be more difficult to contain both emotions and regional economic conflicts without a common security blanket, which has been removed. Growth of the East Asian economies is seen as a threat to jobs and national interests by some influential people in America. Long term implications include the formation of a closed regional economic grouping in Asia. America policy should seek to avert this possibility primarily through economic and security readjustment, not political pressure.¹⁷

The current trends in US policy toward Japan and Asia-Pacific may influence the domestic discussion on the revision of the constitution of Japan and might lead to the disintegration of the close security relationship. Independent defense efforts and growing nationalism on both ends of the Pacific could be the worst case scenario for Russian interests.

The Crisis in Russia

The collapse of the Eastern bloc, the end of the Cold War, and—most surprising—the peaceful end of the century of communism in Russian history have not been accompanied by vision and decisiveness in the West. Help is needed to institute a new and fair world order aimed at preventing aggression, shifting resources from militarization to human self-improvement at home and abroad, and pursuing a development path globally that the biosphere can withstand. The way the former opponents of Russia deal with its current crisis, sharply aggravated as a result of market-oriented reforms, probably is a reflection of the current *conceptual paralysis* in global thinking, lack of practicality, vision, and political will in both national and international affairs.

Almost like Europe after World War II when the most serious devastation was not physical but economic, external help is critically needed in Russia to build not only market infrastructure, but free political and social institutions that never existed before. Comprehensive external involvement is needed to overcome poverty, desperation, hunger, and chaos as well as the crisis of morale and identity caused by recent changes.¹⁸

One possible alternative could be the continuing disintegration of Russia's society and economy, if not the country itself, including the danger of cessation of the Russian Far East. Military conflicts among independent states within the former Soviet Republics are possible, caused by militant nationalism, incidents involving nuclear weapons and power stations, or various scenarios of proliferation that can affect the North Pacific and Russia's relations with neighboring countries.

Moscow's Strategic Options and Priorities in the 1990s and Beyond

Economic recovery and modernization are perceived to be Russia's main priorities for the next several decades. It must seek

to maintain an external environment conducive to programs of economic reform and social development. In comparison with the changes in national long-term interests and priorities, the changes in Russian Far Eastern goals are more dramatic. From being almost a completely closed area for contacts with the outside world, the Far Eastern provinces are struggling for economic openings and greater independence in decisionmaking. This movement is still complicated by strong interdependent but asymmetrical economic ties with other major economic regions of Russia.

In terms of economic interests, sources of investments, and market opportunities, the importance of the Asia-Pacific region goes far beyond the interests of the Russian Far East. The geographical position of the country on the Pacific, natural resources, and comparative labor cost advantages make it possible to develop economic, trade, and technological cooperation with Japan, China, the two Koreas, the United States, Canada, and Taiwan.

It is not only economic development or good relationships with neighbors that Russia has to seek in the region. In the 1990s, having abandoned socialism and ideological and security confrontation with the West, Russia might find its new real identity in the existing division between North and South, between advanced industrial democracies and developing societies. It must find a new post-Cold War identity in this geostrategic realm also. Sweeping changes in the economies of East Asia create challenges even for the most advanced Western countries. For Russia it is not just a problem of economic adjustments. In terms of population, Russia is the smallest and weakest nation bordering the North Pacific. It is facing dramatic changes in its geostrategic environment. It faces not only the challenge of being the less developed part of Europe, but a relatively backward part of East Asia. This development occurred not only because the socialist model failed, but because East Asian capitalism proved to be far more dynamic, efficient, and competitive—even in comparison with economic systems in Europe or North America.

In comparison with Canada, Australia, or the United States (with their established socioeconomic and political foundations) Russia has to plan in the long term. It must make a careful

assessment and choose a model for its development; it must evaluate different experiences with capitalist production systems, societal organizations, and the role of government in the modernization process. In this context, the new generation of Russian politicians cannot ignore the experience of newly industrialized East Asia's economies that can offer partners in business, sources of large scale capital investment, modern industrial technology, and new managerial expertise. For Russia the question of developing closer relations with the countries of East Asia is not just a problem of technical, political, or economic presence. It is also a problem of entirely new strategic thinking and new priorities both in Russian foreign policy and its defense posture.¹⁹

Notes

1. The prospects of developing arms control mechanisms to deal with North Pacific security are discussed in detail by Andrew Mack, Director of the Peace Research Center (before 1991), and Chairman of the Department of Political Science, Australian National University, in his articles and conference papers: "Confidence Building and Arms Reduction in the Pacific," paper presented at the Fourth Asia Pacific Roundtable, 17-20 June 1990, Kuala Lumpur, Malaysia; "Arms Control and Nuclear Issues in Korea," paper presented at the Asia-Pacific Dialogue Conference, 19-21 August 1990; "Arms Control in the Pacific: the Naval Dimension," July 1990; "More Arms Less Stability: Nuclear, Chemical and Missile Proliferation in the Asia-Pacific," paper presented at the conference on Changing East-West Relations: Implications for East and Southeast Asia, Defense Intelligence College and United States Pacific Command, 22-24 April 1991, Camp H. M. Smith, Hawaii.
2. Banning N. Garrett is perhaps the first among Americans analysts and researchers to cross the Cold War dividing line in his writings on problems of security, disarmament, confidence building and economic cooperation in the North Pacific: "Growing Linkages Between Security and Economics in the Asia-Pacific Region: New Opportunities for Enhancing Regional Security," prepared for presentation at the Conference on Security and Economics in the Asia-Pacific Region, Center for Strategic and International Studies, Washington, DC, 25-26 February 1991; "Ending the US-Soviet Cold War in East Asia: Prospects for

Changing Military Strategies," *Washington Quarterly*, Spring 1991, pp. 163-177; "The New World Order, American Power and Northeast Asia," *Korean Journal of Defense Analysis*, August 1991; "US-Soviet Arms Control and Ending the Cold War in Northeast Asia," paper prepared for the Pacific Forum/CSIS Japanese Studies Committee Meeting in Maui, 6-8 November 1990.

3. *The Soviets and the Pacific Challenge*, ed. by Peter Drysdale in association with Martin O'Hara, Sydney 1991, p. 132.

4. Gerald Segal, "Informal Arms Control: the Asian Road to Conventional Reductions" in *Arms Control Today*, May 1989, pp. 16-20.

5. It is difficult to avoid the impression that North Korean "nuclear diplomacy" did work rather well in bringing the two parts of the country closer together politically. It also had a powerful impact on US policy on the Korean peninsula. See "Agreement on Reconciliation, Non-Aggression and Exchanges and Cooperation Between South and the North."

6. "Leader of North Korea Denies Atom Arms Plans," *New York Times*, 20 Dec 1991, p. A14.

7. See Yasuhide Yamanouchi's excellent paper "Japan's Security Policy and Arms Control in North East Asia," published by International Institute for Global Peace, IIGP Policy Paper 60E, October 1991, p. 10, and also Rajan Menon, "Gorbachev's Japan Policy" in *Survival*, Vol. 33, No. 2, March/April 1991, pp. 158-172.

8. A very detailed and balanced assessment of the results of the Summit in Tokyo from the Japanese perspective is provided by the leading Japanese expert in Soviet affairs, Professor Hiroshi Kimura, in his article "Gorbachev's Visit to Japan (April 1991): Achievements and Disappointments" published in *Nichibunken Newsletter*, No. 10, September 1991, pp. 1-5.

9. *Japan Economic Journal*, 13 April 1991, p. 4.

10. For the first time in English language sources, to the best of the author's knowledge Japanese assessments were published in late 1991: Yasuhide Yamanouchi, "Japan's Security Policy and Arms Control in North East Asia," IIGP Policy Paper 60E, October 1991, and Shigeki Nishimura, "Transformation of the US-Japan Defense Posture: The New Soviet Challenge," IIGP Policy Paper 65E, October 1991.

The problems of US-Soviet strategic confrontation in the North Pacific and its impact on Japan's relations with the Soviet Union were analyzed by Japanese diplomat Ukeru Magosaki in his unpublished paper "The Changing Strategic Importance of the Far East: A New Role for Japan," Center for International Affairs, Harvard University, Cambridge, June 1986.

11. Yashuhide Yamanouchi says in his paper: "Arms reductions in North East Asia is a possibility only under the following extremely hypothetical condition: that a major breakthrough in START-II leads to the downplaying of nuclear strategy to the degree that the deployment of SSBNs is limited, for example, to the North of the Barents Sea and Arctic Ocean ice cap, and the Soviet Union abandons its bastion in the Sea of Okhotsk. Only under this condition would the Soviet Union be willing to risk negotiations of conventional arms reduction." *Op. cit.*, p. 9.

Shigeki Nishimura writes: "Today, the immediate Soviet threat to the West has disappeared. But although there has been a change in the Soviet military doctrine, there has been no perceptible change in Soviet military strategy with respect to Far East waters, or in effective strengthening of the Soviet Union's military forces in that area. And there is unlikely to be any change in this situation so long as the Soviet Union continues to deploy SSBNs in the Sea of Okhotsk. In consequence, during the 1990s there will be absolutely no change in the importance of maintaining the US-Japan joint deterrent strategy directed at the Soviet Union." Instead of taking the situation of the Soviet strategic forces deployment in the Sea of Okhotsk as an established fact indifferent to the threat to Japan's national security, "a double-track approach should be followed: pursuing the neutralization of Soviet strategy, while at the same time conducting negotiations to bring about a change in the deployments of Soviet SSBNs." *Op. cit.*, p. 18.

12. "The idea of finding a cooperative and innovative approach to the solution of the dispute over the Northern Territories was explored in some recent publications: Vladimir Ivanov, "The Dynamic Triangle," *The Far Eastern Economic Review*, 14 November 1991, p. 25; Fumio Kodama, "Northern Isles Ideal for Joint Fusion Research Lab," *The Nikkei Weekly*, 11 January 1992, p. 6; Motoo Shiina, "Where Japan Can Help," *The Far Eastern Economic Review*, 6 February 1992, p. 15.

13. "These problems are examined by: Peter Polomka, "Towards a Pacific House," *Survival* Vol. 32, No. 2, March/April 1991, pp. 173-182; Edward A. Kolodziej, "The Multilateralization of Regional Security in Southeast and Northeast Asia: The Role of the Soviet Union," Program in Arms Control, Disarmament, and International Security, University of Illinois, Urbana-Champaign; *Pacific Security 2010: Canadian Perspectives on Pacific Security into the 21st Century*, ed. by Mary L. Goldie and Douglas A. Ross, The Canadian Center for Arms Control and Disarmament, August 1991.

14. When the Marshall Plan was drafted the idea was to "direct US foreign policy not against any country or doctrine but against hunger,

poverty, desperation, and chaos," as Peter C. Goldmark, Jr., President of the Rockefeller Foundation recalled in his speech at the Third Annual Convocation on the United States and Developing Countries, "Rethinking North-South Relations: Unconventional Wisdom for A New World Order," published in the Conference Report *US Foreign Policy and Developing Countries, Discourse and Data 1991*, ed. by Rosemary Philips, Overseas Development Council, Washington, DC, 1991, pp. 23-24.

15. Ronald Morse in his article published in *Foresight*, January 1992 (in Japanese), said that the "American political system was designed to prevent business-government cooperation, something Japan's system emphasizes. . . . Because the Japanese leadership is afraid to craft an alternative policy framework to that presented by Americans, Bush and his advisers can assume that Japan has no choice but to accommodate to their better articulated and more logically presented demands. . . . And while some Japanese may think passive compliance is the most appropriate strategy for Japan in its dealings with America, the result prove differently."

16. Ronald Morse, op. cit., p. 5 (English translation), see also: Kutsuhiro Utada, "On Globalism and Symbiosis, A Business Leader Advocates an Alternative to Ruthless Competition," in *Japan Today*, December 1991, No. 3, pp. 2-5.

17. Peter Polomka says: "Perhaps the most unfortunate outcome for the region would be to miss opportunities to move beyond the way of thinking which evolved during the Cold War, with its origins in a Eurocentric, bipolar approach to East Asia. A key aspect of such thinking is the pursuance of a strategy based upon the continuation of a divided Korea and development of Japanese-Republic of Korea-US security co-operation, which would move both Japan and ROK towards regional security roles in support of US forces. . . . But the US has not welcomed ideas for multi-lateral exchanges on regional security, especially anything which could lead to a new structure." Op. cit., pp. 181, 173. See also: Statement by Richard H. Solomon, Assistant Secretary of State, Bureau of East Asia and Pacific Affairs, "Promoting US Interests and Ideals in East Asia: Meeting the Challenges of the Post-Cold World," 17 May 1991.

18. *US Foreign Policy and Developing Countries*, op. cit., p. 23-24.

19. A radical reassessment of Russia's defense posture and nuclear strategic build down in the North Pacific, including the proposal to make it free from all nuclear weapons, tactical and strategic, has to be designed largely as a unilateral measure, not as a bilateral process, which the American defense establishment would probably welcome simply because of domestic US strains caused by defense budget reductions and

cuts in forces levels. The US SLBMs deployed in the Pacific might be a formidable obstacle as well.

Current discussion going on in the US defense community on the future of nuclear weapons, especially sea-based forces, can be illustrated by numerous publications in *Strategic Review*, Vol. 19, Summer 1991, No. 3, "Naval Nuclear Arms Reduction: Fixing the US Navy's Achilles' Heel" by Commander Brendan J. O'Donnell, USN, and also Vol. 19, Fall 1991, No. 4, "A Focus on the Future of Nuclear Weapons."

5. Japan's Changing Defense Policy

James E. Auer

US-JAPAN DEFENSE RELATIONS HAVE BEEN called the unknown success story of the 1980s, according to Dr. Karl D. Jackson, Assistant for National Security Affairs to US Vice President Quayle. His point is a very valid one.

US-Japan Defense Relations in the 1980s

As the Special Assistant for Japan in the Office of the Assistant Secretary of Defense for International Security Affairs during most of the 1980s, I received similar sets of phone calls or office visits from the defense correspondents of most Japanese newspapers represented in Washington twice a year, just before the Secretary of Defense's nearly annual visit to Japan and prior to the Japanese Defense Minister's yearly trip to Washington.¹

My callers and visitors were always polite and frequently indirect, but invariably what they really wanted to know was what was the biggest problem in US-Japan defense ties which the Secretary would be "pressuring" his Japanese counterpart to solve. Frequently they asked how much larger a burden would the United States be "demanding" that Japan carry.

The American press corps knew better. They never called and rarely wrote a story that was long or appeared anywhere near the front page on a US-Japan defense chiefs' meeting. US-Japan defense news did not contain near the acrimony or controversy of US-Japan trade relations, and thus in the United States was not considered to be "news" at all.

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My response to the Japanese correspondents usually could have been played from a tape recorder: "US-Japan defense ties are basically positive and sound. Both countries face a common threat from the Soviet Union in the Pacific which, if anything, is more proximate and, therefore more threatening, to Japan than to the United States. US-Japan defense cooperation is doing an excellent job of deterring the Soviets from translating their military might into political or economic advantage in the Pacific. There are some issues of disagreement between the United States and Japan on defense matters, but most of these are being handled satisfactorily at the subministerial level so that it is likely that the Secretary and the Minister will spend most of their time discussing how to make US-Japan cooperation vis-a-vis the common threat even more effective. I sincerely believe the American and Japanese public can celebrate the effectiveness of their defense cooperation. I hope you will report this as a very positive story."

The looks of disappointment I frequently saw betrayed the polite thanks I received from my interlocutors. Some of the Japanese journalists even occasionally agreed with me it was fortunate for both countries that defense ties were so effective. But a few honest ones admitted that this story was not the kind of "news" about which their editors would be very excited.

In dollar terms Japan's defense budget became nearly equal to or greater than that of all countries other than the US and the Soviet Union by the late 1980s. Critics rightly point out that if purchasing power parity factors are considered, Japan's ranking would not be so high. But the point is not the statistical trivia of the ranking of Japan as the first, second, or third largest military non-superpower. What is not trivial is that Japan, in 1981, committed to a division of defense responsibilities with the United States, and during the remainder of the decade increased its air defense and antisubmarine capability significantly so as to make its goal a near reality.

Japan could not at the end of the 1980s provide for the autonomous defense of its territory or its sea-lanes to 1,000 miles, but Japan's air defense and antisubmarine network provided an awesome complement to US Pacific Forces. Together American

and Japanese defense prowess effectively complicated Soviet Pacific military planning, the essence of deterrence. I sincerely believe that the specter of increased military cooperation—including the prospect of defense technological cooperation offered by Japan in 1983—between the two largest economic powers of the world in the 1980s helped convince Messrs. Gorbachev and Shevardnadze of the need for radical change in Soviet policy.

Japan's increasing defense strength was acceptable in most of Asia because the US carried the lion's share and together the US and Japanese strength brought regional stability. Japan's efforts were acceptable domestically for the same reasons, but also because they were accomplished without compromising the popular taboo against overseas deployment of Japan's Self-Defense Forces (JSDF). Due to the *geographical accident* that one could scarcely design a more strategically located defense barrier vis-a-vis the Soviet Pacific coast than the Japanese archipelago, the modern F-15s, P3Cs, and missile destroyer type vessels which Japan was building and deploying around the home islands in the 1980s were all impacting directly on virtually the entire Soviet Pacific arsenal without operating far beyond Japan's territorial airspace and waters.

In the 1980s Japan's defense capability increased significantly. But, because it came as a part of a mission sharing arrangement with the United States, there was also no major complaint from any Asian country, other than from the Soviet Union, and occasionally, later in the decade, from China, the latter for reasons that were more likely economic or political rather than for security reasons. Indeed, a number of Southeast Asian leaders publicly or privately endorsed Japan's sharing of the defense burden with the United States in a very positive manner. Japan had developed an effective air defense and antisubmarine shield surrounding Vladivostok, but US Pacific air and naval forces were the sword.

Japan Searches for a Post-Cold War Mission

The events of late 1989 and the early 1990s were as positively received in Japan as they were in the rest of the non-

munist world. But the end of the Cold War and the promise of large-scale arms reductions by the United States and the USSR caused some confusion in Japan.

Japanese defense experts, particularly knowledgeable government officials in the Defense Agency and the Ministry of Foreign Affairs, knew that the Soviet threat had yet to decline in the Pacific. Furthermore, they understood that Japan's buildup, as significant as it was in the 1980s, was still incomplete, even to reach the level of capability spelled out in the 1976 National Defense Program Outline, the level which Japan was supposed to maintain as minimum force levels in peacetime.

But others in Japanese society, such as some in the media and in politics, questioned the need for continued Japanese efforts, given the fact that the United States and the Soviet Union would be decreasing their efforts. Japan, they argued, should not miss the boat.

In June 1990 the since deceased Shintaro Abe, Foreign Minister and Secretary General of Japan's ruling Liberal Democratic Party (LDP) during much of the 1980s, visited Washington and together with Secretary Cheney and Secretary of State Baker celebrated the 30th anniversary of the US-Japan Treaty of Mutual Cooperation and Security. Both governments pledged their strong adherence to the treaty, but Japan faced the problem of how to explain the rationale for the alliance with the potential demise of the Soviet threat. Explaining the need to maintain, and particularly to increase, forces for stability was seen as more difficult than when faced with proximate Soviet forces. This was particularly true in Japan's case, given its continuing adherence to the principles of minimum self-defense and nonoverseas deployment of the Self-Defense Forces.

The Persian Gulf War

Discussion of Japan's defense role in the post-Cold War world was still ongoing when Saddam Hussein invaded Kuwait on 2 August 1990. Unfortunately for Japan, prior notification was not

provided and, despite the great increase in capability and some improvements in national crisis management mechanisms which had taken place in the 1980s, Japan proved to be very poorly prepared.

During the mid-1980s, the name of Japan's National Defense Council was changed to the National Security Council, and a revised Secretariat, designed to provide more effective crisis management, was inaugurated. Prime Minister Nakasone had used this process in 1987 in an attempt to dispatch Japanese minesweepers or coast guard cutters to the Persian Gulf to search for mines seeded by Iran along commercial shipping lanes. Although rebuffed by political opposition within his own Cabinet and too near the end of his five years as premier to prevail then, Mr. Nakasone stated that it was legal under the Constitution and within the scope of the JSDF establishment law for Japan to dispatch minesweepers to the Persian Gulf for mine clearance in international waters.

Michio Watanabe, who is presently Japan's Foreign Minister, was not in the Cabinet in 1990 but had succeeded Nakasone as leader of a major LDP faction. Mr. Watanabe called publicly in August 1990 for dispatch of Japanese minesweepers to the Persian Gulf. Then Prime Minister Toshiki Kaifu was much more cautious and did not even utilize the crisis management organization created to deal with events in the Gulf. In response to requests from President Bush, the Kaifu Administration did commit \$2.2 billion to the Gulf Cooperation Council and another \$2 billion in aid to Gulf countries, but the perception in the United States was that the Japanese commitments were extremely reluctant.

In Japan the perception was one of strong American pressure to dispatch Japanese personnel to the Gulf. Although I possess no special inside information and I assume Japanese government leaders were correctly apprised of US desires and suggestions, I believe the widely held Japanese perception put forward in their media was seriously flawed. The US Government had more than enough expertise at the National Security Council, State, and Defense Departments to know that, at the most, Japan's contribution of personnel—JSDF or civilians—to the crisis would be minimal. But, it seems to me, that the worry on the part of the Bush administration in 1990 was that, if there had been large numbers of Ameri-

can, European, and Arab casualties in what came to be known as Desert Storm, and if Japan were perceived to have sent only money but not to have exposed any bodies to the battlefield, the potential for a very negative anti-Japanese sentiment in the United States and other countries would have been significant.

Thus, advice that it might be in Japan's interest to make some kind of commitment of personnel rather than just money was conveyed to the Japanese Government by US Ambassador to Japan Michael H. Armacost and other US officials. Mr. Kaifu still did not convene a special session of the National Security Council, but finally, in October 1990, did submit a bill to the Diet calling for the creation of a strange sounding new "UN Peace Cooperation Corps" organization, outside the Defense Agency, attached to the Prime Minister's office. Members of the JSDF could be assigned to this organization and then dispatched overseas, possibly with light arms, on peacekeeping missions not involving combat.

The proposal for a Peace Cooperation Corps struck some Japanese LDP Diet members as too little and some opposition members as too much. Despite an absolute LDP majority in the House of Representatives, the bill did not even come to a vote in the lower chamber and was allowed to die. Soon after the commencement of Desert Storm, Japan did pledge an additional \$9 billion, bringing its total contribution to \$13.2 billion, larger than any but those of Kuwait and Saudi Arabia.² On 26 April 1991—after Desert Storm was over—the Kaifu Cabinet dispatched four minesweepers and two support ships to the Persian Gulf, the first operational overseas deployment of the JSDF in its history. This deployment was rationalized basically on the grounds mentioned by Prime Minister Nakasone in 1987.

Given the facts that, in retrospect, Desert Storm was not hampered by a shortage of coalition forces, that it was over quickly and resulted in relatively few coalition casualties, and that Japan's financial contribution was so huge, one might expect that Americans would have thought better of Japan's contribution. Quite to the contrary, public opinion polls showed that Japan's trustworthiness as an ally declined in the opinion of a number of Americans.

Even Japanese seemed upset with what became known in Japan as "checkbook diplomacy." Although some Japanese felt their financial contribution should have been appreciated more, their dissatisfaction with their government's policies was clear. And although only 30 percent or so of the Japanese public approved of the dispatch of minesweepers to clean up mines left in the Gulf after the war, the heroic performance of the Maritime Self-Defense Force personnel was widely reported; and public approval skyrocketed to more than 80 percent by the time of the task force's return to Japan in September 1991.

Japan's Search for Defense Policy Following the Persian Gulf War

Japan has now resumed its quest for a post-Cold War defense policy, the search which was interrupted on 2 August 1990. Since that time, the dissatisfaction with Japan's performance during the Gulf crisis and a successful, albeit small-scale, precedent-breaking deployment of the JSDF have occurred.

The Persian Gulf War seemed to have a significant impact on the Japanese public. Relatively negative Japanese reporting about US motives in the months after the Iraqi invasion of Kuwait resulted in lukewarm public support for the Peace Cooperation Corps proposed by the Kaifu Cabinet in late 1990. A year later, public support for a redrafted and so-called "PKO (United Nations peacekeeping operations) Bill" more than doubled with over 30 percent of the Japanese public reported in favor.

A special LDP study group called the Special Research Committee on Japan's Role in the Global Community had been formed following the failure of the Peace Cooperation Corps bill in 1990 under the auspices of LDP strongman and former party Secretary General Ichiro Ozawa. Immediately following the failure of the 1990 bill, the LDP agreed with several opposition parties that a new bill would be crafted calling for Japanese contributions to future crises. The JSDF were not to be considered for inclusion.

Following the successful multinational coalition effort against Iraq in 1991, the LDP group began deliberations in earnest with a more ambitious agenda. Its leaders strongly supported the dispatch of minesweepers to the Persian Gulf.³ They oversaw the recasting of the PKO Bill to include JSDF participation and hoped to see its passage within 1991. The group also began calling for a new interpretation of Article 9 of the Constitution to allow armed members of the JSDF to take part in UN military peacekeeping activities ("heiwa iji" in Japanese) à la UN Forces in the Congo in the 1960s.

Political difficulties of Kaifu's successor, Kiichi Miyazawa, resulted in the latter's agreeing to opposition party demands to defer passage of the PKO Bill. And in late December 1991, the LDP's Research Commission on the Constitution decided against broadening the interpretation of Article 9 to legitimize military missions for the JSDF as a part of peacekeeping missions. Thus, at present, the draft PKO Bill is limited to logistic or observer peacekeeping missions ("kanshi"). (EDITOR'S NOTE: The PKO Bill passed in June 1992.)

Nonetheless it is significant that utilization of the JSDF in overseas noncombat peacekeeping missions is very close to acceptance by the LDP and even by some opposition parties in Japan, and more openly military missions under UN aegis or under the US-Japan security umbrella are being discussed and openly advocated by powerful groups within the LDP.

President Bush's visit to Japan in January 1992 was, to say the least, controversial. The wisdom of taking a group of business leaders, particularly the CEOs of Chrysler, Ford, and General Motors, who are viewed by many in the United States as well as in Japan as overpaid representatives of a noncompetitive US industry—is even being questioned by many Americans regardless of their political persuasion. Unfortunately, the sensational and inaccurate statements of Mr. Iacocca following the visit and the President's bout with stomach flu almost totally dominated media commentary and obscured the very positive things said about US-Japan defense ties by the President and Prime Minister Miyazawa.

On the first leg of his trip, President Bush stated in Australia that "We will stay involved (in the Pacific) right up till the end of eternity." In the Tokyo Declaration of 10 January, the President and the Prime Minister stated that:

the United States will maintain the forward deployed forces necessary to preserve peace and stability in the region. Japan, for its part, will continue to make available to the United States, in accordance with the Security Treaty, the use of facilities and areas in Japan and, under the new Host Nation Support Agreement, will bear an increasing share of the costs of stationing these forces in Japan. Both countries will take steps to increase cooperation between their defense forces and enhance the two-way flow of defense technologies.⁴

These statements, if carried out, bode very well for the continuation of the strong and positive defense ties of the 1980s. As *The Economist* magazine stated in its 11 January issue, however:

In Japan, now (with the demise of the Soviet Union) probably the world's second biggest military spender, Mr. Bush and his host declared that in the next Gulf-like emergency America and Japan must act as fully cooperating partners. It seemed, however, that the question of how to build Asia's post-Cold War security structure was ignored. The arduous job of peddling American cars in Japan did not leave time for this minor matter.⁵

The Cork and the Bottle

Although Japan's post-Cold War defense policy remains to be fully shaped, a blueprint for a thoughtful and rational US Asian policy has been drafted by Secretary of Defense Dick Cheney's staff and articulated as US policy by Secretary Cheney on numerous occasions and reported to Congress by President Bush.⁶ The basis of this policy is the continued strong Pacific presence pledged by the President in Asia in January 1992 despite ongoing modest reductions in US Asian force levels, particularly Army and Air Force infrastructure. The US 7th Fleet will remain at or near its

present strength, and the strongest symbol of US presence west of Hawaii, the aircraft carrier battle group based in Yokosuka, has already been bolstered by the replacement of USS *Midway* by the more capable USS *Independence*. Considering that *Midway* was stationed in Japan from 1973 to 1991, the arrival of *Independence* can be seen as potentially signalling a new 20 year commitment by the United States.

This pledge by the United States is extraordinarily important, because, with it, the shaping of a new Japanese defense policy is not an onerous task. Without a credible US presence, however, Japan faces a dilemma of immense proportions.

The Japanese press tried its best for well over a year prior to December 7, 1991 to make the fiftieth anniversary of Pearl Harbor into something it wasn't. The Pearl Harbor event was certainly an important historical moment, and President Bush's Hawaii speeches were totally respectful and appropriate. In 1941, US and Japanese national interests were almost totally at odds. In 1951, however, the United States and Japan signed a security treaty and a more substantively important event of 1991 in US-Japan relations, the fortieth anniversary of the signing of that treaty, which has succeeded far beyond the expectations of either signatory, was unfortunately almost overlooked by the media focused with tunnel vision on Pearl Harbor.

At present, US and Japanese national interests could hardly be closer. Together the United States and Japan are the richest minority in the world: less than 9 percent of the world's population, they control 40 percent of global GNP and, by some estimates, as much as 80 percent of the world's highest technology. They are among the top three importers and exporters in the world in absolute terms, while at the same time being the two countries in the industrialized world least dependent on international trade (making the myopia of some Americans about one bilateral trade imbalance appear somewhat exaggerated). Many Americans are surprised to know that the United States is the world's largest exporter, that Japan is the largest importer of US manufactured goods and agricultural products, and that, per capita, Japanese import more US goods than Americans import Japanese products.

Movement towards a global market economy holds the promise of expanding the entire global economic pie in the interests of virtually all nations including the former communist states. But as Singapore's former Foreign Minister Sir Rajaratnam pointed out in 1989, such a welcome development would help no nation more than it will the United States and Japan, whose present GNPs will seem "like peanuts" compared to what they would be in a truly globalized economy.⁷ Thus, preserving the political and economic stability, challenged no longer by the Soviet Union and communism, but instead by uncertainty in the former Soviet republics, on the Korean peninsula, in China both before and after the death of Deng Xiaoping, and in the Middle East, is a very strong and common American and Japanese interest.

A March 1990 statement by Major General Henry C. Stackpole, then Commander of US Marine Forces in Okinawa, to a *Washington Post* journalist that US forces in Japan serve as a "cork in the bottle" has been widely reported in Japan and elsewhere to mean that the United States fears a revival of Japanese militarism.⁸ Similarly, a statement in the administration's 1990 report to Congress on Asian policy that the United States does not desire "destabilizing development of a (Japanese) power projection capability" has been misunderstood.⁹ The greatest worries about unhealthy increases of Japanese military power are in Japan and elsewhere in Asia, not in the United States. In fact, in contrast to President Bush, Secretary Cheney, General Stackpole, and others who understand the positive benefits of Japan's continuing to make increases in its modest defense capabilities to complement US Pacific power and to compensate for modest US reductions, other less responsible Americans have called Japan's postwar, American-authored constitution a US mistake and criticize Japan as a "free rider."

The important point which should be stressed is that as long as the United States remains a Pacific power, and, as long as US-Japan defense ties remain strong, there is no need for Japan to abandon a defensive shield which is politically acceptable in Japan and elsewhere in Asia in favor of an offensive sword which would be domestically and internationally destabilizing.

As long as the United States remains credibly present in the Pacific, the task for Washington and Tokyo then becomes the adjustment of the very successful US-Japan roles and missions worked out in 1981 to the post-Cold War order.

In this new environment, threats to stability could still originate from the former Soviet republics. They also could and might well come from elsewhere, as was the case in August 1990. Thus, one new big issue to be faced by Japan is the taboo against overseas deployment, which was not operative during the Cold War, due to the accident of geography which put the Japanese archipelago immediately opposite and virtually surrounding Vladivostok.

A framework for the Japanese part of US-Japan defense cooperation in new scenarios is already in place. Japan's 1957 "Basic Policy for National Defense" calls for Japan to rely on the United Nations for its security; however, pending effective functioning of the United Nations, Japan's policy is to rely on the US-Japan Security Treaty. Heretofore, this has meant a Japanese contribution in the defensive missions of air defense, antisubmarine warfare, and minesweeping vis-a-vis Soviet Far East Forces proximate to Japan. A serious effort has also been put forth to help repel a potential Soviet invasion, particularly of Hokkaido; this mission has been virtually the *raison d'etre* of Japan's Ground Self-Defense Force which has almost twice the personnel of the Maritime and Air Self-Defense Forces combined.

The dispatch of minesweepers to the Persian Gulf in April 1991 and the earnest discussions towards passage of the PKO Bill raise the possibility of meaningful Japanese participation in defensive tasks outside Japan, within Japanese political and legal constraints, and without unduly alarming other nations in Asia or elsewhere.

Although the fate of the PKO Bill is uncertain at the present time, support for it within Japan and from Southeast Asian and other countries is growing. Even before passage of this bill, Japan could again send some of its 30 plus minesweepers, among the world's most capable, outside the Northwest Pacific in accordance with legal procedures invoked to send them to the Persian Gulf. Similarly, Air Self-Defense Force transport aircraft, which

now include two Boeing 747s, acquired to support the travel of the Prime Minister and other senior government officials, and more than 15 durable C-130 transports, could be tasked to transport refugees or ferry medical supplies during a crisis. This almost occurred in early 1991; however, Desert Storm ended too quickly.¹⁹

Although overseas dispatch of Japan's highly capable 200 F-15 interceptors, 100 P3C antisubmarine aircraft, or 60 modern destroyers, many with state-of-the-art guided missiles, is certainly not being discussed at present, I believe that deployments of these *defensive* Japanese systems to other areas *with the support* of the United States *and* the host receiving country *under* the US-Japan treaty umbrella could someday be legally justified and politically acceptable inside and outside Japan. My reason for this assertion is the belief that such operations would be viewed as preferable to abrogation of the treaty and Japan's assumption of the autonomous responsibility for defense, even of *just* the Japanese archipelago.

Certainly, if a minesweeper—or an F-15—protecting Japan's interest around Hokkaido is permissible as a "defensive measure" (the only justification for the use of force under Article 9 of Japan's Constitution), then sending that F-15 *in Japan's* interest (and Singapore's as well) to Singapore under the US-Japan umbrella, to cite only one example, is also *legally* thinkable. This example is certainly a long term rather than a short term possibility because of the extreme political sensitivity to such an option in Japan, but I believe such a course cannot and should not be ruled out for the future.

In summary, Japan achieved the capability to execute very useful defense roles in the 1980s by providing credible air defense and antisubmarine capability in the Northwest Pacific. There is plenty of uncertainty left in the world, including in the Pacific. The real defense questions in the post-Cold War Pacific are the willingness of the United States to remain a credible Pacific power and how much responsibility Japan is willing to assume. If Japan increases its scope of defensive operations under the umbrella of the US-Japan Security Treaty, I believe this will be welcomed by the United States and by most other Asian countries as positive. If Japanese unwillingness to do more is pursued on the basis of domestic political difficulty, I believe this could lead to greater criti-

cism of Japan as selfish and unwilling to play a role commensurate with its status as a world power. Japan's failure to assume greater responsibility would not necessarily lead to abrogation of its security relationship with the United States in the short term, but support for the treaty could wane in the United States.

A rupture of US-Japan security ties would not necessarily lead to an immediate or massive Japanese military buildup, but I believe there would be a Japanese perception of vulnerability and a resultant, at least gradual, assumption of responsibility for the autonomous defense of Japanese territory. Even if Japan would limit its autonomous activities to its main islands, I believe that such a posture would have significant potential to bring fear and resentment of Japan in Asia and perhaps elsewhere. Japan assumed such a posture in 1920 when it broke ties with the United Kingdom; the torturous trail led to China, Pearl Harbor, and finally to the disasters of Hiroshima and Nagasaki. It is not the posture Japan should have sought then, and it is one Japan should not seek in a global environment. Forty more years of security ties with the United States make far more sense if Japan desires to continue the political and economic stability which it has enjoyed since 1945.

Notes

1. Since Japanese prime ministers ordinarily change their cabinets almost once per year to maximize the number of opportunities for conferring ministerial rank, which is eagerly sought by members of Japan's parliament (the "Diet"), there is usually a new defense minister annually. Thus, in seven years as Secretary of Defense, Caspar Weinberger had five Japanese counterparts and would have had seven if Prime Minister Yasuhiro Nakasone, who previously served as defense minister and valued the importance of that position more highly than some of his predecessors and successors, hadn't taken the unusual step of reappointing two of his defense chiefs to second terms.
2. The final \$9 billion of Japan's contribution was raised by a tax increase, a politically courageous act in any democracy. Also, Japan made good on its contribution well before other large donors. This fact was poorly reported in the US, where more attention was given to a reported Japanese

"underpayment" of \$400 million. The \$9 billion had to be taxed in yen of course, and it originally appeared that Japan might "overpay" by \$200 million owing to the existing dollar/yen exchange rate at the time the tax bill was introduced in the Diet. By the time of final passage, however, the dollar had appreciated slightly and the bill provided only \$8.6 billion. Although some in Congress called for American pressure to make Japan "pay up," President Bush wisely decided to accept Japan's effort as good faith.

3. The actual request for minesweepers came to Japan from the Saudi Government after it was asked for assurance of safe passage by a Japanese owned Middle East oil company. Prime Minister Kaifu was not inclined to accede to the request, but strong pressure to send the minesweepers came from Congressmen Hajime Funada and Koji Kakizawa, defense and foreign affairs caucus chiefs respectively of the LDP and key members of the Ozawa Special Committee. They were joined by support from the powerful Federation of Economic Organizations (Keidanren). It is also reported that the Prime Minister was virtually threatened with the withdrawal of support from the powerful Takeshita Faction of the LDP to which he owed his selection as premier.

4. The President of the United States and the Prime Minister of Japan, "The Tokyo Declaration on the US-Japan Global Partnership," 9 January 1992.

5. *The Economist*, 11 January 1992, p. 32.

6. *A Strategic Framework for the Asian Pacific Rim: Looking Toward the 21st Century*, a Presidential Report to Congress prepared by the Office of the Assistant Secretary of Defense for International Affairs (East Asia and Pacific Region), April 1990.

7. Sir S. Rajaratnam, keynote address at the Pacific Forum, Asia Pacific Association of Japan, and Institute of Southeast Asian Studies Conference, "Southeast Asia, Japan and the United States: Constructive Engagement in the Decade Ahead," 9 May 1989.

8. *The Washington Post*, 27 March 1990.

9. *A Strategic Framework for the Asian Pacific Rim*, p. 10.

10. On 24 January 1991 the Kaifu Cabinet announced that Japan would dispatch five C-130s to the Gulf to transport Asian refugees from Jordan to Damascus and Cairo. Some Japanese opposition political parties and other groups insisted that chartered civil aircraft could do the job as well or better. The war was over before Japan could get its act together.

6. Korea and Asian Security

William Pendley

SINCE 25 JUNE 1950, WHENEVER THERE HAVE been discussions on security problems in Asia, Korea has almost always headed the list. The ink was not dry on the armistice agreement in 1953 when North Korea set out to destabilize the South. The methods of propaganda, infiltration, and state-sponsored terrorism are all well documented—many of them in blood.

Most of the concerns about Korea since 1953 have centered on a rerun of the 1950 surprise attack across the 38th parallel. The threat was always real, with large armed forces maintained by North Korea in a forward deployed, ready configuration. These armed forces included a heavy emphasis on artillery and armor as well as special operations forces. The combination of North Korea's forward deployed capabilities and South Korea's geographic vulnerability made a rerun of the 1950 invasion a credible scenario for over three decades. North Korean capabilities and deployment posture remain in place even as we discuss this issue today. Coupled with its maintenance of large military forces and terrorist actions has been a propaganda effort designed to destabilize the South and force the withdrawal of US forces.¹

While North Korea remained frozen in the Cold War mentality of the 1950s, the rest of the world was moving forward. South Korea put in place its economic miracle by the early 1980s and, with the transition to democracy in 1987, largely eliminated the fertile ground for instability that North Korean propaganda had exploited. The collapse of the Warsaw Pact and disappearance of the Soviet Union eliminated a major source of international support for North Korea. Economic reforms in China

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underscored the bankruptcy of the communist economic system. The spectre of the collapse of East Germany and its incorporation into West Germany—with Erich Honecker a sick and hunted exile in Moscow—was not lost on the North Korean leadership. Despite brief moments of renewed hope during the 1989 Chinese crackdown and the August 1991 attempted coup in Moscow, by the end of 1991 North Korea was largely isolated and without any reliable source for support. At the same time, it suffered the same type of economic problems that had generated the internal collapse of communism from Berlin to Vladivostok.

While the remainder of the communist world made radical political reforms or, at a minimum, economic reforms, North Korea chose to tighten up internally and concentrate on a series of tactical maneuvers in an effort to secure the necessary support to ensure the survival of the regime. It participated in government-to-government meetings with the Republic of Korea at the Prime Minister level and even held out the tantalizing prospect of a summit if all its preconditions could be met. It agreed to membership of both Koreas in the United Nations once it was informed that China would not veto a South Korean application. It opened negotiations with Japan for the normalization of relations with a demand for \$5 billion in reparations for the occupation and World War II. It accepted trade directly between the two Koreas. It pushed for a nonaggression agreement. All of these moves were welcomed by the United States, Japan, and the Republic of Korea.

Progress was complicated by one central factor. The evidence continued to mount that North Korea was pursuing a nuclear weapons development program. Pyongyang's continued unwillingness to accept International Atomic Energy Agency (IAEA) inspection despite its adherence to the Nuclear Non-Proliferation Treaty (NPT) in 1985 did not square with denials that it was developing a nuclear weapon. If it has no reprocessing facility under construction and no weapon development program, why had it not fulfilled its obligation under the NPT to sign an IAEA Safeguards agreement?

