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ANALYSIS

THE NATIONAL BUREAU OF ASIAN RESEARCH

ASIA'S CHALLENGE TO AMERICAN STRATEGY

Richard J. Ellings

and

Edward A. Olsen

June 1992

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FOREWORD

We are in a crucial period of transition in Asia, when the structures of the Cold War still stand largely intact and their replacements are still being debated. In this issue of *NBR Analysis*, Richard Ellings and Edward Olsen address the question of regional leadership and America's future role in Asia. They assess the likely major challenges presented by the region through the turn of the twenty-first century and systematically examine the alternative national strategies available to United States policymakers to meet those challenges.

The future of leadership in Asia will be determined significantly by the relative economic and military resources available to the great powers of the region. As the authors point out, however, leadership will also be shaped by the initiatives, or lack of initiatives, that come out of Washington, D.C. as well as by the foreign policies emanating from Tokyo, Beijing, and other Asian capitals. Decisions made in the next few years will determine whether leadership is expressed through bilateral or multilateral institutions or less formal arrangements, and whether it will continue to be based primarily on American security guarantees or a new distribution of responsibility. Doctors Ellings and Olsen argue that economic challenges have largely supplanted security ones for probably a decade or more and that United States national strategy has not made a sufficient adjustment to the new conditions.

This study, the second of an *NBR Analysis* series on the future of Asia, was prepared as a background paper for the workshop "Asian Security Issues in Transition to the Twenty-First Century." The meeting was sponsored by the Defense Intelligence College and NBR and held March 19-20, 1992 in Monterey, California.

Kenneth B. Pyle
President
The National Bureau of Asian Research

ASIA'S CHALLENGE TO AMERICAN STRATEGY

Richard J. Ellings

Edward A. Olsen

The post-Cold War era is being built on the ruins of the Soviet empire and on the achievements of dynamic, capitalist nations. The era is defined by new balances of power, revised perceptions of power, and far greater diplomatic complexity. The era is one in which regions have a more distinct identity within global affairs than they did during the Cold War, and international leadership is more ambiguous in structure and often in the way it is exercised. Asia epitomizes, and is largely responsible for creating, these circumstances.

As befits a region possessing enormous historical consciousness, the new era in Asia is overshadowed by continuities with the past. Contemporary Asian leaders tend to react cautiously to sudden developments that disrupt international affairs. These leaders are predisposed to search for historical precedents that may offer lessons based on past cycles of human experience. They possess a healthy skepticism about the uniqueness of post-Cold War events and display a tendency to fit them into a historical context of much greater duration than the Cold War.

Because of the dispersion of power to and within Asia during the 1970s and 1980s, a condition of "skewed multipolarity" has developed. The region is characterized today by a complex multipolar structure highlighted by Japanese industrial and American military strength. Asians have treated this dispersion of power as a precursor of a return to normalcy in world affairs. When the contest between the Soviet Union and the United States became complicated by Asian economic competition, some Asian leaders seized the opportunity to begin reasserting their geopolitical power. For example, Japanese leaders became more assertive at international fora, and other Asian leaders increased the political agendas of Asian regional economic organizations. Moreover, across Asia the recognition by Westerners of Asia's new economic prominence was used by Asian leaders as leverage with the West.

Political, economic, and military strains that predate the Cold War continue to pervade the region, and the end of the Cold War is allowing renewed expression of those strains. As is often noted, Asia is much more diverse culturally and politically than Western Europe. Mistrust characterizes most bilateral relationships within the region. Consider, for example, the Sino-

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Edward Olsen, Professor of National Security Affairs at the Naval Postgraduate School, is the author of a wealth of books and articles on Asia, including *U.S.-Japan Strategic Reciprocity: A Neo-Internationalist View* and *U.S. Policy and the Two Koreas*. Prior to his current position, Dr. Olsen was with the Bureau of Intelligence and Research of the State Department.

Russian, Sino-Japanese, Sino-Indian, Sino-Vietnamese, Russian-Japanese, Thai-Vietnamese, and Japanese-Korean relationships. These have been marred by war or near-war in the past fifty years. The Cold War constrained some of these animosities in the guise of alliance cohesion on both sides of the East-West struggle. Now that the Cold War is past, East Asia may eventually experience unleashed tensions comparable to those in central Eurasia.

In this light, Asia in the 1990s presents a radically different challenge to America. It is a challenge born of historical legacies and contemporary dynamism. The military threat in the region that long had defined the paramount issues, and against which the United States and its allies built a network of alliances, has diminished to a level that makes the security structures of the Cold War either obsolete or in desperate need of new justification. The bilateral arrangements the United States sustained in the Pacific to counter the Soviet Union and North Korea (and earlier China and Vietnam) require complete reevaluation. The immediate challenge Asia now presents is political-economic, but at stake over the long run is America's broader security as well.

In order to assess post-Cold War Asia's challenge to American strategy through the turn of the century, the strategic environment—its structure, dynamics, and key competitors—must be better understood. Important short- and long-term threats that may develop in the region must be identified, along with U.S. interests. Finally, the goals and strategic options that are available to U.S. policymakers must be compared systematically, free from the biases and inhibitions that stem from existing American commitments.

The Asian Strategic Environment

Consequences of the End of the Cold War

With the decline of the Soviet military threat, most issues related to Russia in the Asia-Pacific region do not assume the global and crisis proportions they once did. Nonetheless, in Northeast Asia and Central Asia the consequences of the end of superpower rivalry are particularly dramatic. The ways Washington and Moscow deal with inter-Korean relations, Japan's responses to the end of the Cold War, and all countries' reactions to the emergence of newly independent states in Central Asia will influence the region as a whole for years to come.

While the focus of immediate concern throughout Asia remains the continuing military standoff on the Korean peninsula, renewed conflict between the North and South would no longer bring about virtually automatic, cataclysmic hostilities between America and Russia. The major effect of war would be regional, and the two Koreas would suffer most. China and Japan also would feel the repercussions, as well as the United States, which would be drawn into any such conflict as long as the United States-Republic of Korea (R.O.K.) security treaty is intact. Almost certainly Russia would be a bystander. Russia no longer poses a serious threat to China or Japan, and it has forged diplomatic ties with the R.O.K. China too has reached out to South Korea.

Consequently, North Korea is increasingly isolated and under pressure, forced by the economic success of the South and withdrawal of Soviet support to reconsider its economic system and its very existence. Because of its isolation, North Korea may have stepped up its nuclear weapons program. At the same time, however, North and South Korea have agreed to a nonaggression pact and made major progress toward a nuclear-free zone on the peninsula. On balance, these circumstances make war in Korea less likely in the post-Cold War era.

The end of the Cold War is causing international relations across the entire arc from Central Asia to Japan to be redefined. Foreign policies are being established by the newly inde-

pendent Central Asian states of Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and Kirghizstan. Each is trying to solidify its political system and stabilize its economy. Mongolia, too, is feeling its way toward genuine independence. China and Russia are recasting their relationship in the midst of this Central Asian turmoil. Further to the east, Japan and Russia are trying to settle their territorial dispute in the Northern Territories in order to bring a formal end to World War II and prepare for the 21st century.

In Southeast Asia the end of the Cold War is allowing local conflicts to resurface after years of suppression through "extended deterrence."¹ The Association of Southeast Asian Nations (ASEAN) has lost its quasi-strategic function of countering Indochina because of the withdrawal of Soviet support from Vietnam and the resulting withdrawal of Vietnamese forces from Cambodia. Tentative regional defense collaboration is being replaced by a division of roles and interests, most notably Thailand as a land power and Malaysia and Indonesia as maritime powers. Territorial claims, fishing disputes, domestic instabilities in several of the states, and relations with Japan and China are the issues most likely to confront Southeast Asia in the absence of new external challenges. Cambodia's festering problems are likely to be a source of continuing concern as well, despite the efforts of the United Nations.

Regional political integration in Asia is, at best, no more likely today than a decade or two ago, the developments of the Asia-Pacific Economic Cooperation (APEC) forum, the Pacific Economic Cooperation Conference (PECC), ASEAN, and other organizations notwithstanding. These organizations provide vehicles for Asian states to express their views regionally and globally, but they do not assure greater unity of purpose. Indeed, a strong case can be made that the end of the Cold War makes the region much less likely to integrate because it lacks what might pass for a common adversary. Moreover, dynamic but uneven economic growth rates are apt to increase the competition among the nations there, further reducing prospects for regional political integration.

Trade issues also have been affected by the end of the Cold War. Damaging transfers of defense-related technology to the Soviet Union, leading to such scandals as the Toshiba-Kongsberg affair in 1987, are no longer salient. Nonetheless, Americans worry that Russian nuclear technologies, now suddenly subject to market forces, could cause a nuclear brain drain and otherwise contribute to proliferation. In spite of this danger, however, security-related trade issues in general have simply declined in importance to policymakers in Washington.

The critical trade issues for the United States and Asia in the 1990s are related to commercial competition, unfair trade practices, and access to technology. There are also fears about an exclusionary economic bloc forming in Asia under the control of Japan that may become a rival of the European Community and a North American Free Trade Agreement (NAFTA), if the latter is fully realized. Indeed, trade issues now pervade not only diplomacy between Washington and Tokyo, but also American national and even local politics. The outlook is for trade issues to become more contentious than ever.

In sum, with the end of the Cold War, regional dynamics within Asia have become more important than global issues; long-repressed political and economic discord has begun to resurface; and Asian trade issues have overtaken security issues as the immediate concern to American policymakers.²

¹Sheldon Simon, "The Regionalization of Defense in Southeast Asia," *NBR Analysis*, Vol. 3, No. 1 (June 1992), p. 1. This paper was prepared for the March 1992 workshop on Asia sponsored by the Defense Intelligence College and The National Bureau of Asian Research.

