

East Asia and the Pacific

by James J. Przystup *and* Ronald N. Montaperto

Overview. The United States has enduring economic, political, and strategic interests in the Asia-Pacific region. The region accounts for 25 percent of the global economy and nearly \$600 billion in annual two-way trade with the United States. Asia is vital to American prosperity. Politically, over the past two decades, democracy has taken root in and spread across the region. Former authoritarian regimes in the Philippines, South Korea, and Taiwan have been transformed into vibrant democracies. For over a century, U.S. strategic interests have remained constant: access to the markets of the region, freedom of the seas, promotion of democracy and human rights, and precluding domination of the region by one power or group of powers.

While major war in Europe is inconceivable for at least a generation, the prospects for conflict in Asia are far from remote. The region includes some of the world's largest and most modern armies, nuclear-armed major powers, and several nuclear-capable states. Hostilities that could involve the United States could arise at a moment's notice on the Korean peninsula and in the Taiwan Strait. The Indian subcontinent is also a major flashpoint. In each of these

areas, war has the potential for nuclear escalation. At the same time, lingering turmoil in Indonesia, the world's fourth largest country, threatens stability in Southeast Asia and global markets.

China is facing momentous social and economic changes, the consequences of which are not yet clear; meanwhile, Taiwan's future remains an unresolved and sensitive political issue for China's leadership. The modernization of China's conventional and nuclear forces continues to move ahead, while transparency on force structure and budgeting continues to lag behind Western standards. At present, Beijing reluctantly tolerates Asia's *de facto* security architecture, the U.S. bilateral alliances with Japan, the Republic of Korea, Australia, the Philippines, and Thailand, which support the U.S. forward-deployed presence.

Indonesia is important to U.S. regional interests and military strategy. The largest nation in Southeast Asia, stretching 5,000 miles from east to west, the Indonesian archipelago straddles the critical sea lanes of communication that run from the Persian Gulf to Northeast Asia. The combination of size, location, population, and resources has made Indonesia the center of gravity in Southeast Asia and the acknowledged leader of the subregion. Indonesia's stability is critical in turn to the stability of Southeast Asia and a matter of vital interest to U.S. allies, Australia, the Philippines, and Japan, as well as to friendly Singapore.

This paper will focus on four key areas that require early attention by the Bush administration—

This paper was prepared by the Asia-Pacific team of the Institute for National Strategic Studies at the National Defense University. James J. Przystup is responsible for the sections on Japan, Korea, and Indonesia. Ronald N. Montaperto is responsible for the section on China. Mr. Przystup can be contacted at (202) 685-2359 or przystupj@ndu.edu.

the U.S.-Japan Alliance, the Korean peninsula, China-Taiwan, and Indonesia—and suggest elements of a strategy for addressing policy challenges effectively.

Strengthening the U.S.-Japan Alliance

For the United States, the alliance with Japan remains the keystone of involvement in Asia and a central element in global security strategy. The use of bases, granted by Japan, allows the United States to affect the security environment from the Pacific to the Persian Gulf. For both countries, the alliance has grown in importance and value as each nation attempts to deal with the uncertainties of the post-Cold War world. Adapting the alliance and strengthening it to deal with a wide range of new security challenges will be key tasks for the new administration. Our objective should be to build an alliance that will be politically sustainable over the long term in both countries.

There are a number of continuing security issues the new administration will face, which include:

- **Implementation of the recommendations of the 1996 U.S.-Japan Special Action Committee on Okinawa.** The recommendations focus on the consolidation and reduction of U.S. bases on Okinawa, including the Marine Corps Air Station at Futenma and the relocation of operations elsewhere on the island. This is essentially an exercise in alliance management aimed at addressing burdens borne by Okinawans as a result of U.S. presence and intense operational tempo. Successful implementation will be a significant contribution to enhancing political sustainability of the alliance.
- **Implementation of a review of U.S. force structure in Japan and the Asia-Pacific Region.** Any adjustments should be based not on an artificial number, but made in response to changes in the regional security environment. Adjustments should be made through a process of consultation and dialogue and be mutually agreeable. The East Asia Strategy Initiative of April 1990, which set out a long-term strategy for U.S. force reduction in East Asia, offers a useful model for thinking about the process of force adjustments in the region.
- **Implementation of the revised Guidelines for U.S.-Japan Defense Cooperation, including passage by the Diet of crisis management legislation.** The Guidelines provide for Japanese rear-area support for the United States in contingencies in “areas surrounding Japan” and potentially mark a significant expansion of Japan’s security policy.