After a flurry of activity in Korea in April and May of 1991—Gorbachev's visit to Cheju-do, Li Peng's visit to North Korea, a third round of North Korea-Japanese negotiations without head-

way—the North Korean Ambassador in Vienna informed the Secretary General of the IAEA on 28 May 1991 that North Korea would be willing to renew talks on a nuclear safeguards agreement. On 16 July 1991, North Korea initiated such an agreement and on 31 January 1992 signed the agreement which still must be ratified. Throughout the process there has been an endless stream of changing conditions and delays.

Following President Bush's 28 September 1991 announcement on the removal of forward deployed nuclear weapons, a draft declaration on denuclearization of Korea was agreed to on 31 December 1991. The Joint Declaration, signed in January, was ratified by both sides and formally exchanged at the sixth Prime Ministers' meeting in Pyongyang on 19 February 1992. This agreement requires the organization of a South-North Joint Nuclear Control Committee by 19 March 1992. This committee will establish procedures and methods for inspections which require agreement by both sides.²

Regardless of the outcome of this paper chase, it is clear that the nature of the security challenge in Korea has changed. It is primarily now a challenge of nuclear proliferation to a state which has a long record of terrorist acts and arms export relationships to a number of other terrorist states. While the motivation for North Korea's nuclear program can be debated (I would argue that it is a reflection of weakness and not strength), the fact that it is a destabilizing event not just in East Asia but globally is probably not debatable. There is certainly no doubt that it is destabilizing on the peninsula and for Japan.

It is fair to say that the potential consequences of nuclear weapons in the hands of a terrorist state are of such a magnitude as to make such possession unacceptable to the community of nations. While the dismantling of the Iraqi nuclear weapons program is proving difficult in the aftermath of Desert Storm, the problem of nuclear proliferation in North Korea may be even more difficult to solve.³

The primary security concern on the peninsula today is the North Korean nuclear program. Promises, agreements, and oral/written statements are not adequate to erase that concern. It

requires prompt action, in the form of comprehensive international inspection of suspected sites and destruction of any reprocessing facility. This would bring North Korea into compliance with the NPT and IAEA Safeguards agreement it has signed. Such action is also consistent with the Joint Declaration for a Non-Nuclear Korea which it ratified.

Looking beyond the immediate security concern of nuclear proliferation, there is the continuing need for the implementation of confidence building measures and transparency in order to pave the way for eventual military force reductions in both the North and South. The massing of military forces along the Demilitarized Zone (DMZ) does not allow for the time delays that prevent accidents or incidents from potentially escalating into disasters. *Disengagement, reductions, and transparencies are important in reducing the dangers of accidental war on the Korean Peninsula.*

The final security concern is the danger of miscalculation. A major political transition will take place in Korea over the next few years. We always focus on leadership transition in the North. This reflects a basic confidence in the democratic process already in place in the Republic of Korea, where the first real transfer of power between democratically elected governments is about to occur. Even in a democratic society, however, there is always the potential for unrest, demonstrations, and instability during periods of highly charged political change. Given the closed nature of North Korea's political system, there is always the risk that it will misinterpret events in the South and make a stupid miscalculation based on a faulty reference base.

More worrisome, however, is the potential for unpredictable events at some stage in the dynastic transition in North Korea. North Korea is not totally isolated from the world and even Albania was unable to avoid the forces of freedom and its people's desire for a better life. Increasing numbers of educated North Koreans know how far behind their half of Korea has fallen under the Juche system. Once Kim Il Sung leaves the scene, pressures will mount to discard a system that cannot provide adequately for its people. There are many plausible scenarios for how the regime ultimately may collapse and the models have grown

since 1989. Those scenarios range from a relatively smooth evolution of the type seen in most of Eastern Europe and the Soviet Union to the more violent upheavals as witnessed in Romania or Georgia. Whatever the model, there will be pressures on the South and the risk of miscalculation.

What does all this mean for the United States? First, that it remains an irreplaceable though supporting player on the Korean Peninsula, a player whose commitment remains essential to deterrence during the coming transition period. Likewise, it means the United States has a larger role to play in working with the other nations of the region and the international community to halt any nuclear proliferation to terrorist states (including North Korea) in the post-Cold War world. It also must continue to support those South-North agreements that will increase confidence and stability on the Peninsula and reduce the potential for accidental war.

If, after giving up its nuclear weapons program, North Korea continues the dialogue that has been established over the past year, there is real potential to move ahead on the Peninsula. With increases in South-North trade and a freer flow of communications, people, and goods, it will be possible to shrink the wide gap between the two Koreas and rebuild a single nation by peaceful stages. With the introduction of confidence-building measures and a reduction of forces, more of the wealth of the nation can be devoted to improving living standards. With a normalization of relationships, North Korea can break out of its self-imposed isolation. With the injection of outside investment and capital, it will be possible to raise the standard of living in the North. The key to progress in the longer term will be whether new leadership in North Korea can shake off the 1950s rhetoric and vision of the world and move into the 1990s.

Notes

1. The one lesson that the North apparently learned well from the Korean War was that it could not forcibly unify the peninsula as long as the United States maintained its commitment to the Republic of Korea. In

fact, it can be argued that by the middle of the 1980s, even the hardliners in the North began to recognize that they could not prevail in a war with the Republic of Korea and the United States. The balance had tipped and would continue to move against them. While they might have initial successes, they could not hope to prevail. A repeat of the 1950 scenario would again be a loser.

2. One could reasonably argue that, despite a host of meetings and agreements both ratified and unratified, we are no closer to the first comprehensive inspections in North Korea than we were a year ago. This, despite the fact that some experts believe the reprocessing facility will soon be operational. What this trail of meetings and agreements suggests is that it is quite easy to avoid implementing inspections while appearing to be forthcoming. In February 1992 North Korea indicated that its rubber stamp parliament could not ratify the IAEA agreement until April.

3. Some will argue that North Korea or Iraq have as much right to have nuclear weapons as any other nation, that a dual standard is being applied. I would argue that such a dual standard may be an essential element in the survival of civilization in the nuclear age. Those who put their trust in deterrence or even defensive systems need to consider how effective they will be against terrorist organizations given the wide range of potential delivery means which may become available.

7. China's Three-Part Transition

He Di

THE CHINESE MAINLAND, TAIWAN, AND HONG Kong are all in the process of transition. The Chinese mainland is undergoing a generational transition, Taiwan an indigenous transition, and Hong Kong a sovereignty transition. While each has its own characteristics, they share a similar problem: namely, how to cope with their relations with one another. What does the future have in store: reunification or separation; "One country, two systems" or "one country, two governments" or "one country, two areas;" a unified China or a federation or confederation?

Given their respective characteristics, each transition is proceeding at its own pace and in its own direction. Nonetheless, the transitions will unavoidably influence each other. This is especially true concerning the transition in Beijing. This generational transition will to a large extent determine future relations among the mainland, Taiwan, and Hong Kong. This paper attempts to analyze (1) the characteristics of the three transitions; (2) the nature of the interaction among the three sides during the transition period; and (3) common interests and policies the three parties should adopt to protect their interests.

Transition Characteristics

All three transitions are fundamental in nature. They not only reflect the tremendous influence of the end of the Cold War

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but also basic changes in economic development, politics, and popular mentality.

Mainland China. When people look at China today, they tend to concentrate on the generational change in leadership. Granted, this is extremely important in light of the current Chinese political system. However, what is more important are the fundamental changes that are accompanying the change in leadership. Unless we fully appreciate the latter, we will not be able to predict accurately how much the new generation of leaders will inherit the ruling style of the old generation of leaders. There is a Chinese saying, "xingshi bi ren qiang" (the situation is more likely to determine the outcome than the man). This saying is useful to illustrate the influence that societal changes can have on the leadership transition and the behavior and policies of the new generation of leaders in China.

The most fundamental change is China's transition from a centrally-planned to a market economy. I believe this change is irreversible for the following reasons:

- China's planned economy is being transformed into a market economy, the market component of the economy is expanding, and the market economy is already taking shape in China's coastal areas.
- Public ownership is being transformed into private ownership, the private economic sector is expanding, and the GNP of non-state sectors has already exceeded 50 percent of China's total GNP.
- China's closed economy is being transformed into an open economy and gradually being integrated into the international economy. Foreign trade now amounts to 33 percent of China's GNP. Between 1979 and the first quarter of 1992, China had already utilized more than \$80 billion of foreign capital, incurred \$52.5 billion in foreign debt, and accumulated \$42.6 billion of foreign reserve.

During the economic transition, Taiwan and especially Hong Kong have played an extremely important role. Many people

are concerned that the mainland's control of Hong Kong after 1997 will destroy the vitality of Hong Kong's economy. However, this ignores the fact that in the last thirteen years, Hong Kong's economy has not only developed economic interests on the mainland, but has also greatly impacted the transformation of the mainland's economic system. The transference of Taiwan capital to the mainland in the past three years has also accelerated the economic transformation of mainland coastal areas. Deng Xiaoping's remark that China should create several other Hong Kongs vividly illustrates Taiwan's and Hong Kong's influence over the mainland. Hong Kong and Taiwan have not only become the windows and partners of the mainland's economy, they more importantly serve as examples for the mainland's transition toward a market economy.

Compared to the economic transition, the mainland's political transition has been frequently ignored. People tend to pay more attention to political reversals than the positive changes in the past decade. Although political struggles continue on the mainland and the aftereffects of the June 4th Incident persist, changes in the political system are also irreversible for these reasons:

- Economic development continues to enjoy top priority. As economic development has replaced class struggle, political consciousness has weakened.
- China's centralized system has weakened and the decentralization process will continue.
- The CCP is beginning to change from a revolutionary and military political party to an administrative and bureaucratic ruling party; cadres' actions are becoming more concerned with administration than with political and ideological education; ideology is no longer the main factor that influences China's decisionmaking.
- Isolation in China's foreign relations is gone. Participation in international society and acceptance of its restraints is the trend of China's diplomacy; the situation after the "June 4th Incident" further accelerated this process.
- Development of democracy in Asia, including political reforms on Taiwan, has offered examples and exerted pressure that will influence China's political development in the years to come.

Changes in leadership style are also occurring. The dictatorial practice of the Maoist era has passed and balance-of-power mechanisms are already in place. These mechanisms will prevail in the post-Deng era. Who will emerge atop the next generation of leaders in Beijing is difficult to predict. I expect, however, that they will be more practical, more logical, more inclined to put genuine national interests ahead of ideological concerns, and dedicated, first and foremost, to economic progress.

Behind the political and economic reforms are changes in popular mentality, especially in the coastal areas. The people have become more open and practical. Economic considerations are replacing ideology, power struggle, and class struggle. As a result, Maoist political movements will not gain popular support. Instead, the way of thinking and some of the life-styles of Hong Kong and Taiwan are having a tremendous influence on mainland coastal areas. So too is the remarkable success of special economic zones such as Shenzhen, which boast growth rates on a par or better than the four tigers.

China's transition is comprehensive. Nonetheless, although great changes have taken place in economic development, politics, and ways of thinking, many uncertainties continue to exist. These uncertainties will affect the speed and style of China's generational transition. The political disturbances at the end of 1986 and the Spring of 1989 led to the downfall of Hu Yaobang and Zhao Ziyang. Such events illustrate the complexity and the urgency of the transition.

Taiwan. The end of the Chiang Ching-kuo era and the selection of native-born Lee Teng-hui as his successor marked the beginning of Taiwan's indigenous transition period. This reflects a growing demand by native Taiwanese for redistribution of political power as a result of the development of their economic dominance and the emergence of a middle class on the island. It is also a result of efforts to seek recognition of Taiwan as an independent political entity. The development of the Taiwan independence movement also contributes to this indigenous transition.

The economic nativism of Taiwan has long been accomplished; its economic achievement is widely recognized. By February

of 1992, Taiwan's foreign reserve had reached \$82.4 billion, number one in the world. In 1991, its exports amounted to \$76 billion, imports \$63 billion, and total foreign trade \$139 billion, occupying the 12th, 17th and 15th places, respectively, in the world. Its per capita income reached \$9,000. Its economy grew by 80 percent in the 1980s, making Taiwan one of the fastest growing areas in Asia.

In recent years, Taiwan's nativism has mainly manifested itself in politics. Since Chiang Ching-kuo lifted martial law on 15 July 1987, Taiwan authorities have permitted formation of new political parties, abandoned newspaper censorship, allowed its citizens to visit the mainland, and begun the democratization process on Taiwan. In 1988, Lee Teng-hui became the first Taiwan native to become KMT's chairman and president of the ROC. At the end of 1991, the election of the *General Assembly* and the resignation of senior assembly members (elected on the mainland more than four decades ago) furthered the nativism process. Constitutional reforms have been underway since the abolition of the "period of mobilization against rebellions." The current debates over revision of the constitution and the election of the Legislative Yuan at the end of 1992 are pushing nativism into a new stage.

Taiwan's nativism is a power redistribution process. It has become obvious that Taiwan natives have already occupied the dominant place within the ruling party (KMT). They have also become the mainstream of Taiwanese society. Constitutional and democratic reforms will further integrate indigenous political forces and legitimize and systematize their pursuit of Taiwan's local interests.

As a result of the forty-year long physical separation and differences in both political systems and living standards, the new generation of Taiwanese—whether Taiwan natives or of mainland origins—are increasingly more emotionally alienated from the mainland. Most of them identify with Taiwan rather than the mainland and desire international status for Taiwan. This has given rise to Taiwanese nationalism.

The ongoing struggle for power by various political factions (including those in the KMT and non-KMT parties and factions) provides additional cause for concern, since national reunification versus independence has become one focus of the power

struggle. For example, in order to attract votes and seize power from the KMT the DPP publicly included an independence clause into its Party program, organized activities for Taiwan's return to the UN, and demanded an immediate plebiscite to determine Taiwan's future. Its aim is to create problems for the ruling party. Contention over the manner of presidential elections is also intended to weaken leaders of mainland origin. Whether the politicization in Taiwan will lead to Taiwan independence and a resultant outbreak of crisis in the Taiwan Strait remains largely unclear.

Hong Kong. In another five years, Hong Kong will be transformed from a British colony into a PRC special administrative zone. How to maintain Hong Kong's stability and prosperity and match the current political transition in Hong Kong and the Basic Law of Hong Kong remain controversial.

Since the signing of the Sino-British Joint Declaration in 1984, capital outflow and "brain drain" resulting from lack of confidence in Hong Kong's future have been major problems. On the other hand, mainland adoption of reform, open policies for the urban areas since 1984, and economic development of China's coastal areas (especially Guangdong, which borders Hong Kong), have all injected new vitality and opportunities into Hong Kong's economy. The various uncertainties brought about by the sovereignty transition are being balanced by stability brought by the economic integration of Hong Kong and the coastal areas.

Since 1985, the PRC has been Hong Kong's largest trading partner. Total trade between them grew almost twelve-fold during the period between 1981 and 1991. It reached \$64.3 billion in 1991, occupying over 32 percent of Hong Kong's total foreign trade against less than 16 percent in 1981. By the end of 1990, Hong Kong and Macao businessmen invested in more than 22,000 firms on the mainland and total contractual capital amounted to \$23 billion, unrivalled in the world. Hong Kong is also the biggest trading partner of the mainland. Mainland investment in Hong Kong also reached \$10 billion by 1991 succeeding Japan as the biggest Asian investor. Economic integration between Guangdong and Hong Kong has become a prominent global economic phenomenon. Ob-

viously, such an integration has laid a good foundation for Hong Kong's sovereignty transition. On the other hand, internationalization of Hong Kong's capital will also contribute to Hong Kong's stability and prosperity during and after her sovereignty transition.

Compared to the economic integration, the political aspect of the sovereignty transition has generated a great deal more friction. Because of Hong Kong's colonial status, it does not have a democratic tradition and system. Therefore, it needs to develop its own independent administration, political system, and legal system during the transition period. These are supposed to be compatible with the Basic Law of Hong Kong. Despite the victory of the United Democrats Party during last year's legislature's election in Hong Kong and party organization activities this year, how far democratic politics can develop in the future is still a question mark.

Since the return of Hong Kong is irreversible, Hong Kong residents are beginning to identify with the mainland. The political behavior of Hong Kong residents before and after the 4 June Incident in Beijing in 1989 and donation activities in the wake of the flood in East China in 1991 reflect this tendency. With increased common interests with the mainland and decreased common interests with Britain, this tendency is likely to continue. This was obvious during the recent negotiation over the construction of a new airport in Hong Kong, when more and more Hong Kong residents took Beijing's side.

Interaction among the Three Sides

Because of the individual characteristics of the transitions, each is occurring at a vastly different pace, manner, and focus. Each has its own autonomy, especially the transitions in the mainland and Taiwan. How to reduce frictions generated by such differences—or by simple misunderstanding or miscalculation—so as to avoid another crisis has thus become a serious question.

For example, the different pace between the generational transition on the mainland and the indigenous transition on Taiwan has caused misunderstandings between the two sides. The negotiation

style and international orientation of the new generation of Taiwan leaders are hardly comprehensible to the old generation of mainland leaders. Consequently, the demand for Taiwan independence or political maneuvers on the part of the political parties over the question of reunification and independence during Taiwan's democratization period are likely to provoke an excessive response from the mainland. This situation can only change when the generational transition on the mainland is over. By that time, the new generation of mainland leaders will be more susceptible to flexible solutions to problems in mainland-Taiwan relations. Timing is very important. It is very difficult today to imagine that Beijing would not take military action against Taiwan if Taiwan declares independence. Similarly, if the Taiwan problem is left for the future generations of leaders, more communication could be realized.

The difference in the manner of transition is clear. The transition on the mainland is one from Leninist totalitarianism to Asiatic authoritarianism. The transition on Taiwan is from authoritarianism to multiparty democracy. In terms of focus, the transition in the mainland goes from one generation of leaders to another while Taiwan shifts from leaders of mainland origin to those of Taiwan origin. Obviously, if these differences are not fully appreciated, this would lead to misunderstanding and even crisis.

In the short run, transitions in Taiwan and Hong Kong are the main factors complicating relations with the mainland. For example, the development of Taiwan independence and Taipei's efforts to "return to international society" will unavoidably generate friction with the mainland. The democratization and internationalization of Hong Kong also pose fresh challenges to the mainland.

In the long run, the result of the transition on the mainland will determine future relations among the three sides. According to foreign estimates of Chinese political development after Deng Xiaoping's death, if China follows Soviet footsteps and degenerates into disintegration and civil wars, then Taiwan's independence is unavoidable and Hong Kong's future is difficult to predict. If China's transition is smooth—if Deng's reforms and open policies continue, the mainland achieves a market economy, and the transition from a totalitarian to an authoritarian system of

government occurs—then China's reunification will be possible. If, however, China's situation remains ambiguous and volatile for an extended period of time after Deng's death but the central government in Beijing is still able to govern effectively, then Hong Kong's sovereignty transition would be accomplished while mainland-Taiwan relations would be in a state of uncertainty. Since there are too many factors involved, it is extremely difficult to predict what kind of crisis would occur.

Given these characteristics and uncertainties, we find these characteristics regarding the handling of the relationship (especially on the mainland and Taiwan):

- During the period of transition, each side views internal affairs as its top priority. As a result, until the mainland and Taiwan finish their respective transitions, it will be difficult for them to conduct meaningful talks on national reunification.

- Economic exchanges have become the main context in the development of relations among the three sides. Because of China's economic backwardness and developmental needs, economic incentives are the trump cards that Taiwan and Hong Kong are employing in their handling of relations with the mainland. However, as economic development is regionalized in order to cope with international competition, the economies of Taiwan and Hong Kong will integrate with that of the mainland's coastal areas with Hong Kong serving as the transit point. This will decrease their leverage over Beijing.

- Pragmatism prevails, especially in interactions between the mainland and Taiwan. Issue-by-issue practical negotiations and step-by-step gradual development, economic benefit, and peaceful exchange have become the consensus of both sides of the Taiwan Strait. Out of such practical, gradual, beneficial, and peaceful contacts a set of norms and corresponding institutions has been developed. This paves the ground for the resolution of China's reunification in the future.

- Following the end of the Cold War, the influence of external forces (United States and Great Britain) has been declining. Peaceful unification has become a primarily Chinese internal affair.

Common Interests and Policies

Because of the many unstable factors during the period of transition and the characteristics of the exchanges of the three sides, common interests are becoming an important basis for the formulation of respective policies. Main common interests include:

- Maintaining regional stability.
- Promoting economic cooperation and integration.
- Promoting exchanges and mutual understanding and establishing trust so as to reduce misperception and miscalculation.
- Controlling arms competition and adhering to the concept of peaceful reunification.
- Accepting gradual development of relations.

The time has come for all three parties to concentrate on their common interests and seek out confidence-building measures that will prevent misunderstanding and miscalculation. All concerned need to deal with issues, rather than "ism's" if crisis is to be avoided.

8. Future Geopolitics of Indochina: View from Hanoi

Douglas Pike

THIS REVIEW OF THE SOUTHEAST ASIA STRATEGIC scene focuses on the Indochina peninsula and, within it, on Indochina. The review is divided into two parts. Part one provides an overview of the four geographic entities of concern to the United States: Vietnam, Cambodia, Laos, and the region as a whole (that is, the ASEAN, China and the Sino-Vietnamese relationship). Part two addresses Hanoi's immediate and future national security interests and concerns. These include the basic, unchanging geopolitical factors (e.g., geography, ethnolinguistic and communal antipathy, global position) and current geopolitical dynamics such as perceived threats and material limitations on Vietnam's defense requirements due to economic restraints and technological inadequacies.¹

Geographic Entities of Concern

Vietnam. The Socialist Republic of Vietnam (SRV) is today in a condition of enormous flux, undergoing profound change. There were more significant developments in Vietnam in 1991 than in the 15 years since the end of the Vietnam War. The top Hanoi leaders, many of them only recently appointed, are trying feverishly to address their society's problems—the economic problem being the chief, but by no means only, one. They have a clear goal: to stabilize their system and prevent what has happened elsewhere in the Leninist world—the Revolution of 1989 in East Europe, the disestablishment of the USSR—from happening in Viet-

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nam. The ruling Politburo has a game plan to achieve this and demonstrates great confidence that it can succeed where Gorbachev, Honecker, and Ceausescu failed. It is probable the leadership can stave off their chief nightmare, *bat on* (instability) for the next two years or so, but not in the longer run. Although no one can be sure, it seems fairly clear that Vietnam as it now exists is living on borrowed time—the question being, how much time? No one knows. Beware of anyone claiming that he or she does.

There is clear recognition in Hanoi, evidenced by everything said and done, that the leadership fully recognizes the Cold War has ended. A typical comment to this effect came in the Party's 1992 New Year's Day message:

The old world order based on confrontation between East and West has *disintegrated*. But the new world order has not come into shape. Nor is it clear, from the many contradictions, what this new world order will be.²

What then is the general geopolitical prospect as seen from Hanoi? The sense of this was well captured by SRV Foreign Ministry official Phan Doan Nam in a recent article in a Party theoretical journal, which is both authoritative and representative. For Nam and the Vietnamese leadership the new world order, as it appears to be shaping up, gives little encouragement. The Cold War is ending, he says, but not the contradictions between capitalism and socialism. In fact he sees the future as a continuing mass of contradictions: among developed, developing, and underdeveloped nations; between contending economic and financial centers (North America, Europe, Japan); among regional "power centers" (NATO, ASEAN, etc.); among multinational corporations as well as among nations; and finally, between "separatists" and "interventionists" of the world. However, Nam acknowledged something no official Hanoi spokesman has admitted in the past: that World War Three is now a virtual impossibility.³

Cambodia. With the signing of the Cambodian Peace Agreement in Paris, 23 October 1991, Cambodia is no longer the central

destabilizing force in Southeast Asia, the unenviable position it has held since the end of the Vietnam war. Now, the agony of warfare has given way to the perils of peace: the chaos of the battlefield is transferred as anarchy to the political arena.⁴

Cambodia remains a place of innumerable problems. Its troubles are as serious, and probably more intractable, than before. As with Vietnam, Cambodia's future is in doubt.

Cambodia's fate is in the uncertain hands of the United Nations Transitional Authority in Cambodia (UNTAC), the United Nations Advanced Mission in Cambodia (UNAMIC) and, eventually, the welter of other specialized UN organizations.

It is the UN peacekeepers who must disarm the contending Khmer armies, establish a workable temporary government to end the anarchy, and supervise free and unfettered elections that will put into place a new representational national government. It must do so in the face of entrenched Cambodian political factionalism and rising public discontent from poverty stricken people who seem increasingly inclined to take matters into their own hands despite the proffered message of peace brought by the UN. The most encouraging aspect at the moment is that reversal of the peace process is highly unlikely. Both the Khmer leaders and the Khmer people will probably go along with the UN process because it is better than not to do so.

Anarchy, in the standard dictionary meaning of the term—absence of government—remains the central problem. The question is: who is in control in Cambodia, and to what extent? Can the UN take control and then distribute control back to the Khmer?

Whatever else, however, Cambodia seems a classic example of what Benjamin Franklin meant when he said that there never was a good war or a bad peace.

Laos. Here we have the gentle revolution, at least by comparison. All things considered, Laos today is not doing badly.⁵ It is getting considerable economic aid from the Asian Development Bank, the World Bank, Japan, Thailand, and a host of other capitalist world and multinational corporation sources. Trade is burgeoning, chiefly with Thailand and China. Laos has improved diplomatic

relations with almost everyone, including the US and, most importantly, China. It would like to sign a treaty with ASEAN to permit observer status, and perhaps eventually, full membership. Internally there has been something of a shift of administrative authority, if not political power, from the Party to the State, which must be counted as a plus.

Laos has long been the man in the middle in the geopolitics of Indochina. For years the outsiders' struggle for power and influence in Laos was between the French and the rest of the region. Then it was between communist and non-communist neighbors. After the Vietnam war it became a three way tug of war between China, Thailand, and Vietnam. The most likely near future struggle for Laos will be between Thailand and Vietnam with China as a balance wheel. Ideally, in strategic terms, Laos should become a nonplayer, a nonaligned totally neutral entity. This would require considerable self-restraint on the part of the Thais and Vietnamese and Chinese, which is theoretically possible, but unlikely.

The Region—ASEAN and China. The two central strategic facts of life for Southeast Asia at this writing are 1) the Cold War between Vietnam and China has ended, and 2) it is the judgment of the ASEAN nations that none of its members will face a major external military threat in the next five or so years.

The Sino-Vietnamese relationship is an exceedingly complex one, extending back more than a millennium. It is deeply rooted in Confucian values having to do with proper relationships and harmony, only dimly understood by foreigners. A psychiatrist would describe it as a love-hate relationship.

The final months of 1991 witnessed a marked improvement in Hanoi-Beijing relations—some of it only symbolic and superficial. There was a "summit" meeting between the Party and State leaders from both countries. Treaties were signed on trade and restoration of rail service. There has been a sharp increase in cultural exchange and business activities.

What now exists can be called a limited rapprochement. There will be no going back to the old association, certainly not to the days of "lip and teeth" (which was mostly public relations any-

way). Both tacitly acknowledge these limits, recognize there is more to divide than unite them, and accept the fact they exist in a permanent condition of regional competition. Relations may grow more amicable, but that is about the limit.

Besides competition for influence and status throughout Southeast Asia, Hanoi and Beijing are divided by specific issues. Most important is the question of sovereignty over the archipelagos, isles, rocks, and outcroppings in the South China Sea—called the Spratly dispute—now made doubly salient by nationalist sentiment and the fact that this real estate lies over rich deposits of petroleum. It seems a safe calculation there will be no conflict over the Spratlys between Vietnam and China in the near future.

With respect to ASEAN, the key state here, given our geopolitical orientation, is Thailand. It is the "frontline" state with respect to Vietnam and Cambodia. Under the unwritten operational code of the six ASEAN states, Bangkok sets Indochina policy (as Manila sets the policy on foreign military bases; Indonesia sets the policy on Muslim fundamentalism, etc.). The Thai (and ASEAN) strategic evaluation at the moment, briefly put is: no major military threat in the next five years, either from China (Indonesia and Malaysia demur somewhat from this judgment) because it is in China's interest to return to the spirit of Bandung, or from Vietnam, which ASEAN sees crippled by economic troubles which may well fuel internal political and social upheaval but will not threaten ASEAN.⁶

In more global terms the current judgment of ASEAN strategists (again, chiefly Thai), appears to be a) that the region is no longer threatened by a superpower confrontation that could spill over into the region; b) that the USSR no longer is to be feared; c) that the future will probably see a somewhat greater US regional presence; d) that Japan will not move into the strategic gap left by the USSR but will step up its role as economic superpower; and e) that ASEAN's chief future security threats are likely to be internal (such as political and communal conflict, economic strain traceable to soaring inflation, the rise of protectionism and trade wars, and the loss of markets and shortages of skilled labor).⁷

As for the other Pacific rim countries—especially the United States and Japan—it is a basic truism that Indochina, or Southeast Asia for that matter, does not command the strategic importance of other regions, such as Northeast Asia or the NATO region. This may change since the genesis of the earlier orientation was the perceived threat of the Warsaw Pact nations. Since the USSR is disestablished, there will be, at least to some extent, a shift of strategic national interests by Washington, Tokyo, and others in the Pacific, which could result in a relative rise in strategic national interest in Southeast Asia, including Indochina.

Throughout the 20th century the major American interest in the region has been in terms of access and freedom to traverse the seas. It is hard to envision a scenario in which any nation could effectively block American access to the region or right of passage there. Impaired access or uncertain passage due to instability (such as local wars) or generally chaotic local conditions implies the chief American national interest is regional stability, or more precisely put, equilibrium. In the 19th century this was called balance of power policy; in the 20th century, ideological balance of power policy.

While the "balance" notion still obtains, now it seems more appropriate to describe it as a search for regional equilibrium. As a principle, it is in the interests of *all* nations of the Pacific Basin that *no* single nation dominate; and if any one nation threatens to dominate, it is in the interests of the rest to stand in opposition.⁸

Security Interests and Concerns of Vietnam

We now turn to an examination of Vietnam's current national security interests. Some of these are new; most are not. As with other countries, national interest is largely a product of history, culture, past experiences, and a variety of ethnic, social and psychological factors. These are characterized by their enduring quality—*alliances may change, it has been noted, but interests do not.*

Vietnam's basic and unchanging strategic factors are:

- **Geographical.** A People's Army of Vietnam (PAVN) strategist looking at a map of Vietnam notes how long and thin it is—only 35 miles wide at the Dong Hoi waist—with a land-sea perimeter of about 4,500 miles to defend. He notes how relatively easily it could be cut in half by a hostile force coming in from Cambodia or Laos, or from the sea in an amphibious landing. The meaning of this to Vietnam's generals is that Hanoi will never allow, if it can possibly prevent it, a hostile government coming to power in either Vientiane or Phnom Penh.

- **Ethnolinguistic antipathy.** The single most important sociopolitical fact of life on the Indochina Peninsula today probably is the cultural heritage of ill-will and distrust existent among the various ethnolinguistic and nationalist groupings. These antipathies, rooted in ancient long-abiding rivalries, count for far more in determining the events of history as it unrolls than do the various more modern political and diplomatic considerations.

- **Diplomatic.** Until recently at least Vietnam was surrounded by enemies. Indeed until recently it had only two true friends in the world, the USSR and Cuba. For the moment, it is on its own diplomatically.

The China Factor. Vietnam's great enduring nemesis, its eternal security threat, is China. After the 1979 "pedagogical lesson"—China's brief invasion of Vietnam—massive defense measures were taken by Hanoi representing an enormous allocation of resources. These were to ensure that the next invasion, if it came, would be costly for the Chinese. For years after 1979, the Vietnamese claim that China relentlessly conducted a "multifaceted war of sabotage" against Vietnam. It involved heavy infiltration (often by Montagnards from China with kin in Vietnam), sabotage, and a great deal of psychological warfare.

PAVN military analyst Dao Loc Binh described this multifaceted war of sabotage: "The Chinese use various tactics to debauch our soldiers, get them to desert or even flee the country. They use money, material goods, and beautiful girls to introduce a soft, selfish, life style to woo soldiers and weaken their will power." The best counterstrategy, Binh added, is "constant vigilance by all

soldiers as to enemy espionage and sabotage efforts. And intensified efforts (by PAVN) to mobilize and motivate the general population to continue support of the Party, the State, and the Army."⁹

After the 1979 invasion, the PAVN high command sought to decentralize the country's militia force in the region between the China border and Hanoi. The basic idea was to present the attacking Chinese with a layered "defense in depth zone", that is rank after rank of "combat villages" populated entirely by PAVN militia and their families.¹⁰ It was indeed an innovative defense concept. The danger, as some PAVN observers noted at the time, was that since the villagers were largely self-supporting and somewhat logistically independent, conceivably they might not react to internal disorders as they would to Chinese invasion.¹¹

Even given a diminution of the China threat this layered defense structure is likely to be retained, and at considerable cost. PAVN Lieutenant General Thuoc, Commander of Military Region 4, in a 1991 interview said that whereas combat villages in the past were directed against outside enemies, now they were to be used to strengthen internal security with measures taken to assure loyalty.¹²

The off-shore isles—the Spratly and Paracel archipelagos—represent the focal point of PAVN's threat perception from China. Until recently it was always a genuine possibility that warfare, or at least military/naval clashes could take place over them. PAVN thinking with respect to the defense of the islands is that it must be done from the land, through extensive fortifications and long range artillery, and with landbased aircraft. Defense could not come from the sea, since Vietnam does not have the naval strength to prevent the Chinese from engaging in "nibbling" operations, or hit and run raids.¹³

That assessment is essentially correct. In the decade following the Vietnam war, the USSR helped build up the PAVN Navy, but never to the point of being strategically significant. The Vietnamese Navy must overcome inadequacy and deficiencies in logistic support, antisubmarine warfare, and maritime surveillance if it is to become a force in Southeast Asia. This is a costly venture, probably too expensive for Hanoi.

Chinese military developments are closely followed and frequently discussed in Vietnamese military journals. Typical of these is an analysis by Hoang Chuong (PAVN military analyst) of the tactics employed by China's Airborne. He wrote that the PLA has been running training exercises along the China-Vietnam border opposite Ha Tuyen province (with troops previously stationed along the Mongolian frontier) and also on Chinese held islands adjacent to the Spratly archipelago.¹⁴

Hanoi's basic strategic response to the China threat until recently rested on its Moscow relationship, a military alliance in all but name. Now that alliance clearly is dead and the sole remaining symbol, Moscow's Cam Ranh Bay facility, is in limbo as of this writing. At the 26 December 1991 flag-raising ceremonies over the new Russian embassy in Hanoi, Ambassador Khamidulin Rashit told Reuters that nothing definite had yet been decided about the Cam Ranh facility but added that the new Russian government policy is not to station any of its troops abroad.¹⁵

Other Threat Perceptions. Second to China, Hanoi's most worrisome perceived threat goes under the generic term of imperialism, meaning dangers of various sorts represented by most of the capitalist countries of the world, especially the United States and, in a somewhat different way, Japan. A typical expression of this threat was made by Major General Duong Thong, the Ministry of Interior's chief counterintelligence officer: "The plots by international imperialists employ 'emigrant reactionaries' to infiltrate and destabilize Vietnam, operating under such colorful code names as Move the Flame Home Campaign, and Operation Sow the Wind Reap the Whirlwind."¹⁶ His charge was echoed by then Minister of the Interior, Mai Chi Tho: "It is a pity the imperialists, headed by the US imperialists, have been trying to sweep away socialism and think they now have their chance." Tho also asserted that Thailand is arming and training Vietnamese resistance groups at five Thai bases. The plan, he said, is to infiltrate Vietnam via Laos. He said he tried to raise the issue with Thai officials while in Bangkok recently, but "they said they would not consider the matter."¹⁷

These perceived external threats, plus the ever present internal one from counterrevolutionaries, means that PAVN and the military High Command must assume a greater role in the political affairs of Vietnam. SRV Minister of Defense Le Duc Anh in an interview in the military newspaper, *Quan Doi Nhan Dan* said, "There are errors to correct and negative acts to surmount—and the army must make a greater contribution to the future."¹⁸ This has become a common theme in Hanoi military journals since the advent of *doi moi* (renovation), the Vietnamese equivalent of *perestroika*:

The (PAVN) role in Vietnamese society in this 'new stage of history' is: 1) to deal with hostile forces against socialism at home who have close connections with our enemies abroad; 2) combine activities of the Armed Forces with diplomatic, economic, cultural and ideological struggle (*dau tranh*); 3) oppose efforts by capitalism and other reactionary forces to propagate the bourgeois concept of depoliticization of the Army; and 4) reduce the army in size but improve its quality... with smaller numbers of regulars, and form a strong Army of reservists."¹⁹

To this end the military press in Vietnam has taken up the cudgel in defense of ideological correctness. It has been particularly incensed over the treatment afforded the symbols of communism. *Quan Doi Nhan Dan* (17 September 1991) denounced the toppling of Lenin's statues across the USSR; returning the name St. Petersburg to Leningrad; and the proposal to close Lenin's tomb in Red Square and move his remains to Volkhovskoye Cemetery ("this barbarous desecration"). Editor Le Hue (13 September 1991) declared the highest priority at the moment must go to firming up PAVN's "ideological commitment to defending communism in Vietnam." "It is," Hue said, "a totally alien notion to take politics out of the army."

PAVN's Condition. Beneath the more permanent strategic factors of Vietnam's national security interest lies a variety of more transient influences. These include recent events, Party policy decisions, and the condition of the armed forces itself. The most

important is that PAVN has suffered an ubiquitous and apparently serious lowering of troop morale. The leadership is attempting to deal with it by stepping up troop indoctrination and addressing the specific causes of low morale. Military journals are blunt about the subject. PAVN morale is low, perhaps in crisis, it is asserted, the result of poor food and harsh living conditions for both troops and families. One must sympathize with the average soldier:

He returns from war duty in Cambodia, is dumped down in a border jungle, told to build his own barracks and produce his own food, then left virtually without money, supplies, equipment. Much of the food he eats must be bought on the open market but a private's salary of 6000 dongs per month does not even pay for rice. His annual clothing ration can buy only one pair of new shoes. Medical care frequently is unavailable. Yet, he is expected to guard the entire country and oceans.²⁰

Extensive corruption in the Party, the military, and society as a whole are further causal agents in the decline of morale. It manifests itself within PAVN most directly by a sharp rise in desertions. A recent study by PAVN surveyed deserters as to their reason, revealing this breakdown: difficult living conditions, restrictions on life: 25 percent; homesickness: 25 percent; officer "irresponsibility and unfair treatment": 45 percent; family "influences": 5 percent.²¹

Low morale has also had more serious repercussions in at least a few instances. In August 1991, a PAVN Signal Corp enlisted man was sentenced to death and another to 18 years in prison for "destroying important national security projects" (apparently involving communication equipment). The two, Nguyen Duc San and Nguyen Van The, were tried by a Third Region Military Court Martial.²²

PAVN is increasingly being assigned new kinds of non-military duties, what officially are called "capital construction missions", meaning commercial money-making ventures. As one foreign journalist put it:

The mighty PAVN which in its hour of glory defeated three superpowers now to save itself from bankruptcy must grow coffee beans for export and sell sand to the Japanese for their resort beaches.²³

There has always been the tradition in PAVN, as in other Leninist armies, of the military performing economic tasks. In March 1990 the High Command pushed this duty beyond simple self-support by authorizing full-scale commercial enterprises within PAVN. Some 60 PAVN commercial enterprises now build roads, mine coal, raise coffee for export, log and sell lumber, and construct housing. The Air Force operates a charter flight service to ferry foreign workers to offshore oil drilling platforms. The Navy does commercial fishing and markets seafood.²⁴

PAVN is being redeployed. The Party newspaper, *Nhan Dan* (21 December 1991) reported that PAVN forces along the China border had been deployed southward to the Cambodian frontier. One purpose, it appeared, was to signal the Chinese that PAVN was standing down as a gesture of peaceful intent. A second purpose apparently was contingency planning, in the event that disorders in Cambodia spilled over into Vietnam. Two days later the SRV Foreign Ministry issued a statement saying that PAVN was not being beefed up along the Cambodian border. Obviously the initial report, designed to quiet the Chinese, aroused the Khmer, as well as the Thais and others.²⁵

The redeployment of local or paramilitary forces has been accompanied by a major reorganization of the entire paramilitary system which once numbered 1.7 million and probably still totals more than a million. Day-to-day running of these units has been "localized;" that is, administration is largely in the hands of local commanders. They also have been assigned additional duty, guardedly termed "the new military operations mechanism." This appears to mean that local commanders now have greater authority and greater responsibility for ensuring local law and order.

Efforts to reduce the size of PAVN through demobilization and shortened tours of enlistment have run into difficulty because of the economic sector's inability to absorb large numbers

into the work force quickly. Estimates vary on the size of PAVN but generally it was accepted in 1988 that it was about 2.9 million (1.2 million in the regular "main force" and 1.7 million in the militia or paramilitary force). A 1988 demobilization program called for a total of 800,000 to be returned to civilian life, reducing the regular army to 500,000. The paramilitary (many of whom are full-time soldiers) was to be reduced to 1.6 million. As of 1991 about 500,000 had been demobilized (apparently PAVN is now reduced to about 800,000 regulars and 1.6 million militia). At this point demobilization was halted because of the strain on the economy. The new target date for demobilization to a half-million regulars is now 1994.²⁶ Vietnam still has compulsory universal military service, but the enlistment period for the Army has been cut from four to two years; Navy and Air Force enlistments were cut from four to three years.

Rapid demobilization in 1990 produced a growing number of veterans who have become increasingly disgruntled over lack of jobs, housing, etc. This is not a group the leadership likes to see disgruntled.

Instability. The PAVN High Command strategists as well as Politburo leaders examine the condition of their country, their armed forces, and their future and conclude that a great specter is haunting Vietnam, the overriding threat of internal instability called *bat on*. It is one of the most frequently encountered (or implied) terms heard in talking with both official and non-governmental Vietnamese in Hanoi and Ho Chi Minh City. Officials may differ on other policy matters, but they share the common fear of instability, the vision of rioting, soldiers shooting demonstrators (or refusing to shoot demonstrators), of general chaos. It suggests the fate of Erich Honecker in East Germany or Nicholi Ceausescu in Romania. It also suggests collapse of the reform effort when foreign investors shun new joint ventures and other economic assistance. All seem to believe that destabilization could lead to fragmentation (that is, the repartitioning of North and South Vietnam). Indeed that is the prediction of many emigres in the United States who are convinced, as one of them put it, that "Saigon is

finally going to win the war." How strong this fear of instability is among the rank and file Vietnamese and what would be the military's response to serious disorders are imponderables.