²See Edward A. Olsen, "A New American Strategy in Asia?," *Asian Survey*, Vol. 31, No. 12 (December 1991), pp. 1139-1154, for a discussion of the changing threat environment in Asia.

Skewed Multipolarity

In this context, international relations may become more unstable, albeit less dangerous, because of the sharply reduced risk of global nuclear war. In James Schlesinger's words, the world order will be one of "semi-chaos" and "marked by power politics, national rivalries, and ethnic tensions."³ We add that it will be just as marked by economic competition and conflict.

In a decentralized world, dominated not by two superpowers but rather by a range of powers with significant yet diverse economic, diplomatic, and military capabilities, issues will rise and fall in ways that differ from the Cold War's relative predictability. Power in international relations will be concentrated in increasingly ephemeral coalitions. The average life span of foreign policies is likely to be shortened.

With parochial national or regional interests increasingly outweighing global considerations, countries are disaggregating their policies. They will frequently choose *not* to work on issues of importance to the United States, *not* to side with the United States on some issues, and to work against America on others. In the mercurial times ahead the distinctions between good and bad, friend and enemy, and peace and war may change rapidly and often appear capricious to Americans. The nature of the post-Cold War world will frustrate U.S. politicians in need of selling policies to the American people, who have historically preferred clear moral choices. In a light-hearted section of a recent policy paper, House Armed Services Committee Chairman Les Aspin tried to capture the changes in strategy and security environments in imaginary bumper stickers. "Containment" gave us clear guidance, but "less threatening, more complicated" will hardly boil the blood or crystallize what we are supposed to do.⁴

These global developments are reflected in Asia's balance of power and diplomacy. Five great powers are factors in the region: China, Japan, Russia, India, and the United States—with none in a position to dominate. Although Asia is very much part of a tenuous new world order in rapid flux, it enjoys a relatively stable, if skewed, balance of power.⁵ The balance is skewed because of the preponderance of Japanese economic power and American military power. It is relatively stable partly because four of the five powers possess some degree of nuclear deterrent, with Japan compensating for its lack of nuclear forces by its enormous potential to become a military superpower and by its beneficial (and cost-effective) alliance with the United States. Strategic stability also is enhanced by the limited offensive capability of all but one of these nations' air, sea, and ground forces. The exception is the United States, whose security roles as the ultimate guarantor for several nations' defense and "off-shore balancer" seem well understood.

Looking ahead to the year 2000 and beyond, power is likely to continue to disperse in the region. According to recent data, Japan and the United States now produce, respectively, about 16 and 24 percent of the global output of goods and services, with Japan dominating East Asia by accounting for perhaps two-thirds of its economy.⁶ In an ongoing study of the world

³James Schlesinger, "New Instabilities, New Priorities," *Foreign Policy*, 85, (Winter 1991-92), pp. 4-5.

⁴Les Aspin, *National Security in the 1990s: Defining a New Basis for U.S. Military Forces*, Washington, DC: The Atlantic Council, January 6, 1992, p. 12.

⁵The Center for Naval Analyses is taking nothing for granted about the shape of the new world order. See its report on four alternative worlds (bipolar, balance of power, condominium, and nationalistic/isolationist) in James Blaker, et al., *Implications of Alternative Worlds*, January 1991.

⁶Stephen W. Bosworth, "The United States and Asia," *Foreign Affairs, America and the World 1992*, Vol. 71, No. 1, pp. 118-119. Widely different estimations are available. The Central Intelligence Agency, in its most recent *Handbook of Economic Statistics* (1990), has a higher figure for the U.S. (26 percent) and a much lower one for Japan (ten percent). Bosworth's figures reflect the changes in growth rates and in exchange rates that have taken place since the handbook was compiled.

economy at The RAND Corporation, the respective contributions by Japan and the United States to world output are projected to be 18 and 22 percent by the turn of the century.⁷ The current size of the Chinese economy is much debated, and its future is even more disputed. According to official exchange rates and other data, China now accounts for three to four percent of global output, but its actual size is probably much larger and its rate of growth continues to exceed Japan's. By 2010-2015, China's economy may even approach the size of Japan's if it can sustain its momentum.⁸ Other East Asian economies—the new as well as “old” newly industrializing economies (NIEs)—are also expected to expand significantly faster than Japan.⁹ In the area of trade, which bears more directly on regional politics, the changes underway are moving even faster. Economist Nicholas Lardy estimates that by the turn of the century China's external trade could match Japan's.¹⁰ China's foreign investment, on the other hand, will lag considerably behind that of its major Asian competitor.

Thus two economic trends emerge as noteworthy. East Asia as a whole will continue to increase in importance relative to the rest of the world, and within the region production and trade flows will disperse through direct foreign investment, other transfers, and indigenous efforts. As the above data suggest, Japan seems to have already reached the peak of its economic dominance of East Asia as measured by relative GDPs or trade flows.

Whether or not military power becomes more dispersed in the region depends largely on Tokyo, for Japan possesses potential strength that will be unmatched in the region for at least a decade. Japan's enormous military potential is based on its current technological prowess, manufacturing base, and a host of other national attributes. To consider significant rearmament and a coercive foreign policy, however, Japan would have to solve the problem of defending its geographically concentrated population and industry against possible preemptive strikes by nuclear forces from China or Russia. Japan's continued vulnerability in the nuclear age remains a strong check on any in Japan who may harbor ambitions of traditional great-power hegemony in Asia.

Nevertheless, the interests, geography, and inequalities of the Asian powers create frequent tension among them. Cold War or not, they have often opposed each other in coalitions. China has worked with the United States and Pakistan to check India; Japan and China worked with the United States in the late Cold War years to check the Soviet Union, while India collaborated with the Soviet Union against China. At the same time, China and Russia appreciate the American alliance with Japan as a moderating force on the uncertainties of Japanese defense policy and appreciate American pressure on Japan to open its restricted markets. Below the level of major power relations, there is little harmony of strategic interests among the ASEAN states, between South Korea and Taiwan, and between Japan and either Taiwan or South Korea. Because of the lack of substantial consensus, a regional security organization like NATO has never been formed, and no threat currently exists or looms on the horizon that is likely to change this pattern.

⁷Ku Shin of RAND, in a personal memo to the authors, February 28, 1992. Dr. Shin bases his estimates on his world economy simulation, which assumes average growth rates of 3.5 percent for Japan and 2.0 percent for the U.S. In the 1990-95 period, the growth rate estimate for the U.S. is also 2.0 percent and is somewhat higher for Japan (3.9).

⁸In 1989 RAND completed a study whose results are controversial but instructive. “Long Term Economic and Military Trends, 1950-2010,” Charles Wolf, et al., *A RAND Note*, Santa Monica: RAND, April 1989. Nicholas Lardy of the University of Washington believes that RAND over-estimated the size of the contemporary Chinese economy somewhat, and therefore, questions the projection that China would approximate Japan in production by 2010.

⁹Ku Shin, *op. cit.* The average growth rate for South Korea, Taiwan, Singapore, and Hong Kong in the 1990-95 period is estimated to be 6.4 percent.

¹⁰Conversation with Nicholas Lardy, March 13, 1992. For a projection through 1995, see his paper, “China's Changing Role in Asia,” prepared for the workshop “Asian Security Issues In Transition to the Twenty-first Century,” sponsored by the National Bureau of Asian Research and the Defense Intelligence College, March 1992, p. 6.

The collapse of Soviet power and ongoing economic development in much of Asia require the states of East and Southeast Asia to adjust their national priorities and redefine their geopolitical relationships. Economic and territorial issues are likely to be more contentious within the region than they were during the Cold War. The issue of Japan's potential strategic role in the region may become more acute as Japan's political ambitions become manifest. With regard to global issues or issues in other regions, these Asian powers possess diverse options. While they may retain policies roughly similar to those they pursued during the Cold War, they may also show little interest in old policies or may oppose each other in still different alignments. The dispersion of power frees Asian states to be more flexible if they so desire.

Key Actors

In addition to these structural aspects of the region, the character of and special relationships between key actors in Asia also contribute to the strategic environment. Today, American policy in Asia is overwhelmingly dominated by its relationships with China and Japan, and not by concerns about the Soviet Union and its ability to affect Asian affairs.

U.S.-China relations have long been fraught with emotion and have been noteworthy for their wide swings between enmity and collaboration. Several features stand out to American strategists. First, China has shown a remarkable capacity to play balance-of-power politics with the "foreign devils" as it rose above seemingly crucial ideological considerations and domestic turmoil when its survival interests dictated. Second, its relationship with the United States often has been pragmatic; China has manipulated the United States to suit Chinese purposes and has displayed little of the emotional attachment toward the United States that some Americans show toward China. Although there is a small chance that a future generation of Chinese leaders, largely schooled in the universities of America, may wish to forge a special relationship with America, they are unlikely to personalize Chinese national interests vis-à-vis the United States in ways that might echo their American counterparts' Sinophile or Sinophobe attitudes. Third, China should be viewed by United States policymakers as possessing strong national pride, a sense of independence, and a powerful future. These attributes will imbue the Chinese with a consistent drive which should provide Americans with reason to minimize cyclical shifts in U.S. policy. China is developing its economy and will continue to view itself as the historic and natural hegemonic power in East Asia. Its ability to resume this role will come in steps but, unlike Japan's largely unidimensional pursuit of international power, China will feel comfortable exercising international political as well as economic influence if, and when, it restores the capacity. American policymakers must address that probability in unemotional, objective ways.