Implementation, thus far halting at best, involves a complex interaction, first among multiple ministries of Japan’s central government and then between the central

government and provincial and local authorities. It will also require the strong political support and involvement of Japanese political leaders at a time when Japan’s leadership, which is adverse to risk, is focused on its own survival and not making waves, either in Tokyo or back home. Failure to implement the Guidelines would put the alliance at risk, should legal hang-ups immobilize Japan and prevent it from supporting the United States in a security contingency. Success will serve to enhance political support for the alliance in the United States.

Getting the job done will require close coordination between the United States and Japan. Implementation should be at the top of the next administration’s security agenda. The complexity of the process argues for the President’s strong involvement and attention.

- **Theater missile defense.** Similar to cooperation under the revised Guidelines, technical cooperation in the development of missile defense holds the promise of enhancing the U.S.-Japan security relationship. At present, the Japanese are in for table stakes, paying to see what the next round of development will bring. Although initially aimed at the North Korean missile threat, Japan’s interest in missile defenses reflects its increasing concerns with China as a long-term threat. China has made clear its opposition to National Missile Defense, while various officials have offered differing views on the deployment of theater missile defenses in Japan. Their major objection is over the potential of Japanese Aegis ships being deployed to Taiwan in the event of a cross-strait crisis.

Given the weakness of Japan’s political leadership and Japanese sensitivities with respect to China, missile defense cooperation can be advanced best by keeping references to China out of public dialogue.

- **Expanding U.S.-Japan-Republic of Korea trilateral cooperation.** This trilateral cooperation developed as part of the Perry Process with respect to North Korea. Over the past 2 years, it has proven effective in aligning differing interests among the three parties in a coordinated strategy toward Pyongyang. The current administration has worked to build on this and to promote trilateral cooperation in defense exercises and workshops.

The next administration should look for ways to expand this cooperation and to move it from its present focus on the Korean peninsula to a broader regional role. This would correspond with the enhanced U.S.-Japan security cooperation set out in the Guidelines and with Korea’s own increasing interest in a regional role. Sea-lane security, antipiracy, and humanitarian relief operations offer new areas for trilateral cooperation.

The one caveat, of course, is that Japan’s prohibition against collective self-defense is a constraint on alliance cooperation. Lifting this prohibition would allow for closer and more efficient security cooperation. This is a decision only the Japanese people can make, however.

The United States should make clear that it welcomes a Japan that is willing to make a greater contribution and become a more equal alliance partner. A greater Japanese contribution, in the context of the alliance, is something that would be welcomed by allies and friends in the region—Australia, Singapore, and Taiwan, each for somewhat different perspectives. This willingness to accept a greater Japanese security role reflects the reality of generational change across Asia. As one senior diplomat from the region remarked, “The war’s been over for 55 years, and we have different security concerns today.”

- *Initiation of a U.S.-Japan Strategic Dialogue.* Given the dynamism of the Asia-Pacific region and the U.S. enduring interests in it, the next administration should put the initiation of a U.S.-Japan Strategic Dialogue near the top of its priority list. The effort should involve senior defense and foreign policy officials. It is important that both countries understand where interests correspond and where they differ on the key security challenges facing our two peoples.