Research and Development. PAVN is repeatedly told that the future belongs to science and technology, and that it must be made modern or it cannot survive. Thus ends the decades long doctrinal dispute between Red and Expert. The essential debate here was: in the conduct of warfare, which is more important, spirit or technology? Man or material? Should an army be ideologically motivated (red) or technologically skilled (expert)? As posited, it is of course an irrational dichotomy—both are necessary. Nonetheless the debate consumed vast amounts of time and energy since first raised by Mao Tse-tung in the 1950s, with the contention that the atomic bomb was unnecessary because man himself "is a spiritual atom bomb" (a line Mao dropped after the PLA got the bomb). Now, at last, the "experts" in PAVN have defeated their rival "reds":

The major trend of world history is the techno-economic race. The future will belong to the winner of this race. Science and technology are the starting point of foreign and domestic policies in most countries of the world. Each is trying to develop its integrated strength by putting emphasis on education and the training of geniuses.²⁷

This emphasis on research and development will dominate future PAVN strategic thinking, determine its resource allocation, and shape the curriculum of the military academies. This faith in "training of geniuses" mesmerizes PAVN strategic planners today, as it does everyone at Hanoi University for that matter.

Military research and development work in PAVN is still very much in its infancy. The fledgling center for this work (even though it was officially founded in 1961) is the PAVN Institute of Technology, headed by Colonel Nguyen Hoa Thinh but whose patron is Colonel General Dao Dinh Luyen, Vice Minister of National Defense. In the past, when PAVN was a guerrilla-type infantry army its technological development was confined to improving infantry weapons and devising better explosive devices

for its sapper units. It has been engaged in what could be called serious development of military technology only since about 1988. In PAVN's first years military journals repeatedly made the point that in the past very little strategic thinking had been done by anyone in Hanoi. A second point is that PAVN needs more and better weapons and must better maintain those it has.²⁸ Naval writers, such as Admiral Giap Van Cuong, Navy CINC, declare that the Navy needs more and better ships and more "politically dedicated sailors".²⁹ Hardly sophisticated R&D.

Newly established in Hanoi is what is called the PAVN High Level Military Academy, a military science research center which does strategic planning. The major sponsor of this center and its research is General Doan Khue, member of the Politburo and PAVN chief of staff. The top military strategist today—Generals Vo Nguyen Giap, Van Tien Dung and others having retired—appears to be Senior General Hoang Minh Thao, also retired but working out of the Ministry of Defense and perhaps out of the High Level Military Academy. He writes often if not so deeply on the subject, mostly offering straightforward, somewhat elementary strategic thought: how to evaluate one's geopolitical position; the importance of fixing unambiguous defense policies with clearly fixed roles and missions; ways of adjusting grand strategy to local conditions and restrictions (such as economic limitations, social conflicts, low morale); and above all, the overriding importance of science and technology with its need to overcome the "old guerrilla fighter" mentality.³⁰

Economic Dimension. Finally in this evaluation of Indochina geopolitics a brief discussion of Vietnam's economics and its national defense will be given. Ever since the Fourth Party Congress in 1976, Vietnam has advanced under the slogan, "Economics is in Command" meaning that all government policies are to take economic considerations into account, and that priority is to go to economics in foreign policy, social policy, etc. Not until the Sixth Party Congress (1986) however, was this slogan translated into reality. And not until the Seventh Party Congress (1991) did the idea become entrenched and truly operational.

Now to a very large degree all governmental decisions, including those having to do with the armed forces, are heavily influenced by economic considerations. For the first time, the PAVN High Command must address the question most high commands elsewhere have wrestled with for decades, namely the relationship of national security to economics. How do economic imperatives influence strategic planning? And, how do mandatory strategic requirements affect the economy?

In its world of finite resources, Vietnam's military spending has always been at the expense of domestic development. For most of its history (since 1954) the Democratic Republic of Vietnam (DRV), now SRV, has spent more than 50 percent of its annual budget on defense. We are not sure whether this is still true in 1992—whether Vietnam is reacting to the end of the Cold War by cutting its defense spending. Virtually nothing on the current SRV budget has been published. We do know that most of PAVN's budget goes into personnel costs. Here is where savings can be made, through demobilization. But as we have seen, sending large numbers of ex-soldiers onto a labor market where there are few jobs is politically dangerous and therefore probably unacceptable.

It is obvious, even to the most obdurate Hanoi military planner, that the fortunes of the PAVN and the Vietnamese economy will rise and fall together—one cannot be sacrificed for the other, because then neither will survive. It is also now obvious, although perhaps not to every one in Hanoi, that a market economy is the prescription for a strong PAVN and an economically healthy Vietnam.

Even if a market mechanism economy is finally installed, and even if it works as hoped, there remains the unaddressed problem of political reform, of replacing the present sterile Leninist system with some kind of political pluralism. It need not be democracy as we think of it in the West. It can be a limited multi-party system (the so-called party and a half system). It can even be soft authoritarianism. But it must be representative. And it must be acceptable to the people. Then and only then can PAVN, the military strategists, and the national security policy makers in Hanoi have a necessary firm base on which to build the future.

Notes

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9. Defense Cooperation in Southeast Asia and the South Pacific

James A. Nockels

ONE RECURRING RECENT THEME HAS BEEN the end of superpower confrontation and the beginning of a new world order. But, what might that order be, and what significance might it have for regional defense cooperation?

Defining the New "Order"

In the lexicon of international relations, order requires a number of elements. First is a stable hierarchy of power. Such a hierarchy existed during the superpower confrontation. The bipolar world we have left behind gave us a clear hierarchy of order and balance, however unpleasant it was. Today we have no clear replacement. Instead there is a multipolar world that, while currently benign, has the potential to become dangerously unstable.

A second element is an accepted mechanism for security resolution. Detente provided that mechanism with the superpowers resolutely setting borders on areas of interest and providing a security focus for their second tier allies. We no longer have such a positive mechanism. The resolution of security issues, particularly among allies, is less than assured with lower order nuclear powers and other states a matter of a few years away from the possession of such weapons. The larger conventional powers may also feel less constrained in the future in this new world order.

A further element in world order has been a mechanism for consultation and the achievement of peaceful change.

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As long as the superpower confrontation dominated security relations, such a mechanism existed in the various systems the superpowers had set up to handle their concerns and those of their allies. Nonalliance groupings such as the nonaligned movement sought to influence events but they were essentially outside the real mechanisms for the resolution of global issues. The alliance mechanism is now rapidly disappearing, as is the role of the nonaligned movement. In their place we have, on the one hand, an optimistic hope in the ability of the United Nations to fill the gap and become an arbiter of world order. On the other, we have the belief in a need for more extensive bilateral and regional security consultations, particularly as the globe's only superpower is narrowing the focus of its fundamental strategic interests.

The new order that is emerging may not be as benign as some hope. The potential instabilities in the old Soviet empire and conflicts over border, race, religion and economic interests have the potential to create an old world disorder with the disappearance of the discipline provided by superpower detente.

In such a situation, cooperative relationships among like-minded states are assuming a growing importance. The sharing of an understanding of each other's economic and strategic interests is emerging as an essential prerequisite for stability in the new world order. Because of this, a better understanding of defense cooperation in the Southeast Asia-Pacific region may help us divine the potential for stability in that region.

Regional Security Outlook

In the Southeast Asia-Pacific region, the end of superpower confrontation has certainly brought about change, but not of the same order as in Europe. The region is diverse with countries at various stages of economic, social, and political development. It also encompasses a range of strategic subdivisions that never allowed application of the concept of the East-West divide as an explanation for strategic differences. This complex environment

remains, although it is worth recalling that the two major Cold War conflicts, the Korean and Vietnam wars, were fought in Asia.

With the end of East-West tensions there have been a number of positive moves in the pattern of regional relations.

The layer of differences that once separated the major powers has now allowed them, for example, to cooperate to resolve the Cambodia problem. Forces of the old Soviet empire are no longer deployed in significant number in the region as naval forces have been withdrawn to Russia's Pacific coast.

The Republic of Korea has been recognized by the new Commonwealth of Independent States and relations with China normalized. China in its turn has restored relations with Indonesia and has established them with Singapore. The Republic of Korea and the Democratic People's Republic of Korea are now both UN members. Vietnam and other socialist economies are looking to develop economic and political relations with neighboring non-socialist countries after decades of confrontation.

While the security outlook of the region is generally positive, considerable uncertainty remains with regard to sub-regional tensions. A resolution of the Cambodia problem is still a cause for concern as are the Spratley and Paracel Islands disputes, Vietnam's future role, and Burma's border dispute with Bangladesh. North Korea's nuclear program remains a crucial issue and of equal concern is its ability to provide sophisticated weapons systems to the region.

As the US-Soviet bipolar detente dissipates, the intentions and military capabilities of other major regional actors will become more prominent. Chinese military and nuclear capabilities are significant in the regional context, but of more immediate worry is China's potential to export ballistic missiles and other weapons system. Japan's strategic profile is also a matter of continuing debate in the region and in Japan itself.

With this wide range of problematic capabilities and intentions, many commentators and defense and foreign policy planners in the region are raising concerns as to the potential for a destabilizing arms race growing out of economic and military uncertainties.

In the South Pacific the situation is, to a degree, confusing. The smaller states do not have the human and natural resources of their Southeast Asian neighbors. Some are at risk from ecological developments such as global warming while others are concerned about the sustainability of their resource base. All are undergoing major economic and social upheavals which are testing the resilience of their cultural and political systems.

The security outlook for the ASEAN states is more positive than for some others in the region. Their economic and nation building policies have proved highly successful and they are currently engaged in assimilating that success. While the level of achievement varies from country to country, the possibility of economic or political collapse is now no longer a relevant element in any regional security equation.

Defense Cooperative Relationships

Against this background regional states are continuing to develop their defense cooperative relationships. Security cooperation in Southeast Asia and the Pacific has its roots in three structures set in place by powers external to the region. ANZUS, SEATO, and the Five Power Defense Arrangement sought to shore up intraregional security against Cold War uncertainties. While SEATO had a relatively early death, ANZUS and FPDA still continue as regional military pacts.

As a variety of books and monographs exist on ANZUS, particularly as a result of New Zealand's policy to oppose nuclear weapons, I do not propose to discuss it here. The pact continues to provide a solid and enduring basis for an extensive range of security cooperation between Australia and the United States.

Less well known to Americans is the Five Power Defense Arrangement. Established to protect the security of the emerging British Southeast Asian colonies, the FPDA brings together Malaysia, Singapore, Australia, New Zealand, and Great Britain in a common security arrangement that has withstood the test of time. Today the FPDA includes a wide range of activities includ-

ing joint training and exercising, and the deployment of Australian and New Zealand forces to both ASEAN countries.

With the growth and maturity of the Singaporean and Malaysian defense forces, the focus of FPDA activities has matured. The significant deployment of allied ground forces to Malaysia and Singapore is no longer relevant. In its place the regular deployment of high technology Australian naval and air resources, and regular joint exercising, provide a continuing commitment to common defense concerns. The current dominant activity under FPDA is the integrated air defense system which, with its joint headquarters and regular exercising, provides a continuing basis for Malaysia, Singapore, Australia, and New Zealand to operate together for the air defense of the Malay Peninsula and Singapore.

Intra-ASEAN Cooperation

ASEAN, established primarily as a politico-economic grouping, was never envisaged as having a military dimension. However, the framework of ASEAN cooperation has encouraged an environment conducive to bilateral military cooperation among ASEAN partners. Combined exercises and training, limited border operations, intelligence cooperation and some defense industry activities provide a substantial web of cooperative activities.

Combined ground, naval, and air exercises are carried out on a regular basis between the armed forces of Indonesia and Malaysia, Malaysia and Singapore, and Indonesia and Singapore. These well-established annual and biennial activities have given their participants a sound understanding of each other's capabilities. They have also developed the ability to operate together against a common threat.

Regular combined naval and air exercises are also conducted between Indonesia and Thailand, Malaysia and Thailand, and Singapore and Thailand. These bilateral exercises focus on the standardization of operating procedures and command, coordination, communication and tactics. These exercises are probably

at a tier of development below Malaysia, Singapore and Indonesia bilateral activities.

In addition, frequent bilateral personnel exchanges are made for training purposes. Attendance at command and staff colleges and specialist training institutions is regular among most ASEAN members.

In March 1990 Singapore and Indonesia signed a memorandum of understanding which led to the commencement of ground force exercises between the two countries. The agreement also covered the joint development of air weapons and the Indonesian air combat range at Siabu. Singapore also agreed to give Indonesia access to its flight simulation center.

In this wide ranging cooperation, the Philippines has maintained a low level of involvement. Its close association with the United States and its own internal security problems have placed external cooperation on a lower priority level. This may, however, change as US involvement is reduced and the Philippines seeks assistance to maintain its specialist and technical military skills.

Malaysia and Indonesia are currently discussing expanding military cooperation. They are expected shortly to increase the level of bilateral ground force exercising and to carry out some form of combined border patrols along their common border in Borneo. Enhanced maritime patrols in the straits of Malacca and the South China Sea are also expected.

Indonesia and Singapore are also in the process of expanding the scope of their naval and air exercising. Indonesian Skyhawks and Singapore Air Force E2C Hawkeye aircraft will be working more closely together in the future.

Malaysia and Brunei are also expected to take a major step soon in formally establishing defense contacts. This will mark the beginning of Brunei's emergence as a more active bilateral defense partner in the region.

Once a significant element in regional cooperation, border security agreements have lost prominence as internal security threats have diminished. Since 1980 no combined border operations have occurred between Malaysian and Thai forces. Joint border commissions remain in place and are working well with a

new one being set up in 1991 to resolve the ACEH refugee issue and the Sipadan/Ligatan dispute.

Defense industry cooperation has been modest as each country attempts to establish indigenous manufacturing capabilities based on self-reliance and national image building. While Indonesia and Malaysia have made a number of attempts to establish joint ventures in weapons production, no major long term results have accrued.

Informal military contacts among ASEAN members form a substantive web of relationships and associations. Regular exercise and joint training create fora for military officers to informally discuss security issues. Exchanges of information for exercising have developed an understanding of each country's tactical and operational procedures.

Such contacts have helped build a basis for higher level military exchanges and informal security dialogues. The most structured manifestation of these is the extensive and well-developed round of regular golf meetings between ASEAN defense chiefs. These meetings and regular, but informal, bilateral exchanges ensure that regional planners are familiar with the concerns and priorities of their neighbors. Similar exchanges among intelligence heads are likely, focussing on regional and domestic issues. One can speculate that such contacts have developed a range of informal understanding as to how regional security issues might be handled, but the contacts would have no formal substance nor would they have received any governmental endorsement.

When publicly questioned on the defense dimension to ASEAN, members have been active in denying a military role for the organization. However, the recent proposal for a trilateral Malaysia, Singapore, and Indonesia defense pact by Indonesia's Professor Mochtar suggests that the thought of a formal regional defense grouping is by no means dormant. The changing global security scene has begun to stimulate concerns in some quarters in ASEAN that potential instabilities may require the development of national capabilities and regional solutions. The announcement of US forces reductions in the region has encouraged this sort of thinking although to date no public support has been given to such proposals.

Australia/ASEAN

In addition to its involvement in FPDA, Australia has also pursued an active role in developing bilateral defense relations with the ASEAN states. Since the 1970s Australia has been engaged in defense cooperative activities designed to aid in enhancing the military capabilities of its neighbors. As regional defense capacities have grown, the focus of cooperation has changed.

Today defense cooperation activities with Singapore, Malaysia, Indonesia, and Thailand focus on joint exercising, rotational attachments of formal military units, officer exchanges, and specialist training. In addition, major progress has been made in developing a framework for ongoing bilateral activities. Surveillance of the Timor and Arafura Seas along with broader ranging surveillance cooperation is now in place with Indonesia. In the case of Malaysia, both surveillance and submarine cooperation is developing against a background of shared strategic concerns. A growing relationship with Brunei is also developing. At a higher level regular bilateral military meetings enhance cooperation and provide a venue for an exchange of views on broader strategic issues.

Reflecting the Philippines' differing priorities, its defense cooperation activities are aimed at enhancing professional military capabilities. Access to Australian training institutions is providing the PAF with staff college, professional, and technical training in support of the objective.

US/ASEAN

Emphasizing its continuing commitment to regional security, the United States has recently begun to broaden its cooperative relations in ASEAN. While Thailand, as ASEAN's frontline state, has cooperated extensively with the United States since the end of SEATO, Singapore, Malaysia, and Indonesia were much less engaged. These states had sought for some time to play down

a US regional role against the background of superpower detente, as they continued to spasmodically develop the Zopfan concept.

It is significant to note that the attitude of these countries is changing. Singapore's recent agreement to most USN logistic elements and support forward deployed maritime and air units has heralded a greater acceptance of a positive bilateral relationship with the United States. Malaysian support for these arrangements, and its own and Indonesian interests in providing logistic support for US forces, confirms a growing concern that potential regional instabilities will require strong defense cooperative relations.

In the South Pacific the issue of broader security has gained increased prominence. While internal law and order and national sovereignty protection are the dominant issues, the need for bilateral and multilateral cooperation is growing. The South Pacific forum (consisting of Papua New Guinea, Fiji, Vanuatu, Solomon Islands, Cook Islands, Naru, Western Samoa, Nive, Kiribati, Tuvalu, Marshall Islands, and Micronesia) recently added regional security issues to its annual agenda. The first meeting of an annual regional security conference was held in February 1992.

Dominating the forum agenda is the need to protect regional and national marine resources and to preserve the rule of law against growing separatist and criminal elements. In this context Australia has assisted both bilaterally and multilaterally as the region's major source of security advice and assistance.

In support of the South Pacific forum's desire to develop a regional strategic consensus, Australian defense cooperation has focussed, regionally and bilaterally, on programs to enhance individual and collective security. Emphasizing the maritime nature of the region, Australia has provided patrol boats (15 in all) to most countries, and constructed surveillance centers in support of their national sovereignty protection responsibilities. It is now supporting the coordinated use of these vessels by developing a regional surveillance communications network and carrying out a regular program of bilateral and multilateral naval exercises. These surface activities are supported by a significant investment of Australian and New Zealand P3 resources.

At a bilateral level Australia and New Zealand undertake defense cooperative activities with regional countries to develop their national capabilities in the areas of law and order and defense. Training, exchanges, regular exercises and strategic discussions form an active and ongoing defense relationship. The United States also carries out a modest military assistance program encouraging the development of national defense capabilities in the states.

As the accepted bridge between the South Pacific forum and ASEAN, Papua New Guinea (PNG) has for some time had a significant range of cooperative activities with Australia, New Zealand, and the United States and is now looking to expand these.

Since independence PNG has turned to Australia as its primary security partner. This relationship is embodied in a Joint Declaration of Principles and given substance by a \$34 million defense cooperation program. More recently, in recognition of PNG's growing internal security problems, a Joint Statement on Security Cooperation was made in September 1991 which further highlighted Australian willingness to support PNG in the ongoing review of its security needs. Activities in this area include joint training and exercising, staff exchanges, training, technical advisory support, and major facilities projects.

PNG has also broadened and diversified its defense relationships. In 1989 it signed a joint memo of understanding with Malaysia to facilitate PNG training in that country. In January 1992, PNG and Indonesia endorsed a status of forces agreement which will facilitate enhanced defense cooperation in the areas of training and personnel exchanges. Border management meetings are held regularly with regard to the Irian Jaya border. However, preliminary discussions with regard to a joint border operations agreement have not yet begun.

Australia and New Zealand, long close allies, are also moving to strengthen their already close and historic defense association. In a relationship already made up of an extensive range of exchanges, joint training and exercising, logistics support and intelligence exchanges, work is in hand to explore the development of an even closer defense relationship. Currently under discussion by a joint working party is a concept of closer defense relations

which would seek to significantly enhance the complementarity of each partner's military forces.

Economic and Security Concerns

Looming large in the concerns of Southeast Asian and South Pacific states is economic security. The emerging importance of economic development, and its preservation, is becoming more and more intertwined with security considerations. For ASEAN and forum states the ability to attract investment and maintain economic progress is very closely connected to their capacity to preserve domestic order and demonstrate a means and willingness to defend the state from external aggression. The growing complexity and interconnectivity of economic and trade issues are seen as providing a potential for tension, spurring a search for mechanisms to promote stability in this rapidly changing environment.

In 1990 Australian Foreign Minister Gareth Evans suggested that the Conference for Security and Cooperation in Europe could serve as a model for an institutional framework to deal with these concerns in the region. The Canadian Government has also put forward a proposal for a North Pacific cooperative security dialogue with governmental and non-governmental channels to facilitate discussion of issues of common concern. Within ASEAN, the senior officials' meeting held in Kuala Lumpur in 1991 also began to explore peace and security in the region.

A series of 1991 seminars endorsing the ASEAN peace and security concept culminated in the Singapore Declaration at the 1992 ASEAN forum. The declaration welcomes accession by all Southeast Asian countries to the 1976 Treaty of Amity and Cooperation and encourages the use of established consultative fora to promote external and intra-ASEAN dialogues on security.

This low key agreement opens the way for ASEAN members to take a more public stance on security issues and in some ways parallels similar South Pacific forum concerns. This willingness to seek avenues to engage in new areas of security cooperation reflects the region's lack of confidence in any new emerging

world order. There appears to be a rather clear recognition that the potential for a variety of instabilities remains high and that the old superpower balance is less able to ensure stability than in the past.

This situation in part appears to have been recognized by US policy makers who, in enunciating a US Asia Pacific strategy, emphasized the US has a continuing balance wheel role. Picking up earlier US desires for greater allied burdensharing, strategic thinkers in the region appear to be attempting to forge a web of relationships and mechanisms that will assist them in resolving regional problems without recourse to external powers.

In conclusion, the emerging defense cooperation framework in the Southeast Asia-Pacific region is one of layered and interconnected consultative fora. These fora consist of bilateral cooperative activities and subregional groupings with one clear objective—to enhance economic and strategic security in a period of less certain security.

10. India's Post-Cold War Perspective

Francine Frankel

THE END OF THE COLD WAR HAS SEEN A SLOW shift in the United States' perspective on South Asia. Throughout the Cold War period, US concerns with South Asia were almost entirely derivative of perceived security threats from the Soviet Union in the broad area of the Persian Gulf. American policymakers found much to worry about in the arguments made by British authorities like Sir Olaf Caroe, who still saw the world from the perspective of the 19th century Great Game during which the British thwarted Russian advances in Central Asia aimed at securing concessions in the Persian Gulf. In Caroe's view put forward in 1949, Western security stood gravely jeopardized by the retreat of Britain from India, and the loss of control over the armed forces of the Government of India which had previously denied the oil "wells of power" in the Persian Gulf to Soviet Russia.

This argument, under the containment strategy, led almost inevitably, in the wake of Partition of the subcontinent into India and Pakistan, to the construction of a geostrategic category called Southwest Asia. Unlike the undivided subcontinent or South Asia, Southwest Asia had no natural geographic basis of unity. Southwest Asia was the region which took place as "seen from the Persian Gulf," an angle of vision which placed Pakistan in a key strategic position with its long Baluchistan coastline and major Indian Ocean port of Karachi. Indeed, Caroe subtitled his 1949 book, *Wells of Power, The Oilfields of Southwestern Asia*.

This definition of the Russian threat, and the importance attributed to a defense relationship with Pakistan during most of the Cold War period led the United States to protect its access to Pakistan to those few moments of choice when a closer relation-

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ship with India was a practical reality, but only at the expense of the Pakistan defense link, e.g., in the aftermath of the 1962 Chinese attack against India. Conversely, the United States' military relationship with Pakistan, India's foremost adversary—buttressed after 1971 with closer US ties to China—led India's leaders to prefer a reliable friendship with the Soviet Union (formalized in the 1971 Indo-Soviet Treaty of Peace and Friendship).

The end of the Cold War, by reducing America's preoccupation with the Soviet threat to the Persian Gulf, and therefore changing the angle of vision of the subcontinent, has permitted the United States, for the first time, to perceive India as important in its own right, as a major actor within the decade in the geographical area to which it properly belongs, that is, the southern part of Asia. To assist in this effort, Congress decided to create a separate division for South Asia at the US State Department, thus detaching India's 870 million people and predominately Hindu culture from the operational category of "Middle East and South Asia."

Seen from the perspective of India, the end of the Cold War and the disintegration of the Soviet Union has forced a reassessment of the first assumptions of New Delhi's national security policies. First and foremost, Indian policymakers had to face the fact that for most of the period during the Cold War India enjoyed an illusory power that initially derived from Nehru's success in making diplomacy between the two hostile powers into a source of political and moral influence. Subsequently, the non-aligned movement was used to project India's role as leader of a de facto third bloc that still used the rhetoric of non-alignment to occupy the moral high ground, but actually relied on the strength of numbers to make its influence felt in international fora. In the new world order—whether conceptualized as a unipolar world dominated by the United States, or as a multipolar set of regional powers in response to the relative economic weight of the United States—the non-aligned movement was finished as a political force.

In addition, the collapse of the Soviet Union abruptly deprived India of its most reliable friend in international fora and its primary source of defense equipment and vital imports like oil at greatly subsidized rates (and in payments of soft (rupee) currency

rather than foreign exchange). Indeed, it would be very difficult to exaggerate the effect of the Soviet Union's cooperation with the United States during the Persian Gulf War on the mindset of India's foreign policy establishment. There was a peculiar mixture of disbelief, confusion, and abandonment almost bordering on bereavement.

Policies adopted to adjust to these changed views have been nothing less than revolutionary within the last year. The Gulf War did more than finally persuade India's policymakers that they had to confront the reality of the Soviet Union's collapse. It also demonstrated that no nation, even a significant regional power, could be strong without highly sophisticated conventional weaponry. Perhaps the most important consequence, as even lip service to nonalignment became more and more meaningless, was that India's leaders now speak the language of national interest in justifying their security goals.

One result of this sea change in world view has been a reinterpretation of the American presence in the Indian Ocean and the Asia-Pacific region. During the Cold War the military alliance between the United States and Pakistan, and India's preoccupation with what the Soviet Union would think, prevented India from doing many things it should have done in its own national interest with the United States. With both of these factors removed, America's presence in the Indian Ocean and Asia-Pacific region has lost any implication of a threat to India.

India, for the first time since independence, looks to the United States as a country with which it can have a cooperative defense relationship based on common interests in shoring up the stability of a very volatile region. The two countries, with the military taking the lead in each, have started a new form of interaction, building up ties slowly through joint seminars, reciprocal visits to military installations, consultations at command level, joint naval training exercises, and discussions possibly leading to purchase of defense equipment, such as force multipliers to upgrade the technology of tanks and aircraft, and the purchase of an entire weapons system.

There has even been some consideration given by both countries to cooperation in a crisis situation, when Indian military forces could move more quickly and less expensively than US

rapid deployment forces in areas adjacent to India, such as happened in the Maldives and Sri Lanka.

Another major reason for India's reappraisal of its relationship with the United States derives from the sweeping economic reforms introduced by the Narasimha Rao government in July 1991, with the support of the World Bank and the IMF. The government's decisions to remove regulations and controls on private investment in the industrial economy, and to provide attractive incentives for the entry of private foreign investment, have been taken to mitigate the current debt crisis, and to push up export earnings by making its industries internationally competitive through access to modern technology and capital available from American and other multinationals.

India's leaders, by taking these initiatives, are offering the United States a cooperative military and economic relationship that could have major importance for the power balance in Asia by the end of the century. Such a relationship would advance American aims of maintaining a stabilizing presence in the region in cooperation with the region's largest country, and the world's largest democracy, with the additional attractive prospect of gaining access to the largest untapped consumer market in Asia.

Such a policy choice goes to the heart of what a new world order would or should look like from the US point of view. Several consequences are implicit in choosing a close friendship with India along the lines sketched out above:

(1) Indo-US cooperation would be premised by India on the assumption that the United States will not treat Pakistan as a strategic ally in the region. US supplies of sophisticated arms to Pakistan would have to be permanently stopped, and not merely suspended as at present under the Pressler Amendment:

(2) India will not accept any attempt by the United States to equate India with Pakistan on the nuclear issue, and will continue to reject the proposal by Pakistan, endorsed by Secretary Baker, for a regional conference to make South Asia a Nuclear Free Zone.

(3) India will not sign the NPT which it continues to reject as discriminatory and against India's national interests so long as it

is surrounded by two nuclear weapons states, that of China and Pakistan.

(4) India will press hard to become a permanent member of the Security Council, and to shift as far as possible responsibility for peacekeeping in crisis situations to a standing UN peacekeeping force, with a new mechanism to provide automatic funding. It will do this as an alternative to the balance of power approach to stability resting on alliance systems that have been led by the United States since the Cold War.

India, without saying so, is actually providing the outline of a new world order, one in which the United States protects its interests in cooperation with regionally dominant powers, who pursue their own national interests in some areas against US preferences, as for example on the NPT (Nuclear Nonproliferation Treaty). Side by side, India will argue for a multilateral approach to conflict resolution, which so far as possible strengthens the peacekeeping forces of the United Nations.

The question therefore is, what kind of role does the United States seek or need to play in the post Cold War era?

Such a question takes on concrete form when US policy toward Pakistan is considered. Pakistan, in contrast to India may appear to offer the prospect of a cooperative relationship more familiar in terms of American security strategy during the Cold War, one in which the United States remains the regional security manager with the help of dependent allies.

Pakistan, unlike India, has reason to perceive potentially favorable developments arising from the Soviet Union. Pakistan's leaders alternatively threaten and entice the United States with the prospect that Islamabad can extend its influence throughout the Islamic region from Iran through Afghanistan and Central Asia including Kazakhstan, which not only has access to nuclear technology, but also to nuclear weapons.

Not coincidentally, Pakistan's current leaders are the most aggressive since the 1950s in renewing their claim to Kashmir. Pakistan is stepping up pressure along the line of control to confront the major powers (especially the United States) with the

possibility of a highly destructive fourth round of war between Pakistan and India, conceivably involving nuclear weapons. This pressure is applied most directly against the United States to urge that the issue of a plebiscite once again be considered by the Security Council (where Russia is not expected to exercise its veto on behalf of India as the Soviet Union used to do).

What are the implications of these developments for security issues? It would be foolish not to recognize that a highly destructive war between India and Pakistan would gravely increase political instability in a region bordering the former Soviet Union which is itself struggling to contain civil war and social turmoil. If such a war is fought, from India's perspective, the military goal could be nothing short of a decisive victory that would almost certainly lead to the dissolution of Pakistan. At the same time, Pakistan is capable, even without the use of nuclear weapons, of inflicting severe damage on India's industrial complex and infrastructure in the highly built-up border areas of Bombay and Ahmedabad, and perhaps of detaching both Kashmir and Punjab from India to deprive a secular government from retaining legitimacy, amidst mounting religious animosity that could spread throughout the country.

How serious is this danger, and what if anything should the United States do about it? There is no easy answer to this question, but I will suggest my own view. Simply because the costs would be so high for both sides, and are understood to be so by each, the current escalation of tension between India and Pakistan seems unlikely to lead to full-scale war. Perhaps, a larger danger would be a response from the United States which is intended to defuse the conflict, but which in effect does so by buying off Pakistan in such a way as to reawaken India's suspicions that the United States seeks to equate the two countries and thereby "build down" India.

Pakistan's goal, as it was during the period of the Cold War, is to engage the United States in the name of American interests—in this case nonproliferation—in its conflicts with India to ensure that India cannot consolidate its dominant regional role. Pakistan's proposal for a conference on a Nuclear Free Zone in South Asia cannot be separated from its efforts to have Congress lift the Pressler Amendment and restore American economic and

military assistance. This may revive the old comfortable illusion of an alliance partner that assures America's access to the region during a crisis which engages US security interests. But it ignores the virtual certainty that India, for its own reasons of national security, will refuse to accommodate the United States, and Pakistan and China, on this issue. In the end, the result may be only to rehabilitate Pakistan and to increase the prospects for the repeal of the Pressler Amendment, with the possibility that Pakistan will be restored to its access to sophisticated American military equipment, while India still has to compensate for the loss of Soviet spares and other equipment at much steeper market prices from other suppliers.

Such an outcome would abort the first chance in postwar history for a constructive US-India partnership in both defense and economic relations, under conditions of a new world order in which US influence is more likely to depend on cooperation with regional powers than on domination of client-states.

Part Three:
Economic and Security
Challenges

11. The Implications of Proliferation in China, Korea, and the Subcontinent

M. Susan Pederson and Michael J. Cusack

DISTURBING REVELATIONS ABOUT THE extent of Iraq's nuclear, chemical, biological, and ballistic missile development, coupled with concern about the quantity of sophisticated conventional weaponry flowing into the Middle East, have sparked a renewed sense of alarm about the risks of living in a "proliferated world." Yet, such concerns have grown just as the end of the Cold War and lessons of the Persian Gulf War have raised new hopes for the global community's efforts to halt proliferation.¹ This cycle of alarm and hope reflects a tension that is an enduring theme in the ongoing debate about nonproliferation policy: do circumstances favor efforts to win the nonproliferation battle, or should US policy in particular be refocused to address the consequences of proliferation as it inevitably occurs?² This paper attempts to shed light on this debate from the perspective of the Asia Pacific.

Any effort to examine the security, technical, and economic implications of proliferation immediately encounters problems of definition. Should the focus of discussion be directed to nuclear, biological, chemical (NBC) and missile capabilities, or are conventional forces of equal relevance? Are issues of cause or effect more salient? Should the analysis examine factors driving demand or are supplier incentives of greater interest? In an area of this breadth and complexity, some effort to focus discussion on a limited number of critical issues is necessary.

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In this paper, we have chosen to focus on a problem that relates proliferation, primarily though not exclusively of nuclear and missile capability, to the security, technical, and economic setting from which it derives. One of the most striking features of this assessment is the growing importance of the Asia-Pacific as a supplier of taboo capabilities for taboo markets. In fact, as we argue in the paper, there appears to be a dynamic at work impelling states, for common security, technical, and economic reasons, not only to export the widest possible range of conventional arms, but also to supply nuclear and ballistic missile systems and technology. The dynamic appears to apply, to a varying degree, to each of the states addressed in this examination: China, North Korea, India, Pakistan, and even South Korea.³

This paper begins by describing the security, technical, and economic factors that appear to be motivating a concerted arms export push involving sensitive technologies by selected Asian states. After reviewing the situation in each of the countries, we address possible areas of US leverage in seeking to halt or avert undesirable export behavior. We close with a brief discussion of the potential role of US military commanders in addressing these issues.

Security, Technical, and Economic Drivers of Proliferation

Despite the diversity of the states considered in this paper, there are some striking similarities in terms of their security, technical, and economic situations and their related arms export push. These similarities are not unique to China, India, Pakistan or the Koreas, but seem to be common to all emerging Third World states attempting to develop an indigenous defense industry. What is unique in the Asia-Pacific is the nuclear and missile capabilities these five countries possess and their demonstrated or potential willingness to export these technologies.⁴

The export dynamic has four essential features. First, the security concerns of the ruling elite, however justified, are driving

a burdensome defense program, and significant cuts in the program are not seen as viable. In some of the countries (e.g., India and China), there is strong public support for the defense effort or important bureaucratic elements who derive institutional or personal benefit from military spending and arms sales. In others (e.g., South Korea), public groups are beginning to question spending levels.

Second, in all the countries, except perhaps South Korea, the defense burden is magnified by a faltering state-managed economic system. While some of the countries have experienced strong economic growth, systemic inefficiencies have led to poor export performance and high government spending, causing chronic budget and current account deficits, and generating mounting debt. Many of the countries have embarked on programs of substantial economic reform.

Third, deficit problems in several of the states are exacerbated by state-run defense industries which have failed to satisfy expectations. Established in the 1960s and 1970s to promote defense autonomy and technological development, indigenous industries have proven to be inherently inefficient. Lacking the economies of scale necessary to support cost-effective production and falling short in indigenous design efforts, the industries have required heavy government subsidies to survive. At the same time, they have not reduced the import dependence of their militaries for most major equipment items, and remain dependent on foreign technology and production licenses. Many nations' ability to satisfy such needs has diminished in the face of Soviet and US aid cutoffs. Moreover, as mounting economic problems force a reduction in government subsidies, overcapacity in the defense sector has become a serious drain. But for political reasons, including goals of national autonomy and the vested interests of political elites, the government is determined to continue to maintain its investment in the domestic defense industry. The result is growing pressure for defense exports—to improve economies of scale and to provide foreign exchange (including hard currency) that in turn will finance the country's own defense needs.

Finally, while the imperative to export is growing for many of these states, the relative inefficiency of their defense sectors makes it difficult for them to compete in the international conventional arms market. Falling demand and the increasing availability of surplus systems from NATO and the former Warsaw Pact have made it a buyer's market. Crowded out of the market by the traditional suppliers, the few Asian producers who had begun to export in the 1980s have seen their defense earnings fall drastically (e.g., from \$1.2 billion in 1982 for South Korea to virtually nothing by the end of the decade).⁵ Others, like India, who only recently began to pursue exports, have been disappointed in the result.

Such problems in the marketplace have forced some Asian suppliers, most notably China and North Korea, to turn to nuclear and missile technology sales (largely to Middle East recipients) as their only area of comparative advantage. Even India, which traditionally has spurned arms sales in any form, recently has indicated a willingness to supply nuclear reactor technology under IAEA safeguards to Third World clients. Excluded from traditional markets by the traditional suppliers, India, not surprisingly, has received overtures from recipients whose motives might be considered suspect, e.g., Iran, Syria, Algeria.

It should be underscored that not every country reviewed here has actually engaged in a pattern of troubling exports. Of the five, only China and North Korea have a documented record of sensitive technology exports. India has a reputation for responsible nuclear export transactions, although growing pressure may encourage sales that Western suppliers would consider imprudent. Pakistan and South Korea traditionally have had little capability in these areas, although both are developing expertise. At the same time, each of these countries is facing similar economic, security and technical problems that, unless checked, will provide strong incentives to proliferate, or to look the other way with suspect recipients. Whether or not they succumb to these pressures, or in the case of China and North Korea, continue their questionable activity, will depend on circumstances unique to each. The following sections provide a detailed survey of the security, techni-

cal and economic pressures affecting China, North Korea, India, Pakistan, and South Korea.

China. The situation in China is a good example of how complex this proliferation pattern can be. First, although the collapse of the Soviet Union has eased China's immediate security concerns, it still maintains a large defense program. China's defense spending as a percentage of government expenditure averages about 20 percent,⁶ a reflection of its fairly ambitious geopolitical goals. In line with this, China has shifted from its traditional strategy to one based on the ability to project power, fighting limited wars away from the homeland. This has placed an increased emphasis on more costly and technically sophisticated air and naval forces.⁷ Moreover, the Chinese are very sensitive to problems of internal weakness and security, which have magnified since Tiananmen Square. Defense budget increases (15 percent and 12 percent nominal increases in 1990 and 1991, respectively) after the tragic incident were primarily in the form of improved housing facilities and increased allowances in order to reward the PLA and ensure their continued loyalty.⁸

Second, economic conditions have been constraining defense spending. The 1990 and 1991 budget increases represented the first real increases after ten straight years of budget cuts averaging 7 percent annually in real terms.⁹ Despite the economic reform programs that have spurred fairly strong recent economic growth,¹⁰ and current account surpluses over the past couple of years, the central government's gains have been limited. Budget deficits continue to soar, rising 57.9 percent in 1990.¹¹ Inflation is a major problem, losses from state-run industries are draining government coffers, the coastal provinces have been unwilling to share their increased revenues, and hard currency earnings remain largely in the hands of the private export enterprises.¹²

Third, although China does not import many weapons, it does rely on imported foreign technology. Many of the systems China still produces, such as tanks and fighter aircraft, are based on Soviet designs of the 1950s and 1960s. More recently, China has

sought technology from the West, including the United States, and more importantly, Israel.¹³ As a DIA report assessing China's arms export system noted, "While they are profit oriented and are the means for defense complex foreign exchange earnings, they are also the primary conduits for acquisition of new and advanced technologies."¹⁴

As a result of the pressures associated with general economic deterioration, foreign technology needs, and hard currency shortages, China turned increasingly to arms exports in the 1980s. Under the "Four Modernizations," Deng Xiaoping encouraged the military to enter into profit-oriented enterprises, including arms sales to ease the pain of the defense cuts.¹⁵ Moreover, under the reform programs, many defense firms have come under pressure to "civilianize." One way to avoid this was to trade their arms output on the international market, and for many, "the choice to sell was obvious."¹⁶

Under this export push, China emerged as one of the largest suppliers of arms to the Third World, primarily due to its sales to Iran and Iraq during their war. Sales peaked at \$5.2 billion in 1987, but had fallen to \$2.59 billion by 1990.¹⁷ The emergence of the buyer's market and the bad experiences of other purchasers will continue to inhibit China's future conventional weapon sales.¹⁸

The effect of this conventional sales decline has been to drive a well-documented history of sales of ballistic missiles and nuclear technology that have contravened international regimes.¹⁹ Notable examples are the sale of 30–50 2,000-km range CSS-2 missiles to Saudi Arabia in 1988, and the ongoing sales of 600-km range M-9 missiles to Syria and 300-km range M-11 missiles to Pakistan. China also provided Pakistan with considerable nuclear assistance in the 1980s, including centrifuge and enrichment assistance and possibly the design of a tested nuclear warhead. China admitted to aiding Algeria construct a 10–15 MW heavy water reactor, and sold heavy water to Argentina and South Africa. Finally, the PRC reportedly provided Iraq with centrifuge technology and lithium hydride, a chemical that can be used in nuclear as well as chemical weapons and missile propellant.