The United States has built a complex and close relationship with Japan that holds as much danger as promise. American and Japanese leaders, even in the wake of the collapse of the Soviet threat, have verbalized their commitment to the alliance, but without clarifying their reasons adequately. The alliance seems to have a revived de facto purpose: to calm the fears of other Asia-Pacific states that Japanese militarism might reappear. That was, of course, the original ulterior rationale behind the Cold War alliance between the United States and Japan.

From Washington's perspective today, several considerations merit emphasis. First, Japan is at once its greatest economic competitor and its most important (albeit not the largest in value) trading partner. The world's two biggest economies are so closely linked that a sudden disruption in bilateral economic relations would have far-reaching impact globally as well as on each other.

Second, because Japan is rapidly catching up to the United States economically (and has surpassed it in certain respects), the strategic balance between these two countries probably will have to be redefined in a formal sense soon.¹¹ The skewed security relationship no longer makes sense to many American and Japanese nationalists alike. On balance, America's bargaining leverage and credibility as a leader vis-à-vis Japan are waning, and what remains derives from being a major consumer of Japanese goods and from serving as the subsidized military guarantor of Japanese prosperity and peace. In short, the threat of increased protectionism and of ending its role as ultimate military defender of Japan may be useful levers, but they are not forms of power that can make Americans proud. They constitute residual leverage based upon growing weakness. The question increasingly asked in Tokyo and Washington is how long the world's biggest creditor and an economic dynamo (Japan) can rely for its security on the world's biggest debtor nation (the United States), a debtor that has to pass the mendicant's cup to act like a full-fledged superpower. National pride in Japan as well as budgetary considerations in the United States that provoke national doubt among Americans are chipping away at the vaunted arrangements.

Third, Japan desires to exercise an indirect form of leadership in Asia through a stratified and integrated informal regional structure that is being gradually constructed from strategic investments, aid, and trade relations. Although this structure is taking shape, it seems to lack purpose to many Japanese. Only a minority in Japan think of it as the contemporary equivalent of the "Greater East Asia Coprosperity Sphere." This new Japanese strategy is propelled by a perceived need to diversify trade and investments. It was given added momentum in the 1980s by the appreciation of the yen and by the fear of rival blocs forming in Europe and North America that might restrict access to critical markets and supplies. The strategy is also driven by Japan's ambiguous yearning for Asian leadership.

Fourth, Japan is an unpredictable actor in international political affairs because of its near total dedication to economic goals since World War II and its current incapacity to pursue coordinated political goals. Japan's Foreign Ministry is hampered by a reactive approach to international issues that has been cultivated throughout the postwar period. It has yet to develop an effective foreign policy decision-making apparatus geared toward proactive goals and is unable to determine to what ends it will apply its nation's burgeoning power. Time probably will see the correction of these deficiencies, but in the interim the "Japanese question," as Kenneth Pyle termed it, weighs on the region.¹² There is no certainty that Tokyo will formulate either its goals or a bureaucracy capable of providing leadership before Japan is thrust onto center stage in world affairs by events beyond its control.

A resurgent Russia also may be a factor in the region when successful political and economic structures are put in place in that country. Such success, however, appears to be many years away from producing the kind of results necessary to make Russia a Pacific power on the level of Japan, or even China, except in purely military terms. If, for the remainder of the century, the United States and Japan are first-tier states in the Asia-Pacific hierarchy, and China is a second-tier state, Russia will be an even more distant third. Russia is almost certain to be consumed by the enormous domestic challenges of the transition from imperial communism to some form of political pluralism and market economy. The possibility exists that internal

¹¹This situation was predicted in the late 1960s by Herman Kahn and his associates at the Hudson Institute who worked on the prospects for Japan. "... If I had to choose a best estimate, I would choose the medium one. In that scenario Japan probably passes the United States in per capita income around 1990 and probably equals the U.S. in Gross National Product by about the year 2000." Herman Kahn, *The Emerging Japanese Superstate: Challenges and Response*, Englewood Cliffs, NJ: Prentice-Hall, 1970, p. 130.

¹²Kenneth B. Pyle, "The Japanese Question," in Pyle, et al, "Japan and the World: Considerations for U.S. Policymakers," Seattle: The National Bureau of Asian Research, *NBR Analysis*, Vol. 1, No. 2 (November 1990), pp. 5-12.

chaos in Russia might induce the Russian Far East to break away once more, perhaps leading the Chinese to try to reestablish control over contemporary Russian territories that historically were controlled by China. Today that threat seems remote; but it could happen. If it does, Japan might not stand by idly. The possible disintegration of Russia also might send shock waves through China's own domestic "empire" that harbors many non-Han minorities. The rise of a Russian Napoleon, riding a wave of xenophobia following years of economic ruin and national humiliation, could eventually threaten peace in Asia, but such a development would most likely be felt primarily in Europe. These kinds of contingencies cannot be ignored by defense planners in Asia or the United States. Whether Americans would have vital reasons to become entangled in any contingencies of these sorts would naturally depend on the circumstances and our perceptions and capabilities.

Because of the ambitions and potential for growth of China, Japan, and several other states in the western Pacific, competition for influence in the region will expand. When China will be able to assert itself is difficult to estimate, but assuming a strong pace of economic development and the successful absorption of Hong Kong, between 2000 and 2010 we may see a confident China which has turned its attention significantly to regional affairs and which feels no special need to work closely with the United States. At that time, the United States and Japan may once again have a clear strategic basis for cooperation. If China flounders, on the other hand, its weakness also could have major consequences for regional harmony. Americans should consider how the United States might cope with an Asia over the next twenty to thirty years in which China either stagnates or for other reasons falls further behind, leaving Japan in a completely dominant position.

U.S. Strategy

Samuel Huntington recently reminded us that national strategy combines domestic and foreign policies to achieve a set of goals against a competitor.¹³ Economic, political, and military factors are integrated into the effort, which was exemplified in NSC-68, the document that defined American national strategy in the immediate post-World War II period. NSC-68, Huntington points out, is dominated by economic and political analysis.

Two components of strategy need to be stressed. The first is that strategy is developed to deal with a perceived threat, such as the challenge the Soviet empire posed to the West during the Cold War or Nazi Germany posed to the rest of Europe in the 1930s. A threat may be multidimensional—economic, political, ideological, and military. The Cold War, for example, was fought on many fronts: laboratories and factories, West European elections, the air waves, proxy wars, covert actions, and direct confrontations. While the Soviet threat came in different forms, each was understood by U.S. policymakers in the framework of containment strategy. Threats also are likely to shift over time, and thus strategy must simultaneously try to serve long- and short-term purposes. U.S. strategy in the Cold War aimed to wear down Soviet resolve and reduce Soviet economic and military power over the long haul, and to counter immediate challenges to American or Allied security.

National purposes comprise the second component of strategy. Economic, political, and military objectives, to be useful, must support a defined national objective. When objectives

¹³Samuel Huntington, "The Evolution of U.S. National Strategy," in Daniel Kaufman, et al, *U.S. National Strategy for the 1990s*, Baltimore: The Johns Hopkins Press, 1991, pp. 11-18.

are ill defined or not supportive of each other, then strategy is not likely to be very effective.¹⁴ If the objective in responding to an overseas threat is to destroy it, then information can be obtained and policies can be developed accordingly. If America's purpose today is to out-produce its competitors to ensure U.S. security in the decades to come, then the nation's leaders must similarly identify the issues and put together an appropriate strategy. Before a strategy can be developed properly, threats and purposes must be perceived accurately and carefully defined.

American military strategy in Asia should be part of an overall national strategy that aims to advance American interests vis-à-vis its key competitors and that draws appropriately on the tools of policy. Superficially, Americans pursue peace, stability, and prosperity in Asia. There is some disagreement among American leaders and analysts, however, about what specific U.S. economic and political goals in the Asia-Pacific region should be. Analysts tend to disagree about the relative importance of these U.S. interests, the efficacy and legitimacy of policy tools, the purposes of policy, and how international relations operate. Naturally, these varying perceptions lead to divergent proposals for national strategy.

Strategy is also driven by domestic politics—from ideology to logrolling—which must be kept in mind as contemporary U.S. options are considered. Generational change in American leadership could have important consequences, as the “can-do” internationalists of the World War II era are replaced by those whose views were formed during the Vietnam War. Some of the latter are skeptical of the preceding generation's commitments, while others of this generation want to reinforce the lessons of the Second World War. Beyond those considerations, economic uncertainty, malaise, and fear are forcing contemporary U.S. decision-makers to concentrate on competitiveness issues in both the domestic and foreign policy spheres, including of course, policy toward Asia.¹⁵

Finally, pressure continues to mount on the U.S. defense budget—so much so that President Bush and Congress have revised projected defense expenditures sharply downward several times since 1989. The cumulative decline in defense expenditures (in constant dollars) from fiscal year 1985 to the president's proposed budget for FY1993 is 29 percent, and by 1997 is projected to be 37 percent. Actual decline is likely to be even greater barring the emergence of a major new threat. Similarly, should a new administration take office in January 1993, it is likely to reinforce the downsizing of the U.S. defense establishment.

U.S. Options

Against this backdrop, what options now exist for Americans as they devise an appropriate strategy for the post-Cold War Asia-Pacific region? The strategies described below are politically and operationally feasible approaches available to the United States in mid-1992. Each of these options posits that American involvement in Asia will be reduced in part due to domestic political and economic considerations.

¹⁴Poorly conceived, inconsistent, and unpopular objectives undermined the American effort in the Vietnam War, according to Colonel Harry Summers, when “there were changes in both the strategic and tactical definitions of *The Objective*. What had been a clear relationship between military strategy and political objectives was lost in an abstruse discussion. . . .” We failed to focus on the threat “and turned our attention to the symptoms—the guerrilla war in the south.” Harry G. Summers, Jr., *On Strategy: A Critical Analysis of the Vietnam War*, New York: Dell Publishing Co., Inc., 1984, pp. 135, 145.