Managing Change on the Korean Peninsula

Long regarded as one of the major flashpoints of Asia, the Korean peninsula today is experiencing the first signs of a political thaw between long-standing adversaries, the Republic of Korea, a treaty ally of the U.S., and the Democratic People’s Republic of Korea. The thaw is in large part the result of South Korean President Kim Dae-Jung’s consistent commitment to a policy of engaging North Korea, the Sunshine Policy, and the measured steps toward the South taken by North Korea’s leader, Kim Jong-il. Analysts in Seoul consider North Korea’s economic distress as the key driving force behind Kim Jong-il’s willingness to deal directly with South Korea’s president at the historic Summit meeting in Pyongyang in June 2000.

The Summit, in short order, generated a series of events such as family reunions in August, a Defense Ministers meeting in September, and agreement to reopen a railroad and highway link through the demilitarized zone (DMZ). These events have raised hopes in the South for a further expansion of contacts and the beginning of a process of reconciliation between the two Koreas. At the same time, the general euphoria about a new era on the Korean peninsula, along with highly politicized Status-of-Forces Agreement (SOFA) and environmental incidents involving

United States Forces Korea (USFK), is eroding public support in the South for the U.S. military presence. In a recent survey, close to 65 percent of South Koreans thought that U.S. forces should be reduced.

Notwithstanding public euphoria, the Summit has not produced any real change in the internal structure of the North Korean political and economic system. Neither has it resulted in any change in North Korea’s forward-deployed forces along the DMZ. Even as diplomacy between the two governments moves ahead, North Korea has strengthened its military deployments in areas north of the DMZ and maintained a high level of readiness.

Thus, there is a growing disconnect between diplomatic, cultural, and economic developments and the on-the-ground security environment. The award of the 2000 Nobel Peace Prize to Kim Dae-Jung will likely result in a widening of this disconnection. Kim viewed his 1997 election, in the midst of South Korea’s economic crisis, as an act of God. From sources close to the President, it appears that his sense of a divinely inspired mission is also a driving force behind his engagement policy.

A key element of the Sunshine Policy, as originally articulated, was reciprocity, albeit deferred reciprocity. As a result of the breathtaking pace at which events have moved since the Summit, the issue of reciprocity—what the South is getting in return for its generosity—has produced a moderate/conservative backlash. Nevertheless, Kim is committed to pushing his Sunshine Policy as far as he can, as fast as he can, within the limits of the politically possible. At the same time, the dynamic of the engagement process has evoked a resurgence of Korean nationalism, which will get a boost from Kim’s Nobel Prize. Korean nationalism can carry with it an anti-American bent and, in the past, has been directed against the U.S. presence.

It is in this context that the Bush administration will likely have to deal with a number of key security issues affecting the peninsula and the U.S.-ROK alliance. These divide roughly, but not exactly, into two groups: pre- and post-Sunshine Policy. The pre-Sunshine Policy issues deal with carryovers from the pre-Summit period; post-Sunshine Policy issues grow out of the potential of the Sunshine Policy for reconciliation.

- *PRE-SUNSHINE: The Agreed Framework.* In 1994, the Clinton administration and North Korea concluded that this agreement aimed at suspending the operation of North Korea’s heavy-water reactors in exchange for the construction of

replacement light-water reactors (LWRs). Although the project has lagged behind construction timelines, it is possible that sometime in the term of the new administration, North Korea will be faced with a decision to accept International Atomic Energy Agency (IAEA) inspections/inventory of its nuclear past. This is a decision that the North chose to defer until a later date under the terms of the Agreed Framework. Nevertheless, the IAEA inspection remains a prerequisite for the conclusion of a nuclear cooperation agreement between the United States and North Korea, which would allow the transfer and installation of the two LWRs. Failure on the part of Pyongyang to accept IAEA inspections could significantly increase tensions on the peninsula and across North-east Asia.