In effect, China has been using its arms export earnings to help underwrite its "Four Modernizations." Unlike the private enterprise earnings, arms sales are a direct source of income under central government control. These earnings are divided between the PLA and the central government treasury, and commissions are provided to the key officials involved.²⁰ Moreover, prominent among these key officials in China's arms export corporations and defense industries are well-connected children of the Chinese ruling elite. For example, the head of Poly Technologies, China's largest arms import-export firm, is Colonel He Ping, Deng Xiaoping's son-in-law.²¹ These well-placed relatives have become another important vested interest in the export drive. And according to William Triplett II, "The situation is likely to grow worse in the short to medium term. As the end approaches for the octogenarians who guide China today, those who derive position and authority from the elder leaders will be tempted to make quick bucks while they can."²²

North Korea. The pressure to export arms for security, technical, and economic reasons is most acute in North Korea, and like China it already has a record of missile sales and questionable nuclear links. First, despite the high percentage of resources devoted to defense, it is losing the military race with South Korea, who is rapidly outpacing the Democratic People's Republic of Korea (DPRK) in terms of economic and technological resources.²³

Second, the North Korean economy is in serious trouble.²⁴ A traditional rice exporter, it is now forced to import its most basic food staple. And it has been frozen out of international credit markets since it defaulted on its debt in the late 1970s. The end of the Cold War has exacerbated the situation. Both the Soviet Union and China began demanding hard currency for all commercial exports as of January 1991. Both countries have cut shipments of oil, grain, and raw materials and have reduced their imports of North Korean goods. The Seoul-based National Unification Board estimates that the DPRK's GNP fell 3.8 percent in 1990, and shortages of energy and raw materials have reduced production rates in factories to 30-40 percent of capacity.²⁵

Third, as part of North Korea's self-sufficiency drive, it has developed a domestic defense industry that consumes a large share of limited resources. "Although shortages of almost all basic commodities and energy plague the rest of the country, the military and the arms industry appear to enjoy ready access to scarce resources."²⁶ The industry does produce highly regarded artillery and rocket launchers, and Soviet designed weapons under license. However, it still must rely on outside assistance for more advanced systems such as high performance aircraft and components. "Despite efforts to modernise technology, North Korean industry looks increasingly old-fashioned as the rest of the region enters the electronics age."²⁷ As a result, the acquisition of equipment from the Soviet Union has increased in recent years. According to US government sources, its arms import bill rose from an average of \$200 million a year in the late 1970s to over \$400 million a year in the late 1980s.²⁸ At the same time, North Korea has lost most of its military assistance. The Soviet Union had promised to continue military aid, but the August coup 1991 probably ended this. And Kim Il Sung has been unable to pry increased military aid from China.

Therefore, in desperate need and with little else of value to sell, arms have become valuable exports. After peaking in 1982 with sales of \$758 million, arms exports from 1985-1988 averaged \$380 million annually.²⁹ However, most of what the DPRK has to offer is based on older generation Soviet and Chinese designs, and according to the Director of Naval Intelligence, the DPRK's arms "suffer from a reputation for poor quality."³⁰

This has driven North Korea increasingly towards the export of Scud missiles. Iran purchased Scuds valued at \$500 million during the 1980s, and Syria purchased 24 improved Scuds (Scud-C/Scud-PIP) from North Korea in 1991. North Korea is also reportedly developing a new longer range missile (800 km) that could end up in the export markets and is believed to have secret nuclear relations with Egypt, Libya, Romania, Syria, and most significantly, Iran. This relationship is believed to have grown considerably since the late 1980s.³¹

The DPRK continues to devote much of its resources to its domestic defense industry while fighting for economic survival. Moreover, it is becoming increasingly isolated from its traditional patrons while facing a deteriorating security situation. The result has been that, "the country's arms industry is assuming growing importance as weapon exports, in particular missile sales to the Middle East, are one of the few channels through which North Korea can earn foreign exchange."³² Now it is moving toward the development of nuclear weapons. And as a US Defense Department official said recently, "up to this point, North Korea has been willing to sell anything." This includes ballistic missiles, and as the official also pointed out, "plutonium sells for a lot more per kilo than cocaine."³³

India. With respect to India, the primary question is whether the pressure to export arms will overcome India's long-standing aversion to such sales. The first element of pressure for New Delhi derives from the perceived security situation. Rivalry with Pakistan is fueling an arms race centered around advanced fighter aircraft, ballistic missiles, and nuclear weapons, and in 1990 increased tensions in Kashmir almost led to a fourth Indo-Pakistani war. Moreover, India still is wary about China, who recently has been strengthening its strategic relationship with Pakistan. Further, like China, India maintains ambitious geopolitical goals, for which it has strong public support. India see itself as *primus inter pares* in the Indian Ocean and seeks to be acknowledged as a major power. These concerns and aspirations have fueled large and growing defense budgets. Military spending increased 23 percent in real terms from 1985 to 1990 and absorbed 22 percent of central government expenditures in 1989.³⁴

The second source of export pressure is the economy. Defense spending has placed a strain on an Indian economy burdened by chronic budget and current account deficits. In 1990 the government was driven into a serious crisis when it had to seek International Monetary Fund (IMF) loans for the first time in a decade. India has since had to request more IMF credits and sell

gold to avoid default on its foreign loans. As of July 1991 interest payments on government debt made up 22 percent of total government expenditure.³⁵ In 1990 it had only \$1.5 billion in foreign reserves, but total debt is over \$70 billion.³⁶

A third source of pressure is the loss of India's primary military patron. In the past, India was able to import large amounts of Soviet equipment through long-term soft credits and by paying in rupees rather than hard currency. Now, these terms are no longer available.

The loss of Soviet aid is exacerbated by the inadequacy of India's own defense industry.³⁷ New Delhi has remained heavily dependent on weapon imports, most of which have been purchased directly or under licensed production agreements from the Soviet Union. S. R. Valluri, the former head of India's National Aeronautics Laboratory, stated: "Four decades of licensed production have brought us no nearer to a semblance of technological self-reliance, either in the public or private sectors."³⁸ Due to these failures, India chose to make a series of off-the-shelf purchases of advanced weapons systems in the late 1980s, including Sea Harriers, MiG-29s, submarines, T-72 tanks, and a used aircraft carrier.³⁹ In fact, India was the largest recipient of arms (in dollar terms) in the world from 1986 to 1990.⁴⁰

In order to raise needed hard currency and alleviate pressure on government finances, India broke a long-standing policy and announced in 1989 that it would begin exporting arms and that it was setting up a special agency to promote and oversee these sales. The goal is to achieve better economies of scale and to use the pressure of international competition to increase quality and efficiency. So far the results have not been significant relative to its needs. Though India significantly passed its 1991 arms export target of \$3.2 million, reaching \$24 million in arms sales by October 1991, this figure pales in comparison to the size of its arms import bills.⁴¹ In 1990 arms deliveries to India equaled \$1.76 billion and the average figure for 1983-1990 equaled \$2.66 billion, 100 times greater than its 1991 exports.⁴² India is hampered by the lack of clear policy guidelines and international marketing exper-

tise, and restrictive licensing agreements.⁴³ The reality is that outside of basic arms and ammunition, its potential is limited, unless the former Soviet Union allows India to sell additional licensed-produced products.⁴⁴ Given the former Soviet Union's need to sell arms to raise its own hard currency, it will probably remain unwilling to grant India such authority.⁴⁵

There is potential for India, however, in ballistic missiles and nuclear technology. India has indigenously developed two SSMs: the 250-km range Prithvi, and the two-stage 1,500–2,500-km range Agni. India is currently beginning to mass produce the Prithvi, and the Agni is expected to be deployed later this decade. India also announced in February 1991 that it will sell nuclear research reactors and nuclear technology and assistance to developing countries under IAEA safeguards.

India has always resisted arms exports on ethical grounds and despite its opposition to the Nuclear Nonproliferation Treaty (NPT) has a reputation for responsible nuclear export transactions. However, its experiences have been limited. India does maintain a list of countries to which conventional arms exports are banned and does not allow exports to countries engaged in conflict. But according to one report, "West Asia and South-East Asia are among the thrust areas to be explored along with Iran, Iraq and the Gulf countries. Libya is also a potential market."⁴⁶ And India has not established clear nuclear export control policies either. Its decisions have tended to be ad hoc.⁴⁷ Though it is a member of the IAEA, India does not accept full-scope safeguards on its indigenous facilities and has always viewed the Nuclear Supplier Group (NSG) "as a cartel of advanced countries that aims to deny modern technology to developing countries."⁴⁸ "It seems safe to say that India is unlikely, in view of its own opposition to full-scope safeguards, to seek to impose them on a recipient."⁴⁹ Since its February 1991 announcement, India has entered into discussions with Algeria, Cuba, Egypt, Syria, and Iran.⁵⁰ In fact, India was recently prepared to sell a research reactor to Iran, but backed down after mounting international pressure. Also, in the mid-1970s India agreed to provide nuclear assistance to Libya in exchange for oil, but the agreement

ended when India rebuffed Libyan overtures for reprocessing technology. According to one analyst, "The more important point raised by this case, and by the report of Indian willingness to bid on Iraqi acquisition of hot cell facilities, is the possible Indian vulnerability to pressure from the Middle East oil suppliers."⁵¹

India faces a difficult security situation, exacerbated by growing internal anarchy. It is suffering from a serious balance of payments crisis which is largely the result of the highly inefficient economic system. The government continues to pour subsidies into a domestic defense industry that is not meeting its technological needs. The new government has proposed dramatic market-oriented reforms, but has so far made little progress. New Dehli must overcome a deeply entrenched ideological attachment to socialist economic planning and more importantly, the many bureaucrats who have benefited over the years through the complex and corrupt licensing system. The concern is that the lack of a clear-cut export control policy, coupled with continued strong export pressures, could lead to sales of missile or nuclear systems and technology.

Pakistan. Like India, Pakistan is faced with the dual problems of mounting debt and the loss of its primary military patron. However, Pakistan is also faced with a balance of power that appears likely to deteriorate over time. India has more than double the number of men under arms, and fields almost double the number of tanks, armored vehicles, and fighter aircraft, and more than double the number of major naval platforms.⁵² Moreover, despite economic problems of its own, the sheer size of the Indian economy will continue to support a defense effort greater than what Pakistan likely can afford. Pakistan's defense spending rose 26 percent in real terms from 1985 to 1990, and in 1990, 31 percent of central government expenditures went to defense spending.⁵³

Furthermore, the country has accumulated a large foreign debt. According to the proposed 1991-92 fiscal budget, debt servicing and military expenditures will absorb 88 percent of government revenues.⁵⁴ Moreover, in 1990 the United States suspended its military and economic assistance program due to Pakistan's nu-

clear weapon development progress. This was a significant blow. Under the 1982-1987 program, Pakistan received \$3.1 billion in military and economic assistance and was to receive another \$4.0 billion under the 1988-1993 plan.

While depending primarily on Chinese and US equipment, Pakistan also has been working to develop an indigenous defense industry. Pakistan's defense industry, however, is the least developed of the group. Contractors are mostly involved in licensed assembly using foreign components and they perform limited modification work.⁵⁵ The policy of the government has been to purchase the highest technology equipment it can as a way of transferring this technology to its own developing defense industry.

As with the other countries, economic difficulties, the lack of sophisticated indigenous technology, and the high cost of foreign systems and technology are putting new pressures on the inefficient defense industry. Increasingly, Pakistan is being pushed to increase exports, and its target customers include the Muslim countries and other countries with significant inventories of Chinese equipment, or countries seeking upgrades of old French equipment. In 1983-84 Pakistan did achieve sales of \$300 million, but arms sales from 1985-88 totaled only \$40 million.⁵⁶ The lack of research and development, raw materials, and private sector investment are major inhibiting factors in developing a competitive arms export sector.

Again, this leaves ballistic missiles and nuclear technology as the few areas in which Pakistan can achieve significant export revenues. With Chinese assistance it has developed two short-range ballistic missiles: Hatf I (80 km) and Hatf II (300 km). It is also working on a longer range missile (about 600 km). And though Pakistan's nuclear capabilities are limited, it is able to export uranium enrichment and reprocessing equipment and technology. Given the way Pakistan circumvented international export controls, there is no certainty that it would base its own export policies on these nonproliferation ground rules.

Moreover, with the decline of the strategic relationship with the United States, Pakistan has been working to strengthen its

relations with the Gulf states, Iran in particular. Pakistan has already demonstrated a willingness to enter into questionable conventional arms transactions. It has reportedly supplied arms to the SLORC government in Burma.⁵⁷ An estimated 40 percent of the weapons destined for the *mujaheddin* in Afghanistan via Pakistan's intelligence service (ISI) leaked into Pakistan, and Pakistani army officers have been reported to sell such weapons on the open market.⁵⁸ The Stinger missiles Iran used in its war with Iraq came from the stockpiles the United States had delivered to Pakistan for the *mujaheddin*. Finally, an Israeli military analyst asserts that Pakistan, along with others, assisted Iraq's nuclear weapons program.⁵⁹

In short, the loss of US security assistance has been a major blow to Pakistan as it struggles to keep up militarily with India. Even if the Pakistanis reversed their nuclear weapon development efforts, US aid is unlikely to return to past levels. To continue to receive IMF assistance, it must reduce its budget and current account deficits, but under the acute security threat significant military cuts are unlikely. Arms sales are seen as the way to reduce government subsidies to the domestic defense industry and raise money for more advanced imports. This acute need to raise large amounts of money, coupled with the lack of an established conventional defense sector, may force Pakistan to move quickly to the export of missile and nuclear technology to taboo markets.

South Korea. At first glance South Korea may not seem to fit the profile described above. It has a dynamic market-oriented industrial economy. Economic growth from 1986 to 1990 averaged 10.2 percent. It has a large defense industry led by some of South Korea's most successful corporations, including Hyundai and Samsung. And these companies are increasingly moving into more technically advanced sectors, such as electronics and aerospace.

South Korea does, however, face significant pressures that may create a willingness to enter "gray" markets for exports. First, South Korea faces a significant security threat that drives high defense budgets. Seoul is in the midst of a major modernization program in which it is acquiring advanced technology systems to

counter the DPRK's large numerical advantages. The purpose is to reach parity with North Korea by the end of the decade, and to take over increasing responsibility in the nation's defense as the United States turns over key commands and reduces its military presence under Nunn-Warner. Defense spending increased 27.6 percent in real terms from 1985 to 1990, and 21 percent of South Korea's central government expenditures went to defense in 1990.⁶⁰

Second, despite South Korea's economic growth, there are new pressures on the government to cut defense spending. The economy currently is suffering from high property and wage inflation and a lack of sufficient infrastructure development. Seoul also is struggling with government budget and growing current account deficits.⁶¹ The political opposition as well as a conservative group of top conglomerates have asked for defense spending reductions.⁶² And for the first time, Defense Minister Lee Jong Ku has agreed to publicize many of the spending programs and accept public debate on the defense budget. At the same time, the government is trying to absorb costly recent acquisitions. The new F-16s are expected to add \$5.3 billion over the next five years to the defense budget, and the P-3C Orions will take up another \$800 million.⁶³

Third, as in the other countries, South Korea's domestic defense industry requires heavy government subsidization due to over capacity, lack of specialization, poor planning, and poor resource allocation.⁶⁴ "Heavy subsidies are a cost that governments have traditionally borne. . . . But in South Korea this burden was not only excessive relative to the normal efficiency of such production, but was out of proportion to the contribution arms-producing firms could make to security."⁶⁵ Moreover, Seoul must import technology from abroad to meet its needs because domestic technological capabilities still lag considerably behind the West.⁶⁶ The government sees defense-licensed production and large offset agreements as a primary way to gain this technology.⁶⁷ However, as in the case of India, it has been argued that South Korea has been growing more, not less, dependent on imports of high-technology components for its more complex military products.⁶⁸ For example, the K-1/ROK "indigenous" tank is based on the M1A1

design of General Dynamics, production mostly involves the assembly of foreign components, and the Koreans are having trouble with the systems integration.

South Korea views exports as a primary way of reducing the heavy costs of its defense needs and providing the resources and technology needed to design and develop truly indigenous systems. Exports rose quickly after the Koreans first entered the international market in 1975, peaked in 1982 at over \$1.2 billion, and since have fallen steadily, now averaging around \$100 million.⁶⁹ At one time, however, the South Korean goal was to reach \$2 billion a year in defense exports. A primary reason for the decline has been US restrictions on the sale of South Korean equipment containing US components or technology. For example, in 1985 the United States authorized only \$80,000 worth of the proposed \$13 million in export requests by the South Koreans.⁷⁰ Therefore, like the others, South Korean conventional arms sales are down and are unlikely to improve in the near term. This may tempt the Korean government or private producers to sell taboo systems or technology.

In terms of the missile and nuclear capabilities that South Korea could sell, it has modified a Nike/Hercules SAM into an SSM and is currently developing an indigenous 400-km range ballistic missile. South Korea has a rapidly expanding commercial nuclear industry, but it does not currently possess the capability to enrich uranium or reprocess plutonium (though it has tried to acquire these capabilities in the past, and is considered still to be interested in plutonium reprocessing). Therefore, South Korea appears to be a few years away from being able to export sensitive nuclear or missile technology, but it does have the industrial resources to develop these capabilities rapidly, including enrichment or reprocessing technology, if it chooses to do so.

Furthermore, the government has never placed significant foreign policy restraints on its sales in the past, such as human rights, arms control, or conflict limitation constraints.⁷¹ In fact, the United States has accused Seoul of violating its export restrictions, including selling weapons produced under US license to Iran and Iraq.⁷² The United States also complains about South Korea's

poor record on protecting intellectual property. And South Korea also has been identified as a country that is supplying "strategic materials" to the Burmese government.⁷³ There is a concern that this type of behavior could spill over into nuclear exports. Many of the country's nuclear contractors are also the key defense firms. "Furthermore," as an American Embassy official said in 1986, "small companies will do anything for a buck and may represent the likely route of nuclear leaks out of South Korea."⁷⁴

Observations

Stepping back from this detailed survey, several observations are in order. First, as mentioned earlier, the countries discussed here have resorted to taboo exports in vastly differing degrees. At one end of the spectrum, China and North Korea have provided missile, and it is believed, nuclear technology to a number of recipients, largely in the Middle East, and despite international approbation seem intent on continuing this behavior. Whether Beijing's recent acceptance of the Missile Technology Control Regime and the NPT will modify Chinese export policy remains to be seen, but early indications are not encouraging.

India, Pakistan, and South Korea, on the other hand, have not exported sensitive materials, but without fundamental shifts in their security and/or economic situations, are likely to face increased temptation to do so. India has already opened discussions with several potential buyers of nuclear reactor technology whose motives may be suspect, although a history of internal opposition to arms exports may suggest a cautious approach. Pakistan has less to sell than India, but may be less constrained from selling arms as a matter of principle. South Korea has not (yet) developed sensitive technologies to the same degree as some of the others, and has not engaged in questionable nuclear or missile-related exports.

This leads to a second point. Although all five countries confront a somewhat similar array of economic and political pressures, the specific causes of the export drive vary in each case, as

do the incentives for sensitive technology leaks. Clearly, the more serious the perceived economic and security problems, the more likely it is that a country will resort to taboo exports. From this perspective, South Korea is the least likely to export sensitive technology as a matter of policy. Serious overcapacity in the defense sector, coupled with the prospect of reduced government subsidies, is fueling an export push, but South Korea should be able to fulfill its fundamental defense requirements without trading in sensitive materials (although leaks from the private sector remain a concern).

In India, defense sector overcapacity is exacerbated by severe budget and balance of payments deficits and the loss of a military patron. India's behavior as a potential seller of sensitive materials is likely to be tempered, however, by a long-standing resistance to arms sales in any form, and by a military situation in which it enjoys superiority. Like India, Pakistan is struggling with twin deficits and the loss of its primary patron, but it also confronts a balance of power that will continue to deteriorate if not checked. Thus Pakistan, the least established conventional arms producer of the group, will face strong pressure to engage in sensitive exports in order to satisfy its defense needs. North Korea faces all of Pakistan's problems, plus growing international isolation and increasing pariah status. Its behavior as a trader of taboo materials is well documented.

Finally, on the surface, China's behavior seems somewhat anomalous. It confronts an improved security environment and enjoys a strong balance of payments position. Nevertheless, economic reforms are eliminating central government control of resources for defense, while leaving important parts of the bureaucracy with a strong stake in military spending and arms sales.

In short, while these states share a similar pattern of development promoting potentially sensitive arms exports, important differences among them have affected the extent of their questionable activity and will influence US leverage in gaining cooperation for export restraint. A great deal has been written about supplier restraint regimes and proposed improvements to

them.⁷⁵ These issues require no review here. Instead, it may be useful to consider policies designed to address directly the factors pressing Asian states to export sensitive materials: defense sector overcapacity, debt burdens, bureaucratic and political inertia, and perceived security threats. In this regard, initiatives in five areas warrant consideration: debt relief and economic assistance; trade linkages; defense cooperation; regional security and confidence building; and multilateral initiatives.

Debt Relief and Economic Assistance. There has been growing interest over the last year in efforts to use economic assistance and debt relief as an instrument for reducing defense expenditures in the developing world. Both Germany and Japan have adopted policies linking aid to defense spending limits. Moreover, the International Monetary Fund (IMF) is considering defense spending caps as a condition of debt relief. Such policies will not be implemented without difficulty. The IMF already has encountered problems in trying to set a threshold for acceptable defense spending levels: should spending limits be pegged to GNP and risk disadvantaging smaller countries like Pakistan, or to regional ceilings and risk ignoring individual countries' ability to pay? Of perhaps greater concern, however, is that such linkage might have the unintended consequence of exacerbating the incentives of some countries to step up exports in order to finance defense spending and avoid IMF or other conditionality.

Linking economic assistance to a country's performance in controlling sensitive technology exports, particularly if offered as a positive inducement, could be an effective adjunct to the focus on defense spending that characterizes most donors' efforts to leverage their aid programs. To illustrate, India, struggling with serious internal and external debt problems, might react more favorably to requiring full-scope safeguards on nuclear exports if it received debt relief, including actual debt reductions.

Trade Linkages. Proposals to link US trade policy to the arms export behavior of our trading partners are not new. President Bush vetoed the Omnibus Exports Amendments Act of 1990 in large

measure because it would have required automatic trade sanctions against foreign companies who assisted other countries' nuclear programs. Moreover, it appears that Congressional debate over whether to renew China's most favored nation (MFN) trading status had at least an indirect impact on Beijing's willingness to embrace MTCR and NPT commitments. China's interest in lifting of US bans on several high technology sales also played a role. Thus, trade policy can be an important tool.

Two types of linkage appear particularly useful: legislative sanctions intended to punish foreign companies that engage in proliferation; and denial of MFN status to countries that engage in a persistent pattern of irresponsible exports. At the same time, export restraint objectives will continue to compete with other important foreign policy goals vis-a-vis countries of concern, e.g., human rights and democratization. Moreover, policy instruments such as trade may be limited in their ability to leverage multiple foreign behaviors. Clear priorities for targeting trade linkage will need to be set.

Defense Industrial Cooperation. US defense industrial relationships may provide another means of addressing underlying causes of proliferation in Asia. Defense sector overcapacity is one factor exerting pressure on countries, like India for example, to export potentially sensitive technologies. To alleviate such pressures, the United States might want to consider policy initiatives designed to divert industrial capacity and export potential to nonsensitive (to include non-defense) areas. Such policies might include efforts to facilitate the conversion of defense production facilities to commercial uses or, where this is not possible for political or other reasons, to encourage the development of export specialization in non-sensitive, perhaps low-technology, product areas. The selective removal of third-party sales restrictions on US licensed-produced items or the transfer of production know-how would be two methods for effecting such a shift. Encouraging low-technology exports would not be without costs—particularly to the extent that certain low-technology market areas were ceded to Third World producers. However, the alternative, accepting sensitive technology transfers, might have higher long-term costs.

Regional Security Concerns. Policies to address the economic origins of undesirable export behavior must go hand-in-hand with efforts to address the underlying security concerns of regional actors. A range of confidence-building and security measures should be considered in this regard. The United States already is promoting several, including the proposal for five-power security talks in South Asia and the wide-ranging normalization efforts on the Korean peninsula.

In South Asia, the comprehensive nature of the five-power talks is an important stabilizing element, consistent with the interrelationship among nuclear programs in India, Pakistan and China. The key will be to convince India that its continued refusal to enter the talks will incur significant costs in terms of its growing US relationship. Once talks commence, convincing China to address Indian concerns will be vital. In the meantime, planning for confidence building on the subcontinent should take an increasingly multilateral form.

In Korea, there is little prospect of achieving long-term resolution of the North/South dispute without significant political change. Nevertheless, measures to enhance stability during what is a transitional period in the North have an important role. Among these, concerted international pressure to contain the North's nuclear program is the single most important stabilizing measure. Continued dialogue between North and South and efforts to link economic assistance to nuclear restraint also are important.

Multilateral Initiative. Most of the initiatives discussed earlier will not be effective unless implemented on a multilateral basis. This suggests a need for collaboration by the European Community, Japan, and Russia. At the same time, the perception that the United States is leading efforts to single out Asian nations for second-class treatment would be counterproductive. Any of the policies considered above must be coupled with efforts to involve the affected nations in international cooperation aimed at limiting the proliferation of sensitive technologies.

Afterward: The Role of US Theater Commanders

By targeting initiatives to address the underlying causes of sensitive exports explicitly, US and Western policy may be able to reduce or otherwise counterbalance the incentives of Asian states to proliferate or to look the other way when selling to suspect countries. At the same time, as the earlier examination suggests, these pressures may be difficult to overcome. This is likely to be the case particularly with countries like North Korea and Pakistan who may find themselves increasingly isolated and without the economic resources to support their own defense requirements.

Thus, there may be little alternative to preparing for a "proliferated world." In this connection, the implications for US theater commanders are clear: planning to deal with the potential threat posed by nuclear- or missile-capable states is an immediate necessity. It may be, as Congressman Les Aspin argues, that forces designed to counter the Soviet Union will have less utility in a Third World setting. Evaluating force requirements in light of the unique circumstances present within each global subregion must be a priority of theater commanders.

With regard to the Commander-in-Chief of the US Pacific Command (USCINCPAC), however, the presence of several potential sensitive technology exporters in his area of operation suggests additional responsibilities related to US nonproliferation objectives. The USCINCPAC is often the first line of contact with many regional officials, particularly among military officers, and can play an important role in communicating US nonproliferation policies and lobbying for adoption of national export controls. Beyond this, the Pacific Command also has a critical role to play in gathering and disseminating intelligence concerning regional nuclear and missile development programs and possible export behavior. Playing this role most effectively will require special efforts to reorient collection programs to areas of greatest interest.

Notes

1. Such hopes have been spurred by a series of international and domestic initiatives to limit proliferation. President Bush announced the "Enhanced Proliferation Control Initiative" (EPCI); the Group of Seven pledged to establish a UN arms sales registry, to develop guidelines to limit arms sales and strengthen NBC and missile control regimes; the world's five largest arms exporters met in October to establish arms sales guidelines; the French and the Japanese have made new arms control proposals; the Germans have enacted substantial new export control measures and along with the Japanese have decided to link aid to defense spending limits; and the IMF is also considering attaching defense spending caps to its loan stipulations. Also, South Africa, France and China have announced that they will join the NPT; Brazil and Argentina have agreed to halt their nuclear weapon development programs; and the cease-fire agreement imposed on Iraq has given the UN and the IAEA new prominence and authority in proliferation control. Sweeping nuclear arms reduction announcements by Presidents Bush and Yeltsin have reinforced the impression of growing disarmament momentum, at least with respect to NBC and missile capability. On the conventional side, however, early optimism concerning the prospect for arms sales restraint is being tempered by more sober appraisals.
2. For a sample of some of the competing perspectives surrounding this debate, see Thomas W. Graham, "Winning the Nonproliferation Battle," *Arms Control Today*, September 1991, pp. 8-13; Lewis A. Dunn, "Four Decades of Nuclear Nonproliferation: Some Lessons from Wins, Losses, and Draws," *The Washington Quarterly*, Summer 1990, pp. 518; and Congressman Les Aspin, "National Security in the 1990s: Defining a New Basis for US Military Forces," before the Atlantic Council of the United States, 6 January 1992.
3. Taiwan shares many similarities with the states examined here. There are also important differences, and as a practical matter the Taiwanese have not undertaken a strong export push.
4. A broader examination could also include Argentina, Brazil, and Israel.
5. Office of Technology Assessment (OTA), *Global Arms Trade: Commerce in Advanced Military Technologies and Weapons*, June 1991, p. 134.
6. United States Arms Control and Disarmament Agency (ACDA), *World Military Expenditures and Arms Transfers, 1990* (Washington, DC: US Government Printing Office, 1990) p. 42. The figure is based on the 1985-88 average. Though more recent data is not available, budgets have increased in the past two years.

7. See William R. Heaton, Jr., "The People's Republic of China," in D. Murray and P.R. Viotti, eds., *The Defense Policies of Nations: A Comparative Study* (Baltimore, MD: The Johns Hopkins University Press, Second Edition, 1989) pp. 357-75; Tai Ming Cheung, "Counter Marching," *Far Eastern Economic Review*, 8 August 1991, pp. 30-32; Forecast International/DMS Market Intelligence Report, *China (PRC) (Market Overview)*, July 1991, pp. 1-2.
8. Tai Ming Cheung, "Political Payoff," *Far Eastern Economic Review*, 5 April 1990, pp. 28-29.
9. *Ibid.*, p. 28.
10. Average real GNP growth 1986-90 was 7.8 percent.
11. The Economist Intelligence Unit (EIU), *China, North Korea Country Report*, No. 2, 1991, p. 18.
12. The provinces have contracted fixed payments to the central government and are resisting calls for revenue "sharing." Under the reform initiatives, export enterprises were allowed to keep 100 percent of their hard currency earnings. This was reduced to 80 percent in 1989. For a current summary of the economic situation see: EIU, *China, North Korea 1991-92 Country Profile*, No. 15; and Elizabeth Cheng, "Credit Needs Fuel Inflation," *Far Eastern Economic Review*, 8 August 1991, pp. 28-30.
13. Forecast International/DMS, pp. 1-4; and Barbara Opall and Sharone Parnes, "Sources Say Israel Seeks Arms Office in China," *Defense News*, 9 December 1991, pp. 4 and 52. Also, the recent purchase of the Soviet Su-27s was due to China's inability to build modern fighters and its interest in acquiring advanced technology. See Tai Ming Cheung, "Comrades in Arms," *Far Eastern Economic Review*, 19 July 1990, p. 30; and Tai Ming Cheung, "More Punch for PLA," *Far Eastern Economic Review*, 11 April 1991, p. 18.
14. Quoted in William Triplett II, "China's Weapons Mafia," *The Washington Post*, 27 October 1991.
15. For a detailed discussion of China's export system, see John W. Lewis, Hua Di and Xue Litai, "Beijing's Defense establishment: Solving the Arms-Export Enigma," *International Security*, Spring 1991, pp. 87-109; and Triplett, "China's Weapons Mafia."
16. Lewis et al., pp. 101-02.
17. Richard F. Grimmett, *Conventional Arms Transfers to the Third World, 1983-1990*, Congressional Research Service Report # 91-578 F, 2 August 1991, pp. 9 and 46.
18. See David Saw, "Thailand—Paying a Price for Security," *Military Technology*, December 1990, pp. 24-30; and Rodney Tasker, "Order Arms: New Drill After China's Hardware Disappoints," *Far Eastern Eco-*

conomic Review, 4 October 1990, p. 20. Inspections of Chinese frigates being sold to Thailand found "appalling" workmanship, and the APCs and tanks have suffered from reliability problems and a lack of spare parts.

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20. Lewis et al., p. 103.

21. See William Triplett II, "Nuke Crux: Clans," *The Washington Post*, 27 October 1991.

22. Triplett, "China's Weapons Mafia."

23. It is estimated that North Korea spends between 20-25 percent of its GNP on defense.

24. See EIU, *China, North Korea 1991-92 Country Profile*.

25. Louise do Rosario, "Passing the Hat," *Far Eastern Economic Review*, 10 October 1991, p. 75.

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30. Thomas A. Brooks, *Statement of Rear Admiral Thomas A. Brooks, USN, Director of Naval Intelligence, Before the Seapower, Strategic, and Critical Materials Subcommittee of the House Armed Services Committee on Intelligence Issues*, 7 March 1991, p. 47.

31. Joseph S. Bermudez, Jr., "North Korea's Nuclear Programme," *Jane's Intelligence Review*, September 1991, p. 410.

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34. International Monetary Fund (IMF), *International Financial Statistics, 1991*, p. 284; and Stockholm International Peace Research Institute

- (SIPRI), *SIPRI Yearbook 1991: World Armaments and Disarmament* (Oxford: Oxford University Press, 1991) Appendix 5A, p. 170.
35. Hamish McDonald, "Singh's Bed of Nails," *Far Eastern Economic Review*, 11 July 1991, pp. 34-5.
36. See IMF, p. 282; and EIU, *India, Nepal Country Report No.3, 1991*. It must be noted that two-thirds of this debt is concessionary.
37. See James Clad, "Power Amid Poverty," and related articles in, *Far Eastern Economic Review*, 7 June 1990, pp. 47-51; and OTA, *Global Arms Trade: Commerce in Advanced Military Technologies and Weapons*, pp. 153-59. The Indian defense industry is a white elephant. Its efforts to design and develop an advanced fighter and tank have been plagued by delays, cost overruns, and continued dependence on crucial foreign components, particularly engines. It is argued that its dependence on foreign technology has probably increased.
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39. Clad, "Power Amid Poverty," p. 47.
40. SIPRI, p. 199.
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42. Grimmett, p. 69.
43. See Silverberg, pp. 1 and 36; and OTA, p. 154.
44. See Silverberg, pp. 1 and 36; and OTA, p. 154. The Soviet Union did agree in 1990 to allow India to sell MiG-21 spares and engines.
45. See Fred Hiatt, "Russia Boosts Weapon Sales to Aid Economy," *The Washington Post*, 23 February 1992, pp. A1 and A27.
46. *Pacific Defence Reporter*, April 1989, p. 28.
47. Rodney W. Jones, "India: Groping for a Supplier Policy," in William C. Potter, ed., *International Nuclear Trade and Nonproliferation: The Challenge of the Emerging Suppliers* (Lexington, MA: Lexington Books, 1990) pp. 165-66.
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50. "Emerging Nuclear Suppliers Project," *Eye on Supply*, No. 5, Summer 1991, pp. 12-16.
51. Jones, p. 162.
52. The International Institute for Strategic Studies (IISS), *The Military Balance, 1990-91* (London: Brassey's, 1990) pp. 160-63 and 172-74.
53. IMF, p. 412; and SIPRI, p. 170.

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57. Barbara Crossette, "Burmese Warning on Arms Buildup," *The New York Times*, 19 November 1991, p. A10.
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61. See Mark Clifford, "On the Tightrope," *Far Eastern Economic Review*, 28 November 1991, p. 50.
62. Hoon, p. 27.
63. Ibid., p. 27.
64. According to the OTA, South Korean defense firms have operated at less than 60 percent capacity since 1984. OTA, p. 134. See also, Nolan, pp. 218-20.
65. J.E. Nolan, "South Korea: An Ambitious Client of the United States," in Michael Brzoska and Thomas Ohlson, eds., *Arms Production in the Third World* (London: Taylor & Francis, 1986) p. 227.
66. OTA, pp. 136-37.
67. OTA, pp. 135-37. The switch from the F/A-18 to the F-16 in 1991 has been attributed to a large extent to technology transfer considerations.
68. Nolan, p. 215.
69. OTA, p. 134.
70. Peter Hayes, "South Korea," in William C. Potter, ed., *International Nuclear Trade and Nonproliferation: The Challenge of the Emerging Suppliers* (Lexington, MA: Lexington Books, 1990) p. 313.
61. OTA, p. 134.
72. Hayes, p. 313. See also Nolan, p. 227.
73. Crossette, p. A10.
74. Hayes, p. 314.
75. See Lewis A. Dunn, "Four Decades of Nuclear Nonproliferation: Some Wins, Losses, and Draws," *The Washington Quarterly*, Summer 1990, pp. 5-18.

12. Economic Interdependence and Its Impact on National Security

Dong-Joon Hwang

THE END OF THE COLD WAR INTERNATIONAL order, as witnessed in the political reforms in Eastern Europe, the unification of Germany, and the collapse of the Soviet Union, demonstrates that the world is entering a new era teeming with a host of uncertainties and changes. Never has the global village been in such a flux.

The Changing Security Environment

During the Cold War, the international security regime was largely defined by military and ideological confrontation between the two superpowers. Due to their fierce competition, the danger of war was never been far below the surface, and political and military considerations were a top priority in the minds of policy-makers. It was against this background that major military powers for over four decades expanded their military forces, developed high-tech weapons, and participated in competitive arms transfers to their allies.

With the breakdown of the Communist bloc and the end of the superpower rivalry, economic, social, and environmental (rather than military and political) issues will become more prominent on international security agendas. In particular, economic might has emerged as the gravest issue of all, thus making interactions among nations more complex and more sensitive.

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Although the Gulf War amply demonstrated that the United States is the only military superpower, it has also highlighted the difficulties inherent in US unilateral intervention in regional conflicts. On the other hand, the war demonstrated the potential role that the UN might play in resolving future regional conflicts. The new emerging pattern of global security relations can be aptly summarized as follows: the rise of a multipolar power structure in place of the Cold War bipolar one; a significant decline in ideological and military confrontation; a new international security regime led by the major capitalist powers; and an increased role for the greater international community.¹

These changes in the international security environment will inevitably affect defense cooperation and technology transfer policies between the United States and its allies. The cutbacks in US defense expenditure and the relative decline in US industrial competitiveness are of special concern. In order to improve US defense industry capabilities and preserve capital investment for the development of new weapons, it is essential to enhance international cooperation among defense industries. From the US point of view, a negative implication of such a policy shift is that it will boost the defense industrial capability of US allies and could, through the transfer of dual-use technology, even strengthen the competitiveness of their civilian economies.

Global Trends in Arms Trade and Military Technology Transfer

A decrease in world arms demand is also expected, as is a deepening of export competition among major suppliers. The total world arms trade in 1990 was estimated to be \$21.7 billion (in 1985 US dollars). This was a 35 percent decrease from the 1989 total of \$33.5 billion and a significant decrease of 60 percent compared to \$39.7 billion in 1987, the peak year in arms trade.² The 1990 decrease could be a reflection of hard currency problems among the major Third World arms importers and the worldwide arms export sanctions against Iraq, Iran, and Kuwait.

Between 1986 and 1990, over 130 countries purchased weapons. The Soviet Union, in spite of its small number of clients, was the largest arms exporter—earning 36.8 percent of the world's total arms sales. About 80 percent of Soviet arms exports went to its nine major clients: India, Iraq, Afghanistan, North Korea, Syria, Angola, Poland, Czechoslovakia, and the GDR. The United States, France, and the United Kingdom each had a greater number of clients than did the Soviet Union, with 77, 73, and 49 clients respectively. The largest importer of US arms was and still is Japan, followed by Spain, Egypt, Saudi Arabia, South Korea, the FRG, and Israel.

Given the collapse of the Soviet Union, the United States, France, the United Kingdom, Russia, and Germany are likely to lead future arms exports; their competition for a shrinking arms market is sure to increase in the years ahead. Inasmuch as the United States is reluctant to accommodate importers' demands for military technology transfer and an expansion of co-production, it is likely to face a serious challenge from other major arms exporters such as France and the United Kingdom.

It is expected that co-development and co-production of weapons systems and the transfer of military technology will increase worldwide in the years ahead. Due to technical, economic, and security considerations, industrial- and national-level joint co-operation for the development and production of weapons systems is on the rise; so too are efforts to upgrade existing weapons systems rather than develop new ones.

This trend toward joint weapons development will strengthen technical interdependence and, in the end, will enhance effective manageability and interoperability of limited defense resources. Given the economic and technical burdens as well as the potential risk of failure involved in indigenous development of major weapons systems, it seems only desirable to form a multinational team among various defense industries. In short, the overall trend indicates greater demand for more diverse and more flexible forms of joint weapons production and technology transfer—i.e., licensed production, sub-contractor production, counter-trade, and offset.

As the worldwide demand for new weapons systems declines, the international trend toward joint weapons development will become more significant. In addition, as more and more nations become aware that peacetime maintenance of defense industries does not allow an adequate level of weapons procurement, they will be increasingly vocal in asking for greater international cooperation. While it has so far been rare for the United States to seek any international cooperation for the development of a new weapons system, some European states have already moved in this direction. While the US Advanced Tactical Fighter YF-22A Project, for example, is being developed entirely by American companies, the development of Swedish JAS-39 Gripen fighters is heavily dependent upon technology and components from the United States and the United Kingdom. The European Fighter Aircraft (EFA) is being developed by a multinational consortium among the United Kingdom, Germany, Italy, and Spain. In order to build an indigenous defense industrial base and acquire foreign military technology, major arms importers such as South Korea and Taiwan prefer the co-production of major weapons systems and components.

TABLE 1.—Leading Exporters of Conventional Weapons, 1986–90
Million dollars, constant 1985

Exporters	1986	1987	1988	1989	1990	1986–1990
USSR	14,731	14,916	12,559	12,220	6,378	60,799
USA	10,304	12,596	10,503	11,669	8,738	53,811
France	4,096	3,011	2,300	2,577	1,799	13,783
UK	1,500	1,817	1,401	1,816	1,220	7,752
China	1,463	2,553	1,868	875	926	7,684
Germany, FR	1,120	676	1,270	716	963	4,745
Czechoslovakia	497	570	548	437	355	2,408
Netherlands	240	265	532	725	152	1,915
Sweden	324	489	575	311	115	1,813
Italy	457	389	471	169	96	1,582
Brazil	150	507	356	152	24	1,189
Israel	269	340	127	318	39	1,094
Spain	172	189	199	506	74	1,090
Canada	317	265	106	54	60	802
Egypt	159	194	216	65	33	668
Others	656	1,047	735	900	760	4,097
Total	36,453	39,777	33,767	33,509	21,726	165,232

Source: SIPRI Yearbook 1991, p. 198.