¹⁵The issue is addressed in Selig S. Harrison, and Clyde V. Prestowitz, Jr., “Pacific Agenda: Defense or Economics?” *Foreign Policy*, 79 (Summer 1990), pp. 56-76.

1. *Extended Deterrence: retain a military strategy based on the bilateral arrangements left over from the Cold War*

Current American strategy in Asia and the Pacific is primarily a military effort to maintain stability in the region. Plans call for the retention "of forward deployed forces [in Japan and the Republic of Korea] for the foreseeable future," albeit reducing them in three phases.¹⁶ Phase I is to be completed on December 31, 1992; Phases II and III are estimated to last until 1995 and 2000, respectively. With the Soviet threat diminished, extended deterrence is regionalized and U.S. nuclear forces are reduced and retargeted to meet new contingencies.

In one sense, this "strategy" is a patchwork of policies, for other than residual Russian and North Korean military threats, the major challenges are held to be ideological and systemic. Warnings about potential instabilities in and among various actors in Asia and a reminder of the size of our Pacific trade serve as the primary bases for this policy. Concern is centered on ethnic tensions, nationalism, and political issues that were repressed during the Cold War and that have been given impetus by economic dynamism in Asia. The primary security challenges in Asia, as noted by Secretary of State James Baker in a recent, major article in *Foreign Affairs*, are the "heavily armed standoff on the Korean Peninsula," dictatorship in Burma, resistance to political reform by "residual communist regimes" (China, North Korea, and Vietnam), and the dispute between Japan and Russia over four Kurile Islands northeast of Hokkaido. Secondly, America is challenged by bilateral trade issues and the need to work cooperatively with Japan on a host of economic, environmental, and other regional and global problems.¹⁷

The Department of Defense views American objectives in Asia to be "similar to the past:"

protecting the United States from attack; supporting our global deterrence policy, preserving our political and economic access; maintaining the balance of power to prevent the rise of any regional hegemony; strengthening the western orientation of the Asian nations; fostering the growth of democracy and human rights; deterring nuclear proliferation; and ensuring freedom of navigation.¹⁸

Implicit in this strategy is concern about Japan and a perception that regional stability depends upon an American military presence that quells the fears many Asians hold of a resurgence of Japanese military power. Because it is an explicitly military strategy, it is not consciously integrated with economic policy, although it is concerned with cost-sharing and technology transfer. In keeping with the Cold War precedents, the United States actively and purposely separates defense and economic policies. Nonetheless, as part of economically induced burden-sharing arrangements, between 1991 and 1995 the United States expects to receive \$17 billion for support of base operations (for example, labor and utilities) from Japan. The R.O.K. will also be making a significant contribution, especially in proportion to its economy. The Department of Defense's plans also call for encouraging sales of U.S. weapons and other defense systems to Asian allies and for boosting the flow of defense-related technology back to the United States from Japan. While not tied with any American economic strategy, the military framework of this strategic option is part of an agreed-upon international division of labor in which the United States provides security through military and political leadership and Japan provides economic aid. Japan is seen by Washington as a quiet but hard-working partner that contributes to stability by integrating Asian economies with its own.

¹⁶"A Strategic Framework for the Asian Pacific Rim: Looking Toward the 21st Century," Report to Congress by the Office of the Assistant Secretary of Defense for International Security Affairs (East Asia and Pacific Region), February 28, 1991, p. 2.

¹⁷James A. Baker, III., "America in Asia: Emerging Architecture for a Pacific Community," *Foreign Affairs*, Vol. 70, No. 5 (Winter 1991/92), p. 3. Security issues are listed first throughout the article, in sections dealing with the region as a whole as well as sections devoted to bilateral issues.

¹⁸"Strategic Framework," *op. cit.*, p. 8.

Because the existing framework assumes lasting U.S. interests in the region and chooses an internationalist approach, it conserves U.S. assets in Asia, including the most valuable military bases and roles. Furthermore, given the unpredictable nature of the region, it continues to rely on strong bilateral ties so new threats can be dealt with flexibly. In that sense, Assistant Secretary of State Richard Solomon perceived the U.S. role in the Asia-Pacific region to be that of a "balance wheel," drawing on unique assets of the sole superpower.¹⁹

There are two main lines of argument against continued adherence to the current strategy. Many fellow internationalists argue that it fails to deal adequately with the fundamental change in threat that has occurred in Asia. A military strategy is simply not appropriate (or enough) for a mostly economic or political-economic problem. Those in favor of substantial or total disengagement from the Asia-western Pacific region assert that the Cold War is over, the region is stable, and by staying Americans are asking for trouble in places like Korea and wasting taxpayers' money. The positions they advocate are assessed below.

2. *Engaged Balancer: integrate economic, political, and military components of strategy; build on special relationship with Japan, but simultaneously develop relationships with other states in the region to maximize long-term flexibility as a balancer*

This internationalist strategy assumes America's vital interests are and will continue to be at stake in East Asia. These interests could be compromised by nuclear proliferation, runaway arms races, war, or the establishment of a closed trading bloc. This strategy also assumes that the immediate challenge from Asia is political-economic and that our competitors are Japan, China, and to a lesser extent the other major nations there. Japan and China are increasing their power and may at times work with or against American interests. This strategy posits that U.S. goals should go beyond defending against current threats by preparing for future ones, in part by utilizing foreign policy to assist the national economy's technological and industrial competitiveness. It assumes that U.S. interests in the Asia-Pacific region are diverse and that regional institutions, even if established, will be overshadowed by traditional interstate relations and ad hoc coalitions. It assumes that moderate expenditures by the United States to maintain a reduced military presence in the region are politically feasible at home, that there are vital links between American domestic and foreign policy concerns, and that disengagement from Asia would leave the United States dangerously subject to the vicissitudes of events there. By being engaged, Washington would retain vital leverage with regard to Japan, China, and others in the rough and tumble balance-of-power politics of the future.

The central tenet of the Engaged Balancer strategy is that U.S. national interests in Asia can be best protected by remaining a leader—usually in coalitions—in matters of security, politics, and economic relations. A special value is placed on the relationship with Japan because of its tremendous economic power and the probability of the two nations sharing long-term strategic interests. Because of irksome bilateral issues and the shift in relative power between the two countries that are more in Japan's favor, firm and positive steps with Japan now are recommended before circumstances arise in which Japan may sense no compulsion to cooperate. The primary aims of these U.S. initiatives would be to improve the trade balance and flow of technology to the United States. Secondary aims might be to enlist Japan in the effort to see the new states of Asia and Eastern Europe through the crisis of transition from communism and to handle other international crises.

According to this strategic option, the U.S.-Japan alliance would be given new life through modifications that would make it more reciprocal—modifications that would address issues of

¹⁹Quoted in *The Christian Science Monitor*, November 6, 1991, p. 6. The metaphor of a "balancing wheel" as well as a fan was used by Secretary of State Baker in his recent article in *Foreign Affairs*, "America in Asia," *op. cit.*

pride in Japan and of practical value and fairness in the United States. Both nations acknowledge the common interest in Asian stability to which the alliance contributes. Advocates of this strategic option differ over the steps Japan might take to demonstrate reciprocity. Many see those steps largely in economic terms; others envision Japan undertaking greater military responsibilities. For progress to be made, Stephen Bosworth, for example, asserts "Japan needs to build a domestic consensus to support its constructive engagement in the international security and economic systems from which it derives such obvious benefits."²⁰

Underlying any continuation of the alliance on these terms, however, would be its contribution to stability by conveying the message that Japan is checked through this partnership. How long the partnership could be sustained depends on the maintenance of American will and relative capability, the reciprocal nature of the alliance, and Japanese acceptance.

This strategy might seek the withdrawal of U.S. forces from Korea if stability in the region would not be placed at risk, and if American credibility could be sustained through other guarantees and commitments elsewhere in Asia. America's military stakes in Korea have declined precipitously due to the collapse of Soviet power, while the danger of becoming involved in an expensive land war persists.

Under this strategy a new, more limited form of extended deterrence would be the centerpiece of the *military* component. Greater reliance would be placed on security partners such as Singapore and Thailand, in addition to Japan and Korea. American forces would remain in Guam, have regular access to repair and other facilities in Singapore and elsewhere, and still patrol the Sea Lines of Communication (SLOCs), cooperating with local forces when possible. Diplomatic and trade relations throughout the region would be encouraged. Due to the unpredictability of developments in the region, long-term commitments that entail obligations for substantial U.S. involvement would be eschewed. Instead, ad hoc multilateral efforts would be used to address a variety of issues. Cooperation in multilateral organizations would be encouraged, but this activity would not be central to the strategy nor would it support the development of foreign military forces. Military assistance would remain bilateral.

Different iterations of this strategy call for various appraisals of when and how to deal with Japan, of the priority accorded to trade issues, of the disposition of forward deployments, etc. Sure to be debated continuously is the question of utilizing political power in trade relations. For example, how can the United States simultaneously expect to bolster the global free trade regime and practice managed trade with major partners?

Those who favor an Engaged Balancer strategy vary in their enthusiasm for industrial policy and managed trade. Conservative "free traders" emphasize the need for addressing monetary, fiscal, educational, and fair-trade issues. President Bush seems to be moving in this direction, accepting the need for concerted foreign and domestic policy in increasing American competitiveness versus Asia; but his administration is deeply divided on the economic management issues this movement raises. It is difficult to be a stick-to-your-guns free trader and connect economic and national security policy in peacetime. Many conservatives, however, take a practical approach. Senators Robert Dole and John Danforth are leading voices in the Senate for raising the priority of trade on the American foreign and defense policy agendas. In contrast, recent presidential candidate Pat Buchanan questioned whether this sort of "free trade" is genuinely conservative.