■ **PRE-SUNSHINE: Perry Process and North Korea's Missile Program.** In response to North Korea's test flight of its Taepo-Dong missile over Japan (August 31, 1998) and to growing congressional criticism, the administration asked former Secretary of Defense William Perry to undertake a review of North Korean policy. The Perry Report laid out a comprehensive diplomatic, economic, and security strategy for dealing with Pyongyang. On the diplomatic front, the report called for the creation of a trilateral coordinating group (TCOG) to allow Washington, Seoul, and Tokyo to align their respective policies toward North Korea. A central focus of the security strategy was North Korea's missile program. Perry secured North Korea's agreement to suspend missile testing as long as Pyongyang was engaged in dialogue with the United States. However, North Korea's existing deployments and missile export program remain in place.

Meanwhile the North's missile program will remain potentially divisive among the United States, South Korea, and Japan. While North Korea's missile export program is a nonproliferation priority for the United States and deployments are a national security issue for Japan, the missile program is less a priority for South Korea, which has lived under the missile threat for years. Ending the missile program will require unprecedented transparency from Pyongyang.

■ **POST-SUNSHINE: Engagement Linked to Change in the North.** Following the June Summit, the prospects for tension reduction measures on the peninsula brightened, at least for the South. While the South has long studied the confidence-building measure (CBM) process in Europe and has a well-prepared list of such measures, it is clear from recent Institute for National Strategic Studies (INSS) discussions in Seoul that little thought has been given as to how to integrate military-related CBMs into the Sunshine Policy of engagement. Indeed, it appears that the South is prepared to move ahead to deepen relations in a number of fields, while deferring reciprocity in the area of security. This could widen the growing gap between the positive direction of diplomatic, cultural, and economic trends and the unchanged nature of the security equation and could lead to strains between Seoul and Washington, as Seoul builds equities in nonsecurity areas. Moreover, the North will likely add to the strains by attempting to deal directly with the United States on security-related issues.

During recent meetings in Seoul with the Korean Institute for Defense Analyses, INSS Director Stephen Flanagan proposed *joint INSS-KIDA studies on the phasing and integration of CBMs into overall policy and on possible linkages between progress on South-North cultural and economic cooperation and concrete measures on military disengagement*. Within the South Korean security bureaucracy, it was freely admitted that events since June have moved too fast to allow much thought for such fine-tuning of CBMs.

■ **POST-SUNSHINE: U.S. Presence.** Generational change in South Korea has contributed to a growing sense of Korean nationalism. This holds at least two significant implications for U.S. presence on the peninsula: one short-term, the other mid to long term. The short-term issue relates to ROKG efforts to revise the existing SOFA, with the objective of putting the U.S.-ROK SOFA on an equal footing with the U.S.-Japan SOFA. The current inequality is perceived as a national slight, which serves only to build resentment against the U.S. presence. Negotiations to revise the SOFA are now underway.

The mid-to-long term issue deals with the continuation and nature of a U.S. presence on the peninsula. Although Kim Dae-Jung has made clear his belief that a continuing U.S. presence on the peninsula is in South Korea's national interest and reported that Kim Jong-il shares this view, reconciliation/reunification will significantly alter the numbers and nature of the U.S. force presence.

Indonesia: U.S. Security Interests

Establishing effective governance and advancing critical economic, political, and military reforms in post-Suharto Indonesia have been the central tasks of President Wahid. The reform agenda would be difficult for an advanced democracy, which Indonesia is not; all involve a fundamental restructuring of the country. To date, the economic reform agenda has stagnated, and critical foreign investors have remained wary and on the sidelines.

Political restructuring has yet to produce effective governance, and disaffected areas, such as Aceh and Irian Jaya, are the grounds of separatist movements while violence between Christian and Muslim communities has flared up in the Moluccas, Lombok, and Sulawesi.

The failure of the political leadership to produce effective governance has, in turn, slowed the prospects for the reform and professionalization of Indonesia's

military, the Tentara Nasional Indonesia (TNI). Given the TNI's well-entrenched old guard and its economic and political interests, military reform would be a significant challenge for any government. While reformers do exist within the TNI, they are a minority, and even their interest in reform is secondary to their concern with the nation's territorial integrity and the governing ability of the political leadership. Thus, within TNI prospects for reform are inextricably linked to the success of political reform, and both depend on the success of economic reform.