TABLE 2.—Leading Importers of Major Conventional Weapons, 1986-90
Million dollars, constant 1985

Importers	1986	1987	1988	1989	1990	1986-1990
India	3,729	4,582	3,382	3,754	1,541	16,989
Japan	1,780	1,766	2,176	3,163	2,083	10,971
Saudi Arabia	2,413	2,400	2,046	1,427	2,553	10,838
Iraq	2,484	4,440	2,155	1,177	59	10,314
Afghanistan	692	768	1,009	2,183	1,091	5,742
Spain	1,039	1,513	1,580	794	639	5,565
Korea, North.	1,019	631	1,458	1,276	526	4,900
Poland	1,057	1,007	1,147	1,179	330	4,719
Egypt	1,645	2,379	348	139	206	4,717
Czechoslovakia	1,077	964	1,054	1,055	422	4,571
Turkey	465	1,028	1,219	1,037	623	4,372
Syria	1,511	1,172	1,172	336	0	4,191
Angola	980	1,140	889	74	502	3,592
Korea, South.	287	604	987	997	249	3,125
Greece	156	93	783	1,367	613	3,012
Others	16,119	15,287	12,361	13,552	10,293	67,612
Total	36,453	39,777	33,767	33,509	21,726	165,232

Source: SIPRI Yearbook 1991, p. 199.

Table 3 is the list of US major weapons systems transferred to Japan via co-production.

TABLE 3.—US-Japan Co-production Transfers

F-15J Eagle Fighter Aircraft
FSX Fighter Aircraft
CH-470 Chinook Helicopter
KV-107/2A Helicopter
UH-1H Huey Helicopter
AH-1S Cobra Helicopter
UH-60J Helicopter
EP-3C Orion Electronic Intelligence Aircraft
M-110A2 203mm Self-propelled Howitzer
Patriot Missile Battery
MIM-104 Patriot Mobile SA Missile
MIM-23 Hawk Mobile SA Missile
AIM-7F Sparrow AA Missile
AIM-9L Sidewinder AA Missile
BGM-71C I-TOW Antitank Missile

Source: Office of Technology Assessment, *Global Arms Trade*, 1991, p. 23.

Given decreased demand for arms imports, an inadequate level of weapons procurement due to defense budget cuts, and increasing costs for development and production of new weapons systems, the transfer of military technology by advanced countries is likely to become easier. Most military technology, however, is dual-use so that major arms exporters will have tighter control on military technology in general and especially on that which is readily convertible to high-tech industry.

US Dilemmas in Defense Industry Cooperation and Technology Transfer

Traditionally, the United States has employed arms sales and technology transfer as an important instrument of its foreign

policy to prevent the expansion of Communism, strengthen its allies' defense capability, and enhance its position in areas of strategic importance. A recent dramatic decline in domestic procurement, however, has forced US defense industries to search for overseas markets. In addition, as more of the developed and developing countries join the ranks of arms suppliers, arms sales, and technology transfer as an important instrument of US foreign policy will become less effective.

The overall dilemma is described in an OTA report as follows:

This situation poses a major national policy dilemma—how to balance the use of arms exports as instruments of foreign policy, pressure by companies for great access to foreign markets, the need to stem a dangerous worldwide arms buildup, and the increasing proliferation of both defense equipment and the defense industry.¹

International cooperation in the production of arms may bring more profit to individual US companies. It might not, however, be translated into an overall gain for the US defense industry, since such cooperation would in the end help the recipient nations to establish their indigenous defense industrial base. In order to share the costs of weapons development and export state-of-the-arts weapons at the optimal economic size, most of the major arms exporters—with the possible exception of the United States and Japan—have adopted various specific policies to promote the joint development of weapons systems with other nations.

Defense Industry Cooperation and Military Technology: The Korean Case

Since its inception in 1970 the Korean defense industry has grown to eighty-three companies, producing 261 major components and parts of virtually every conventional weapons category. These eighty-three companies include eleven for the production of weapons, nine for ammunition, ten for mobile vehicles, twelve for communication equipment, six for the navy, three for the air force,

and thirty-two for other categories. From 1971 through 1990, the Korean government invested approximately 900 billion Korean won (about \$1.2 billion) for defense research and development (R&D).

Due largely to the Korean government's continuous investment in defense R&D and US technology transfer and co-production, the Korean defense industry has been able to supply most of its own major weapons systems within a short time. Within the total procurement between 1974 and 1990 of 13.40 trillion won (about \$17.5 billion), domestic procurement constituted 57.7 percent, amounting to 7.40 trillion won (about \$10.1 billion).⁴

While the Korean defense industry is supported and controlled by the 1973 Special Law for the Promotion of Defense Production and Procurement—which covers banking, tax breaks, contract and cost accounting—it is entirely owned and operated by private companies. During the early years, defense accounts comprised the lion's share of these companies' activities.

TABLE 4.—Korea's Yearly Procurements, 1974-90
Billion won, current price

Year	Domestic procurement (A)	Overseas procurement (B)	Total procurement (C)	Ratio of domestic procurement (A/C%)	Total procurement as percent of defense budget
1974-83	1,887.4	1,860.3	3,747.7	50.4	21.9
1984	445.0	351.8	796.8	58.8	22.7
1985	633.8	479.6	1,113.4	56.7	29.1
1986	858.0	492.6	1,350.6	63.5	31.3
1987	910.4	471.2	1,381.6	66.9	28.3
1988	839.5	737.5	1,577.0	53.2	27.4
1989	950.1	649.5	1,599.6	59.4	25.2
1990	1,216.4	630.4	1,846.6	65.9	26.4
Total . . .	7,740.4	5,672.9	13,413.3	57.7	25.4

Because of a decreasing demand in the Korean army and the limitations in the management of the defense industry, however, most of the companies are now exerting more effort to expand their civilian business. As a consequence, the average dependency rate on defense industry in 1991 for Korean defense industry companies turned out to be a mere 10.85 percent.

In terms of total output the top ten defense industry companies are: Poongsan, Asia Motors, Hyundai Precision Industry, Korea Explosive, Samsung Aerospace Industries, Korea Tacoma Marine Industries, Korean Air, Daewoo Heavy Industries, Daewoo Shipbuilding & Heavy Machinery, and Samsung Shipbuilding & Heavy Industries. These ten companies produce 64 percent of total defense output.

Throughout its fledgling stage, South Korea's defense industry depended heavily upon various forms of US technology transfer such as defense services and technical data, licensed production, and co-production. Technologies were made available according to the ROK-US Security Assistance Agreement concluded in the wake of the declaration of the Nixon Doctrine and the pullout of the US Seventh Division from Korea. As shown in table 5, between 1971 and 1984 a total of 853 cases of US Technical Data Package (TDP) were transferred to South Korea. Among the 853 total cases, weapons, ammunition, communication equipment, and materials comprised 91.8 percent (783 cases), indicating that the US TDP was used mostly for the production of basic conventional weapons.

TABLE 5.—Transfer of US Technical Data Package to South Korea, 1971-1984

A. Transfer by Number of Cases

Year	'71	'72	'73	'74	'75	'76	'77	'78	'79	'80	'81	'82	'83	'84	Total
Case	1	18	12	122	89	24	61	89	138	149	85	56	22	13	853

B. Transfer by Type

Year	Weapons	Ammunition	Communication equipment	Mobile Vehicle	Logistics	Air Force	Navy
Case	108	329	100	57	251	3	10

At the present time, M-16 rifles, M-60 machine guns, F-16 fighters, UH-60 Black Hawk Helicopters, and AN-PRC radio sets are being produced by licensed production agreement, and 20mm Vulcan air defense guns, 155mm self-propelled howitzers, High 500-MD helicopters, and Northrop F-5E/F fighters are being produced under a co-production agreement.

South Korea has achieved a significant arms production base within a relatively short period. In order to bridge the gap between North and South Korea's military capabilities as fast as possible, it has pursued quantitative growth, thus leaving many qualitative problems unresolved. As a result, some vital components and parts of domestically-produced weapons systems are still purchased from the United States, with 46 percent of the domestic procurement contracts being foreign components and parts. The total procurement for 1984-1990 was 9.67 trillion won (about \$12.6 billion), as shown in table 4; domestic procurement was 5.85 trillion won (60.6 percent). Should the localization rate be taken into account, however, the figure would be only 3.16 trillion won (32.7 percent).⁵

While there are arguably many reasons for a less-than-sound defense industry base, the most significant is the lack of active government investment and policy guidance since the 1980s. Meanwhile, the industries have been excessively dependent upon, and largely reactive to, government policy and control. Their stake lay neither in an investment for technical development nor in the domestic development of components and parts, but in assembling and co-producing foreign weapons systems. Furthermore, as all defense R&D projects have been conducted by the government-run Agency for Defense Development (ADD), industry-led R&D projects and bases are virtually nonexistent. The low level of performance both in ADD's research activities and in Korean weapons development programs for the last ten years has also contributed to a slowdown in the Korean defense industry.

The industry is now caught between the Scylla of a changing international security environment and the Charybdis of a defense budget cut. In order to boost the lagging defense industry, the Korean government is seeking a variety of policy measures in order

that the defense industry might become an engine of high-tech development in Korean industry. To enhance the R&D capability of the domestic defense industry and strengthen the indigenous military technical base the government plans to invest about 5 percent of the defense budget annually in defense research and development.

The Korean Fighter Program and Technology Transfer

At present, the Korean Fighter Program (KFP) is being conducted (1) to fortify the overall air power of the Korean Air Force; (2) to promote an industrial foundation for the domestic aerospace industry; (3) to secure an indigenous follow-up logistical support capability; and (4) to contribute to the development of other related industries through the spinoff of KFP technologies.

The KFP purports to secure 120 General Dynamics F-16 Fighting Falcons between 1993 and 1999. More specifically, it intends to acquire 12 aircraft by direct purchase during the first phase and assemble 36 aircraft during the second. In the final phase Korean industries would have licensed production of 72 aircraft through co-production of domestic parts.

In terms of size the KFP is by far the largest military project the Korean government has ever pursued to fortify its overall force development. Accordingly, it has very intricate terms: the first-stage direct purchase under the Foreign Military Sales program (FMS); the second-stage assembly KIT purchase under FMS, with assembly by commercial contracts; and the final-stage co-production by commercial contracts.

The Korean government was willing to pay an additional cost of more than one billion dollars over the direct purchase price in order to co-produce the F-16, since co-production lays out a sound basis for the Korean aerospace industry. The government has designated a list of strategic items for co-production and has tried to acquire advanced technology in the fields of airframe, engines, electronics, and supplementary equipment during the

ROK-US negotiations over a Memorandum Of Understanding on co-production. Due to the US government's objection, however, it might not be able to acquire these core technologies.

A successful implementation of the KFP would move up the Korean aerospace industry's technology level to 43 percent of that of the advanced countries by 1999, the end year of final-phase co-production. By sector, system integration technology would reach 52.7 percent; engine technology 52.9 percent; aerial electronics technology 48.7 percent; and supplementary equipment technology 44.6 percent (table 6).

TABLE 6.—ROK Aerospace Industry Technology Level after KFP Completion, 1999

Percent

Field	Current Level	Assembly (Second Phase)	Co-production (Third Phase)	Proposed Level for 21st Century
System				
Integration	17.2	21.2	36.7	69.7
Airframe	34.7	38.2	52.7	79.7
Engine	36.2	37.4	52.9	64.5
Aerial				
Electronics	25.9	27.4	48.7	69.4
Supplementary				
Equipment	19.2	24.1	44.6	69.8
Overall Level	24.7	27.8	45.3	71.0

Note: Current technological level of advanced countries is equal to 100 percent.

There are some doubts floating around about the possibility of establishing a sound aerospace industry via the KFP. They are rooted in the following two questions: Are the US government and General Dynamics willing to provide the core technology to Korea? And will Korean industrial companies, including Samsung Aerospace, be able to digest advanced US technology?

While the Korean government paid an additional 16–20 percent of direct purchase cost for a licensed production of

F-5E/F, and 500MD helicopters, it turned out to be a mere assembly production, and the level of technology transferred did not measure up to the high expectations. Barring the transfer of core technology for the establishment of a sound aerospace industry, however, it is widely acknowledged that program management technology and technical accumulation in the production process have laid the groundwork for licensed production of the KFP.

Many people in the US government, Congress, and the American defense industry have voiced concerns over why South Korea wants licensed production, rather than direct purchase, of the F-16; whether South Korea intends to domestically produce a Korean fighter; and how Korea plans to maintain the huge capital investment necessary for an aerospace industry. Like an automobile industry, an aerospace industry is a *culmination of numerous industrial technologies*, including those in machine, electronics, and material industries. In order to promote technological advancement by one's industrial sector, therefore, it seems only natural to promote a national aerospace industry. With the goal of acquiring the production capability of an indigenous near-sonic light fighter and an advanced trainer aircraft by the early 2000s, Korea should be able to focus on the development of aircraft components and parts. As the worldwide demand for both civilian and military aircraft diminishes, it would be inevitable to form a mutual development and production system among different nations and industries. Once Korea establishes a production basis for aircraft components and parts via KFP and follow-up projects, Korea and the United States will be sure to be reliable partners for their common interests.

Policy Options for Defense Industry Cooperation

As the focus of international relations has shifted from a political and military emphasis toward a pragmatism centering on economic and technical aspects, increasing competitions, frictions, and pressures arise among nations over that core element of eco-

conomic power: high technology. In order to reach technically superior positions, some technically developed nations such as the United States, Japan, and EC countries are now expanding their capital investment for the development of certain new technologies on a mutually competitive basis.

On the other hand, as the trend toward more defense budget cuts has become widespread, the resulting peace dividends will make available more funds for technological development. In addition, a decline in military expenditure will bring about a relative increase in military R&D, thus facilitating a transition from military security to economic and technological security. Through the development of dual-use technology, major military powers are simultaneously pursuing the twin goals of securing a qualitatively superior military power while enhancing industrial competition.

International competition over defense and military technology has increased due to the former communist countries' participation in the world arms market. The new GATT regime, oriented toward the development of communications, transportation and information technology and the expansion of free trade, has further deepened economic and technological interdependence among nations. In terms of technological development, as horizontal linkage and complex systemization have become more important, and as the life span of new technology and weapons system has been shortened considerably, the costs (and the risks) of technological development have also increased such that multinational cooperation has become an essential instrument of technological competition. In these circumstances, in order for a nation to maintain its security, it must develop its defense industry. In order to survive in an increasingly competitive world, it should be able to cooperate with other nations.

In response to the rapid changes in world economic conditions there has been a worldwide trend toward regionalization, block-formation, and globalization of resources, manpower, technology, capital, and markets. That is, there will be a worldwide trend toward regionalization in order to secure economic interests and international competition within regional boundaries. A variety of existing regional organizations such as EC, EFTA, MAFTA,

ASEAN, LAIA, and APEC are expected to have an increasing voice in the world economy.

Under a new GATT regime the transnational movement of capital, commodities, information and technology will greatly facilitate the globalization of economic activities and technological development. The US overseas production rate has already passed 25 percent, and Japan's will reach 20 percent by 2010. In the case of world-class companies their R&D rate has already reached 40 percent. As the strategic alliance of technology among companies becomes widespread, the economic activities would increasingly transcend national boundaries and nationalities.

The pace of international cooperation in defense industry and military technology is unlikely to follow that of the civilian economy, but it will in the end attain a similar level. Despite each nation's preference to promote its own defense industry for national security reasons, it is in reality not only very costly but almost impossible to achieve. For this reason nations cannot help but seek a limited self-sufficiency and international cooperation. In a new world order, with its emphasis on economic and technological security, the United States and South Korea may find it in their mutual interest to pursue common interests and develop further security cooperation. The following policy options should be factored into their policymaking to achieve this end.

First, the United States should not overuse arms transfer as an instrument of foreign policy or as a security-assistance measure, but should, instead, establish an appropriate arms transfer policy specific to each recipient nation's security environment and economic level. The United States has traditionally regarded arms transfer not as part of international trade but as a security-assistance measure. Through a variety of grant programs it has provided a considerable amount of equipment and educational training to its underdeveloped allies. However, if the United States continues to tightly control defense industrial cooperation in a world where there are now more countries capable of producing top-quality weapons, major arms importers such as Korea may find it necessary or prudent to find other sources of arms. US foreign policy as well as American arms-transfer policy is supposedly set up on a case-by-

case basis. Inasmuch as its current arms-transfer policy continues, US overseas arms sales are expected to gradually decrease over time. Hence, there needs to be a conceptual change in US arms-transfer policy from security assistance to security cooperation.

Second, the United States should be willing to reconsider the FMS method and adapt it to a new international arms-transfer regime. Under current FMS practices once a purchaser submits a purchasing request to the US government, the State Department usually makes a decision in view of US diplomatic goals, and then the Defense Department implements it. In most cases the government purchases the requested equipment from companies and sells it to the purchaser, adding a 3 percent administrative cost. From the viewpoint of a purchaser, while there are some advantages in the FMS method (e.g., followup logistical support and a US government guarantee on performance and price), it is generally acknowledged that there also exists some rigidity in FMS methods as opposed to price negotiations and cooperation in production and technology transfer. Recently, the direct commercial sales between US companies and foreign governments and between US and foreign companies have noticeably increased with the total direct sale in 1988 being \$6 billion, six times higher than that in 1983.⁶

A recent example might further illustrate this problem. In its recent decision to purchase portable surface-to-air defense missiles (SAM), the South Korean government called up three different companies with their respective types: the General Dynamics Stinger RMP, French Matra Mistral, and British Shorts Javelin. According to the FMS, the US government was the seller of Stinger, and the manufacturers of Matra and Shorts, respectively, were the official sellers. In response to the South Korean government's request on estimated price, performance, offset, and technological specifications, both Matra and Shorts provided the sales information promptly through sales representatives stationed in Seoul. In the case of the Stinger, after a request on price data was made through JUSMAG-K in Seoul, it would have taken 3 months to get the price information from DSAA in Washington, DC. There is, of course, a General Dynamics branch office in Seoul, but it cannot play any role or make decisions whatsoever

regarding Stinger sales. After a careful overview, the French Mistral was finally chosen. Compared to French and British government companies, US arms sales often lose their competitive edge due to its rigidity in FMS and the passive role of arms manufacturers. To sum up, it seems necessary to change FMS procedures to make them more conducive to changing international market conditions. It seems also desirable to provide a purchasing nation with the option of either direct sales or FMS.

Third, the US government should revise its current arms-transfer practice so that US defense industries have more leeway to carry out international defense cooperation actively, and it should recognize offset as an acceptable norm of international arms sales. In the event overall responsibility for arms transfers is relegated to individual defense industries, the two most worrisome nightmares for the US government would be 1) that the overseas transfer of high-tech military technology would decrease the US competitive edge and 2) that the proliferation of arms-production capabilities could result in security imbalances. Should the current US government's control continue, however, American defense companies' access to foreign markets will become more difficult in the years ahead. This is in stark contrast to the practice of some European nations and Israel, where governments and defense companies actively form a consortium to sell up to 90 percent of their military goods to foreign markets.

It is worth noting that the United States still does not recognize offset, which is a widely accepted international norm. This is a reflection of the US attitude that arms sales represent security assistance rather than international trade policy. Most developing nations with a weaker technological basis (such as South Korea) are eager to obtain production layout and technology through arms sales. In this competitive world, it is increasingly evident that ROK-US joint arms production (through arms transfer and offset) would serve both nations' interests. Thus, it seems desirable for the US government to relegate more authority to individual defense companies so that they could actively promote international defense cooperation. In order to prevent the worldwide proliferation of arms and overcome current rigidity, it should identify particular states in advance for closer control.

Fourth, in order to make substantial cooperation with US defense companies possible, the South Korean government should implement defense industrial policies that would help establish a sound R&D and production technology capability. At the 20th Security Consultative Meeting (SCM) in 1988, US and Korean defense ministers concluded an MOU on Defense Technological and Industrial Cooperation. This laid an institutional framework within which both countries could co-develop and co-produce weapons systems, and promote logistical support cooperation. At the civilian level as well, the Korea Defense Industry Association (KDIA) and American Defense Preparedness Association (ADPA) have held a defense industrial conference annually and have explored a variety of possibilities for joint cooperation, with no concrete plans being made so far for several reasons: the low level of technological accumulation; a gap between the two countries' technology levels; and different perceptions on weapons systems demand, development, and after-production problems. Nonetheless, South Korea should spare no effort in speeding up its defense R&D for better and more compatible industrial cooperation with the United States and other advanced countries. The US side should not be reluctant in assisting South Korea to become an equal partner in its technology transfer policy.

Finally, the South Korean government should implement arms-production policies in a way that protects US military technology and guarantees the common interests of both American and Korean defense companies. The United States has been particularly vocal against South Korea's exports of arms produced by the transfer of US technology. This practice makes the transfer of new US technology increasingly difficult. As an institutional means to solve these problems, the United States and South Korea have already concluded an agreement on intellectual property rights and, during President Bush's January 1992 visit to Seoul, on PSA. With such institutional means, the South Korean government should be able to protect US technology and interests and work together on the joint development of foreign markets and weapons systems.

Conclusions

Because of the emergence of a new international order and the global trend toward detente, the focus of international relations has shifted from military and political security to economic and technological security. In addition, as the worldwide trend toward defense budget cuts has reduced arms demand, the future of individual defense companies grows uncertain. The United States, the United Kingdom, France and other advanced countries have long been engaged in overseas production of major weapons systems' components and parts, and this trend is likely to increase. Active participation in the arms market by former communist countries and increasing competition among advanced countries have become serious challenges to the unrivaled US position in the world arms market, while several European nations—particularly the United Kingdom, France, Germany, and Italy—have fanned arms proliferation in order to maintain their export-oriented defense industries.

Now is the time for the United States to change its longstanding practice of viewing arms transfer as an instrument of foreign policy. To achieve active international cooperation among defense companies and pursue mid- and long-term US goals, it should be more willing to accept technology transfer and the practice of offset, to a level similar to that of major European nations. At the same time, in order to prevent the disorderly proliferation of arms production capability, the United States should chart out a pre-arranged priority list for its major weapons systems and should establish a long-term plan with its allies for joint cooperation in the development and production of major weapons systems.

At present, nearly all nations are investing more funds in military R&D, especially in the area of dual-use technology. Given the present pace of scientific and technological development, moreover, present high technology may soon become obsolete. While the United States has a legitimate right to secure its superior technological position and prevent the proliferation of arms-production capability, it also should not forget that more active technology transfer and defense industrial cooperation would in the end significantly contribute to its national interests and regional security.

Notes

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13. Hong Kong: In Search of a Chance

Andrew Ma

I DO NOT PRETEND TO BE A DEFENSE STRATEGIST, but I hope I can nevertheless contribute to this collection by presenting a view of the Asia-Pacific and China scene from one of the world's most unusual, and successful, economic entities—the territory of Hong Kong.

We might be small—fewer than 6 million people in less than 400 square miles—but our economic voice is significant. The territory has become the 11th largest trading economy in the world, with total trade last year reaching almost US \$200 billion and the per capital gross domestic product (GDP) outstripping some European Economic Community (EEC) countries. Hong Kong plays an important commercial role at the trade crossroads of the region. It is the natural gateway to China, in the same way New York serves the East Coast and San Francisco the West Coast, and it is a leading international financial center. It has the second-busiest container terminal in the world, exceeding even New York's output.

The American presence in Hong Kong is substantial and vigorous. We have the largest US consulate in the world; we have an American community of 20,000 people, larger than the British population; and the biggest non-Asian expatriate group. More than 900 US corporations are established in Hong Kong, including such names as Motorola, NCR, Citibank, Philip Morris, IBM, and Dupont. Twelve states and thirteen port authorities maintain a presence in the territory. We have Walt Disney and McDonald's and Kentucky Fried Chicken. We even have the Superbowl live on TV every year, while my British friends complain that there is not enough cricket coverage.

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In this way Hong Kong has become an important US outpost in Asia—a valuable strategic friend, militarily speaking, but more importantly, in the new Asia-Pacific that's shaping up, a business base and economic ally.

It's certainly not for Hong Kong to tell the United States how it should respond to this new environment, but from our perspective a number of factors are clear. In my view, the United States will not need to sustain a large military presence in the region. Some of the burden of security may fall to others or be collectively undertaken. In addition, in this new era of business before ideology, Asia-Pacific is set to build on its current high growth and become the 21st century's star regional economy. The United States will be a leading participant in this growth and the US business sector should be gearing up to take full advantage of the opportunities that are available in the region.

Hong Kong's unique advantages for international business today lie in its prominent strategic role in Asia-Pacific development, and in its initiatives toward mainland China's modernization program. Following Japan's economic miracle, and the dramatic emergence of the "four dragons"—Korea, Taiwan, Hong Kong, and Singapore—regional development has been given further stimulus over the last decade. China launched her "four modernizations" and open-door policy in 1979, bringing a whole new dimension. Then, partly on the initiative of the United States, Japan, Korea, and Taiwan began opening their markets. Recently, the nations of the Association of South East Asian Nations (ASEAN) have come to the party. In Thailand, Malaysia, Indonesia, and the Philippines, pro-business policies—encouraging foreign investment and opening markets to imports—have gained the ascendancy.

The net result is a flood of trade and investment throughout the region. Asia-Pacific is doing more business with the world, but the significant change is that it is also doing more business with itself. The more advanced economies are exporting their capital and technology to those with abundant raw materials and labor. The latter, on the other hand, are keen to promote their industrialization programs.

All this activity is producing spectacular growth figures. In 1990, for example, regional gross domestic product (GDP), which today accounts for 24 percent of world GDP, expanded by 5.9 percent. Compare this to the 2.4 percent rate achieved by the Organization for Economic Cooperation and Development (OECD) nations, which constitute the world's 24 most developed economies. In 1991 the Asia-Pacific GDP growth rate is expected to finish at 5.5 percent compared to the OECD's 1.1 percent. In other words the region is growing at five times the rate of the rest of the world. Regional trade reached US \$315 billion in 1989. North America's total was US \$164 billion that year.

By 1989, it has been estimated that Hong Kong accounted for more than 28 percent of intra-regional trade. During the decade 1980 to 1990, the territory's trade with Asia-Pacific rose by an annual average of 22 percent and in 1991 it increased by another 23 percent to top US \$123.8 billion. The region now absorbs almost two-thirds of Hong Kong's worldwide trade and it also became the territory's leading market for domestic exports, overtaking North America.

Underlying Hong Kong's success as a broker and clearing house for regional trade is an outstanding physical and services infrastructure. The exceptional harbor facilities and super-efficient container terminal are complemented by a sophisticated communications network. On the services side we enjoy a dynamic financial sector, which includes 75 of the world's top 100 banks. Hong Kong is a leading international center for syndicating loans and arranging trade finance.

Hong Kong has another very special asset—its unique and unusual relationship with the People's Republic of China (PRC). Since 1949, when the PRC was established, China has repeatedly shown a practical and pragmatic attitude to the relationship, despite the harsh rhetoric of the more extreme years. This was based on a realistic assessment of the territory's value to China as a window on the world in the days of China's deepest isolation, and as an economic partner in the days of open-door reform.

Hong Kong has truly flowered in this latter role, since Deng Xiaoping launched the new era in 1979. The freedom given

the neighboring province of Guangdong in economic planning, and the establishment of the Special Economic Zones, which were designed to encourage industrialization and attract foreign capital, gave an immediate boost to cross-border trade with Hong Kong. The territory immediately regained its long-lost status as China's re-export centre. This aspect of the relationship has prospered beyond all expectations. Trade between Hong Kong and China has soared no less than 25 times since 1979. It has been calculated that Hong Kong now handles, by re-export and transshipment, as much as 44 percent of China's total exports and probably up to 50 percent of its imports. In consequence, the territory is responsible for approximately one-third of China's total foreign exchange earnings.

Significant in this trade partnership is the role Hong Kong investment is playing in the Chinese economy. Since 1985, Hong Kong investors have made a remarkable impact on the economy of Guangdong province. The territory's manufacturers led the "invasion" in search of plentiful land and labor. They have galvanized a province of 63 million people—more than Britain or France—into an industrial revolution of sweeping dimensions.

Over the past decade Guangdong has enjoyed an average annual growth rate in its GDP of more than 19 percent. The province's exports have grown by 18 percent a year during the same period and now represent 35 percent of the entire nation's total exports. Industrial output surged 27 percent last year. Economists are heralding South China as Asia's fifth dragon. With its vast pool of labor and resources, the area will no doubt develop into the region's main production base. It will have international significance by the turn of the century.

This transformation of the economic landscape has resulted directly from the transfer of most of Hong Kong's manufacturing. Textiles, plastics, toys, electronics, bags, leather, shoes, and other items have all left the high cost and short labor supply of modern Hong Kong to set up over the border. Today, some 25,000 enterprises in Guangdong are producing for Hong Kong companies. The workforce involved is estimated at three million—four times the size of Hong Kong's domestic industrial labor forces.

The Hong Kong initiative is not confined to Guangdong or manufacturing. Hong Kong businessmen are making waves in Shanghai, Wujian, Wainan, and many even more distant parts of China, in tourism, construction, communications, and other infrastructural developments. In all, Hong Kong is the source for about 70 percent of the total foreign investment in China.

As well as putting money in people's pockets and creating a consumer society, the Hong Kong presence has opened up a whole new world of fashion, hairstyles, music, leisure, and desire for individual self-improvement unthinkable even 15 years ago. It is estimated that some 25 percent of Hong Kong's dollars, which is a hard currency, is now freely circulated in Guangdong Province.

This role model function for China has extended so far that Chinese authorities sought Hong Kong's advice on how to set up their first stock markets—in Shenzhen and Shanghai—on how to develop their contract law and land development procedures, and even on how to upgrade accounting methods. It's no exaggeration to say that Hong Kong is teaching China the ways of international business and the free market. It is also essential to point out that a US decision to deny most favored nation (MFN) status to China would have an immediate, negative impact on the very trends and developments both the United States and Hong Kong want to see proceed.

For all these reasons then, relating to its central regional importance and its relationship to China, Hong Kong has a key strategic role for US business. The main question on most people's minds today is: How will the transfer of sovereignty in 1997 affect the territory's role?

Under the agreement signed between the British and Chinese governments in 1984, Hong Kong retains its existing economic and social systems for another 50 years. The territory will enjoy complete economic autonomy, paying no taxes to Beijing and retaining independent membership in the General Administration of Tariffs and Trade (GATT) and other international organizations. The concept of "one country, two systems" came from Beijing, which certainly recognizes the important contribution of Hong Kong to the nation's development and wants to see it continue.

There is growing confidence in Hong Kong itself that post-colonial times will bring fresh opportunities—opening doors rather than closing them. This sentiment is reflected in a booming economy and investment environment. The territory's economy grew 4 percent in 1991—and that is what we regard as a bad year. The average for this decade is expected to be at least 5 percent.

We see growing confidence in the numbers of foreign companies that continue to arrive in Hong Kong to set up for Chinese or regional business. There were well over 3,000 major overseas companies operating in the territory in 1990, and today more than 600 have established their regional headquarters there. It also appears that the annual figure of those emigrating has begun to decline.

Optimism is also being encouraged by the unreserved investment commitment of China itself. Total investment from China, in all sectors of the economy, is estimated at about US \$10 billion, making China the largest foreign investor, ahead of Japan with US \$8 billion and the United States with US \$7 billion. Through government agencies and independently operating companies the Chinese have invested in manufacturing, property, construction, banking, and tourism.

The Chinese government is obviously keen to play a significant role in Hong Kong's economy and to benefit from its success. More than a thousand Chinese companies and organizations are doing business in Hong Kong.

Continuing support and belief in our future from the international community is also an essential ingredient in Hong Kong's future success. Clearly, it is in the United States' interests to strengthen its participation in Hong Kong's economic and social life. We hope this will also extend to a careful consideration of the damaging effects on Hong Kong of a decision not to renew China's MFN status. The effect of blocking China-US trade in this way would probably be more harmful to Hong Kong than the mainland.

In conclusion, I can only summarize our viewpoint by recalling a trip I took some years back to an Indian reservation in New Mexico. As I looked around with the other tourists we noticed the medicine man hopping around us chanting the word, "Chance! Chance!" over and over. An old lady with us stopped him, saying,

"Hey, fella, I thought you guys were supposed to say "How!"
"Lady," he replied, "we know how, what we need is a chance."
Hong Kong can be America's most effective and efficient partner in
the new Asia-Pacific. All we need is the chance to show how.

14. The Spratlys and the Security Environment in the South China Sea

A. James Gregor

BY THE END OF THE 1980S THE PEOPLE'S REPUBLIC OF CHINA (PRC) had put together a national security policy that could easily become a matter of concern both for its immediate neighbors as well as the United States.¹ If Washington's intention is to sustain "vital U.S. interests" in East Asia by reaffirming its "defense commitments,"² then reflection on the PRC's new security strategy recommends itself.

While the passing of the Soviet Union has left East Asia clogged with weapon systems and an attendant potential for large scale violence, the systemic crisis in the confederated states of the former Soviet empire significantly reduces the real prospects of conflict between Moscow and the continental, insular and littoral powers of the region. The diminution of the Russian threat, however, leaves the PRC a source of concern.

The authorities in Beijing have never made a secret of the fact that they consider the United States an irreconcilable adversary.³ In one of the most recent reiterations of standard policy, an internal Communist Party document entitled "Current Policies Toward America" argued that the United States, because of the "nature of its ruling class," would continue "to strive for world hegemony."⁴ As a consequence, the policies of the United States are conceived "hostile," threatening the integrity and survival not only of "socialism," but the PRC as well.

One concern specifically mentioned by the leadership of the PRC (however unreal) is the possibility that the United States might employ "economic sanctions and blockades" to subvert

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Chinese socialism.⁵ While Beijing has consistently maintained that the principal threat to the survival of the PRC emanates from Washington's policy of "peaceful evolution"—insinuating "bourgeois political and economic models, capitalist values, and decadent lifestyles" into its prevailing socialist system—it has also warned that under any number of conceivable circumstance the United States and its allies might make recourse to "shipping blockades" to render Communist China compliant.⁶

All of this taken together, renders Beijing's new security policies a matter of concern to the noncommunist nations of East Asia as well as the United States. At least part of the new security strategy is designed to address the issue of US hostility and the geostrategic defense of mainland China.

The New Security Strategy

Even before the disintegration of the Soviet Union, Beijing had dismissed, for the foreseeable future, the possibility of a general nuclear conflict. In Beijing's judgment, neither the Soviet Union nor the United States was in a position to initiate, sustain, or profit from such a conflict. As early as the mid-1980s, the authorities in Beijing conceived the wars that would characterize the remainder of the century as "local and limited conflicts (*jubu zhanzheng*)."⁷ These "small wars," intense but of limited duration, conducted for circumscribed and specific purpose, would typify armed conflict in our time. As a consequence of these convictions, Beijing decided that the People's Liberation Army (PLA) would no longer be configured for a general, defensive land war, but refurbished for rapid deployment and intensive response. The armed forces of the PRC would be reduced in absolute size, their weapon systems modernized, and their officer corps retrained in rapid reaction, combined forces strategies.

Reports from Taipei indicate that the first of these "fist" (*quantou*) units already have been commissioned and currently enlist at least 35,000 combatants.⁸ A brigade-sized amphibious force has been deployed in the Guangzhou military region on the

island of Hainan, specifically trained for force projection into the South China Sea.⁹ Since 1988, rapid deployment, combined forces have undertaken exercises in the coastal waters off the PRC's southeastern provinces.¹⁰

The deployment of combined forces assault units in Southeastern China is suggestive of some of the implications of the PRC's new policies. Hong Kong's *The Tide Monthly*, for example, reported on a confidential Chinese Communist Party (CCP) Central Committee document that identifies Southeast Asia as critical to the future of the PRC.¹¹ The document argues that the recoverable resources of the region of the South China Sea afford the PRC the promise of material reserves necessary for continued industrial development into the next century.

The central conviction of Beijing's new national security strategy is that its future small wars will be fought on mainland China's periphery in the defense of its boundaries. It is in this context that Southeast Asia looms large. Contested territorial and maritime boundaries—and extended adjacent zones—characterize peninsular and insular Southeast Asia and directly involve the interests of the PRC. As early as August 1951, Zhou Enlai, then foreign minister of the PRC, insisted upon the “inviolable sovereignty of the People's Republic of China over Spratly Island and the Paracel archipelago.” He went on to lay claim to the “whole Spratly archipelago, the Macclesfield Bank and the Pratas archipelago.”¹²

Since the late 1950s, indifferent to the Chinese claims, both the Philippines and Indonesia have promulgated legislation, in terms of the evolving Law of the Sea, providing for their offshore jurisdiction over adjacent territorial waters and exclusive economic exploitation of the seabed resources and associated water column. Claims by Malaysia, Thailand, and Singapore followed.¹³

For its part, the Socialist Republic of Vietnam laid claim to its adjacent continental shelf, the Paracel Islands, the Spratly archipelago, the James Shoal, and all associated seabed, subsoil and water column resources. Those claims bring Vietnam in potential conflict not only with Thailand, Malaysia, the Philippines, and Indonesia, but with the PRC as well. Beijing's insistence on its

"inalienable sovereignty" over both the islands of the South China Sea, and the corresponding continental shelf entitlement, bring it into potential conflict with all the nations in the region. In 1974, the representatives of the PRC maintained that "China hereby reiterates that all seabed resources in China's coastal sea areas and those off her islands belong to China. China alone has the right to prospect and exploit those seabed resources"¹⁴—a contention that could only sound ominous to the other claimants.

The communist and noncommunist nations of the region have every reason to feel threatened by the insistence of Beijing's claims. In 1974, with the limited force projection capabilities at its disposal, the PLA launched a successful amphibious combined arms assault on the Paracel Islands, garrisoned at that time by the armed forces of South Vietnam. At a time when Beijing was courting friendly relations with the United States, it nonetheless mobilized and launched an attack on forces with whom the United States had treaty obligations—in order to extend its control over contested territory in the South China Sea. (EDITOR'S NOTE: This occurred after the US withdrawal from Vietnam but before the collapse of the Saigon government.)

In 1974, Beijing assigned so high a priority to its claims over the Paracels that it was prepared to jeopardize efforts at improved relations with the United States so that China might extend control over the islands. At a time when the threat from Moscow was very real, and Beijing sought rapprochement with the United States as a counterweight, Chinese communist authorities nonetheless unleashed an enterprise that could only sorely test Washington's tolerance.

The contested maritime territories and associated economic potential in the South China Sea have been, and remain, so important to the authorities in Beijing that in the effort to establish control they are apparently prepared to jeopardize any number of other interests. In this respect, few Western analysts seem capable of appreciating Beijing's security calculus. More often than not, the argument has been that China has need of the capital and technology of the industrialized democracies and as a consequence would

do nothing that might alienate its benefactors. However plausible, the fact is that the PRC has shown itself ready to jeopardize its relationship with the industrial democracies on a number of occasions irrespective of its interest in capital and technology transfers—the latest instance being the use of massive violence against its own citizens in Beijing in June 1989. In Southeast Asia, the PRC has used armed violence at its own discretion and in response to its own security priorities a number of times—with apparent indifference to the sensibilities of the industrial democracies.

Mainland China has pursued its interest in the South China Sea with impressive consistency. By the late 1980s, Beijing had articulated a new military strategy calculated to support limited wars in the defense of China's borders. Together with the formulation of doctrine, the authorities in the PRC sought to put together an inventory adequate to the new military obligations of the PLA. In effect, since the mid-1980s the threat environment in the South China Sea has become more complex and volatile.

Recent Developments

With the commencement of the 1990s, Beijing has made further contribution to the increasing complexity of the situation. In October 1991, the PRC announced that the political leadership of the nation was preparing formal legislation intended to govern not only the exploitation of maritime and subsea resources in the South China Sea, but transit rights through the region as well. The significance of the legislation was underscored by the fact that it was introduced by Li Peng, Premier of the PRC.¹⁵

The response from the nations of the Association of South East Asian Nations (ASEAN) was predictable. The Philippines has indicated that it will remain "vigilant" in response.¹⁶ The Malaysian military has been put on alert in the face of the prospect of territorial conflict in the Spratlys.¹⁷ The Republic of China on Taiwan—with its own claims in the South China Sea—made reference to the proposed legislation and similar unilateral moves by

Beijing, Taipei indicated that these initiatives would threaten both the traditional fishing rights in the Taiwan Straits and the South China Sea, as well as established free passage rights through regional choke points.¹⁸

Consonant with emphasis on its rights in the region, Beijing objected to the bilateral agreement entered into by the Republic of the Philippines and Taiwan dealing with fishing and passage rights through adjacent waters.¹⁹ The objections turn on the preemptive rights in the region claimed by the PRC.

In January 1992, the PRC commissioned a large and impressive body of officials to make a circuit of the Spratly archipelago. One hundred and thirty-two state officials from the People's Liberation Army Navy, the State Oceanic Commission of Hainan province, together with representatives from the Chinese Communist Party, posted claim plaques on some of the major islets, atolls, and sand banks of the Spratly chain.²⁰

While the Philippines, Malaysia, and the Republic of China on Taiwan, with garrisons on islands in the Spratly archipelago, find themselves seriously threatened by Beijing's increasing assertiveness, the Socialist Republic of Vietnam is singularly exposed. Not only has China, indifferent to Vietnam's claims, attacked the Paracel Islands in order to affirm its sovereignty in the region, the PLA invaded peninsular Vietnam in 1979 to "punish" Hanoi for pursuing policies disapproved by Beijing. More than that, as late as March 1989, elements of the Communist Chinese navy engaged Vietnamese merchant vessels and combatants in the proximity of the Spratlys in order to forestall any reinforcement of Hanoi's claims to the islands.²¹

As has been suggested, all this has taken place as the leadership in Beijing announced its new military strategy of rapid and intense "limited" war in an anticipated defense of its territory. In general, what has been characterized as "military modernization" in the PRC is, in fact, the restructuring of the Communist Chinese military in anticipation of just that service.