There is an easier fit between American liberal politics and aggressive industrial and trade policy. Congressman Richard Gephardt argues that the nation's economic performance can be

²⁰Stephen W. Bosworth, *op. cit.*, p. 127.

enhanced—indeed can only be assured—in part by well-coordinated, interventionist foreign and domestic economic policies. William Dietrich, author of *In the Shadow of the Rising Sun*, argues that Japan and Germany both owe their success to a strong “policy-making administrative structure peopled by a self-confident and capable bureaucracy” that is given “broad democratic mandate.”²¹ Japan specialist Chalmers Johnson is also a fervent believer in the role of national institutions. He has long favored industrial policy for the United States combined with coordinated fiscal and trade policies between Tokyo and Washington.²² These revisionist positions on U.S.-Japan economic relations have ironic similarity to the “trade hawk” approach of the Republican right wing.

Some opposed to the Engaged Balancer strategy argue that even this reduced involvement is unnecessary, costly, and politically unsustainable. Others opposed to the strategy argue that its traditional conception of contemporary and future international relations precludes the development or application of new international or regional organizations to replace, or at least facilitate, these relations. Defenders of existing policy tend to treat this strategic option as the lesser of several evils, but not as worthwhile as the status quo.

3. *Multilateralism: build new or modify existing institutions in Asia to integrate Japan's and others' military forces in the region*

The assumptions of this strategy are, like the first two presented, that America must stay engaged in Asia due to a host of vital interests, that it has to adapt to increased Japanese power and greater limitations to its own, and that Japan as well as China is a competitor. In contrast to the first two options, it assumes a sufficient level of leadership and coincidence of interests among the actors in the region to warrant the creation of a multilateral “constabulary”²³ force to patrol the SLOCs and otherwise serve a stabilizing function.

The underlying purpose of this strategy is to regularize and legitimize a benign Japanese participation in a new security order in the Pacific. Japan is seen as an economic juggernaut that poses the chief challenge to the United States in Asia. Proponents of this strategy are fearful that unless the Japanese are brought into a multilateral arrangement they will be less likely to coordinate defense policy with the United States, more likely to rearm at a much higher level, and perhaps attempt to limit American involvement of all kinds in the region. They suggest that an institutionalized multilateral arrangement also would be more sustainable domestically among the American people (where the commitment would have a clear moral foundation), involve equitable cost-sharing, and avoid the appearance of relegating U.S. forces to the status of mercenaries in the employ of the Japanese.

Like the previous two strategies, this one would reduce American forces, but it would augment them with Japanese, perhaps Russian, and others brought together (in various mixes) to patrol the Strait of Malacca, the Lombok and Sunda Straits, the South and East China Seas, and the Sea of Japan. It is unclear how air and ground forces would be integrated, or what kind of command system they would utilize. A variant of this strategy would make the force binational (United States and Japan) if others balked at joining. Still another approach would have the United Nations serve as the sponsor of such a standing force.

²¹William S. Dietrich, *In the Shadow of the Rising Sun: The Political Roots of American Economic Decline*, University Park: Pennsylvania State University Press, 1991, p. 284.

²²Chalmers Johnson, “How to Think About Economic Competition from Japan,” in Kenneth B. Pyle (ed.), *The Trade Crisis: How Will Japan Respond*, Seattle: Society for Japanese Studies, 1987, pp. 71-83.

²³Donald C. Hellmann, “America and Asia in the Twilight of the Cold War: The Alliance Dividend and Constabulary Security,” Seattle: National Bureau of Asian Research, *NBR Briefing*, No. 1 (October 1990).

The Japanese might well learn to like the idea of multilateral forces in the region, both from a cost standpoint and as a means of rearming and playing a wider regional role in a manner acceptable to some, if not all, of the nations of the region. Kenneth Pyle, whose thinking bridges the Engaged Balancer and Multilateralist approaches, suggests that the Japanese could be persuaded to participate in a new "organization of Pacific nations, of which a revised U.S.-Japan alliance would serve as the core."²⁴

Some opponents of multilateralism argue that, like the first two strategies, the effort would be too costly and probably ineffective. Many argue that it is not feasible to establish a multilateral security organization in the absence of a clear threat, especially when power is so widely dispersed in Asia. If it could not be accomplished with a relatively clear Soviet threat during the Cold War, what more nebulous threat in the post-Cold War era would be capable of generating regional cohesion and military cooperation? Moreover, what would be the purpose of fostering regional multilateral forces when the United Nations already offers the option of multilateral forces where sufficient need and agreement on use exist? In addition, some opponents suggest that already diminished American leverage will be insufficient to control any regional organization and that Japan might assume *de facto* command. China, for one, would likely protest loudly any major role by Japan in a multilateral force. Further, in a multipolar system maximum leverage can be exercised with greatest flexibility via the role of a balancer unobligated by complex international agreements. Flexibility in policy is especially important in a diverse region undergoing profound change, these critics stress.²⁵ From the American standpoint, an institutionalized multilateral arrangement could actually *encourage* the development of Japanese technologies and forces that could later come to haunt the United States. Moreover, U.S. forces might well move from being mercenaries for the Japanese to being mercenaries for several Asian powers indirectly led by Japan.

4. *Distant Balancer: withdraw forces from the region and behave in a noninterventionist manner*

The chief assumption of this strategy is that a new and sufficiently stable balance of power either already exists or can be readily achieved in the region if U.S. forces are skillfully withdrawn. Advocates of this strategy suggest that forward-deployed U.S. forces in Asia are no longer required due to the end of the Cold War. Some advocates of this approach address the problem of instabilities inherent in rapid withdrawal; others leave them for regional powers to cope with. One way or another, these destabilizing effects would have to be addressed by establishing substitutes for U.S. forces, solving key issues, and phasing the withdrawal.

Proponents of this strategy often argue that the stalemate on the Korean Peninsula is no longer a serious problem for Americans or is nearing a solution anyway, and that Japan is simply no longer a threat to the rest of Asia. Furthermore, many proponents argue that the balance of power in the region is inherently stable without direct U.S. participation both because of the character and interests of the particular actors involved and because of the number of those actors.²⁶ According to this line of thinking, several factors should be considered. China is likely to be secure with a credible nuclear deterrent and to be inwardly focused on its economic development for a decade or more. Japan lacks interest in military adventures of any kind and is highly integrated into the international economy. Russia is incapable of mounting

²⁴Kenneth B. Pyle, "Japan's Pacific Overtures," *The American Enterprise*, Vol. 2, No. 6 (November/December 1991), p. 37.

²⁵William Odom argues that "The strategic structure, especially in Northeast Asia, is not analogous to Europe, and to impose a multilateral arrangement could seriously complicate the U.S. security arrangements. . . ." "East Asia Transformed," San Francisco: The Asia Foundation, Center for Asian Pacific Affairs, No. 4 (November 1991), p. 6.

²⁶Earl R. Ravenal, *Designing Defense for a New World Order: The Military Budget in 1992 and Beyond*, Washington, DC: The CATO Institute, 1991. Ravenal believes the triangular balance among Russia, China, and Japan is stable. See pp. 21-27. Also see Alan Tonelson and Ronald A. Morse, "Outdated Alliance Strategies," in Clyde Prestowitz, et al., *Powernomics: Economics and Strategy After the Cold War*, Washington, DC: Economic Strategy Institute, 1991, pp. 241-256.

a credible threat in the region for the foreseeable future and by necessity is obsessed with its internal challenges. The capacity for mischief by Southeast Asian countries or India is sharply limited by geographic factors and military potential, with Indochina a modest question mark. In addition, the region is further protected from major conflict by the availability of the off-shore balancer, the United States, to combine with present or future allies in the region against any states that appear bent on aggression. In other words, the United States could easily reengage in the region if it determined that vital interests were at stake. The costs and risks of internationalist approaches are simply not necessary to bear in the post-Cold War years.

A variant of the Distant Balancer/noninterventionist strategy is based on the perception that the United States must reduce foreign commitments and operations to focus on the more important priority of strengthening American society as a whole and especially its economic prowess. The "America first" strategy of liberals and conservatives is pushed by a domestic agenda and rejects the notion that so much attention needs to be paid by Americans to international affairs now that there is no immediate threat to U.S. security. It suggests that the solutions to American problems must be found in America. In comparison with the more cautious "phased withdrawal" approach, it calls for an accelerated timetable for pulling back forward-deployed U.S. forces. It would emphasize a quasi-"fortress America" military strategy, supplemented by major elements of sea power, air power, and nuclear forces to deter foreign adversaries. A version of the Strategic Defense Initiative also is frequently emphasized. For its conservative advocates such as Pat Buchanan, this is an effort to revive the old "mainstream." Its liberal advocates are more influenced by the post-Vietnam impulse to disengage abroad. Both are drawn to the verities of Presidents Washington and Jefferson that for so many years successfully guided U.S. foreign policy and kept the United States out of entangling obligations and unnecessary wars.

Critics of both withdrawal strategies cry out that their advocates have forgotten the lessons of the 1930s and 1940s. The critics see a failure to consider America's vulnerability to events overseas due to global economic and strategic interdependence, a failure to appreciate that the international economy operates successfully because of a regime that requires the authority of United States leadership, and a failure to recognize the political nature of trade relations, which includes using leverage selectively to gain access to markets or protect our markets from unfair trade competition, or to rebuild or nurture industry. Finally, they charge that American credibility as an international actor would be undercut by withdrawing so massively, even in a phased effort. The proponents reject such criticism as too tied to obsolete Cold War priorities, and as based on false stereotypes of prewar U.S. policy. The proponents maintain that the United States can safely return to its foreign-policy roots.

The essential elements and assumptions of the four strategies are outlined in the chart on the following pages.