The dilemma for the Indonesian government is that successful political and economic reform cannot advance without domestic order. But the task of creating an effective national policy force will require at least a decade to complete. In the interim, the TNI remains the only institution with the potential to respond effectively to separatist movements and political demonstrations that might challenge public order. Historically, TNI has always had a constabulary function to deal with civil disturbances, but local area commands lack special training for such tasks and have all too often resorted to firing upon crowds.

- Engaging the TNI can serve to advance the cause of military reform and professionalization and, in the process, enhance the prospects for Indonesia's internal stability and unity, prerequisites for successful economic and political reform. At present, however, U.S. policy toward Indonesia's military is constrained by legislation and restrictions imposed by the Clinton administration. Engaging the TNI will entail a high-level policy decision.

The U.S.-China Security Agenda

An impending leadership transition, a stagnating economy, a perceived threat of social unrest, and a subsequent challenge to the legitimacy of the regime will promote an internal focus in Beijing and a concomitant desire to maintain a stable external environment. Beijing, however, will not tolerate any perceived move by Taiwan toward independence.

Beijing will also be concerned about defining a context or "bumper sticker" within which to describe the overall relationship between itself and the United States. For example, are the United States and China strategic partners, strategic competitors, or something in between? Chinese positions on the more operational issues of theater missile defense (TMD), ballistic missile defense (BMD), proliferation, the Korean Peninsula, and U.S.-Japan security ties will be influenced by its perceptions of the U.S. stance on the first

two. In this sense, the challenge is more philosophical than operational.

Early on, the Chinese are likely to seek clarification of how the administration evaluates China in its strategic calculus. They suspect that the idea of a "strategic partnership" is dead, and they may appear prepared to accept that reality. Nonetheless, they will be concerned about the nature of any new formulation and will try to ensure that it is as positive as possible.

Taiwan. Taiwan will continue to be the most difficult issue in U.S.-China relations. Indeed, at this moment, Taiwan is perhaps the only issue that could lead to armed conflict between the United States and China.

Policy in the Taiwan Strait will be the major criterion by which Beijing will judge U.S. intentions and, therefore, the credibility of the U.S. declarations on the character of its relations with China. A perceived discrepancy between declaration and reality will produce recrimination and tend to increase both rhetorical and actual resistance—and, in some cases, opposition to U.S. policy objectives within and outside of the region. *Key issues will center on U.S. arms sales to Taiwan, in particular Aegis destroyers and TMD systems.* Beijing regards Aegis/TMD as establishing a virtual alliance relationship between Washington and Taipei.

However, given the press of domestic concerns and the general political weakness of their respective leaderships, both Beijing and Taipei will continue to try to stabilize cross-strait relations and avoid confrontation. Beijing is awaiting the political demise of Chen Shui-bian and the emergence of a new leadership group that is not part of the Democratic Progress Party. Accordingly, it is bypassing Chen and dealing directly with other Taiwan government officials and business leaders in an effort to increase political and economic pressures on Chen and the DPP to accept the one China principle.

Beijing will continue its harsh rhetoric and military posturing as a deterrent against "separatism" and independence, and Taipei will continue to resist accepting the one China formulation by offering proposals that respond to mainland demands but fail to meet them entirely. This dynamic, which serves the interests of both sides at this time, is likely to continue through at least the first half of the Bush administration.

- For the United States, this is not a time for bold new initiatives. Less is better. Neither Beijing nor Taipei is politically

able to give much ground. Rather, the administration should maintain continuity in U.S. policy by continuing to fulfill the terms of the Taiwan Relations Act (TRA).

- Washington should simultaneously encourage Taipei to increase the efficiency of the process by which it prioritizes its arms acquisitions, reaffirm a commitment to a peaceful solution, express a willingness to support changes in the cross-strait relationship agreed to by both parties, and eschew comment about possible U.S. responses under various situations and scenarios.