Whatever its anticipated service, the Chinese military is notoriously deficient in many ways. Recently, for example, the

Thai military has characterized the armor purchased from the PLA as "subpar." Thailand's official Defense Ministry journal deplored the fragility of Chinese weapon systems, as well as their poor target acquisition and fire control capabilities.²² The bulk of the aircraft deployed by the Chinese armed forces is obsolescent, underpowered, of limited range, equipped with primitive onboard avionics, and possessed of marginal air-to-air capabilities.²³ The losses suffered by the Chinese military in its "punitive" assault on peninsular Vietnam attest to all these deficiencies.²⁴

By the end of the 1980s, however, Beijing had committed itself to the improvement of the inventory and force structure of the People's Liberation Army.²⁵ With the turn of the decade, for example, the regime in Beijing increased China's military budget in real terms for the first time in almost a decade.²⁶ However suggestive such decisions might be, it is not clear what increases or decreases in the military budget of the PRC actually signify.

Given Communist China's command economy and the peculiarities of its pricing and allocation policies, its public accounts are not particularly instructive. A good deal of China's military expenses are buried in its civilian budget. Military personnel costs are inextricably mixed in allocations identified as general funds for public "cultural, educational, infrastructural and social needs." Military research and development costs are concealed as funds allocated for "scientific and technological activities." The Ministry of Light Industry is responsible for the development and manufacture of conventional weapon systems; the Ministry of Energy Resources assumes some of the responsibilities for the enhancement of nuclear capabilities, some of which are applied to military use. In effect, it is very difficult to determine with any specificity how much the authorities in Beijing spend on the military.

What is indisputably evident is the fact that the PLA has become a major arms dealer in order to supplement its funds.²⁷ Again, how much disposable profit from such sales become available to the military is hard to establish. What is clear is the fact that the PLA is attempting to put together combined arms rapid

deployment forces that, in principle, threaten the interests of all the nations in peninsular, insular and maritime Southeast Asia.

There is persuasive evidence that the PLA is attempting to enhance its capabilities to meet the requirements of a "limited war" strategy in the South China Sea. In November 1991, the authorities in Beijing entered into discussion with the Soviets in order to acquire both air superiority aircraft, as well as long-range surface attack aircraft. The Soviet aircraft being considered include the MiG-29, the MiG-31, the Sukhoi Su-24 and the Su-27. The purchase of these aircraft would include combat ancillaries: advanced air-to-air missiles (the AA-10 and the AA-11) among the most advanced in the Soviet armory.²⁸ The Soviet MiG-29 "Fulcrum" impressed observers at the 1988 Farnborough air show.²⁹ The MiG-29 demonstrated a capability to operate from short fields and damaged runways.³⁰ Heavily armed and equipped with state-of-the-art look-down-shoot-down radar, the MiG-29 is a formidable adversary. Its combat radius is about 620 nautical miles and it can attain air speeds of over Mach 2.3. The Su-27 is equally impressive. With a combat radius one third greater than the MiG-29, the "Flanker" has onboard avionics comparable to the most advanced US combat aircraft. Its AA-10 medium range radar-homing air-to-air missiles can be supplemented by AA-11 heat-seeking missiles. Together with these capabilities, there are reports that the "Flanker" can carry over 13,000 pounds of ordnance in a ground attack role. It is probably equipped for in-flight refueling.

The MiG-31 and the Su-24 are combat aircraft having similarly impressive properties. They have the range and the capabilities that make them well-suited for combat roles in the South China Sea. The Su-24, for example, has a combat radius of over 1,000 miles carrying 2.5 tons of ordnance. Reports that China has acquired in-flight refueling kits from Iran suggest that the PLA Air Force has the potential to extend the existing combat range of any newly procured aircraft.³¹

The Pentagon has identified Israel as the principal source of China's imports of high technology weapon systems and their adjuncts. Israeli technicians and Israeli technology has enhanced

the target acquisition, early warning and fire control systems of the weapons of the PLA. Together with enhanced missile capabilities Israeli efforts have gone a considerable distance in improving the combat potential of Chinese forces.

The Chinese are also making an effort to enhance the blue-water capabilities of the PLA Navy, by retrofitting vessels with propulsion and weapon systems purchased from the industrial democracies. The Communist Chinese authorities are attempting to put together suitable "naval combined arms" capabilities organized into "mobile task forces" as basic combat units of its forces at sea.³²

Preparations for such a naval role are a decade old. As early as the 1980s, PLA naval units were conducting out-of-area exercises. Chinese naval vessels engaged combatants from the Socialist Republic of Vietnam and circumnavigated the Spratlys in order to reaffirm Mainland China's claim to sovereignty.

In 1982, it was already apparent to specialists that Beijing was devoting more time, energy, and funding to forces that might secure its control over the islands of the South China Sea. Bruce Swanson maintained that "without doubt, the sea areas adjacent to China are taking on increasing strategic importance, for they do serve as vital lanes for the expanding commerce of the Asia-Pacific region. The Chinese appear determined . . . to make good their claims to various island groups."³³

By 1983, David Muller was convinced that Beijing was prepared to trace 200-mile arcs from all of the many islands it considered sovereign territory—or alternatively draw baselines around each of the main island groups—in order to assure control over much of the South China Sea. The inevitable consequence could only be friction with Vietnam, Malaysia, Indonesia and the Philippines—"for Chinese control . . . in the South China Sea could only be achieved through naval conflict or the threat thereof."³⁴

By the turn of the decade, Chinese "fist" units were engaged in combined arms exercises off the coast of Southeast China and hundreds of airborne troops were involved in the "capture" of an "enemy" island in the South China Sea after a series of low level

ground attacks.³⁵ The predictable response once again was increased anxiety among the nations of ASEAN.³⁶ The commander of the Philippine air force, for example, ordered test deployments of fighter aircraft to the disputed Spratlys,³⁷ and Malaysia reinforced its garrison and planned the construction of naval facilities in the islands.

The communist and noncommunist nations of Southeast Asia have every reason to concern themselves with the PRC's new security policy and the increasing insistence with which Beijing tenders its claims over maritime territories and associated extensions in the South China Sea. In the past, Beijing has demonstrated its readiness to use armed force to establish its control over disputed territories it conceives its own. It has shown that readiness even though non-Chinese analysts have argued that any employment of violence under those circumstances would cost the PRC more than it might hope to gain. Today, the issue that engages the concern of the defense establishment of the United States is the probability of Beijing's use of violence in the South China Sea in the 1990s.

The Probabilities of Aggression

Western sinologists tend to discount the possibility of Chinese military initiatives in Southeast Asia. There is a disposition to conceive "economics" as having "taken command of international relations." "China," we are told "is fully preoccupied with its domestic problems." Those problems are essentially economic and political. Beijing is too involved in orchestrating the economic development of his retrograde society to concern itself with military aggression. More than that, we are told, "China has only limited capacity for external involvements."³⁸

On the other hand, equally prominent American sinologists maintain that "in a world of . . . irrational political systems, China's is possibly the most bizarre."³⁹ Prediction in international affairs is always hazardous—and when prediction involves the People's Republic of China, the enterprise does not recommend

itself. Nonetheless, the issues that attend the PRC's claims in the South China Sea are sufficiently important to urge the effort.

What seems incontrovertible is the fact that Beijing considers Southeast Asia a region in which it has major investments. Since its founding, the PRC has laid frequent and insistent claim to the major island groups and associated maritime zones in the East and South China Seas. Since the late 1950s and early 1960s, a number of seismic studies and geologic surveys suggest that the East China and South China Seas are potentially rich in recoverable oil deposits.⁴⁰ By 1982, more than three hundred promising geologic structures on the continental shelf of the South China Sea had been identified. The estimates of recoverable oil range from the modest Soviet estimate of 11 billion barrels of reserve to Beijing's own estimate of almost 160 billion barrels.

The People's Republic of China has always had difficulties with its energy supply. As mainland China converted to an oil-based industrial system, petroleum shortages became increasingly troublesome. By 1990, the onshore production of oil on the mainland probably peaked. In December 1990, the *Quanming Economic Problems Quest Bimonthly* reported energy shortages as among the most serious constraints on the growth of the Chinese economy.⁴¹ Communist China has had, and will continue to have, difficulty in maintaining a favorable energy balance.⁴² As a consequence, "the demarcation of an exclusive economic zone [in the South China Sea] takes on unusual importance and urgency from the Chinese point of view. Equally essential will be China's ability to police the zone, to keep other nations from drilling for oil without Chinese authorization, and to protect Chinese oil fields....China's need for an inexpensive domestic source of energy is thus providing a major motivation for naval development to support its goal of controlling the economic exploitation of the South China Seas."⁴³

Equally important in this context is the fact that Beijing's inability to control the growth of its own population has made fish harvests in the contested waters of the South China Sea a matter of considerable concern. Fish harvests now supply a major source of animal protein to the nations of Southeast Asia, animal protein that

is becoming increasingly important to the PRC, freighted as it is by a growing population and a diminution of available arable land.⁴⁴

The further fact that the major regional sealines of communication traverse the waters of the South China Sea is a factor of no little importance to Beijing. Control over the shipping lanes would give Beijing considerable leverage over all the nations of the region as well as the import-dependent industrialized nations of Northeast Asia. In 1987, 45 percent of the total amount of imported cargo in Japan passed from the Persian Gulf through the Strait of Malacca and the South China Sea.⁴⁵ Obstruction of free passage through those sealanes would impact heavily on Japan's industrial capacity and the profitability of its international trade. Japan, like all the countries in East Asia, would be significantly influenced by any major change in the free passage regime that now prevails in the East and South China Seas. Given the occasion, there is every reason to believe that the PRC would attempt to effect control over the major sealines of communication in the South China Sea. That would go some considerable distance toward making the PRC a hegemonic regional power.

Perhaps more than all that, the authorities in Beijing have convinced themselves that the irrepressible hostility of the United States might one day manifest itself in an effort to blockade the Chinese mainland. As early as 1975, the *Beijing Review* reminded its readers that "the South China Sea is an important junction for navigation and an important maritime gateway from China's mainland and nearby islands." The South China Sea islands are considered "very important geographically as a key link" on the shipping lanes that arc from the Middle East to Northeast China.⁴⁶ Beijing believes control of the South China Sea essential to the defense of China.

In 1977, Selig Harrison argued that it "appears to be only a matter of time before Beijing seeks to dislodge the military garrisons now maintained by Taiwan and the Philippines in the Spratlys, by either political or military pressures or both. In 1974, by all indications, only the lack of a long enough logistical reach

prevented China from moving militarily against . . . the Spratlys as well as the Paracels."⁴⁷

In the judgment of specialists, "by the early 1980s, the Chinese navy had achieved the capability either to seize the islands [of the South China Sea] by amphibious assault or to blockade them and starve them into submission,"⁴⁸ Whatever the truth of its military capabilities in the early 1980s, it is evident that the PLA's force projection potential has been appreciably enhanced in the interim. Without the intervention of a major military power, the authorities in Beijing have every reason to believe that their armed forces could prevail against any Southeast Asian regional power, or any combination of regional powers.

By the early 1990s, the authorities in Beijing were influenced by a number of evident incentives: their concern for ready and assured access to a variety of essential raw materials available in Southeast Asia and the South China Sea; a preoccupation with the national imperative to protect territorial sovereignty; and a security assessment that conceived control over the islets, atolls, sand bars, and banks of the region a matter of geostrategic importance. Together with all this, developments on the Chinese mainland have created increasing domestic political instability. Should instability persist or increase, the leadership of the regime might well seek to reunite an alienated people and a factionalized military behind a military undertaking in the South China Sea.

The People's Republic of China has embarked on military enterprise a number of times in its brief history. Against the anticipation of US specialists, Beijing dispatched its "volunteers" against UN forces in Korea. In the 1950s, against the advice of its Soviet allies, and confounding the judgment of US sinologists, mainland China launched air and sea assaults against Taiwan and associated territories. Beijing engaged India and Vietnam in border conflicts, and in 1969 engaged Soviet border troops along the Amur and the Issuri when every calculation would have advised against it.

With the drawdown of US forces in the Pacific and the evacuation of facilities in the Philippine archipelago, the military balance in the South China Sea has been altered. With the ab-

sence of countervailing deterrence the PRC has more incentive to embark on military aggression than at almost any time in its unsteady past. That there are disincentives is equally evident. Whether they might outweigh the real incentives that shape Communist China's policies is difficult to determine. Whatever the case, however, it cannot be gainsaid that the People's Republic of China constitutes a regional threat of significant magnitude. It is also unlikely that that threat will diminish in the near term.

Future Prospects

The future of peninsular and insular Southeast Asia is obscured by a complex set of issues. The maritime reaches of the South China Sea host a number of overlapping territorial and exclusive economic claims. While there have been a number of initiatives by nations in the region to arrive at negotiated resolution of present and future dispute, not much has been accomplished in terms of practical effect.

The new international Law of the Sea concepts have left the South China Sea with any number of potential ocean-related bilateral and multilateral disputes. The generally accepted principle that coastal or archipelagic states enjoy sovereign rights to explore and exploit both living and non-living resources on submarine and water column areas adjacent to the coast together with rights to associated exclusive economic zones has made the South China Sea a cockpit of potential crisis.

The fact that the region is rich in resource potential—oil, natural gas as well as fish harvests—exacerbates the possibility of international violence. Most of the nations of the region are dependent upon petroleum to fuel their industrial development and/or as a critical source of foreign exchange. All the nations in the region are dependent on fish harvesting as a major food source. Whatever the talk of international collaboration in the region, effective resolution of conflicting claims is not a high-order probability. Bilateral agreements on fishing and seabed exploitation have been reached

in some individual instances, but the objections of the authorities in Beijing appear to have made those agreements moot.

Beijing has announced a readiness to negotiate all these issues, but it seems evident that any such negotiation would have to recognize the PRC's preemptive rights. That makes negotiated settlement difficult to accomplish.⁴⁹

That the PRC would introduce military force into the regional equation would be the result of a number of considerations. Beijing would have to be convinced that no extraregional power would aggressively intervene should it choose the military option. It would have to have some assurance that Chinese forces possess the capabilities to successfully discharge their mission responsibilities in any military initiatives. There are and have been regular reports of *maintenance, resupply, performance, and logistical problems* afflicting the Communist Chinese military. Those considerations would weigh in any decision by Beijing to attempt to resolve regional problems in the South China Sea by military force.

Political and economic developments on the mainland of China will exercise influence on any decision. External military adventure has always urged itself on governments attempting to recapture domestic popular support. The temptation increases as domestic alienation and active dissidence become increasingly general.

One of the factors that will influence events will be a decision by the United States to assume responsibilities calculated to deter recourse to violence in the region. Since Beijing has demonstrated considerable indifference to general US policy concerns, a US decision to attempt to deter aggression in the South China Sea would have to be public, explicit, and firm—and supported by sufficient military potential to serve as a real disincentive to Chinese misadventure.

NOTES

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15. The Next Generation: Asian Leadership

Zakaria Haji Ahmad

WHAT DOES THE NEXT GENERATION OF Asian leaders portend for the Pacific Asian region and the world? Equally important, what does this next generation mean for Pacific Asian countries themselves? These seemingly innocuous questions may well be unanswerable (in the words of Confucius, "prediction is difficult, especially if it is about the future"). The questions may be irrelevant, archaic, or even ethnocentric if their underlying assumptions suggest greater uncertainty in the transfer of leadership in Asia than when pondering, for example, the future of leadership in Western Europe.

To be sure, the next generation of Asian leadership is an engaging issue, not least because leaders play such a critical part in the policies and development of these societies. It is also salient that generational transfer is taking place in several key countries. Is the next generation of leaders likely to pursue policies radically different from that of their predecessors? Will their orientation and actions emphasize closer regional relations, or will they be more nationalistic? Will they lead their societies to be more open and democratic or are they likely to sustain conservative tendencies in their political and economic regimes? Will the next generation of leaders cooperate in dealing with emerging issues such as preservation of the environment?

There are no easy answers to the questions. Nor can generalizations easily be made. The political, cultural, economic, and geographical diversities of the region present barriers to a more complete understanding. Any discussion about Asian political leadership must inevitably deal with the linkage to the larger national and regional political landscape, and the issue of change ver-

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sus continuity. Nonetheless, it is true that the destinies of nations and, in turn, interstate relations are sometimes determined and shaped by the sheer personalities and thrust of individual leaders.

Another problem in assessing the next generation of Asian leadership is the prevailing uncertainty of the political processes at work in these societies. With few exceptions, it is difficult to pinpoint likely personalities who will emerge to replace the present generation. This is due to intense politicking in some societies where leadership succession is not institutionalized or the competition is too keen. More stable (not-so-democratic) systems appear to have delimited the choices. Those becoming more democratic, however, are becoming less predictable. It is almost certain that the next President of Indonesia will be the present incumbent come the next election in 1993.

Present Leadership Considered

A quick glance at the leadership profile in Asia today (table 1) suggests some interesting features. First, it is difficult to generalize. Except for countries with monolithic or centralized political authority, leadership succession is still an unresolved matter. Indeed, out of the sample of 17 countries, only in North Korea and Indonesia is there any degree of certainty as to who the next leader will be (provided no extraneous factors intervene in the process). Second, the circumstances surrounding leadership changes are not easily summarized along neat criteria. More often than not, what appears on the surface is only transitory. Third, the role of the political party in power is a crucial element that sustains leadership. Political party dynamics (including aspects of organizational cohesion and infighting) is an important factor in Asian leadership succession.

TABLE I.—Leadership Characteristics in Selected Asian Countries

Country	Present Leader	Background	Power-Base	Predecessor	Successor
Japan	Miyazawa	—	Party	Kaifu	—
S. Korea	Roh Tae-Woo	Military	Party/Military	Chun Doo-Hwan	—
N. Korea	Kim Il-Sung	Party	Party	—	Kim Jong-Il
Taiwan	Lee Tung Hui	—	Party	Chiang Ching-Kuo	—
PRC	Deng Xiao Peng	Party	Party	Mao	"3rd Generation" (Li Peng?)
Malaysia	Dr Mahathir	Professional	Party	Hussein Onn	Ghaffar Baba/?
Indonesia	Suharto	Military	Military/Party	Sukarno	Suharto
Singapore	Goh Chok Tong	Technocrat	Party	Lee Kuan Yew	Lee Hsien Loong/?
Thailand	Anand	Business/ Civil Service	—	Chatichai	Suchinda/?
Philippines	Corazon Aquino	Housewife	People's power/ Party	Marcos	Mitra/?
Brunei	Hassanal Bolkiah	Royalty	Palace	Sultan Saifuddin	?
Vietnam	Vo Van Kiet	Party	Party	Le Duan/Nguyen Van Linh	?
Cambodia	Sihanouk	Royalty	Coalition	—	?
Myanmar	Saw Maung	Military	Military	Ne Win	?
India	V.N. Rao	—	Party	Gandhi	?
Pakistan	Nawaz Sharif	—	Party	Benazir Bhutto	?
Bangladesh	Khaleda Zia	Housewife	Party	Ershad	?

Today's leaders represent a "transitional" generation that marks them apart from their predecessors. Their predecessors might be seen as the first generation of political leaders of post-World War II Asia. This observation would naturally apply to countries such as the PRC, Indonesia, Singapore, the Philippines, South Korea, Taiwan, and Malaysia. Brunei and Vietnam may also be placed in this category because the present set of leaders in a great sense have embarked on policies and stances that suggest a departure or break with the style and format of authority of their predecessors.

Where there has been a more frequent change of leaders, as in South Asia, Thailand and Japan, the pattern of leadership change and national policy variation is still undergoing a process of reexamining its fundamentals. In Pakistan, Bangladesh, and Thailand, military intervention and withdrawal have meant both the removal and emplacement of civilian political leaders, but it is clear that the process is still being worked out and that the military will continue to exert a political role directly and indirectly. In turn, this means that the next generation of leaders in these countries may also be military men. As such, the prospects for civilian supremacy and civic politics are rather uncertain. In Thailand, it is speculated that the next prime minister will be General Suchinda Krapkayoon once the interim Anand Panyarachun caretaker premiership finishes its term. Even if General Suchinda rules in mufti, his power base will be the military and his tenure will be dependent on whether the Thai military in the background will remain loyal to its former leader. In Pakistan and Bangladesh, the present experiment with civilian rule still remains a fragile process and the specter of a military reentry into politics is ever present. In the case of Japan, while the leadership has changed hands rather frequently over a short period of time, one can be assured that the party in power (the LDP) will continue, in the longer run, to furnish the appointee for prime minister. This indicates that the pattern of leadership is in fact stable and that the next generation of Japanese leaders will still exhibit the policy stances of their predecessors even as Japan searches for an increased international role.¹

The importance of political parties as the power base of Asian leaders cannot be overemphasized, since they provide the legitimation of authority for their leaders. This raises the issue of whether leaders are exploiting the political party power base or whether in fact the fusion of leader and party has its own inherent quality. In the case of the PRC, to cite an instance, the Chinese Communist Party since the demise of Mao Zedong and the rise of Deng Xiaoping seems to have laid the foundation for policy continuity with the grooming of a "third generation."² It would seem to suggest that Mr. Deng as a modernizer has set about to sustain his modernization efforts with cadres who would be "reformers," not hard line conservatives. Similarly, in the case of Singapore, the effort to preserve the power of the ruling People's Action Party (PAP) has been a well-publicized process through the careful selection and preparation of a "second generation." This example of social engineering is remarkable not only for its meticulousness but also because it was a matter of well-known national policy. Just as importantly, it is as much the wish and vision of Lee Kuan Yew as it is the pursuit of continuity of PAP rule.

The notion that a "transitional leadership" exists in many Asian countries denotes that these leaders in no mean way are a break from the past, either by diverging from the basic policy tenets of their predecessors or by embarking on new programs/initiatives. Their own tenure as leaders is as yet too brief, however, to establish a particular or distinct approach with the hint of permanence. Their predecessors, on the other hand, have left a definite mark on their respective countries. It should be clear that there are variations from these observations. In Indonesia, President Suharto has been at the helm for more than two and a half decades and has indicated he wants to continue for yet another term. One can argue that his predecessor, Sukarno, left no indelible mark as a national leader of a modern Indonesia even if he considered himself as a balancer of the multifarious political forces at work once constitutional democracy failed in the 1950s. Yet, President Suharto's own mark may prove to be transitory once he leaves the scene by the end of this century, given the

peculiar and intricate circumstances of Indonesian politics and the increasing political sophistication of its elites.

In similar vein, Deng Xiaopeng has been the leader of China since 1978, and his tenure, spanning more than a decade, indicates a more permanent impact. In spite of this and the preparation of cadres to continue reforms, it is a persistent query of Chinese politics as to whether reformers or conservatives have the upper hand in policy. Mao Zedong, Deng's predecessor, may no longer be considered an unfallible "hero" given his serious policy errors, but as to whether the debates within the ruling party can be overcome is yet to be resolved.

On the other hand, leaders such as Roh Tae-Woo, Lee Tung-Hui, Goh Chok Tong, Corazon Aquino, Dr. Mahathir, Hassanali Bolkiah, and Vo Van Kiet seem keen to present new approaches that distinguish them from their predecessors. In the case of Malaysia, the political system has been transformed since 1980-81 when it was established during the premiership of Tunku Abdul Rahman (Hussain Onn's tenure being an extension of the latter system). Whether or not Dr. Mahathir's impact will be lasting or will change previous established norms and practices is still to be seen. It is interesting to speculate if his successors will continue or break with his approach. Goh Chok Tong is on record as saying he will attempt a more "human approach" in his leadership of Singapore, but there are difficulties since his predecessor (as a "senior minister") continues to oversee the actions of his anointed successor.

If Chiang Ching-Kuo can be considered an extension of Chiang Kai-Shek, it can be argued that Taiwan's present leader Lee Tung-Hui has effected policies that contrast against earlier rigidities of KMT rule. During Lee's tenure (still ongoing) there has been an opening up of the political process and a recognition of the Taiwanese electorate's desire for more political articulation. The domination of the political process by the KMT indicates that larger reforms in the polity have not made any real or permanent impact on the power base of the leadership. Both in the selection of Chiang Ching-Kuo and Lee Tung Hui, the party leadership of the KMT was a decisive factor in the succession process.³ South Korea, in contrast, has seen political reform and greater liberalization under

the presidency of Roh Tae-Woo. In this case, change (which includes a greater sense of governmental accountability) has meant a less repressive system and therefore more likelihood of achieving greater democracy. On the other hand, these moves have been matched by irresponsible politicking and abuse. The path toward democracy in Korea is not without its dangers and difficulties.

The advent of Corazon Aquino in 1986 meant not only the dismantling of the Marcos dictatorship that had been in power for more than one and a half decades, but also the restoration of democracy in the Philippines; however, it is difficult to conclude, as Aquino makes her exit, if she has ameliorated that country's political situation. It might even be suggested that conditions have worsened or that Aquino has restored the primacy of the traditional political forces that Marcos had sought to tame in his martial law regime. For this reason, Aquino's impact had been transitory. Her endorsement of Ramos to replace her has virtually thrown a wrench in the political works both in the LDP party and the larger political context.

In Brunei, Sultan Hassanal Bolkiah's reign is certainly different from that of his father, Sultan Saifuddin, but even as the sultanate is keen to open up its vistas as a modern state, it might be suggested that political reforms are being kept shut and even padlocked. The new Bruneian ideology of "MIB" [Malay, Islamic, (*Beraja*) Monarchy] would mean an entrenchment of the traditional features of the Sultanate and would seal the latent opportunity of political participation that had manifested itself previously in the 1960s. As Brunei perhaps unavoidably, finds itself having to play an international role, the nature of modernization confers a transitory quality to the contemporary role of the ruling house that will have an impact on its next generation of political leaders.

In Vietnam, the outpost of socialism in Southeast Asia, the reform (more accurately "renovation") process set in train to meet the challenges of dying socialism elsewhere may be an indication of a dramatic shift of its leadership away from a bankrupt ideology. It is less clear if it will inter the *nomenklatura* that still decides the policy and direction of the Hanoi regime. In the dire circumstances that Hanoi has found itself, with the collapse of its Soviet patron,

reform is pursued as a matter of survival. However, it is also apparent that the leadership is divided. Overcoming such obstacles will be a spectacular feat of the reformer leaders. The hazards suggest that even if a policy shift has occurred, it is still transitory in nature. On the other hand, that it is being pursued as a goal of the Vietnamese leadership shows a marked departure from doctrinaire Marxism-Leninism that has been its policy mainstay in the past.

The Next Generation

It may be a fruitless exercise to predict *who* the next generation of Asian leaders will be. As may be seen from table 1, however, one can at least speculate as to who are likely top contenders. In some cases, likely candidates will play only an interim role. Thus, in Malaysia, according to convention, the next leader will be the present deputy prime minister (who is about the same generation as the prime minister), but the subsequent generation will be anyone's guess, although the contenders can be identified.⁴

At present, it would be more useful to delineate the possible policy stances and parameters of the next generation by assessing the behavior and attitudes of the contemporary generation of leaders against the background of international trends and ongoing events. The next generation of Asian leaders will, in all likelihood, be assertive and neonationalistic, more self-assured and in some ways more abrasive than their predecessors. If economic growth continues in the Asia-Pacific region as it has for the past two decades, this will provide a strong sense of national confidence that will manifest itself in the international arena. This may not mean the introduction of new initiatives that will underscore a sense of regionalism. It is likely that a new sense of assertiveness will manifest itself as an outflow of national pride and self-accomplishment.

Whether this assertiveness will be confrontational or cooperative will be a function of such factors as personality, national well-being, the state of the international economy, and so on. Given either a perceived American decline or an assessment that the US role in Asia needs to be counterbalanced, such assertive-

ness may have an "anti-American" streak. This proposition has already been advanced by noted Asia watcher Professor Lucian Pye.⁵ Whether it is a response to the US role as a big power or whether it is racial in nature will depend on the cosmopolitanism of the next generation. It may be a combination of these two conditions, as is the case with Malaysia. Dr. Mahathir's "US bashing" may very well earn political brownie points domestically, but despite his urbane and forward outlook, his assertiveness may also be driven by the faith of conviction and his own personality.

On the other hand, in Japan, any example of "US bashing" may be a function of racial chauvinism on the part of the Japanese. It is also an outgrowth of the increasingly acrimonious and difficult nature of US/Japan bilateral relations. This needs to be contrasted by a more measured and sober outlook from Tokyo of the importance of that bilateral relationship and the necessity of its preservation. That would suggest in fact a rather rational approach at work. To extrapolate, in the case of Japan, with a super-economy and an increased international role, it is likely that the next generation will present a more mature outlook and any outbursts will be a deviation from the majority view which will operate on consensus.

A more assertive generation of Asian leaders will probably have to deal more with each other in this decade and beyond as the region becomes more interdependent both within and with the rest of the world. At the same time, the push for regionalism (e.g., ASEAN and APEC) will mean that national needs and aspirations will be contrasted against regional needs and aspirations. Precisely because the next generation of leaders will want to lead, it is not inconceivable that relations between leaders will not necessarily be smooth and harmonious, "Asian" as they may be. Because the Asian region is so diverse and does not share a sense of historical unity and common cultural heritage, differences of opinions will surface. In spite of the much touted consensus and spirit of *musyawarah-muafakat* in ASEAN, the principles of gradualism and the right to dissociate from region-wide decisions indicate that ASEAN leaders are not easily in agreement with one another. The ASEAN summit of its Heads of Government often

leads to euphoric communiques and obscures the variety and divergence of views that exist, as might be evidenced at its Fourth Summit in January 1992.⁶ It can be expected that this trait will continue into the future.

In a larger grouping such as APEC, the picture of leadership convergence gets even more complicated, although the stand of the ASEAN countries more often than not will achieve a strand of unity. It might be argued that the commitment to this regional body is an affirmation of leadership agreement in the region, but it is likely that differences are submerged in the process. If nationalistic or neonationalistic stances continue to characterize the next generation of Asian leaders, recognition of regional cooperation and interdependence as imperatives may only be paying lip service in the assumed quest for a more cohesive approach. If one looks at the SAARC, it can clearly be seen that national standpoints figure prominently and have been an impediment to its smooth functioning. It is just as probable that future South Asian leaders will act like their predecessors.

Increased political and economic interdependence in Asia does not necessarily imply greater regional cooperation. It might in fact suggest that changing international conditions and the absence or near absence of previous dominant state actors will unleash a test of wills and individual attempts to establish political preponderance. This may actually result in hostilities. Such conflict may only be the result of long-standing disputes left dormant because of attention to other urgent matters or because previous elites had established good relations. In a recent provocative piece, one writer argued that the end of the Cold War in Southeast Asia may in fact trigger national animosities between Malaysia and Singapore. The prospect of interstate hostilities is enhanced.⁷

Perhaps sensing the possibility of this danger, but also to cultivate regional ties, efforts have been underway in ASEAN in the past few years to allow for greater inter-elite contact, including "younger" leaders and those slated to be "second-generation" elites. While no doubt these gatherings have resulted in greater familiarity of neighbors and opening a dialogue, it is not clear if fundamental differences and national interest imperatives can be sat-

isfactorily and mutually resolved. Nonetheless, that such a process has been underway (though in some instances the gatherings have had to be cancelled midway because of disagreement as to a common program), can only be a positive element in fostering inter-elite contact for the next generation of Asian leaders.

As the Asian countries progress, abetted by record economic performance, will the resultant social mobilization and more open political processes lead to a diminished importance of leaders and increased faith in institutions? Perhaps not! The present scenario indicates that the role of leaders is increasing, leading to the emergence of personality cults. Leadership positions attract aspirants who vie for the extraordinary perks and privileges of office. The next generation of Asian leaders may seek to perpetuate this for personal reasons—even if they rationalize it principally as means of facilitating decisionmaking—thus enhancing and self-aggrandizing their positions in these societies. Along with the assurance, confidence and assertiveness already described, the cult of personality will ultimately mean leaders who dominate the political process, are pompous in their approach, and may personify their roles in society in such a manner as to deny others the opportunity to rise to the top.

The premium accorded to "strong government" in most of Asia may mean that the next generation of Asian leaders will also be "strong" in their domestic roles.⁸ Even without the cult of personality as mentioned above, leaders in Asia enjoy dominance because their roles are regarded as crucial to the development of these societies. While "strong-man" rule is no longer fashionable, future Asian leaders will continue to exert considerable authority. In a large sense, the pace of political modernization in Asia will probably not lead to full-fledged liberal democracies in the Western sense, but instead will witness pluralistic, authoritarian systems that can also be translated as "quasi-democracies." In these circumstances, while a degree of openness will be allowed, the next generation of leaders will be firm, strong, resolute leaders as befits the political systems they lead.

In those systems that have conceptualized the problem of leadership succession and continuity of political authority, their

second or third generations of leaders are already being groomed. This preparation underscores the continued role of the organizations that are the power centers in these societies, indicating that the next generation will act as an integral part of their sponsoring organizations. In Asia, the continuity of strong leaders seems a more assured prospect than elsewhere in the world even as inter-generational change takes place.

Concluding Remarks

In this brief but sweeping survey, I have argued that the next generation of leaders will emerge not from a discontinuous *political process*, but as a result of attention and action by current authorities in most countries. Such preparation varies inversely according to the level of democracy or political liberalization. In most of the Pacific Asian countries, where strong governmental authority exists, leadership change between generations is likely to mean more of the same even if certain personalities may become prominent.

Greater or sustained economic growth in the region will mean a more assertive next generation of Asian leaders, but their sense of assurance and confidence will primarily be neonationalistic in nature. The coming to the fore of this next generation will not be fortuitous but rather will take place in the context of the political parties that dominate each political process, abetted in a few instances by the support, directly or otherwise, of the military.

A more assertive set of future Asian leaders will not necessarily mean greater regional cohesion, but in the context of the shifting of the international balance of power (political, economic, military) will indicate a larger appreciation of multipolarity and the quest for a "more equal" footing in interstate relations. Although conflict between countries led by the next generation of leaders cannot be ruled out, on the whole it is more likely that greater regional interaction will take place.

Notes

1. Takashi Inoguchi, "Political Succession in Japan," paper read at the Workshop on Political Succession in Asia, Singapore, 22-23 February 1990.
2. See Byung-Joon Ahn, "Changing Leadership in China," in *Political Leadership In A Changing Society* (Seoul: Proceedings of the Second Asian-Pacific Political Science Association, 1986).
3. Yang Tai-Shuenn, "Political Succession in Taiwan," paper read at the Workshop on Political Succession in Asia, Singapore, 22-23 February 1990.
4. See Zakaria Haji Ahmad, "Political Succession in Malaysia," paper read at the Workshop on Political Succession in Asia, Singapore, 22-23 February 1990.
5. Report submitted to the Asia Foundation, 1990, unpublished.
6. For a flavor of this, see "Crux of the Matter," *Far Eastern Economic Review*, 16 January 1992, pp. 24-26.
7. Tim Huxley, "Singapore and Malaysia: A Precarious Balance," *The Pacific Review*, Vol. 4, No. 3, 1991, pp. 204-213.
8. On "strong government," see M. Shibusawa, Zakaria Haji Ahmad and Brian Bridges, *Pacific Asia in the 1990s* (London: Routledge, 1992), Chapter IV.

Part Four:
**Looking Toward
the Future**

16. Sounding the Retreat

Doug Bandow

DURING THE PAST FOUR DECADES, THE United States has maintained an extensive military presence—and fought two wars—in East Asia and the Pacific as part of its strategy to “contain” Soviet communism. Nearly 400,000 military personnel are still stationed throughout the Pacific and, despite Congressional pressure to pare military spending, the Bush administration seems committed to keeping significant forces in South Korea, Japan—and even the Philippines if Manila changes its mind on hosting US bases. Containment lives, but who is being contained? (EDITOR’S NOTE: The 400,000 figure includes US Pacific Command forces based in Guam, Hawaii, Alaska, and the US west coast, as well as the 100,000–135,000 forward deployed throughout Africa.)

In a whirlwind three years, the Soviet Union and its East European allies have collapsed and the Asian communist states have grown increasingly weak. The fear of Russian attack on any of its Pacific neighbors has become no more than a paranoid fantasy; a faction-ridden China has neither the ability nor the will to pose a serious regional threat; Japan has gained through peaceful means all the influence and wealth it ever could have hoped to attain through war; continuing instability in Burma and Cambodia poses little danger to anyone else.

The Bush administration, however, does not seem to have registered these changes. It plans only modest defense cuts in the coming years, spending close to US \$290 billion on the military annually while maintaining a force of about 1.6 million military personnel and preserving bases throughout the world. But this only takes inflation-adjusted military spending back to 1950s levels, the height of the Cold War. The remaining force level is similar to that which confronted Joseph Stalin’s Red Army in the aftermath of World War II.

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With the Soviet Union now dismembered, however, even the Pentagon realizes that it must come up with a new justification for maintaining a Cold War size force. Thus, Defense officials argued in a recently leaked document that the United States should seek to maintain its military supremacy and prevent the emergence of rival superpowers. Containment, it seems, is to be replaced with Pax Americana.

US taxpayers spent US \$5.5 trillion and sacrificed 113,000 lives to win the Cold War. With the demise of the only superpower that genuinely threatened the survival of the country and its allies, both directly and through surrogates, the American people should not be expected to surrender ever more money and lives to police the globe. However much it may be in the interests of other nations to have Washington defend them, it is not in the interests of US citizens for their government to do so. Congress should, therefore, make far greater adjustments to reflect new international realities in US military deployments than proposed by the administration. Defense budgets and military force levels should be cut sharply, and all personnel in East Asia and Europe should be brought home.

The starting point for a new Pacific strategy—namely strategic disengagement—is to encourage Russia to continue reducing its military and settle any outstanding disputes with its neighbors. The end of the Cold War competition between the United States and the Soviet Union also allows Washington to take a more detached view of China. Although the United States should promote good relations and continued economic reform, it need be less concerned about bruising Peking's sensitivities when it pressures China to both limit its foreign arms sales and respect human rights.

At the same time, Washington should phase out its forces in Japan, which no longer face a serious threat. Of course, many countries in the region have long viewed a US presence as containing Japan as well as Russia. But Tokyo is unlikely to agree to a permanent foreign occupation for this purpose, and tensions will grow as the lack of other missions for the US forces becomes increasingly obvious.

Although North Korea remains a potentially dangerous international player, there is no need to maintain 39,000 US troops in South Korea—which has twice the population of North Korea, 11

times its GNP, and a vast technological lead. While the potential for a North Korean nuclear bomb is unnerving, US ground forces in the South do more to encourage than discourage the development of such a weapon. The United States should work with China, Japan, and Russia to discourage the North's acquisition of nuclear weapons, while perhaps utilizing a carrot-and-stick strategy.

Washington should calmly accept the demise of its bases in the Philippines, which have become expensive anachronisms. Without the prospect of war with Russia in sight, the United States has few serious interests in the Indian Ocean. Indeed, Washington no longer needs permanent basing facilities in East Asia and should not pressure other ASEAN countries to substitute for the Philippines.

Even less relevant is ANZUS. This alliance was moribund even before the United States put it into deep-freeze over the nuclear issue. Neither Australia nor New Zealand requires US protection, and a formal alliance is unnecessary for other forms of military cooperation—such as augmenting US communications and monitoring capabilities.

The Pacific is likely to grow in importance to the United States economically in coming years. However, this makes it even more essential for Washington to reduce the military burden on the country's economy, not least because a high level of defense spending will place a continuing burden on US firms and jeopardize their efforts to compete in—and with—the region. A reduced military presence will not reduce our economic power or influence. Besides, what influence has our security presence actually gained us? Is there leverage? How can we use it?

In any event, jettisoning antiquated alliances and commitments does not mean that the United States would no longer be a Pacific power. Rather it could center its reduced force structure around Wake Island, Guam, and Hawaii. Such a strategy would maintain forces in the Central Pacific, with an ability to move further west if necessary. But the United States would no longer be subsidizing wealthy allies who face fading threats.

17. Playing Catch Among the Crystal: Planning Tomorrow's Pacific Security Today

Charles R. Larson

I'M PLEASED TO REPORT OUR SECURITY POSTURE in the Pacific is in good shape. And I'm optimistic our posture will continue to improve, because with the end of the Cold War, conditions are ripe for a blossoming of democratic values and free market principles in Asia. After nearly 60 years of opposing aggression in the Pacific, the United States is well positioned to reap the benefits of investment and trade in this most dynamic region on earth.

But I'm also concerned. Everywhere I turn, on the television and in the newspapers, I see critics of our defense plans and policies chasing short-term savings at the expense of long-term dividends. I'm concerned because many of these proposals would cripple or dismantle the security system that has brought us to this happy point in history—a system that, with appropriate modifications, will continue to advance our interests in a changing and uncertain world.

As I sought a way to focus my concerns for you tonight, I thought of an incident in our family years ago—an incident that symbolizes what concerns me about our future in the Pacific.

It was one of those private dinners at home like you have all hosted at one time or another—when the good plates come out of the china cabinet and the special silverware comes out of the drawers. Just before the guests arrived I heard a noise in the dining room and went to investigate. Above the beautiful table my wife had spent so much time preparing—over the delicate china and the gleaming silver, and the sparkling crystal—a baseball arched back and forth through the air.

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My children were playing catch among the crystal.

My oldest daughter was about 10 at the time, and she and her sister were good children. They didn't *intend* to cause a disaster. In fact, once I got the ball under control—and calmed down—I realized they really didn't understand why I was so upset. As they explained in wide-eyed innocence, they expected to catch every throw.

Of course, what I knew from years of experience was that the breaks don't always go your way. Luck is not a substitute for judgment. Sooner or later, you *will* have a catastrophe if you throw caution to the wind in a fragile situation. Whether you are planning for dinner at home, or national security abroad, you must not play catch among the crystal.

Now, I understand everyone's enthusiasm for a safer and less threatening world; I'm pretty enthusiastic about it myself. In fact, I think military leaders understand better than many the incredible sweep of recent world events. We were the ones who faced the massive Communist forces eyeball to eyeball for 40 years. We understood most clearly the terrible danger of a short notice global war. Remember the television pictures of US bomber and missile crews celebrating as they stood down from two generations of nuclear alert? Every man and woman in uniform celebrated with them.

We are proud of the role we played in ending the Cold War, and we are proud of the way we met Iraq's challenge to international order. We won the Cold War with a successful strategy of *containment*, and we won the Gulf War with a strong *coalition*. The result is a less threatening world, where long-term economics can finally replace short-term survival as the focus of our attention.

And given the importance of the Asia-Pacific region to our economy—a region which accounts for nearly a third of our exports and contributes two and a half million US jobs—I'm especially pleased at the many positive developments of the past year in Asia and the Pacific.