Conclusion

The strategy that America adopts should be based on an accurate assessment of the international environment, the threats, and the competitors. It should also be clear about its goals, which will surely include, at a minimum, deterring enemies and improving the rules of international economic behavior. In addition, as is the case with any strategy, a central aim should be to protect and build upon the country's repertoire of capabilities, especially its economic assets that sustain its military power.

This analysis finds that the critical immediate challenge for America in Asia (and elsewhere in the world) is to the nation's industrial and technological base. There appears to be a breath-

U.S. STRATEGIC OPTIONS IN ASIA

	Extended Deterrence	Engaged Balancer
Global/ Regional Context	Unstable multipolar system without the U.S. Economic interdependence National rivalries Economic competition Power politics pervasive Domestic instabilities	Unstable multipolar system without the U.S. Economic interdependence National rivalries Economic competition Power politics pervasive Domestic instabilities
Competitors/ Opponents	Russia, North Korea, China, Japan, "New Japans"	Japan, China, North Korea, Russia, "New Japans"
Threats	<i>Short Term :</i> War on Korean Peninsula Russian aggression <i>Long Term :</i> Japanese rearmament Chinese aggression China-Japan rivalry Small-power aggression	<i>Short Term :</i> Economic/technological dominance by Japan Japanese rearmament War on Korean Peninsula Trade bloc <i>Long Term :</i> China-Japan rivalry
Interests/Goals	Deter/defeat threats to U.S. territory, SLOCs, key allies Regional peace Political leadership Burden-sharing Flow of military-related technology to U.S.	Economic/technological growth to exceed/keep pace with Asia Deter/defeat threats to U.S. territory, SLOCs, key allies Regional peace Political and economic leadership, shared when necessary
Strategic Approach	Internationalist/realist Extended deterrence Bilateral alliances (with Japan, et al.) Co-lead ad hoc coalitions Premier navy, RDFs, and strategic forces Conserve U.S. bases	Internationalist/realist Political-economic Limited extended deterrence Bilateral alliances/ relationships (with Japan, et al.) Co-lead ad hoc coalitions Premier navy, RDFs and strategic forces

Multilateralism

Unstable multipolar system
without the U.S.
Economic interdependence
National rivalries
Economic competition
International organization
Domestic instabilities

Japan, China, North
Korea, Russia, "New
Japans"

Short Term :
Japanese rearmament
Economic/technological
dominance by Japan
War on the Korean
Peninsula
Trade bloc
Long Term:
China-Japan rivalry

Economic/technological
growth to exceed/keep
pace with Asia
Deter/defeat threats to
U.S. territory, SLOCs,
key allies
Regional peace
Shared political and
economic leadership

Internationalist
International organization
Political-economic
Multilateral force
Co-lead regional
organization
Premier navy, RDFs and
strategic forces

Distant Balancer

Stable multipolar system
without the U.S.
Economic interdependence,
partially offset by
economic nationalism
Economic competition
Power politics avoidable
Domestic instabilities

Japan, "New Japans,"
China, North Korea,
Russia

Short Term :
Economic/technological
dominance by Japan
Long Term:
Major-power aggression
across the Pacific

Deter/defeat threats to
U.S. territory, vital
SLOCs
Technological and economic
leadership
Minimize unnecessary and
entangling obligations
and risks

America first
Traditionalist/realist/
noninterventionalist; join
ad hoc coalitions as last
resort
No forward-deployed
forces
Premier navy, air power,
SDI, nuclear forces

ing spell for Americans of perhaps a decade in which the Asia-Pacific region's major actors will remain relatively passive internationally. Their political ambitions may be postponed during and even beyond that time frame at modest cost to American taxpayers through continuation of a U.S. military presence in Asia. That period will be a time when American industry will need to sharpen its competitiveness, when America will have to solve its fiscal and balance-of-payments deficits, and address training and other work-force issues. No less than dramatic results in investment, technological development, and industrial growth are required if the United States is going to cope with East Asia's economic challenge. However, just as there was a cost-benefit ratio for American policymakers during the Cold War, so too is there one for the United States in the post-Cold War era. The American people must decide whether the costs of staying committed strategically to the defense of their key competitors in the Asia-Pacific region are worth the putative benefits.

Moreover, the period in which Americans can adjust to new realities in Asia and at home will not last indefinitely, in part because a difficult era may loom in Asia. This era is likely to be characterized by a challenge that has struck this (and other) regions in the past. The challenge is that of leadership in an age of rapid change. As Robert Gilpin has pointed out, "The fundamental problem of international relations . . . is the problem of peaceful adjustment to the consequences of uneven growth. . . ." ²⁷ Nowhere has there been more dramatic growth and vast restructuring of economic and political power than in Asia over the last several decades. The architecture of power both within Asia and between Asia and the rest of the world has changed radically. If insufficiently addressed, this challenge could undermine the bright hopes and promises that spring from much of the region today.

By the early 21st century a shadow may be cast over international relations in Asia by the Japan-China relationship. It is similar to the historic British relationship with France, or later Germany, between the nearby island sea power and the land power on the continent. However, in Asia the situation is compounded by Chinese expectations aroused by a "Middle Kingdom" heritage. Japan's links with Southeast Asia, Korea, Russia, Kazakhstan, or India may be seen as threats by China, while Chinese links with those areas—particularly Korea, Russia, and Southeast Asia—may be perceived as threats by Japan. The politics of the region may become dominated by the interaction of these two powers, and the role of the United States (and to a lesser extent Russia and India) as a balancer may become key to peace between them. This is, of course, predicated on assumptions that China does not seriously falter and that the United States will want to ameliorate relations between East Asia's two largest powers.

Looking toward Asia's future, the most desirable options for the United States may evolve with changes in the structure of power and in U.S. interests. The concern with American competitiveness emphasized most strongly in the Distant Balancer strategy is attractive, but the strategic assumption about America's ability to retrench immediately from Asian-Pacific defense commitments seems wishful. At the same time, the conditions for institutionalized multilateralism are not extant in the region. Should a constabulary force be somehow established, merging forces and missions could very well assist in legitimizing a strong Japanese military presence and in creating an even more formidable competitor while reducing America's flexibility to deal with Japan and other nations of the region. Likewise, continuation of current U.S. policy misjudges the nature of the strategic environment, in particular the economic challenge posed by Japan and the need to integrate economic, political, and military components in U.S. strategy. Thus, the Engaged Balancer option is most compelling now. This strat-

²⁷Robert Gilpin, *War and Change in World Politics*, Cambridge: Cambridge University Press, 1981, p. 230.

egy requires firm and prompt action in a set of coordinated foreign and domestic policies to strengthen the American economy and make the alliance with Japan more durable.

The Engaged Balancer option may be either a long-term or interim solution. If the United States and the countries of the Asia-Pacific region can create a viable security system in which the United States is not called upon to bear disproportionate costs, risks, or obligations, then this option may prove both feasible and durable. If so, it could form the basis of a genuine "new Asian order." The main problem with the Engaged Balancer strategy, however, is the possibility that the United States will continue to fully engage itself while its partners restrain *their* enthusiasm for being engaged. That is precisely the problem with existing extended deterrence strategy. The United States is comparatively overextended. Enunciating a U.S. policy of "engaged balance" does not guarantee that the United States will free itself from disproportionate burdens. Consequently, at some point a hybrid of the Engaged and Distant Balancer options may be advantageous for the United States. America might well remain heavily involved in Asian affairs but with few (or no) formal defense obligations. It will be necessary for Americans to pay attention to Asia (and other parts of the world), but increasingly on a selective basis and on their own terms to the degree possible. Americans need to be in the driver's seat of their country's destiny, less dependent upon the vagaries of partners and freer of unwanted risks, costs, and liabilities. Claims that one is either engaged or disengaged fail to appreciate fully the means by which great powers will maximize their effectiveness in the new strategic environment. Like champion athletes in an endurance race, great powers need to choose wisely when they draft their competitors and when they lead—when they let others assume primary responsibility and costs and when they assume these themselves.

The window of policy opportunity afforded by the new post-Cold War strategic environment will not remain open forever. Will momentum continue to propel U.S. foreign and defense policy along a track created for the very different circumstances of the Cold War? Probably not, as Americans recognize and accept the anachronisms in existing U.S. strategy, together with paramount economic issues. The popular debate on U.S. national strategy has accelerated amidst the 1992 presidential campaign, but neither policymakers nor the American public seem on the verge of settling on answers to the momentous questions raised by the new challenges abroad. This is worrisome, for not since the 1940s has the need for strategic revision been more acute.

In this new global environment, where circumstances may shift unexpectedly, prudent policymakers in the United States should shun (except in rare instances) entangling commitments from which it may be difficult to withdraw. Rarely will it be desirable for the United States to maintain or build costly new overseas bases, maintain or enter into rigid alliances, or integrate forces internationally and share exclusive technologies with countries whose reliability can never be assured. Instead, bilateral relationships and flexible international arrangements need to be nurtured. As potential or immediate threats develop, the most prudent approach will be to respond by building effective coalitions in which burdens are shared equitably. If those arrangements cannot be achieved, Americans must defend U.S. interests unilaterally. This remains the ultimate constant in U.S. foreign policy. Pursuit of that core policy requires that Americans keep their defense industrial base strong and dynamic in the face of post-Cold War challenges. □

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WHITHER REGIONAL SECURITY IN ASIA?

Over the next two to five years, Asia will become America's most vital region. Asia will be the global engine of growth, the key to American prosperity. Asia will also be a region of many challenges: of ancient hatreds and modern weaponry, of security cooperation and economic competition, of growing democratization and decaying communism.