National Missile Defense (NMD). Beijing will continue its effort to mobilize regional and global anti-NMD forces by asserting that projected NMD deployment will negate the effectiveness of its self-styled limited deterrent capability, destroy the Antiballistic Missile Treaty, and prompt an offense-defense arms race that will destabilize the region. Secondary concern will focus on the alleged possibility of transferring such technologies to Japan, and especially to Taiwan. Chinese rhetoric will be extremely negative and will escalate in intensity and negativity depending on how U.S. relations with Taiwan are perceived to be evolving.

More concretely, if any of the U.S. options presently under consideration are actually deployed, Beijing will almost certainly respond by hastening its effort to defeat the system. This will include increasing the size of its strategic rocket forces as well as enhancements in the ability of Chinese systems to penetrate or overwhelm any U.S. defense.

- The Chinese appear to lack a good understanding of the nature of projected U.S. NMD systems. Whether this is the result of ignorance or a deliberate stance adopted to gain political advantage is a matter of dispute in Washington. It would be useful to determine the truth of the matter by direct discussion of the technical parameters of the systems involved. There is also some evidence to suggest *that Beijing might respond favorably to a U.S. initiative for official discussion of the longer term strategic relationship*. A key question would concern Washington's willingness to accept a Chinese second strike capability.

Relations with Russia. Beijing's relations with Moscow are likely to develop along their present trajectory through the next few years. There will be continued high-level meetings, many affirmations of strategic cooperation, a robust transfer of scientific and technical information relevant to defense, and, of course, continuing arms purchases by the People's Liberation Army (PLA). Although these will not have an immediate impact on the balance of military power within the region, they will make a significant contribution to the long-term development of the PLA into

a more modern fighting force. However, both Beijing and Moscow are aware that history, nationalism, and different strategic circumstances and perspectives impose limits on their ability to make common strategic cause. The United States should utilize the considerable resources available to it to remind Moscow of its European focus and of the benefits that can accrue to Russia by implementing such a perspective.

Proliferation. Despite the recent protocols, Beijing's proliferation behavior will continue to complicate the bilateral relationship. The Chinese remain willing to proliferate, in the Middle East for example, if they judge it possible to gain concessions on other matters of vital interest, such as Taiwan. Also, in some areas, such as Pakistan, Beijing assesses it will lose more politically than it will gain by ending completely its assistance to Islamabad. All in all, although Beijing's incentive to play by the rules of nonproliferation is growing, considerable time will be required before China is willing to abide entirely by the norms of the nonproliferation community. In the meantime, constant vigilance and verification of Chinese behavior will be required. So, too, will a willingness in Washington to bear the political and economic costs of imposing penalties on Beijing, should these be deemed necessary.

Regional Security Relations

Except for Taiwan, Beijing will make every effort to maintain a stable and peaceful external environment. This is apparent in recent Chinese overtures to Japan, its generally helpful role on the Korean Peninsula, and in its burgeoning relations with the nations of Southeast Asia. It is fair to say that Chinese actions in these three areas represent a trend in policy that is likely to continue through the term of the administration.

However, if there is real change on the Korean peninsula—and even if the change remains only apparent—there will be considerable pressure to reduce the U.S. force presence there and eventually in Japan as well. Beijing is likely to do what it can to encourage such developments. The Chinese are also likely to try to use such venues as the ASEAN Plus Three and proposals for regional trading arrangements as a means of offsetting U.S. influence. The administration can thus expect to encounter a pattern of low-level, low-key competition throughout the

region. This will require that special attention be paid to alliance management and to maintaining communication with such U.S. friends as Singapore.

In Southeast Asia, there is a broadly based feeling that the United States slights the subregion in defining its strategic priorities. ASEAN concerns could be met

in part by a systematic effort to upgrade the level of political interaction by demonstrating a willingness to hear the strategic concerns of ASEAN members and especially by demonstrating a willingness to interact more closely with the government of Indonesia.