● The Soviet empire that cast its shadow over the region for two generations has disappeared. In its place stands a loose

confederation of largely democratic states whose major concern is learning the secrets of a free market economy.

- Despite economic tensions, our military relations with Japan, the second largest economic power in the world, are excellent. Japanese military cooperation and willingness to shoulder the cost of the US presence form one of the strongest ties between our nations.

- South Korea has established new accords with the North, joined the United Nations, agreed to banish nuclear weapons from the peninsula, and moved to take the lead in its own defense.

- Our relationship with Australia remains robust, based on shared goals and interests. Our Australian allies make a major *contribution to regional stability* through their participation in combined exercises, and by sharing facilities and granting access to US ships and aircraft.

- In Southeast Asia, when we were unable to square Philippine political requirements with US operational needs, members of ASEAN stepped forward to publicly support a continued US presence in the region.

- Despite the bitter legacy of a 13-year civil war, opposing factions in Cambodia are working together better than anyone expected, and what may become the largest UN peacekeeping effort in history is underway.

- US relations with Cambodia, Laos, and Vietnam are improving steadily, as we pursue both humanitarian operations and cooperation in POW/MIA efforts.

- And finally, we are seeing a steady improvement in military relations throughout the theater, from Mauritius to Mongolia. I'm especially gratified at the role our military is playing in expanding mutual understanding with India and Bangladesh.

The new world that reflects these positive developments was born of many factors, but it is *founded* on US military power and forward presence. But, this is only part of the story in this dynamic region. Frankly, I am concerned that the situation in the Asia-Pacific theater is more fragile than many realize.

- Behind the dynamic growth is a fragile *economic* situation—the prosperity of many Pacific nations, including our own, depends on vulnerable sea lanes and uninterrupted access to overseas markets and resources.

- Behind the growing international cooperation is a fragile *political* situation—many governments are straining under internal and external pressures.

- And behind the current military stability in the region is a fragile *security* situation. Without a stabilizing US presence, mistrust and hostility could precipitate a regional arms race—or worse.

Pressures in this region stem from many sources.

- Historic animosities still dominate many relations.

- Ethnic and religious pressures are pervasive. Passions recently flamed anew into conflict in Kashmir, Sri Lanka, East Timor, and along the Burmese border.

- Boundary disputes abound. For example, in the Spratly Islands, six nations hold competing claims to oil, gas, mineral, and fishing rights.

- Demographic pressures are growing. The world is adding a billion people a decade to its population, 90 percent of them in developing countries, and most of them in this region. In Asia, more than 80 percent of that growth will be in cities.

- Such pressure on limited government services and infrastructure is bound to fuel political unrest, unless economic progress can offer people hope.

- At the same time, the production and smuggling of drugs is a growing threat to the social fabric of many Asian societies.

- In East Asia we face the continuing danger of aggression from an isolated and unpredictable North Korea—a nation with a floundering economy, an active nuclear program, a history of aggression, and a million men under arms, all approaching the first hereditary transition of power in communist history.

- Meanwhile, China struggles to revitalize its economy without reforming its politics—an unlikely program with uncertain prospects in a nation with enormous problems.

- And still, in the background, rumble the aftershocks of the Soviet earthquake. Perhaps the greatest victims of that former empire are its citizens. We embrace them as friends and we wish them success. But we would be foolish not to recognize that the dominoes are still falling in a "Commonwealth" that has little wealth and not much in common.

Now, the problem with any US military officer talking about instability in the former USSR is that some people will dismiss him as a Cold Warrior, out of step with the times. So let me quote some *other* experts instead. As the Russian winter began in earnest, Marshal Shaposhnikov, defense minister since August and now Commander in Chief of the armed forces of the CIS, told reporters, "More than 200,000 officers' families do not have apartments. Only if we preserve our men can we count on preserving capable armed forces, discipline and high morale. If we fail to do this, we may well lose everything."

As the airlift of food and medicine began earlier this month, our ambassador to Russia, Robert Strauss, said, "I think the stakes are very, very high... This is a *very* dangerous situation... I'm not worried about a coup. I am worried about a demagogue arousing a frustrated, disappointed, angry people—many of whom long to go back to the old ways when they didn't have freedom but they had food."

While visiting Paris just a few weeks ago, Boris Yeltsin said, "If Russia fails in its reforms, especially of the economy, a dictator *will* appear." I won't try to predict the future in such a situation. I'll leave that to former Soviet Foreign Minister Edward Shevardnadze who said simply, "In a situation of general instability, *anything* can happen."

No one can predict where these trends will take us, but I *do* know that our presence and our military power act as a brake on instability, and serve to promote cooperation in a region that is vital to our economic future. It's clear that growth and change *will* occur in Asia. The only question is, "Will we participate?" Will we be leaders, contributing to controlled, positive, peaceful change founded on alliances, deterrence, and peacetime military engagement? Or will

we trust to luck in this fragile situation— weakening our bilateral ties and leaving our friends to search for new security and economic alignments? Or even worse, will we be drawn into a conflict we could have prevented through forward presence and engagement?

President Bush has stressed repeatedly that our destiny lies as much in the Pacific as in the Atlantic. He understands that today the concept of national security must include both regional stability and economic prosperity. And he knows that our economic future is tied irrevocably to this region, where more than 35 percent of our international trade takes place.

Last November, Secretary of State Baker laid out the formula for shaping a secure and progressive future when he listed "Three Principles for US Foreign Policy in Asia."

- The first of those is *promoting economic integration*. Trade makes us all stronger and gives us a stake in cooperation instead of confrontation.

- The second principle is *fostering democratization*. The best way to build stability in the long run is to share this value with others.

- And underlying these first two is the principle of *maintaining*, and even *expanding*, the strong *framework of bilateral military relationships* we already have in place.

The US Pacific Command supports that third principle with a military strategy that reaches out to people from more than 40 nations with joint training, combined exercises, and exchange programs tailored to each nation's individual needs and capabilities. In time of crisis, we rely on these relationships to build coalitions for deterrence—not as the policeman of the Pacific, but as the leading citizen in the neighborhood, with the greatest stake in law and order.

This new focus on regional stability and collective action means we must be prepared for new roles, including enforcing sanctions, and conducting peacekeeping and humanitarian operations. No, we are *not* the 911 number for the world. But we *are* the only nation with the status and the capability to back international

missions as the guarantor of their security. We are able to execute this strategy and accomplish these missions because we have adapted to the new conditions of this new world.

First, we have developed a plan for a new, smaller military force in line with the reduced threat and budget realities of this new age—although our reduction of about 12 percent will be less than the 25 percent drawdown of DOD, or the 50 percent reduction scheduled in Europe.

At the same time, we are developing new and innovative ways to maintain our regional presence and bilateral ties. In my travels, I find nations are more receptive than ever to working and training with the world's strongest, best organized, and most technologically advanced military. So we are working harder than ever at developing cooperative programs—from disaster relief and military medicine, to common doctrine and combined training. Today, the range and scope of military connections with nations in Asia and the Pacific is the greatest in decades, even as we scale back the cost of that involvement through carefully planned reductions.

We have also developed a new organization to deal with the most likely threat of the future—*regional contingencies*. While my service components continue to control day to day activities, we will meet localized crises by activating a temporary—and expandable—Joint Task Force. Comprised of a field commander and staff already in theater, an augmentation package from my headquarters, and selected assets from all services, this task force will work directly for me, simplifying the old Cold War chain of command into a clean and efficient two-tiered organization. We have practiced this concept in exercises and employed it in crises, to include both Operation Sea Angel in Bangladesh and Operation Fiery Vigil in the Philippines. It works—and it's just the kind of new thinking we need for this new age.

But, all of these initiatives to shape a stable and profitable future in the Pacific are directly dependent on *adequate, trained and ready, forward deployed forces* to provide influence, deterrence, and response. In this fragile world, we tamper with this basic concept at our peril.

And this is my concern—that so many commentators are playing catch among the crystal—promoting drastic changes that would sacrifice two generations of work and start over from scratch.

Now, there is nothing wrong with a genuine difference of opinion and a vigorous debate over the military budget. That's healthy. That's democracy. But I am frankly dismayed by the many shortsighted ideas that would weaken our bilateral relationships; eliminate the forces that undergird those relationships; or undermine regional stability by casting doubt on US commitment.

Such ideas have two things in common—a short-term focus on dollars, and a long-term innocence about how quickly the crystal could smash, and how helpless we would be to prevent a disaster without the right forces, at the right place, and the right time.

We must not forget that our military does more than just fight wars—it plays a key role in preserving the peace. We need an adequate forward presence in the Pacific to wage the new peace. And we need a strong, flexible force to win the next conflict. Because as Secretary of Defense Cheney has said, “We can count on it. There *will be* a next time. There always is.”

The simple fact is that threats change faster than we can change our military structure. It takes 5 years to make a good sergeant; 10 years to build an aircraft carrier; 20 years to train a submarine commander. But the world will no longer give us that kind of time. Who anticipated Korea in 1949? Vietnam in 1960? Iraq in 1989? Who thought two years ago that in 1992 the fourth largest nuclear power in the world would be Kazakhstan?

No one can outguess history—it is dangerous to try. But we can be prepared for tomorrow, by maintaining a robust, capable, *flexible* military. It must be large enough to remain engaged worldwide with friends, and to respond worldwide to enemies, without destroying the training base at home, or stripping one region entirely to deal with a crisis in another.

This is a point many of our critics miss. If the force is so small that all of it is committed all the time, when do we train or maintain it? Every time we take a carrier out of the inventory or a unit off the line, we increase the strain on the people still maintaining our access and influence across this vast theater. And as

General Powell recently explained before Congress, the morale and efficiency of a military organization is a fragile thing. It requires a certain minimum size and predictability if we are to maintain its coherence.

We have designed just such a balanced force for this new security environment—we call it the "Base Force." Only with this proven force to support a proven strategy can we forge a vigorous and stable tomorrow from this fragile today. I don't know where the next threat will arise or where we will next see

American forces committed in crisis. But I *do* know that the surest way to precipitate a crisis is to hollow out that force—to pull back, pull out, and destroy the framework of military relationships that promote stability.

We can avoid this fate. I'm convinced we are on the right track. We have the right strategy and it's working. The free nations of Asia and the Pacific respect our word, and the not-so-free nations respect our power. Opportunities for our investment abound, *if* the US remains a leader in the region. We *can* shape a stable, secure, profitable future in the Pacific. And I'm confident we will.

But we must have a military adequate to the challenge. And we must stop playing catch among the crystal.

18. Does Multilateralism Have a Future in Asia?

Patrick M. Cronin

SINCE THE CESSATION OF THE COLD WAR, there has been an increasing number of proposals calling for a "multilateral" approach to achieving security in the Asia-Pacific region.¹ At the broadest level, numerous officials and analysts from Asian countries, as well as from countries on the Pacific periphery, have advanced the idea of a pan-Pacific analog to the Conference on Security and Cooperation in Europe (i.e., a Conference on Security and Cooperation in Asia, or CSCA). Some believe this should be an entirely new institution. Others feel that a CSCA should evolve naturally out of the still burgeoning Association of Pacific Economic Cooperation group, whose main attraction seems to be its unprecedented level of inclusivity.

At the region-wide level, Asian authorities have proposed a hexagonal, great-power dialogue that might sprout from the four-plus-two or four-plus-one diplomacy on the Korean Peninsula. That is, the United States, Japan, Russia and China, as well as South and North Korea or a united Korea, would create at least a forum for debating common security concerns in Northeast Asia. One Russian proposal aims to erect a trilateral alliance among Russia, Japan and the United States to shore up stability and cooperation in Northeast Asia. Not surprisingly, those who would be excluded from this institutionalized great-power summit prefer another model. For instance, both Mongolia and Canada have proposed the creation of a broader new security institution for the Northeast Asian region.

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In Southeast Asia, officials and analysts have been equally imaginative in their proposals for post-Cold War security institutions. Most conservatively, the Association of Southeast Asian Nations (ASEAN) continues to take baby steps in the direction of greater security cooperation. ASEAN leaders agreed at their fourth summit meeting in Singapore at the end of January 1992 that their foreign ministers could discuss security matters at future meetings and, in a move that would have been unimaginable two years ago, the ASEAN leaders expressed their hope that Vietnam would join their ranks within five years. At the same time, however, the summitters reaffirmed their reluctance to transform ASEAN into a military alliance. Notwithstanding this reluctance, there is some very loose talk about an emerging region-wide Southeast Asian security community to fill the vacuum left by an allegedly retreating United States Seventh Fleet and form a southern bulwark against a new Japanese Greater East Asia Co-Prosperty Sphere.² In other words, a new Southeast Asian Treaty Organization (SEATO), but this time with Asians and for Asians. Not all the proposals for multilateral structures are new. For instance, the Australians are especially keen to see the oddly antediluvian Five-Power Defense Arrangement become a building block for expanded defense cooperation.

In addition to these proposals for a security community in the Asia-Pacific region, there are a host of arms control and confidence-building proposals on a Pacific-wide, regional, and subregional basis. The South Pacific, with its South Pacific Nuclear Free Zone (SPNFZ) Treaty and other multilateral accords, is often cited as a model for multinational arms control in the region. Some analysts advocate a nuclear-free zone or no-first-use of nuclear weapons pledge centered on the Korean Peninsula and neighboring territories. Others wish to establish a regional incidents at sea (INCSEA) type agreement, or possibly a regional maritime safety regime, that would be applicable to the Pacific Rim's blue, green, and brown water navies alike. In South Asia, proposals continue to be focused on a nuclear-free zone and a regime of confidence- and security-building measures (CSBMs) that would tie in not only India and Pakistan, but also China.

Asia-Pacific Multilateralism: To What End?

Skeptics of innovative security frameworks often begin by asking what problem any proposed structure or regime will solve. Thus, this section will focus on the major purposes or functions assigned to multilateral proposals; it will then highlight several specific proposals for increased multilateral cooperation in the Asia-Pacific region. Regarding the specific functions or purposes attributed to multilateral institutions in the Asia-Pacific region, one can lump them into one of four clusters of issues.

One approach to multilateralism centers on *regional regime building*. The rationale for a nascent security community in Asia centers on the need to erect such institutions almost for their own sake. One often hears the informal sentiment that if Asia-Pacific nations are to have their say in global affairs, then they are going to have to organize on a par with Europe. Thus, many of these proposals are unabashed attempts at regime building. Among other things, they aim to construct: a verification structure for an arms control regime; a forum for comprehensive dialogue; and a permanent secretariat in order to have an institution capable of building a corporate memory and representing truly regional concerns.

A second approach homes in on *reassurance*, of bolstering regional stability in order to continue Asia's dramatic economic progress. Top among the list to be reassured—not unlike the San Francisco agreement and the US-Japan security relationship—is Japan, whose great sense of vulnerability must be allayed if she is to continue to forego offensive military capability. At the same time, the rest of the region needs to be reassured about Japan's role in the future, especially in light of increasing pressure on Japan to shape world affairs rather than simply respond to them. Some see this as the need to keep a "cap in the bottle", to allow the second most powerful economic nation in the world to reawaken to the realities of great-power responsibility without rekindling Japanese militarism. Moreover, China and Taiwan need mutual reassurance, and Mongolia needs reassurance from China.

North and South Korea need reassurance. India and Pakistan need reassurance. And most of the region wants reassurance about the former Soviet Union and its military capabilities. ASEAN wants reassurance about Vietnam, Japan, India, and so on.

A third approach to multilateralism pushes an *arms control and arms reduction regime*. Much of the focus is correctly on weapons of mass destruction, particularly nuclear weapons, nuclear materials, nuclear know-how, and nuclear disposal. Conventional arms control, especially related to ballistic missiles and high technology, also comprises part of this approach. And then there is the informational side of arms control—the attempt to erect a transparency regime of confidence and security building measures.

A fourth and final approach sees Asian multilateralism as a cost-effective means for the US to pursue either (a) a role in the region, or, conversely, (b) to opt out of the region's security concerns without inciting instability. I consider this to be a *minimalist or reductionist* approach to multilateralism. I would include within this category those who advocate a problem-solving approach, those who believe it is better to focus all energies on solving any specific major threat—such as North Korea's nuclear program—rather than trying to move on to some nebulous, feel-good forum. This approach tends to favor ad hoc coalitions rather than institutionalized forums. Its main attributes are the ability to achieve regional stability at the cheapest price (since security is *a la carte* rather than a set menu), and greater efficacy given the relative tendency of nations to act with dispatch and muscle if faced with a specific threat.

Some proponents of a multilateral approach often argue not for any single proposal, but rather talk about the long-term goal of erecting an interlocking network of bilateral and multilateral mechanisms, dealing with economic, socio-cultural and military threats. Nonetheless, for the sake of simplicity, I want to treat briefly six major proposals aimed at greater multilateral security cooperation in Asia.

A CSCA. With the move to strengthen the CSCE for European regional security in the post-Cold War, a number of officials and private academics from Pacific Rim states have proposed using

CSCE as a model for building a security framework in the Asia-Pacific region. Partly because CSCE reeks of being a Western import, even the very best Asian analysts are instantly dismissive of this idea. For instance, Professor Shigekatsu Kondo, Professor at the National Institute for Defense Studies in Tokyo, contends that "there has to be a basis of common interests strong enough to make the countries in the region perceive security problems as common concerns. The Asia Pacific region has not yet reached such a stage."³ As Kondo elaborates:

There exist a lot of differences in security environments between the Asia Pacific region and Europe. CSCE was created out of efforts to ease tensions between two hostile camps in Europe, which was the main battlefield of the Cold War. Unlike Europe, Asian countries have not shared common threats due to differences in such factors as geographic location, degree of economic development, social integration, and historical background. This is why a NATO-type multilateral collective security organization was not established in the Asia Pacific region. This situation has not fundamentally changed with the end of the Cold War. Therefore, we cannot directly apply an European model to the different security environment of the Asia-Pacific region. A sub-region approach will be more effective for regional security than would a region-wide approach.⁴

While Professor Kondo makes some good points, he appears to view NATO and CSCE as synonymous institutions. In fact, the former is an alliance based on a common threat. The latter is a type of broader alignment aimed at constructing a more positive cooperative order. Unlike an alliance, a CSCA would be at first little more than a forum for debate over a variety of security issues in the broadest sense of the word (from the environment and energy, to human rights and piracy). The purpose would be to provide a single platform for regional debate, in contrast to the multiple public and private means by which information is conveyed among Pacific states.

Such a proposal, like a jack of all trades, covers all the bases, but none of them well. Moreover, busy policy makers have

no time for such all-encompassing fora; instead, they tend to gravitate toward a problem-solving approach and are limited in the number of problems they can address at any one time. Of course it is precisely this limited horizon that leads some to propose a CSCA. But whereas the heart of CSCE has been on the issues of human rights and security of borders, such issues are not likely to be acceptable to a majority of Asian nations. Hence, CSCA would be quite different from CSCE.

Finally, clearly some of these disparate proposals are simply self-serving attempts to seek protection or to preserve power and prestige or gain added influence. For instance, it is no accident that a number of the proposals for regional security institutions have emanated from "[s]everal non-Asian countries on the periphery of [the] dialogue (Australia, Canada, and the Soviet Union).⁵ Thus such proposals continue to fall on deaf ears among the region's major actors. In particular, the US remains opposed to such a forum; nor does it desire to see its thus far successful APEC group turn its attention away from economics onto a broader agenda. As some American officials have argued, economic cooperation, not security cooperation, holds out the best hope of eventually providing a common identity to the Asia-Pacific region.

A Nuclear-Free Zone and Conflict-Resolution Regime on the Korean Peninsula. There have been a number of different proposals concerning arms control on and around the Korean Peninsula. One of the most intriguing and far-reaching is that advanced by Professor John Endicott, who has been refining the notion of establishing a large Nuclear Free Zone (NFZ) around the Korean Peninsula as a means of moving toward a Northeast Asian collective security regime.⁶ Specifically, he believes the US should build on recent breakthroughs—including recent US initiatives regarding nuclear weapons afloat and the withdrawal of nuclear weapons from the Republic of Korea; and recent advances between North and South Korea, such as their "Joint Declaration for a Non-Nuclear Korea Peninsula"—by advocating a NFZ for an area nearly 1300 nautical miles in radius from the center of the DMZ in Korea. This NFZ for Northeast Asia would involve the

creation of a multilateral verification organization that would have as an integral part some form of regional dispute resolution mechanism. In essence, Northeast Asia would be establishing—possibly under United Nations auspices—a new kind of security system; rather than an alliance formed to defend against outside threats, as in NATO, this would become a security system to oversee the rational dismantling of the residue of the Cold War.

Endicott envisions a phased approach: Phase I would focus on establishing a nuclear free zone around the Korean Peninsula, as well as an incipient conflict-management regime with a permanent secretariat; Phase II would focus on nuclear force reduction talks among the nuclear weapons possessing states of Northeast Asia; Phase III would turn to the issue of providing for the safe disposal or commercial recycling of the fissile materials made surplus by Phases I and II; Phase IV would expand the nuclear process to South Asia, and extend the overall process to include conventional forces in the Northeast Asia Zone.

This nuclear free zone would include the entire Korean Peninsula, all of Japan and Taiwan; the Russian Maritime States, Vladivostok, most of Sakhalin, and the area as far west as one hundred miles from Ulan Ude and Lake Baikal (thus significant portions of the ICBMs located in the Transbaikal and Far Eastern Military Districts would be included); all of eastern Mongolia from Ulaanbaatar to the border; and most of the heartland of China reaching almost to Lanzhou, west of Xian, and almost as far south as Canton or Guangzhou. The proposal would have to come after a settlement with North Korea and not interfere with existing efforts to get Pyongyang to fulfill its obligations under NPT.

One of the key problems with this otherwise interesting proposal concerns where North Korea is heading with its nuclear weapons program. Despite dramatic progress in North-South dialogue, there is a lingering fear that Kim Il Sung is stalling for time, time enough to acquire sufficient weapon-grade plutonium that can then be concealed until some weapons can be clandestinely constructed. Few people are willing to see good intentions on the part of the North Korean regime.

Clearly we need to facilitate regional non-proliferation, minimize further diffusion of high-technology conventional weapons, and eventually encourage regional arms control efforts. The question concerns not the end but the means. For example, there already exists an unprecedented degree of tacit cooperation aimed at shutting down the North Korean nuclear program among the US, Japan, South Korea, Russia, and possibly China. But that may not be enough to deter North Korea from truly abandoning something it may view as a core security requirement. In short, a nuclear-free zone, to say nothing about a conflict-resolution regime, will have to await some resolution of this current challenge to region security. But if we continue to see progress toward greater reconciliation on the Korean Peninsula, then there will be added momentum for the Endicott proposal or something like it.

A Hexagonal Forum in Northeast Asia. Some analysts focus less on a CSBM regime in Northeast Asia in favor of a regime aimed at fostering great-power cooperation. Accordingly, some officials and analysts have called variously for a three- or six-way great-power dialogue. Vladimir Ivanov, a visiting fellow at Harvard University, argued for an American-Japanese-Russian condominium to bring greater stability to Northeast Asia. More common has been the call for a dialogue among the major actors—the US, Russia, China, Japan, and one or both Koreas. Sometimes this is seen as being derived from the so-called two-plus-four approach to security on the Korean Peninsula. But for the sake of simplicity, I would like to focus on the idea of a six-power consortium.

Some feel this forum can be informal, that there can and should be a *de facto* alignment of all the regional powers, save North Korea. Thomas Robinson argues in favor of this kind of informal great-power concert: "*ad hoc*, cooperative solutions to Asian problems would likely be the order of the day among the four regional power centers—America, China, Japan and Russia. These included such an approach to important problems like the North Korean nuclear weapons program, the Korean unification issue, final solution to the Cambodian civil war, and possibly (if

they were to come to the edge of violence), of the Spratly Islands question and even the China-Taiwan problem."⁷

Others, such as Andrei Kokoshin, also feel that a great-power concert in Northeast Asia would not necessarily benefit from institutionalization, partly because other nations such as Canada and Australia might also be able to make positive contributions to regional stability. For instance, Kokoshin speaks disparagingly of any all-Pacific CSCA and instead calls for a loose balance of power:

Attempts to apply the experience of the Helsinki process to the Asian Pacific region were fruitless. Gorbachev's adherence to this course, despite the skepticism by political scientists and experts, was rather amazing. It seems quite obvious now that any realistic Soviet efforts to strengthen security in this part of the world should not be confined to confidence-building measures and a reduction in military confrontation. It is vital for the USSR to conduct a coherent pragmatic strategy for keeping the balance of political forces in the region. In the foreseeable future, the USSR could not claim to be even one of the region's military-economic centers of power. The hegemony of a certain state or bloc of states in the region would bring further decline to the USSR. Thus, Soviet influence will depend on the maintenance of a dynamic multipolar balance. This approach does not seem to go against the interests of other states.⁸

A Southeast Asian Security Forum. In 1991, then Japanese foreign minister Taro Nakayama proposed a regional security dialogue in conjunction with the annual post-ministerial external dialogue meetings of ASEAN.⁹ While the Japanese beat a hasty retreat from the proposal when they realized Washington's ardent opposition, it has been portrayed as emblematic of Tokyo's increasing desire to play a less passive role in regional affairs. While Japan has not been able to move quickly toward this goal, the notion of an ASEAN security community has gained ascendancy of late. Such an idea is rooted in ASEAN's formative stages, since some of ASEAN's founders envisioned eventually dealing with security problems on a joint basis.

If ASEAN states seem to prefer a non-security focus, they also seem to have a less difficult time of late delving into security matters. Certainly ASEAN support for a UN-brokered peace settlement in Cambodia has been instrumental in helping to establish peacekeeping forces in that still fragile country. Moreover, at the ASEAN meeting in January, the leaders agreed to allow their foreign ministers to raise security issues, a small step but one squarely in the direction of greater security dialogue. Finally, there has been an increasing number of informal relationships among ASEAN military leaders which could support a more elaborate security dialogue.

But despite the fact that a number of ASEAN leaders in recent years have speculated about the prospects for a region-wide defense community, the prospects are not bright. As Sheldon Simon notes, there is an important distinction between a security community ("in the sense that no member would seriously consider the use of force against another to settle disputes") and a defense community that would form the basis for common military collaboration beyond the current bilateral arrangements. Simon is correct. If one expects these incipient communities to be alliance-like, then they will require in all probability a common unifying threat. On the other hand, if one is looking simply for a forum for expanding cooperation on the margins, then an expanded ASEAN defense community seems quite plausible within the next few years.

A CSBM Regime in the Pacific. Because the lack of a common threat perception in the Asia-Pacific region creates limitations on alliance formation, many have focused their hope for greater regional cooperation on CSBMs, because they can be perceived to be of benefit without the need to address threats. One Australian proposal for the region focuses on "a regional maritime surveillance and safety regime optimized for a spectrum of tasks" which fall short of war, including:

- Maritime surveillance, including the compilation of a shipping plot of all vessels within the area of the regime at any one time;
- Monitoring illegal activities, including drug smuggling, piracy, unauthorized population movement and unlicensed fishing;

- Planning for the naval control and protection of shipping transiting the area (noting here the growing interest of most regional countries in the security of seaborne trade);
- SAR [Search and Rescue] and maritime safety;
- Controlling and monitoring marine pollution, and taking remedial action as required; and
- Generally sharing maritime information and intelligence.¹⁰

Merit is also attached to additional CSBMs, such as a regional avoidance of incidents at sea, as well as a regional dialogue on naval doctrine and maritime operations with respect to international law.¹¹

Obviously such CSBMs must be judged on their specific merits. In general, however, such CSBMs have the potential to address real if not critical problems. Moreover, they might provide regional solutions by regional actors, and thus help to create a home-grown security vocabulary for the region without undue interference from afar. Finally, a CSBM regime represents one of the most conservative, building-block approaches to exploring regional multilateral security cooperation.

A Nuclear-Free Zone in South Asia. A key problem in South Asia, as in Northeast Asia, concerns proliferation of weapons of mass destruction. Because it seems unlikely that India and Pakistan will join the nuclear Non-Proliferation Treaty anytime soon, considerable interest has been raised with some other steps that could ameliorate tensions in South Asia and retard nuclear proliferation. One proposal would be to establish a South Asia Nuclear Free Zone (SANFZ). Another proposal would simply attempt to take steps toward a SANFZ such as a no-first-use pledge. And a third proposal would create a regional dialogue, such as the five-power (US, Russia, China, India, Pakistan) forum proposed by Pakistan Prime Minister Nawaz Sharif last June.¹²

Because India perceives an equal or greater threat from China than from Pakistan, New Delhi is reluctant to be drawn into a bilateral arms control regime that excludes Beijing's arsenal. In addition, some Indian officials wonder whether Islamabad's inter-

est in such proposals are actually a ruse to divert attention away from its nuclear program.¹³

The Pitfalls of Multilateralism

While I have addressed some specific proposals briefly, it is possible also to make some generalizations regarding the perceived pitfalls and problems often ascribed to some or all proposals for new institutions in Asia. I have identified six different pitfalls, although they are not necessarily mutually exclusive or universal.

The Fallacy of a Pacific Community. A number of critics point out that many proposals have something in common: namely, a fallacious belief in an emerging Pacific Community that has been in the offing for more than a century. At a minimum, it behooves us to question the compressed timeliness that many proposals posit for multilateral cooperation. As James Clad argues, the notion expressed by Pan Centurians for a Pacific Community or identity is no better than "A Half Empty Basin."¹⁴ Most of these critics believe that an issue-specific approach is to be preferred over a region-wide dialogue or approach, although others have noted that the two do not have to be mutually exclusive. In terms of the two major functions of alliances—balance of power or threat versus a tool of management or order—these critics would point out that alliances or alignments not based on balancing power or threat lack unifying force and hence serious cohesion. Thus, Japan has more in common with the United States and Europe than with Indonesia and India. And it would be better to focus attention on the threat of nuclear proliferation on the Korean proliferation than to create a dialogue to discuss every issue of concern to every regional actor.

The Unfulfilled Promise of Arms Control. A constant conservative criticism of arms control during the Cold War was aimed at those proposals that viewed the arms control process as an end in itself, rather than a means to an end; that is, when they were not derived from an interest in national security but rather in confi-

dence-building. Moreover, from the Test Ban Treaty on, arms control has been often oversold in terms of its amelioration of real threats in the US-Soviet confrontation. In any event, arms control devices that get out in front of political consensus seem to be destined to produce undesirable consequences, either because they invite unwarranted complacency or because they cause added anxieties when they fail to materialize. Hence, many of the proposals to construct regional or subregional CSBM regimes in the Asia-Pacific would seem to suffer from trying to impose the means of arms control in the absence of agreement on the end goals among the political community in question. For instance, even on the Korean Peninsula, which would seem to benefit so much from arms control, it is easier to propose a solution than to actually forge a political agreement between the North and South.

Undermining Existing Institutions. A third problem frequently identified with these proposals is that they would serve to undermine existing institutions and efforts. For instance, rather than attempt to construct some new verification regime, would it not be preferable to give added funding and support to IAEA, especially given the obvious difficulties of verifying and enforcing safeguards on nuclear weapons and materials? Moreover, at a time when the United Nations is already over-extended in terms of its peacekeeping operations, would it not be better to bolster UN peacekeeping operations than to create regional or subregional forces outside of the UN structure? Finally, many of these proposals could be used for malign purposes and could forestall progress in ongoing discussions or bilateral relations. For instance, it is easy to conceive of a North Korean gambit to seize a proposal for a nuclear free zone on the Korean Peninsula to further stall in meeting its full obligations as a voluntary signatory to the Nuclear Non-Proliferation Treaty. These proposals, rather than advancing stability, might actually inhibit it by providing legitimacy to rogue regimes or rulers.

Inherent Inefficacy. Another pitfall is the perceived inherent inefficacy of multilateralism in general, and specifically in a region basically devoid of a multinational tradition. Even bilateral accords,

as between North and South Korea can resist resolution. So disparate are the threat perceptions as well as the goals that the more parties involved in a negotiation the more difficult serious agreement will be to achieve. However, some would argue that a multilateral approach—particularly one that does not preclude various overlapping bilateral and multilateral approaches—might help jar some of the longstanding bilateral disputes or standoffs.

Diminishing America's Clout. Fifth, it is also pointed out that most multilateral approaches to security in Asia are antithetical to US national security because they would instantly dilute America's power in the region, discount the value of American military might, and hasten the alleged decline in US bilateral alliances. As some cynics point out, many of these proposals seem to have the United States debating with itself.

The High Cost of Multilateralism. A sixth and final general criticism is that the costs are simply too high. For one thing, there is little appetite among the great powers for ambitious institution building. The political will to implement anything more than modest schemes seems to be lacking. Instead, countries such as the United States, China, Korea, and Russia are focused inward on domestic renewal. In addition, the notion of paying for new institutions (in terms of money and the limited human resources of even the largest bureaucracy) simply does not seem to exceed the expected benefit. That is, the prize to be awarded for building some Pacific identity is so nebulous that it just is not clear why the proposal should be taken seriously in the first place.

Quo Vadis Multilateral Security Cooperation in Asia?

Despite these common risks, there remains considerable scope for multilateral security approaches in the Asia-Pacific region. Rather than expect any single measure to defuse the potentially

explosive situation of nuclear proliferation in the Asia-Pacific region, a multifaceted approach might be preferred. Here one is impressed with the ideas of non-proliferation expert Lewis Dunn, who suggests a combination of: (a) bolstering traditional multilateral institutions (such as further tightening of nuclear export controls by bringing in India and China); (b) strengthening existing bilateral ties (e.g., by reaffirming the US nuclear guarantees to the Republic of Korea and Japan), and (c) expanding existing bilateral building blocks into multilateral ones (such as a South Asian nuclear freeze or a Northeast Asian NFZ).¹⁵ Dunn's prescription for nuclear proliferation could be adapted for the myriad issues raised by various proposals for multilateralism in the Asia-Pacific region.

First, the United States should help to *bolster existing multilateral institutions and agreements*, such as the United Nations and the nuclear Non-Proliferation Treaty regime on an international level, and such as ASEAN on a regional level.

Second, the United States should continue to *strengthen its existing bilateral arrangements* in the region. Here, the current US approach of establishing small but numerous military access agreements seems the right way to go. This looser web of access arrangements designed to enhance the interoperability of independent military forces—from India to Indonesia—is a cost-effective, prudent way to stay engaged in Southeast Asia in a meaningful, affordable way. Because future US military engagement in the region is likely to be part of a multinational effort, we must do more to learn how to operate with our potential coalition partners.

Similarly, the United States needs to reaffirm its commitment to Japan and Korea: the former in such a way as to give Japan more latitude for decision-making and not just checkbook diplomacy; the latter in order to deter aggression on the Peninsula, to denuclearize it, and to help advance reconciliation of the two Koreas. However, if reconciliation proceeds, eventually US concern will have to shift to avoiding overstaying its welcome on the Korean Peninsula.

But what if we formed a coalition and nobody came? Current trends suggest that we cannot guarantee that US leadership of Desert Storm-type collective efforts will be automatic. If fewer and

fewer Asians come to share America's vision of a new world order, then America could be increasingly excluded from the region. Thus, at some point in the 1990s, the US may find that a new multilateral forum for dialogue in Northeast Asia and a limited CSBM regime in Southeast Asia might be one of the best ways to firmly cement the US in the region. Not only would the United States not incur any rigid alliance commitments, but it would also reassure Asian countries that the United States was in the Pacific to stay. In addition, such a forum might also allow Japan to play a greater, more autonomous role in the region without threatening its neighbors.

Third, we should try to *expand existing bilateral building blocs into multilateral institutions*. Although Northeast Asia seems to be almost ripe for such a forum, any proposals to deal with this area must not interfere with current policies designed to deter North Korea from acquiring a nuclear capability. We must not give Pyongyang a ruse to stall on its international obligations as a signatory to the NPT.

In closing, I wish to make two final observations. First, the same centrifugal forces that are loosening the outer layers of the encrusted alliances of the Cold War are spinning off and creating new opportunities, both bilateral and multilateral. We should seize those opportunities that are arising from fundamental political realignments, as well as growing economic interdependence and the continuing revolution in information technology. However true the fairly sobering past experience at regionalism in Asia, the post-Cold War world order would appear to offer fresh opportunities—even imperatives—for multinational security endeavors, to consolidate our Cold War victory before we miss an historic opportunity. Ad hoc multinationalism may not always be sufficient.

Second, it seems that the metric for measuring Asian multilateralism should not be zero-sum but sum-sum. It should not be measured simply against European standards but Asian ones. It should not focus on pan-Asian multilateralism, but rather try to seize the half-full side of the basin and start with a building block approach that revolves around specific issues such as proliferation and economic prosperity. This approach, I would argue, holds out the best hope for increasingly productive and useful multilateralism in the region.

Notes

1. By Asia-Pacific region, I refer to East Asia, Oceania, and South Asia, although my chief focus is on East Asia, both Northeast and Southeast Asia.
2. "ASEAN, The Eye on Japan," *The Economist*, 1 February 1992, p. 37.
3. Shigekatsu Kondo, "Japan's Security Interests and Role in the Pacific Rim Cooperation," paper presented at the International Conference on Pacific Rim Security Cooperation, Institute of Foreign Affairs and National Security, Seoul, Korea, 26-27 November 1991, p. 12.
4. *Ibid.*, pp. 12-13.
5. Charles E. Morrison, "Issues in US Relations with Asia and the Pacific: Background for President Bush's January 1992 Trip" (New York: The Asia Society, December 1991), p. 4.
6. John Endicott, Director, Center for International Strategy, Technology, and Policy, Georgia Institute of Technology, Atlanta, presented his preliminary proposal to a "murder board" at the Institute for Defense Analyses on 24 February. He plans to propose some refined version of this to an international conference in Beijing in March 1992.
7. Lin Zhiling and Thomas Robinson, "Domestic and International Determinants of Chinese Reunification: A Multi-System National Approach," AEI Conference Paper delivered to AEI Annual Policy Conference, 3-4 December 1991, p. 17.
8. Andrei A. Kokoshin, *The Evolving International Security System: A View from Moscow* (Alexandria, VA: Center for Naval Analyses), Occasional Paper (December 1991), p. 31.
9. Morrison, "Issues in U.S. Relations with Asia," p. 4.
10. Commodore W.S.G. Bateman, RAN, "Multinational Naval Cooperation—A Pacific View," Paper for Conference on "Multinational Naval Cooperation" held at the Royal Naval Staff College, Greenwich, 12-13 December 1991, pp. 19-20.
11. *Ibid.*, pp. 20-21.
12. For instance, see Salamat Ali and Hamish McDonald, "South Asian NFZ?" *Far Eastern Economic Review*, 5 December 1991, pp. 20, 22.
13. *Ibid.*
14. James Clad, "A Half Empty Basin," *Wilson Quarterly* (Winter 1992).
15. Lewis A. Dunn, *Containing Nuclear Proliferation*, Adelphi Paper 263 (London: IISS, Winter 1991).

19. The New Pacific Environment: Seizing the Opportunities

Ralph A. Cossa and Michael T. Byrnes

We are at one of those rare points of leverage in history when familiar constraints have dropped away; what we do now could establish the framework within which events will play themselves out for decades to come.¹

THE END OF THE COLD WAR AND THE SUBSEQUENT breakup of the Soviet Union have initiated profound changes in the international environment. As John Lewis Gaddis points out, familiar constraints have indeed dropped away, leaving the United States with a unique opportunity to affect the future. But, the end of the Cold War also leaves us without a known datum point to navigate from. While the lack of constraints may allow America to chart a new and promising course to shape the future security environment, uncertainty and a lack of familiar context may hinder our ability to confidently and effectively move forward toward a new global paradigm.

Introduction

The significant shifts that are now reshaping the world present strategic planners with an unfamiliar set of issues. The relatively straightforward bipolar structure is rapidly giving way to a less stable multipolar structure or, as some would argue, per-

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haps even a unipolar structure with a handful of second order powers.² With the disintegration of the Soviet Union, threats to the US have shifted from global to regional in character. Such threats are more ambiguous and complex than during any time in the last half century.

In addition, the economic instrument of national power is increasing in prominence. The currency of world power is beginning to shift from a focus on military power to an increasing focus on the importance of economic strength and technological prowess. While the military instrument of national power remains essential as a final arbiter, as the war with Iraq vividly demonstrated, other factors are becoming as influential. As Ted Sorenson notes, America may have to learn to operate on a world stage where superconductors are becoming more important to the world balance of power than supercarriers.³

As economic interdependence ties nations closer together, it concurrently provides new grounds for conflict. Meanwhile, US budgetary constraints are significantly impacting the size and shape of the American defense establishment. Simultaneously, the existence of traditional "culture areas" limits mutual understanding and the ability of nations to dismiss nationalistic feelings and historical antagonisms.⁴ Finally, rapid technological advances are changing the nature of state-to-state relations and the nature of military conflict, as well as the global distribution of military power.

Out of this changing environment, fraught with uncertainty, unpredictability, and the potential for great disorder, comes the opportunity for the United States to help shape a new world order.

A New World Order

As President Bush has observed, "the new world order is not a fact—it is an aspiration."⁵ Its elements appear to be:

- a unique and extraordinary moment in recent history where nations can move toward meaningful cooperation;

- a cooperative relationship between the United States and Russia which has turned back the nuclear clock and can potentially anchor the new world order;
- a world that remains a hopeful place but also a dangerous one with serious threats to US interests;
- a developing partnership of nations based on consultation, cooperation, collective action, and an equitable sharing of costs and commitment;
- a greater reliance on international and regional organizations to manage this new partnership of nations; and
- hopefully, a world of open borders, open trade, and open minds where democracy and prosperity will thrive.

The US has a special leadership responsibility to bring about this new world order; there is no substitute for US leadership. However, the US defense strategy and military structure needed to ensure peace in this new era can and should be different. The end of the Cold War presents an historic opportunity to structure a peaceful international system based on a partnership of nations, operating in concert to achieve a common goal of global stability. This requires a strategy that attempts to shape the future rather than merely react to the present; one that attempts to achieve a reasonable level of global stability while reducing the level of global chaos. A comprehensive national security strategy derived from such a vision requires proactive, comprehensive, and complementary political, economic, and military components.