Asia's relative peace and stability will stand in stark juxtaposition to European conflicts of ethnic nationalism. The potential for conflict and misunderstanding in Asia will always exist, of course, but American leadership and engagement -- diplomatic, economic, as well as security -- will be instrumental in helping to avert and manage conflict. Perhaps in no other region will American leadership be so necessary and welcome in the 1990s.

How we exercise that leadership, however, will change. The U.S. will be a partner in security, a partner who shares responsibility and decision-making authority with the other regional powers. Cooperation and consultation our modus operandi.

Regional Actors and Implications

- The **Japan-U.S.** partnership will continue to be the most important bilateral relationship for regional security in the post-Cold War era, with the security treaty continuing to provide the basis for our partnership. Over the next two to five years, however, we will see Japan become increasingly self-assertive as it seeks to walk the fine line between two competing identities; a member of the Western industrialized democracies and a member of the Asian community. From Tokyo's perspective, their partnership with the U.S. will look increasingly problematic as Asia's dynamism looks increasingly promising. That very assertiveness will in turn generate unease given regional fears of a resurgent Japan. Ironically, absent some moderating mechanism, we will feed those fears as we simultaneously encourage Tokyo to take an ever-higher international profile.
- **China** will acquire a regional power projection capability, giving Beijing a military dimension to match its ever-expanding economic influence. Concern over the military potential of an economically strengthened China will figure prominently in the region's security calculus for the remainder of this decade.

- Prospects of North-South confrontation on the **Korean Peninsula** will be the most serious source of military tension in Northeast Asia. Prospects for a nuclear-capable North Korea are very real over the next five years. Combined with impending succession in an isolated and xenophobic North, our challenge will be to facilitate -- in cooperation with other neighboring countries -- a gradual step-by-step process of unification.
- Limited progress in Japanese-**Russian** relations is likely in the next five years, and yet resolution of the Northern Territories dispute and full normalization is indispensable to the long-term stability of the region, as well as to sustaining G-7 support for assistance aimed at thwarting a reversal of the movement toward democratization in Russia.
- Other territorial disputes, such as competing claims in the **South China Sea** (Spratlys), will continue to lurk in the background as potential flashpoints.
- **Southeast Asia** is likely to take over from Northeast Asia as the fastest growing, most dynamic sub-region in Asia. Our challenge in the next several years will be to normalize relations with **Vietnam**, sustain the newly elected government in **Cambodia**, and begin the process of integrating all three countries of Indochina into the larger regional economy.
- **ASEAN** will take on increasing importance, both for the central role it plays in building regional security cooperation, as well as for its growing economic influence.

Regional Security Architecture

In two to five years, we will want to see a region that has made significant strides toward the establishment of cooperative security mechanisms at the sub-regional level. While a region-wide forum focused on security may take a full ten years or more to realize, sub-regional fora will form the essential building blocks of this larger vision.

- In **Northeast Asia**, a forum that brings together Russia, China, the two Koreas, Japan, the U.S. (and Canada?) to build confidence and reassurance will be an essential complement to our network of bilateral alliances. Such a forum would serve as to moderate and shape behavior, address mutual concerns, and ameliorate international implications of internal change in Moscow, Pyongyang, and Beijing.

- In **Southeast Asia**, the ASEAN PMC and the Malaysian ISIS Security Dialogue (the first of which is to be held on June 10 in Kuala Lumpur) provide similar benefits to regional security and are much further developed. We will want to be as supportive as we possibly can to see that this process is sustained and nurtured.
- Regionally, the non-governmental **CSCAP** (the Conference on Security and Cooperation in the Asia-Pacific) forum would appear to provide an important integrating function until a more permanent, perhaps official, umbrella forum for regional security cooperation can be formed.

ASIA/PACIFIC CHALLENGES

Robert B. Oxnam

The Rising Pacific

PRESIDENT CLINTON and most Asian leaders in government and business agree on one thing: the revitalization of the American economy is far and away the most important priority in U.S.-Asia/Pacific relations. But as the president begins to put together his economic plan for America, he faces several tough foreign policy challenges in the region. He inherits a sense of declining U.S. importance in Asian eyes and yet, perhaps ironically, a continuing Asian desire for a strong U.S. role and presence. He does not inherit a coherent Asia policy, but rather a series of strained bilateral relationships with several countries, especially Japan and China. To top it off some prominent Asians have already concluded that President Clinton is bent on building trade walls, bringing home the troops and lecturing about human rights. Instead of grand strategies what is needed from the Clinton administration is a fresh mix of initiatives—some that address Asia-wide concerns and others that focus on specific Asian countries. Emphasis on long-term results, rather than quick fixes, will contribute not only to Pacific stability, but also to Clinton's image as a global statesman.

In this respect the president confronts three overarching Pacific-wide challenges: regional and global trade policies, post-Cold War security issues, and U.S. diplomatic structure and style.

Trade Issues. Over the last fifteen years Asia has surpassed Europe as America's most important overseas trading region; some estimates indicate that Pacific trade will double the volume of Atlantic trade by the year 2000. Last year east and southeast Asia absorbed one-third of the total \$422 billion in U.S. exports. And economic growth rates are world busi-

Robert B. Oxnam, President Emeritus of The Asia Society, currently serves as Senior Adviser to the Bessemer Securities Corporation and Bessemer Trust Company and as Senior Research Associate at Columbia University's East Asian Institute.

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ness news as newly industrialized economies (NIE) status spreads across Asia—Japan in the 1960s; South Korea, Taiwan, Hong Kong and Singapore in the 1970s and early 1980s; Thailand and Malaysia in the late 1980s; southern China in the early 1990s; and many analysts put Vietnam, Indonesia and possibly the Philippines in that category by the late 1990s.¹

Against this vibrant Asian economic backdrop the United States has had a vexing time working out effective trade strategies. Reports of trade imbalances arouse widespread fears akin to biopsy reports on cancer patients. *The Far Eastern Economic Review* projects that the 1992 trade numbers will show two huge Asian surpluses with the United States—\$50 billion held by Japan and \$15 billion held by China.

Trade tensions have become the lead weight dragging on U.S.-Asia relations with powerful domestic lobbies pressuring leaders on both sides of the Pacific. In this troubling area Clinton will have to weigh economic imperatives and political realities: he may choose to combine two approaches drawn from recent history. The first is to maintain bilateral trade toughness. A firm approach toward trade has sometimes borne real fruit.² Among the well-worn devices will surely be "301 Actions"—unilateral U.S. trade limits on commodity imports in retaliation for reported trade violations from particular countries and possibly new Structural Impediments Initiative talks—a broad review of structural issues affecting U.S.-Japan economic relations that might be applied to other U.S.-Asian relationships.

A second approach may emanate from the newly formed National Economic Council. Such an institution might propose that the United States take the offensive, abroad as well as at home, perhaps urging some variant of an industrial policy to bolster areas of competitiveness. If so, President Clinton might put trade statistics into a new framework, one that properly notes the United States must shoulder part of the blame for imbalances and that the U.S. surplus with many countries in service industry trade should be part of its overall calculation. In this scenario President Clinton could argue that one must take a longer-range view—emphasizing product competitiveness and marketing, closer government/business

¹U.S. policy in south Asia is beyond the scope of this essay.

²During 1992, for instance, such pressure prompted China to accept important agreements on market-access and intellectual property rights.

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communication, and multinational and global targets rather than solely bilateral goals. In short President Clinton could offer a U.S. strategy that adapts certain highly successful elements of leading Asian economies to suit American needs.

By looking across the Pacific through new glasses the Clinton administration might open American eyes to one of the most important economic stories—the economic congealing of the Asia/Pacific region. Many have marvelled at the takeoff of individual Asian countries, but fewer Americans have observed the flow of products, services, labor and capital within Asia itself. The countries of the Association of Southeast Asian Nations (ASEAN)—Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand—have soaked up massive amounts of Japanese, Korean, Taiwanese and Hong Kong investment. “Greater China” (as some call the rapid integration of south China, Hong Kong and Taiwan) rests on a dynamic network of Chinese entrepreneurs who manage

“Only a huge push involving the joint initiatives of business and government is likely to reverse a decade-long trend of American interests being eclipsed in the lucrative Asian marketplaces.”

amounts in the hundreds of billions of dollars. And South Korea has shown that imaginative diplomacy can also be good business as it has opened up extensive ties with earlier adversaries, the former Soviet Union and the People's Republic of China (P.R.C.).

The United States is becoming a relatively smaller player in intra-Asian trade and investment. Only a huge push involving the joint initiatives of business and government is likely to reverse a decade-long trend of American interests

being eclipsed in the lucrative Asian marketplaces. Now is the time to substantially increase U.S. exports and investments, while America still remains a major market for most southeast Asian countries.

In recent years the U.S. government and private sector gave greater attention to European and American economic regionalism than to Pacific integration. This imbalance did not escape the notice of some Asian leaders who see a fearful symmetry in the emergence of the North American Free Trade

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Agreement and the European Community at precisely the same time that the global General Agreement on Tariffs and Trade system seems most under attack. U.S. support for Asia Pacific Economic Cooperation (APEC) has been an important counterweight; the Clinton administration will need to do more to reassure Asian governments that its initiatives, including support for NAFTA, are not aimed at promoting exclusivist trade blocs. Unless the United States puts forward convincing arguments, backed by more direct attention, schemes such as Malaysian Prime Minister Datuk Seri Mahathir's East Asian Economic Caucus—a grouping that pointedly omits the United States—may prompt serious attention. Ultimately the best hope for Asia/Pacific economic relations rests in a successful conclusion to the Uruguay Round of GATT and continuing efforts to broaden the scope of multilateral liberalization of trade and investment.