The Asia-Pacific Region

This paper focuses on just one part of the overall global strategic environment; namely, the Asia-Pacific region stretching from America's far, far west (Hawaii and Guam) to the Indian sub-continent. This region is by any standard of measure—geopolitically, economically, demographically, or militarily—a critical theater on the global stage.

It is important to recognize at the onset that the winds of change that have been sweeping the globe in recent years have blown somewhat more gently in Asia than in Moscow or Eastern Europe. In some instances, most notably North Korea, this has been a function of greater than normal insulation. But, in most instances, it is because the changes that happened overnight in Eastern Europe and Moscow have already occurred or are in the process of occurring in Asia. Movement toward economic and political liberalism has been the order of the day throughout most of Asia, from Korea to Singapore to pre-Tiananmen China. While the Iron Curtain came down with a loud and sudden crash in Europe, the Bamboo Curtain, in true Oriental fashion, has shredded more gradually. Even the last (or next to last) true holdout, North Korea, has begun cautious overtures toward the West.⁶

Yet there can be little doubt that Asia today is still an area in transition and that the end of the Cold War has had, and will continue to have, an impact on US national security interests there. The US Defense Department is fully aware of this fact. Its first attempt to take a fresh post-Cold War look at US strategy and force deployments in the Pacific actually occurred a year before the Soviet Empire officially crumbled. In an April 1990 Report to Congress entitled *A Strategic Framework for the Asian-Pacific Rim*, the Assistant Secretary of Defense for International Security Affairs laid out US goals and objectives and a timetable for "measured reductions" in US Pacific-based forces.⁷ The intention here is neither to ignore nor reinvent this study but to build upon the foundation it has laid.

First, a few words about the region's importance. As Lee Endress (chapter 3) and Admiral Larson (chapter 17) document, the Asia-Pacific region is one of growing economic importance to the US. Since the mid-1970s, US trade with its Asia-Pacific neighbors has exceeded its trade with Europe. At an estimated 400 billion for 1991, it is greater than US trade with North and South America combined. In addition, as a result of the economic miracles of the past decade, Asia's total GNP now exceeds Europe's.

In strategic terms, the Asia-Pacific region is in the front yard of two major world powers, Japan and China, and in the back

yard of two others, the United States and Russia. Major regional military powers include India, Vietnam, and both Koreas. All told, seven of the world's ten largest military forces reside in or adjacent to the Asia-Pacific region. It was, is, and appears destined to remain a multipolar region.⁸

In the past, long-term regional stability has depended on the presence of the United States and the role it has played as a regional balancer, arbiter, and security guarantor. The US has provided the main element of the security framework for the region. Although this was undertaken, first and foremost, to preserve and maintain American security interests, most Asian leaders considered the American presence to be a positive force for stability and peace. With some notable exceptions, the US military presence—and US intentions—have been seen as largely benign and stabilizing.

If the United States is to maintain its predominant and central position—and thus continue to protect its vital regional security interests—it must further refine its national security strategy to account for the dynamic economic and political changes occurring throughout Asia. American security strategy in the Asia-Pacific region must focus on working through a partnership of nations to shape a stable and cooperative environment. Although America is the nation most capable of assuming the leadership of such an effort, the United States must continue to operate in consonance with neighboring states which share its vision in order to have any chance of achieving this goal. We must recognize that there are times when we must take the lead and times when we should encourage others to do so and then willingly follow.

We must develop both bilateral and multilateral ties in order to establish a partnership of nations cooperating on the basis of common objectives. Because of the tremendous diversity in the area, however, much of this effort will be carried out, at least initially, on a bilateral basis. At any rate, the bilateral ties we form and build will be essential to providing the foundation for developing broader multilateral associations.

Japan. The single most important bilateral relationship in Asia (if not globally) is the US-Japan relationship. It not only directly af-

fects the security interests of the world's two largest economic superpowers, but directly affects the national security interests of virtually every other country in the Asia-Pacific region.

The US-Japan security relationship serves a number of mutually supportive objectives. It provides a common security bond between two major powers, based on defense cooperation rather than competition. It provides US military access to Japanese facilities, to assist both in the defense of Japan and in the protection of US security interests throughout Asia. Of equal importance, it provides an alternative to a massive Japanese military buildup that neither side (or anyone else in Asia) wants.

To the extent that the US relationship/presence persuades Japan not to expand its military capabilities, regional security is enhanced. If Japan were to remilitarize, and particularly if it were to "go nuclear," the global balance of power equation would be altered significantly. One could argue that even North Korea—which otherwise would prefer to see the United States as far away from its shores as possible—would prefer a US-Japan security relationship to a remilitarized (particularly a nuclear) Japan.⁹

Make no mistake, the sentiments against remilitarization in Japan run deep. There is no need to convince the Japanese people in this regard; there is a need to avoid policies and actions that will convince them to modify or abandon these beliefs. Tokyo realizes that its economic health is totally dependent on overseas sea lanes. To argue, therefore, that a withdrawal of the US security umbrella would not result in Japanese remilitarization is to argue that Japan would not take whatever steps are necessary to insure that its security interests remain protected.

The US-Japan relationship, therefore, appears to provide the foundation necessary to build a secure, stable future geopolitical environment in Asia. It provides the basis for economic cooperation while, ironically, also creating an environment secure enough to permit economic competition. The primary danger to be avoided is the potential for economic warfare growing out of the inevitable economic tensions between the US and Japan. While Japan should be encouraged to open its markets further, Japan is hardly the only source of American economic problems.

In fact, as Jim Auer noted (chapter 5), Japan already buys more from the United States, on a per capita basis, than vice versa. "Japan-bashing" simply makes no sense; it is counterproductive to US long-term economic and security interests.

At a time when a closer US-Japan relationship is so necessary, American public attitudes toward Japan are becoming increasingly critical. By substantial margins, American leadership and public opinion surveys expressed the belief, in 1990, that the economic power of Japan would be a more critical threat to American vital interests in the next few years than would Moscow's military power—and this was before the USSR's collapse.¹⁰ Uncomfortable as it might be, American leaders need to view this situation more objectively and inform the public that this perception has as much, if not more to do with American deficiencies as with perceived Japanese economic aggressiveness. As Bernard Gordon cautions, with such high political, economic, and security interests at stake, it would be fatal to allow misperceptions to become reality.¹¹

As US economic leverage over Japan continues to diminish, the importance of our security relationship conversely grows. This does not mean we can or should wave the security umbrella over Japan as a sword. It does mean that the security link, as the strongest link bonding our nations together, provides our greatest (perhaps our only) degree of leverage in dealing with Japan. As long as Japan's physical security is tied to the United States, we enjoy a special relationship that should, if properly managed (and not abused), pay dividends in the course of economic and other non-security related discussions—provided the various US agencies involved figure out how to cooperate on Japanese issues, rather than engage in internecine warfare.

Looking toward the future, one major challenge facing both US and Japanese policy makers will be to provide the public rationale for maintaining a viable security relationship in the post-Cold War environment. The *Strategic Framework* document calls for continued stationing of US forward deployed forces in Japan—albeit in fewer numbers, consistent with fiscal, domestic political, and geopolitical realities—to underscore the US commit-

ment to regional stability.¹² This presupposes not only a willingness on the part of the US people and Congress to remain engaged but also on a willingness by the Japanese people and Diet to continue to underwrite a significant amount of the costs of this continued presence.

Two facts should be kept in mind when pondering the future. First, the continued security relationship serves the interests of both nations. US forces are not there just to defend Japan but to defend our own interests and help maintain a security environment conducive to American economic, political, and security interests. Second, while the current immediate threat emanating from the Russian Far East has diminished significantly, the long-term future of the former Soviet Union remains a great—and potentially unsettling—unknown.

Russia. When all the dust created by the rise and fall of the ill-fated Commonwealth of Independent States (CIS) finally settles, it seems safe to assume that the Russian Republic will still control one of the world's largest standing military forces and a strategic nuclear capability and arsenal second to none. Dramatic changes still underway within Russia may affect the likelihood that the Kremlin will ever employ these forces. But, given the size of its military and a national history of expansionism that predates the Bolshevik Revolution by several centuries, to say that the Russians no longer represent a *potential* threat is to deny both history and reality.

The threat needs to be reassessed; it needs to be put in proper context, given the changes sweeping the world. But, it should not be completely dismissed or wished away. An old Russian proverb says it best: "dwell on the past and lose an eye; forget the past and lose both eyes." We need to look at Russia's future role in Asia (and globally) with both eyes open.

There has been a significant reduction in the Soviet/Russian threat on all fronts. But, the reduction has not been as dramatic or as seemingly irreversible in Asia as it has been elsewhere. With the exception of those ground forces positioned specifically against China, Russian force levels in the Asia-Pacific region have not declined significantly in recent years.¹³ In terms of capabilities,

they have actually improved as a result of an ongoing military modernization program. Given the historic spotlight on Russian forces "west of the Urals," there is also a concern about a further shifting of assets—particularly strategic assets such as SSBNs—toward the Far East.¹⁴

Even if Russian military power projection capabilities in the Pacific region are reduced dramatically, concern will remain in some quarters. This is particularly true in China and Japan. Their rivalries with the Kremlin date back centuries.

In the case of China, the rivalry proved to be too great for even the force of "monolithic world communism" to overcome. Mr. Gorbachev was successful in reducing tensions between his nation and both China and Japan. How effective Mr. Yeltsin will be in this endeavor remains to be seen. At the very best, it seems safe to predict that a healthy level of paranoia appears destined to remain. Future Russian peace initiatives notwithstanding, centuries of history will prevent Japan and China from discounting totally the threat from Moscow.

In this regard, it can be argued that even a dramatic gesture such as the return of the Japanese Northern Territories will do little to reduce deep-seated Japanese fears. Returning what most Japanese believe already rightfully belongs to them may relieve a certain amount of tension, but will do little to alter long-standing perceptions and suspicions.

Future US efforts to engage Russia in the Far East (as a part of the broader global effort rightfully focussed on the European frontier) should concentrate on confidence building measures and on increased cooperation in settling or defusing potential crises. A coordinated effort for peaceful reunification on the Korean peninsula is one case in point. However, given Moscow's economic and political instability and (ironically) Mr. Yeltsin's lack of communist bona fides, it is questionable just how much Russia can influence North Korea.¹⁵ The United States also needs to keep one eye on the potential impact the interaction with Russia might have on the overall US-Japan security relationship which, from a purely Asian perspective, remains much more critical to US interests.

China. One of the great unknowns in Asia is China's future direction once the current gerontocracy passes from the leadership scene. China is indeed a nation in the midst of a profound transition. The transition period actually began in the mid-1970s following the death of Mao and Zhou Enlai and the rise to power of Zhou's protege and preferred successor, Deng Xiaoping. The period will not begin to end until Deng and the remaining first generation of "long marchers" are gone.

It is anyone's guess who will ultimately succeed the current generation of leaders. But, the authors share He Di's cautious optimism about China's future (chapter 7), given the dramatic—and seemingly irreversible—economic reforms that have already elevated south China to the status of an emerging "fifth tiger" and that have the rest of China hurrying to catch up.

It would be a serious mistake to let one tragic incident—the brutal suppression of student activists in Tiananmen in June of 1989—blind us to the slow but steady progress that has characterized China since the death of Mao and the ouster of the "gang of four" in the mid-1970s. The question is not "whither reform" but "how fast" and "with what degree of political liberalization."

This is not to excuse the Chinese for their excesses in Tiananmen or elsewhere. Clearly, the leadership and PLA overreacted in the face of what was perceived to be a serious challenge to orderliness. They badly mishandled an extremely volatile situation and had the added misfortune of doing so under the watchful eye of the international news media. Unlike the Kwangju riots in Korea in 1980 or the "Black Sunday" massacre of protesting school girls in Tbilisi in 1989, China's atrocities were immediately beamed into living rooms around the world. While the Chinese have since learned better riot control (and to a lesser extent media control) techniques, the images of 4 June will haunt them for years to come. China's inability to admit that it overreacted—much less to apologize—will keep the wound open. We also need to acknowledge some of China's more positive steps: its accession to the Non-Proliferation Treaty and Chemical Weapons Convention, its agreement to abide by the Missile Technology Control Regime, and its cooperation (ad-

mittedly after hard bargaining) on the prison labor and intellectual property rights issues.

The Chinese view the breakdown of the former USSR as an example of what happens when political liberalization gets out of control. They are determined not to let this type of anarchy reign in China. Instead they look at the model set by three of the original four tigers—South Korea, Taiwan, and Singapore—and see that a formula where economic reform precedes political liberalization has proven successful in Asia. This is the model they appear committed to following.

The difficulty for the United States—and for China when dealing with the United States—has been the loss of strategic perspective following the demise of the former USSR. This has created an identity crisis on both sides, as each tries to assess its own views of the other in the post-Cold War era. China can no longer be viewed as a “card” to be somehow played against the USSR. This fact should permit the US to deal more objectively with the PRC; it will also reduce China’s leverage—perceived and real—over the United States.

Nonetheless, China remains a major regional and international player. It is too large, too powerful, and in too important a geostrategic location not to be considered a significant factor in the Asia-Pacific and global power equations. It represents a quarter of humanity, with one of the fastest growing economies in the world. It is a major producer of a wide variety of arms and a long-time member of the nuclear weapons club. It sees itself as a spokesman for the Third World and takes this position seriously. Last, and perhaps most important to those who want to build a new world order around the United Nations, China is a permanent member of the UN Security Council—whose veto could have undermined Desert Storm and the application of economic sanctions against Iraq, Libya, and Yugoslavia. As a result, attempts to isolate China could prove counterproductive to US regional and global security interests.

China’s role in the Asia-Pacific balance of power equation needs to be more clearly defined. Lacking the economic power of Japan, China has, nevertheless, developed an impressive military

capability. The evolving shape of its conventional military capability and the articulation of an offensively based local war strategy is of growing concern to China's neighbors.¹⁶ Recent increases in defense appropriations of 15 percent for 1990, and 12 percent for 1991, and 13 percent for 1992 mark a significant turnabout in PRC defense spending. The bulk of these increases is expected to result in higher expenditures for equipment modernization.¹⁷ Chinese diplomatic, economic, and military policies all point toward an expanded role throughout the Asia-Pacific region.

In the near term, China's current preoccupation with internal developments—and its need for outside investment, technology, and markets—should serve to temper China's behavior. This, in turn, may present opportunities for greater international cooperation. India and Vietnam are, in fact, attempting to engage China in a constructive dialogue. Japan is even further along and, through aggressive investments, is creating greater economic interdependence.

Sino-Russian relations are expected to improve since both sides need a period of reduced tension in which to undertake widespread economic reforms. It is important to note, however, that the initial improvement in Sino-Soviet relations engineered by Mr. Gorbachev came about almost exclusively on Chinese terms. To the extent that there was ever any self-doubt among China's leaders as to the wisdom of stubbornly holding one's ground until the other side finally comes around, their success in dealing with Gorbachev removed this doubt. As a result, Chinese diplomatic inflexibility is likely to increase (and not just when dealing with Moscow).

James Gregor (chapter 14) carefully lays out one of the most immediate security issues involving China; namely, their unyielding claim to the disputed Spratly Islands in the South China Sea. However, all parties are talking and major conflict does not appear as inevitable as Gregor fears.¹⁸ Over the long term, of much greater concern is the settlement of the "greater China" issues involving the planned incorporation of Hong Kong and Macao (in 1997 and 1999 respectively) and, ultimately, reunification with Taiwan. One major fear is that democracy or independence movements in these outer parts of

China will compel Beijing to act, if faced with a no-win choice between economic or political suicide.

The United States can neither adopt a posture of benign neglect toward China nor simply oppose its expectations. China must not be presented an opportunity to fill a vacuum created by a US withdrawal from the region or be provided a rationale to engage in an arms buildup due to the perception of Japanese rearmament. The PRC must also acknowledge the impact that its own military modernization and expansion programs are having on budding arms races throughout Asia. A major Chinese arms buildup would be very destabilizing in the region; it could cause the Japanese to seriously rethink their policies regarding military force structure. If China uses fear of Japanese rearmament as a justification to expand its own military might, it could create a self-fulfilling prophecy. For these and many other reasons, the United States must remain constructively engaged with China.

Korea. Whether China will pose a major future threat to regional stability is up for debate. What is considerably less debatable is the direction the greatest current threat comes from. Few would disagree it comes from North Korea. This is especially true, as Bill Pendley documents (chapter 6), if North Korea's nuclear ambitions are not held in check.

North Korea remains one of the most closed, repressive, heavily armed, and economically backward societies in the world and the prospects of significant reform from within appear slim as long as North Korean President Kim Il-Sung is alive. Most analysts also predict a potentially volatile leadership transition following Kim's death, given his desire to have his son replace him.

The US presence in South Korea has been instrumental in preserving peace on the peninsula. It has provided the security shield behind which the Republic of Korea's military forces have developed and behind which Korea's economy has blossomed, to the point that South Korea stands today as a model of economic development, in sharp contrast to the North. US force levels in Korea have never been sufficient to defeat an all-out North Korean attack. US troops are aimed at deterring such an attack, by

presenting a symbol to the North of US commitment. Politically, they serve as a "tripwire" that "guarantees" to the North that the United States will be involved. The number of forces required to serve as a tripwire is open to debate; but the need to continue sending a strong signal of US commitment and support during a time when North Korea's future direction is uncertain and potentially volatile appears essential.

The gradual improvement in the Republic of Korea's military capability has set the stage for a measured reduction in the level of the US presence. The United States has acknowledged this by initialing a phased withdrawal geared to North Korean actions. Plans to reduce force levels further and realign command arrangements in order to move the United States from a leading to a supporting role on the peninsula are currently being implemented.¹⁹ Contingent on North Korean actions, these plans are both reasonable and unavoidable.

Meanwhile, the Republic of Korea's economic and technological strength have allowed it to purchase or indigenously develop a wide range of modern weaponry. The result of this impressive progress is a new found national confidence that, regrettably, has also been a source of friction between the US and Korea. Dong-Joon Hwang (chapter 12) offers some useful suggestions on minimizing the friction and maximizing cooperation on defense production and technology transfer. While the road ahead promises to be bumpy, the overall fabric of the relationship appears strong.

Future US relations with the ROK must focus on bringing about a peaceful resolution of the North-South conflict and subsequent integration of a unified Korea into the Asia-Pacific system without alienating Japan. Ultimately the process must flow from direct dialogue between the two Koreas. However, the US must continue to provide the security umbrella which gives the ROK the confidence to proceed. Together with the PRC, Russia, and Japan, the US eventually can help underwrite or guarantee the final agreement worked out between the Koreas. If unification occurs, it will greatly enhance Korea's political, economic, and military standing in the region. Even without reunification, the ROK will emerge as a political, economic, and military force to be reck-

oned with in East Asia and as a potential challenger to Japanese economic dominance in the region.

The United States, by providing bilateral security links with both Japan and a reunified Korea, can also lay the groundwork for eventual cooperation between two historic antagonists who have little in common save their individual close security relationships with the US.²⁰

The Philippines/ASEAN. The United States has had a Mutual Defense Treaty with the Philippines since 1945 and this treaty provides the basis for a continuing security relationship even after the United States withdraws its forward-stationed forces from the Philippines by the end of 1992. The ball rests firmly in the Philippines court however. If the treaty is to remain viable, Manila must devise a method of providing routine access to US forces to permit combined training and exercises and to reinvigorate the relationship. The US, for its part, must remain receptive to Philippine offers and sensitive to nationalist sentiments that brought an end to the previous "big brother, little brother" relationship.

US relations with the other five ASEAN states appear on solid ground despite periodic challenges.²¹ Central among these relationships is the US-Thai alliance embodied in the Manila Pact and 1956 Rusk-Thanat Accords. The United States enjoys routine access to Thai military installations and facilities and has a vigorous exercise program which promotes confidence and interoperability.

The ASEAN states, to varying degrees, all seem interested in maintaining US visibility and the stability that it provides in Southeast Asia; most have been willing to provide US forces with access to bases and logistics/maintenance/repair facilities to help insure a continued US presence. For its part, the United States is not seeking "permanent" bases a la the Philippines; merely ease of access to facilities. At the high end of the spectrum is the agreement by Singapore to house a modest 135-person logistics support unit to facilitate interaction. More typical are agreements, such as the one with Indonesia, that simply permit US naval ships to use local maintenance and repair facilities. As Admiral Larson notes

(chapter 17), "we need places, not bases," places where the US will be routinely welcomed to facilitate a continued US presence.

Australia/New Zealand. The US-Australia security relationship remains on solid ground, based on a mutual desire to cooperate on a wide variety of defense issues. There is little direct threat to Australia and only a limited US military presence. Close ties between the US and Australia also provide a de facto link with the South Pacific nations, with the Asian members of the Five Power Defence Arrangement (Malaysia and Singapore), and with New Zealand; the latter being excluded from ANZUS as a result of its anti-nuclear policies.

The US decision to remove nuclear weapons from all tactical ships and aircraft could help resolve US difficulties with New Zealand, provided the latter can overcome its concerns over nuclear powered ships as well. It should be noted, however, that it was not New Zealand's anti-nuclear attitude alone that caused its rift with the US, but its insistence on assurances that would have caused the US to abandon its "neither confirm nor deny" policy. As long as New Zealand demands specific public assurances and the US continues to see the logic behind the NCND policy, there is little hope for a settlement to the problem. What seems to be required from New Zealand is not only a change of heart but a change of legislation as well. The loss, in terms of US security interests, is slight, however, as long as the relationship with Australia remains unaffected.

Australia remains a fundamental element in the US security strategy in the Pacific. Relations with the US have long been mutually beneficial due to a common cultural heritage and congruent world view. A threat to this relationship is that the US will take Australia for granted. There is a growing concern that the dynamic changes taking place in Asia will bypass Australia. As one Australian security analyst queried "What will be the role for the Australian economy and society in this greatly altered West Pacific rimland? Will Australia be left behind, becoming a regional backwater with limited power and influence, even in its local approaches?"²²

India. With the world's fourth largest army and seventh largest navy, India is now and will remain the major power in South Asia and a major regional power in Asia.²³ India appears intent on developing its military strength and, to a fiscally limited extent, its power projection capabilities. With one major exception, neither India's aspirations nor its foreign policies represent a direct threat to United States security interests. The one exception centers around Pakistan. Given each side's nuclear potential, armed conflict between India and Pakistan raises the risks of broader confrontations and miscalculations.

Improved relations between India and the United States could contribute to a greater role for the US as an honest broker between India and Pakistan. Fortunately, the United States is beginning to recognize the opportunity and requirement for developing a closer relationship with India, and vice versa. The major structural obstacles to better relations are gone or much diminished. Now that the war in Afghanistan has reverted back to its historical form—Afghans fighting Afghans—without Cold War superpower connotations, the marriage of convenience between the US and Pakistan has lost part of its strategic luster and the stage has been set for a more balanced US approach toward South Asia.

The end of the zero-sum game between Washington and Moscow also permits Washington and New Delhi to see one another in a more realistic light. In addition, while India remains a leader in the non-aligned world, the movement has become less offensive to the US. As a result, the chances for dialogue have never been better, and it appears both sides are cautiously taking advantage of the opportunity. However, a close security relationship between India and the US is not likely in the near term, and an expanded US force presence in South Asia is neither sought nor desirable.

Multilateralism

Much emphasis has been given of late to multilateral approaches to problem-solving in Asia, as Patrick Cronin's article (chapter 18) spells out. But, while there has been a great deal of

support for multilateral approaches, *in theory*, there seem to be many different definitions of the term. In truth, it appears that multilateralism has become all things to all people. It seems useful, therefore, to analyze what it is and is not.

Broad-based multilateral organizations such as APEC or the conceptualized CSCA (Annex A) are useful vehicles for *discussing* problems and building confidence and greater understanding. They are ill-equipped (and not very eager) to handle contentious security issues at this time, however. Smaller sub-regional groupings, and especially issue- or problem-oriented forums appear the most useful in *solving* problems.

In general, economic multilateralism seems more acceptable, and shows more promise of success, than security-related multilateralism; *sub-regional approaches offer more promise* of success than all-encompassing forums; and ideas generating from within Asia seem more prone to be endorsed than those from "outsiders" (Australia being included, along with the US, USSR, and Canada, in this category). While outside participation is desirable (or perhaps even essential), solutions have to emerge from the parties in dispute and not be imposed from outside.

The US needs to counter the impression, documented by Patrick Cronin and others, that it is anti-multilateralism. In fact, the US has been the driving force behind one of the most successful multilateral efforts; the 14-year old Pacific Armies Management Seminar, which brings representatives from up to 30 regional armies together to discuss common problems, while promoting greater trust and confidence. To counter the argument that the US would likely scuttle any multilateral security arrangement it did not lead, one need only witness the continuing US support for the 20+-year old Five Power Defence Arrangement.

The tendency of some official US spokesmen to dismiss multilateralism as "inappropriate to Asia" or as "not having a history of success in Asia," does not serve US interests. What they really mean is they don't see the utility or possibility of an Asian NATO. They would find little disagreement with that view anywhere in Asia. But, this does not mean that more modest multilateral relationships are not possible or potentially productive.

One disturbing trend has been the tendency to see the bilateralism-multilateralism debate in either-or terms. In truth, the two complement one another. Since multilateralism is clearly the wave of the future, we would do better to emphasize our long history of commitment toward multilateralism when and where appropriate. We need to stress the compatibility of bilateralism and multilateralism and more clearly enunciate our belief that US bilateral alliances in Asia form the solid foundation upon which multilateral associations can be formed and grow.

Economic Cooperation and Competition

The Commission on Integrated Long-Term Strategy has forecast that by the year 2010, the combined gross national products of Japan, China, Korea, and Taiwan will exceed US GNP.²⁴ As documented earlier, by any number of indicators, US economic interests in the Pacific exceed that of the Atlantic and they are increasing at a more rapid rate. Notably, it is Pacific nations that have proven the most astute practitioners of geo-economics.

While interstate economics can be a source of conflict, some see the economic arena as the potential source of cohesion necessary to maintain stability in this dynamic, diverse, dispersed region. The key to regional stability is to foster cohesion in areas where there are strong common interests such as economic development, trade, and investment. The maintenance and further development of these economic areas of common interest require a stable security environment.²⁵

The rise in the utility of economic power is a two-edged sword as it can include not only cooperative interdependence but greater potential for economic conflict as well. As a result, some of our closest friends and allies today can become serious adversaries if economic competition is not closely monitored and carefully channeled. On the plus side, however, analysis like Robert Tucker note that this fear of trade conflict, protectionism, Third World debt, and global economic ruin may actually provide the ra-

tionale for maintaining or developing new forms of collective security and alliance structures.²⁶

The economic element of a US national security strategy for the Pacific should focus on a furtherance of open markets and free trade activity. Mutually beneficial trade relationships can provide the basis for a common interest in regional stability. Closed markets, asymmetrical trade relationships, and resource monopolies will have a negative effect on global and regional economies. In turn, the health of these economies can have a significant impact on whether interstate relations are marked by cooperative interdependence or conflict.

A dispassionate long-term view on the part of all the players in the Asia-Pacific region will be required to identify and then converge on points of common interest. This will be necessary to avoid pushing economic matters into the realm of conflict. In an area as diverse as the Pacific, the lack of a dispassionate long-term view can be a major obstacle to stability.

The US Military: Maintaining the Equilibrium

Underpinning the US commitment to regional stability has been a military posture that is both active and credible. Diplomacy without backing has seldom proved effective in the Pacific or elsewhere. As George Schultz so aptly pointed out, "power must be guided by purpose. At the same time, the hard reality is that diplomacy not backed by strength will always be ineffectual at best, dangerous at worst."²⁷

Currently, five security alliances provide the framework both for deterrence and for US military interaction with our Asia-Pacific neighbors.²⁸ Maintenance of these security relationships underscores the US commitment to remain both a Pacific and a global power. They are aimed as much at maintaining the equilibrium; i.e., at promoting regional stability and enhancing security cooperation, as they are at countering a specific threat. These alliances also help promote and protect America's growing economic interests throughout the region.

An American defense policy for the Asia-Pacific region in the transitional decade and beyond must focus on maintaining and building upon these alliances. It should prepare the United States for regional contingencies and seek to provide security to regional states while limiting weapons proliferation. Finally, it must be sensitive to the use of military power in a theater dominated by economic issues. The goal remains the same: to help potential adversaries understand that the costs of aggression or coercion will exceed the possible gain.

The volatility and uniqueness of the Pacific environment, combined with the existing US economy of force policy, make major force reductions in this theater unwise.²⁹ At the very least, as American forces withdraw from the Philippines, a restructuring of American military forces will be required in order to maintain an adequate military presence and avoid the creation of a power vacuum or the perception of a lack of US commitment. Thus, as forward-stationed forces are reduced, other methods of demonstrating US commitment must be increased if the goals of US national security strategy are to be achieved.

In order to accomplish this, the link between commitment and forward stationing must be broken by substituting a strategy of forward presence, a strategy which focuses on alternate means of demonstrating commitment beyond permanent bases and forward-based units.

Forward Presence

An active and credible forward presence should remain the cornerstone of any future US Asia-Pacific security strategy. Forward presence underscores the vitality of existing US alliances while promoting new friendships; it creates the stable geopolitical climate necessary to promote economic interchange; it assists not only nation-building efforts, but the promotion of democracy and the military's apolitical role (which is a foreign concept to many regional armies); and it increases our own, as well as friendly states,' military preparedness. Forward presence demonstrates

continued US interest and commitment, thus promoting confidence in US staying power at a time when serious questions are being raised about our future intentions.

Forward presence has traditionally focused on forward-based forces, and on a network of bases, facilities, and logistics arrangements, as well as operational presence in the form of periodic patrols, exercises, and visits of US military units. As the Chairman of the Joint Chiefs of Staff notes, however, in the future this periodic presence will include fewer permanently forward-based forces. This will require more periodic deployments of ground, naval, and air forces or varying durations.³⁰ Future forward presence operations will relay more heavily on naval patrols, ship visits, joint and combined exercises, visits of military personnel, on-site training programs, humanitarian assistance, nation-building activities, and personnel exchanges.³¹ This must be augmented by vigorous US-based educational and training opportunities which traditionally bring the best and brightest future leaders to study in the US, creating greater mutual understanding and a reservoir of good will.³²

Access

While such a strategy will not require additional overseas bases, it will require continued and expanded access to regional ports, airfields, and training areas with a minimum of protocol and red tape. Agreements are also needed to ensure the availability of maintenance, replenishment, and en route transit facilities. Access arrangements also help US forces maintain the ability to train and exercise with friends and allies to enhance deterrence and promote interoperability.

The future will present many challenges, both domestically and internationally, as the US attempts to maintain and expand its access programs and initiatives. The key will be to maintain and then build upon the long-standing access agreements already in effect with allies and friends in the region.

Continued and expanded access is required to accomplish a variety of missions: it supports forward presence operations designed to demonstrate America's continued commitment to remaining engaged in the theater; it supports crisis contingency operations, making everything from humanitarian disaster relief to the evacuation of non-combatants during an emergency possible; and it permits the US and its friends and allies to better respond to conflict situations and execute various contingency missions if necessary.

Security Assistance

A critical element of forward presence is security assistance. Low in cost and proactive in implementation, security assistance is not only extremely effective in promoting US interests, but is compatible with the fundamental assumptions of a national security strategy underpinning global stability. As the Commission on Integrated Long-Term Strategy noted, a marginal dollar invested in security assistance buys more security for the US than one allocated toward US forces instead.³³ Such assistance should be directed toward providing increases in non-threatening security for US forces and allies, increasing US influence and access, improving interoperability, and as a final goal, seeking to foster pluralistic forms of government.

The administration of the program must be revised to bring it in line with the changing global strategic environment. Funds need to be redirected away from the core of five countries that receive 86 percent of all security assistance monies. Statutory restrictions must be relaxed to allow security assistance to deal with the fast pace of contemporary change. In conjunction with foreign aid, security assistance should work toward helping friends and allies reduce the underlying causes of instability.³⁴

In addition, security assistance offices need to be revitalized. They should be manned by capable area experts and tasked in accordance with strategic considerations, not just by the dollar value of contracts. Priority should be given to training programs, especially International Military Education and Training (IMET).

in order to provide the next generation of Asian leaders with first-hand experience on the role of the military in a democracy.

Ability to Respond

No US Asia-Pacific security strategy will be credible unless the US retains and demonstrates the ability to respond rapidly to crises. Given the size and maritime nature of the theater, movement of ground forces and support equipment requires extensive strategic mobility assets. Theater forces may be of little value in a crisis if strategic lift assets are not readily available. Even maritime prepositioned assets may be a week or more from the scene of a crisis.

The ability to respond to crises requires forces in being that can move to the area of concern in a rapid manner with sufficient force to accomplish the mission. Flexible force packages must be developed that are capable of reacting to threats that span the operational continuum and that can operate at all levels of warfare. This requires sufficient airlift, sealift, and maritime and land-based prepositioning of supplies and equipment. Strategic mobility assets must be located with the forces that will respond to crises. Containerized fast sealift and roll on-roll off ships must be available to respond rapidly.

A capability to respond to crises helps maintain the credibility of the US deterrent. It also provides military and political decision-makers with additional options in responding to crises. Additionally, a crisis response capability supports forward presence activities by making possible the temporary deployment of US forces. Together with combined exercises and training missions, they demonstrate our ability and willingness to maintain or restore the region's equilibrium.

Conclusions

In the decade of transition and beyond, the global economic and political center of gravity will continue to shift to the

Asia-Pacific region. American national security strategy must be structured to adapt to this change in order to help ensure an era of peace and stability. A comprehensive national security strategy must balance and employ political, economic, and military strategies in a synergistic manner to bring about the Asian component of the new world order.

An emerging American military strategy with reliance on forward presence is especially appropriate. Even though forward-based troops will be reduced, America must maintain a visible and credible presence in order to ensure access and influence. The United States is the one nation with the political vision, military capability, and moral standing to act effectively as the balancing agent in the Pacific region.

Discussions on appropriate US force levels need to proceed, but they should be based on the realization of how important a US presence is in maintaining the current equilibrium. Also of importance is the realization that, as our relative economic clout declines—and it has and promises to continue to drop—our military presence becomes more important. This is not to predict that the United States is destined to become a one-dimensional power in Asia—we remain a major player economically and we continue to provide a political and economic model which, with minor modifications to fit Asia culture, continues to be attractive. But, we should recognize that our security commitments, and thus our military presence, represent a powerful instrument of goodwill and potential influence even in peacetime, given regional threat perceptions that do not always coincide with our own.

Defense Secretary Cheney's planned phased reductions in US Asia-based forces have been accepted as reasonable and non-threatening by most Asians, but are unlikely to appease Congress or escape further challenge as defense cuts continue. The question of how low we can safely go remains to be answered. Forward-deployed forces cannot be addressed in a vacuum however. They underscore the various regional defense commitments that promote our own economic and security interests and hold intra-regional rivalry in check. Force cuts that undermine the regional security mosaic will work to our long-term detriment.

Ultimately, it is the viability of the US defense commitment to Asia that will ensure continued stability and thus protect our political, economic, and military interests. The real challenge for the United States, over time, is to break the mindset that equates commitment with forward stationing. Instead, we must seek more creative, less costly alternative forms of presence in order to continue playing the role that only we are equipped to play. More frequent exercises, exchange visits, port calls, civil engineer and other nation-building projects, more access to our military schools and training programs, and a greater level of security assistance, all provide alternative means of demonstrating commitment and building good will. The challenge will be to find the proper mix between forces on the ground and alternative, more creative means of demonstrating that the United States intends to remain a force for peace and stability in Asia.

Notes

1. John Lewis Gaddis, "Coping with Victory," *The Atlantic Monthly*, May 1990, p. 49.
2. Charles Krauthammer, "The Unipolar Movement," *Foreign Affairs*, vol. 70, no. 1, 1990/1991, p. 25.
3. Theodore C. Sorenson, "The Declining Soviet Threat: Rethinking National Security," *Current*, October 1990, p. 29.
4. For an explanation of the "culture areas" concept, please see Michael Vlahos, *Thinking About World Change* (Washington, DC: US Department of State, 1990).
5. George Bush, *National Security Strategy 1991* (Washington, DC: The White House, 1991), p. 6. The Bush vision of a new world order has been outlined by the President and senior administration officials in various speeches since the beginning of 1990. Good examples are George Bush, "Toward a New World Order," *US Department of State Dispatch*, 17 September 1990, pp. 91-94; and George Bush, "Address before the 45th Session of the United Nations General Assembly," 1 October 1990 in *Weekly Compilation of Presidential Documents*, 1-7 October 1990, pp. 1496-1499.
6. Kim Il-Sung joins his comrade Fidel Castro as the sole remaining members of the original Marxist revolutionary club.

7. *A Strategic Framework for the Asian-Pacific Rim: Looking Toward the 21st Century*, hereafter cited as *Strategic Framework* (Washington DC: Department of Defense, 1990).
8. For more details on the multipolar nature of the region and its impact on US strategy, please see Ralph A. Cossa, "Toward a New Pacific Strategy," *Strategic Review*, Spring 1992, pp. 69-74.
9. Some North Korean commentators are now publicly supporting a post-reunification US presence, presumably as a safety measure against the potential threat from Japan.
10. John E. Rielly, "Public Opinion: The Pulse of the '90's," *Foreign Policy*, Spring 1991, p. 80.
11. Bernard Gordon, "Who Really Buys American?" *The National Interest*, Winter 1990/1991, p. 56.
12. *Strategic Framework*, op. cit., pp. 10-11.
13. For example, the Russian Pacific Fleet remains the largest of the former Soviet fleets, with no other Republics contesting for partial ownership. For a breakdown of Far Eastern forces, see *1991 Military Forces in Transition*, Department of Defense, map insert and earlier versions of the *Soviet Military Power* series of publications.
14. One Russian security analyst, speaking on a non-attribution basis, predicted a continued Far East force buildup and modernization effort, as the Russian Army tries to regain its former status and prestige, starting first in the "low visibility" Far Eastern region. This will include, he predicted, a shifting of SSBNs from the Northern to the Pacific Fleet.
15. At any rate, as will be argued later, the Koreans must take the lead.
16. Jean V. Dubois, "New Directions in Chinese Strategy," *International Defense Review*, November 1989, p. 1488.
17. Sheryl Wudunn, "China to Raise Arms Spending Again," *New York Times*, 27 March 1991, p. 2; and "Increased Military Spending," *South China Morning Post*, 25 March 1991, pp. 1, 11, in *Foreign Broadcast Information Service, China*, 26 March 1991, pp. 14-15.
18. Brunei, Malaysia, the Philippines, Taiwan, and Vietnam all have overlapping claims to some of the Spratlys; China claims them all. At the July 1992 ASEAN Ministerial Meeting, all sides agreed to continue the dialogue and seek a peaceful solution. While the PRC refuses to rule out the use of force to settle territorial disputes in general, it has also agreed to seek a peaceful settlement.
19. *Strategic Framework*, op. cit., p. 9. The Phase Two force reductions were on hold, at this writing, pending North Korea's willingness to agree

to a meaningful North-South bilateral inspection regime to augment the IAEA efforts.

20. This presumes a reunification largely on South Korea's terms, which appears a safe—but by no means a sure—bet.

21. Brunei, Indonesia, Malaysia, Singapore, and Thailand, along with the Philippines comprise the Association of Southeast Asian Nations.

22. Ross Babbage, "Change in the North Pacific: Implications for Australia's Security," *Australian Outlook*, December 1989, p. 1.

23. M.V. Bratersky and S.I. Lunyov, "India at the End of the Century," *Asian Survey*, October 1990, p. 941.

24. Commission on Integrated Long-Term Strategy, *Sources of Change in the Future Security Environment* (Washington, DC: 1988), p. 2.

25. Richard H. Solomon, "Asian Security in the 1990's: Integration in Economics, Diversity in Defense," *US Department of State Dispatch*, 5 November 1990, p. 244.

26. Robert W. Tucker, "1989 and All That," *Foreign Affairs*, vol. 69, no. 4, 1990, p. 96.

27. George P. Schultz, "The Ethics of Power," *Department of State Bulletin*, February 1985, p. 2.

28. The US has security alliances with Japan, Korea, the Philippines, Thailand, and Australia. For details, see Dick Cheney, Secretary of Defense, *Annual Report to the President and the Congress* (Washington D.C.: Government Printing Office, 1991), pp. 8–9. Of note, the US commitment to Korea is seen as a signal of US resolve throughout the region. Of all of America's security agreements, the US-Korea arrangement is the least susceptible to the charge of having been rendered obsolete due to the absence of a credible threat. To appear to renege on this commitment in particular would raise considerable doubts as to the viability of all other US defense commitments.

29. For more on this argument, and for an explanation of the economy of force policy, see *Strategic Framework*, p. 7, and Jonathan D. Pollock and James A. Winnefeld, *U.S. Strategic Alternatives in a Changing Pacific* (Santa Monica: Rand Corporation, 1990), p. 14. In fact, given US national interests and the evolving security environment, one could—domestic politics aside (and we realize this is wishful thinking)—argue for an increase in US forward deployed forces focused on, or actually in the region.

30. Colin Powell, "Chairman, Joint Chiefs of Staff 1990 Joint Military Net Assessment," *Defense Issues*, vol. 5, no. 14, 1990, p. 2.

31. The US Army Pacific's Expanded Relations Program—as outlined in Claude M. Kicklighter, "USARPAC: A Major Player in the 'Century

of the Pacific'." *Army*, October 1990, p. 166—provides an excellent model for forward presence directed at waging peace to preclude war. For additional ideas for US Army programs, also see Michael T. Byrnes, "The Changing Global Security Environment: Impact on U.S. Army Force Structure in the Pacific," unpublished research paper prepared for the Naval War College, Newport, R.I., 1 June 1991.

32. Such programs become even more important in a fiscally constrained environment as a relatively inexpensive way to influence not only current leaders but the next generation. One need only look at the recent election of a West Point graduate as the new President of the Philippines to demonstrate the value of this educational training.

33. *Discriminate Deterrence*, p. 61.

34. *Ibid.*, p. 3.

About the Editor

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