Security Issues. In November 1992, as the U.S. fleet steamed out of Subic Bay in compliance with the decision of the Philippine Senate not to extend the bases' agreement, a century-long era of U.S. military presence came to an end. To some the departure from the Philippines symbolized the waning of U.S. military commitments in the Pacific that had been a staple of the Cold War. Nevertheless, even after the withdrawal from the Philippines, the United States still has military alliances with Japan, South Korea, Australia, the Philippines and Thailand, and deploys over 100,000 military personnel in Asia, most of them in South Korea and Japan. There is little doubt that those numbers will decline in the years ahead, partly because of planned cutbacks and partly out of continued pressures at budget-balancing. The United States will be moving toward a sea-and-air-based posture for much of its residual presence in the Pacific, rather than the land-based deployments that characterized the Cold War decades.

In the post-Cold War era it is folly to scan the world for a new hydra-headed enemy, but America must recognize that the current security environment is very new and subject to considerable uncertainties. Clearly the United States should remain vigilant to potential concerns—such as the recent buildup in Chinese naval and air strength—without exaggerating such developments into immediate threats. A more sensible approach acknowledges that, with the possible exception of tensions on the Korean peninsula, direct threats to U.S. inter-

ests in the Asia/Pacific arena have declined substantially since the collapse of the Soviet Union.

Most Asian leaders are still hopeful that the United States will retain a significant Pacific military presence. Most do not dwell on the danger of a rising malevolent power (though many privately express long-term worries about Japan, China, a united Korea and eventually—again—Russia). And most do not foresee an imminent crisis (though they fret about ongoing tensions in the Korean peninsula, renewed conflict in Cambodia, and saber-rattling over the Taiwan Strait and in the South China Sea). Instead what concerns them most is the long history of instability in the Pacific; they point out that security vacuums tend to tempt tyrants or to promote crises. Surely, they argue wishfully, the United States will remember its own history—that its military problems in Asia came not only from excessive over-involvement (as in Vietnam), but also from dangerous inattention (as in the years leading to World War II).

President Clinton will want to make security plans in full consultation with allies and friends in the region. Reaffirmation of alliance relationships will probably also be a high priority—especially with Japan, which remains the key U.S. partner in the region, and with South Korea, whose security is still tied to the joint U.S.-South Korean trip wire against adventurism from North Korea.

The United States will also wish to maintain its support for U.N. peacekeeping efforts in Asia and the rest of the world. It does seem premature, however, to move toward a Pacific-wide security mechanism, such as a Conference on Security and Cooperation in Asia (after the European CSCE). Simply put, Asia lacks the cohesiveness, in history or geography, of Europe. Although most Asian security issues seem well addressed by existing bilateral mechanisms, this multilateral idea should be reviewed at future APEC conferences or possibly the Group of Seven leading industrialized nations (G-7) summit meetings.

Diplomacy and Style. If Clinton wishes to distinguish himself in Asia, he would be well advised to devote as much time to *how* diplomacy is conducted as he does to *what* is actually accomplished.

Many Asian leaders privately fault some of their American counterparts for exhibiting an insufferable arrogance, as if all substantive geopolitical decisions were still made in Washington and all significant economic deals were still con-

summated on Wall Street. They further complain that top-level Americans give scant attention to Asia, making a quick decision or taking a quick trip, then running off to more important business elsewhere.

The year 1992 began with a jolting illustration of the American decline in Asian eyes. Whatever the diplomatic accomplishments of President Bush's trip across the Pacific in January—and there were some, including the now-forgotten Tokyo declaration—it was a public relations disaster. Presumably to show toughness in trade negotiations, President Bush invited several American business leaders to accompany him, including Chrysler Chairman Lee Iacocca, who then eclipsed the president by lambasting his Japanese counterparts and the Japanese government for unfair trade practices.

President Clinton has a unique opportunity to change the negative imagery. Some Asian leaders who have watched Clinton on television have been impressed by his intellect, directness and ability to connect. They hope that he can find the time, perhaps around the G-7 summit in Tokyo in July 1993, to take a short trip through the region for an initial round of personal diplomacy. A presidential style that emphasizes consultation and listening would be deeply refreshing to leaders across the Pacific. That style might also

“A presidential style that emphasizes consultation and listening would be deeply refreshing to leaders across the Pacific.”

be reinforced by assigning someone who is Asia-knowledgeable direct, visible access to the Oval Office, thus conveying the fact that Washington is attentive on a regular basis. Virtually everyone hopes the Clinton administration will reinforce diplomatic professionalism, making ambassadorial appointments from the Foreign Service or selecting people with substantive knowledge and experience.

Many Asia specialists, on both sides of the Pacific, urge two significant shifts in how the U.S. government pursues its Asia policies. First, even though most business will still be conducted in traditional bilateral channels, more attention should be given to the impact of decisions on third parties. While multilateralism is given lip service, myopic bilateralism can still produce surprises, shocks and damages. Second, most of Asia feels

that only a few countries, such as Japan and China, register on the U.S. diplomatic radar screen. Not surprisingly the sense of being snubbed prompts many to an instinctive, often unexpressed, anti-Americanism. Of course it is impossible to pursue a completely "equal opportunity" diplomacy, but the avoidance of insult should be a high priority.

U.S.-China Relations: Avoiding Collision

UNFORTUNATELY, but inexorably, China has worked its way up the policy ladder to the number one, short-term Asian issue confronting the incoming U.S. administration. During the campaign Clinton spoke sharply about China—envisioning "an America that will not coddle tyrants, from Baghdad to Beijing"—a position he seemed to modify on November 19 when he noted that the Bush administration had achieved "more moderation" in Beijing's trade policies.

The searing impact of the Tiananmen Square massacre is still deeply felt in the United States while it has faded into memory elsewhere: most major countries have resumed normal to regular relations with Beijing (recent top-level visitors have included the emperor of Japan and the prime ministers of the United Kingdom, Japan and Italy). And throughout Asia—whether in Japan, Korea, Hong Kong, Bangkok or Singapore—one hears fervent hopes that the Clinton administration will not further undercut an already seriously weakened relationship. Almost everyone in Asia sees U.S.-China relations as a crucial factor underpinning stability and growth in the Pacific; no one forgets the frightful brinksmanship of the 1950s and 1960s when Washington and Beijing stood at odds.

In recent years some have suggested China might follow "an Asian form of development," in which economic takeoff coexists with more authoritarian governance, eventually prompting more pluralistic political systems (as seen most clearly in the cases of South Korea and Taiwan). The Chinese economy, nurturing a fast-growing private sector while still keeping some centralized planning, has made stunning strides in the early 1990s with growth rates that matched the front-running NIES.³ Foreign trade has surged forward, not only giving rise to Greater China but also creating a commercial network that links China to all of east and southeast Asia and

³Over the past 14 years real GNP in China has averaged 9% annual increases.

1

SCENESETTER: NATIONAL ASSEMBLY

The Republic of Korea has a unicameral legislature consisting of 299 seats. Currently, the ruling Democratic Liberal Party holds 169 seats, the main opposition Democratic Party 96 seats, and the United People's Party 13 seats. There are 21 independents. Members of the current 14th National Assembly were elected in March 1992 for four year terms.

The Democratic Liberal Party was formed in January 1990 when the then ruling party merged with two opposition parties, one of which was led by Kim Young Sam. Kim won the presidential election in December 1992 and took office in February 1993. The Democratic Party was led by Kim Dae Jung through the December 1992 presidential election. After his loss in the presidential election, Kim Dae Jung made a gracious withdrawal from politics. The Democratic Party is currently headed by Lee Ki Taek. The United People's Party was formed by Hyundai industrialist Chung Ju-Yung to support his run for the presidency. After the presidential election, Chung retired from politics.

The National Assembly building is located at the western end of Yoido Island, just south of the Han River. Construction of the Assembly building, Assembly Office building, and National Assembly library was completed in 1975.

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DRAFT PRESIDENTIAL PRESS STATEMENT

President Kim and I reviewed multilateral efforts in the GATT Uruguay Round and agreed on the need to take steps to ensure a successful conclusion of the round in all areas.

We reviewed the domestic programs each of us is pursuing to revitalize our economies. I congratulated President Kim for the vision of his program to build a "New Economy" through the deregulation, liberalization and internationalization of the Korean economy. When fully implemented, the program will go far towards moving Korea into the high technology world of the 21st century.

President Kim's ambitious economic reform effort also holds the promise of advancing our bilateral economic relationship. Agreeing that we need to strengthen further the foundation for a true U.S. - Korea economic partnership, we instructed our Administrations, under the leadership of the Chairs of the U.S. - Korea Economic Consultation, to conduct a bold new Dialogue for Economic Cooperation. The dialogue will examine deregulation as it affects the business climate and economic exchanges between our countries and explore means to enhance bilateral economic cooperation. It is our hope that the dialogue will launch a new era in our economic relationship.

U.S. - KOREA DIALOGUE FOR ECONOMIC COOPERATION

Overview and Objectives

The ROKG and USC agree that increasing economic interdependency and the changing international environment call for a strengthened economic partnership between the two countries. Both governments further agree that economic deregulation as it affects Korea-U.S. economic relations and enhancement of economic cooperation between the two countries provide effective means to achieve the goal of an expanded economic partnership.

Structure

To achieve these objectives, the June 1993 Economic Consultation would agree to set up an umbrella group with participation by agencies on each side with an interest in or whose work affects the economic environment. The umbrella group would be chaired by the Assistant Minister of MOFA and the Assistant Secretary of State.

As necessary, ad hoc counterpart groups would address specific issues and report back to the umbrella group.

Process

In the umbrella group, the two sides would report on planned deregulation activities and explore options for enhanced economic cooperation. Each side would be free to present for consideration areas for deregulation by the other party as well as suggestions for enhancing economic cooperation.

Results

The umbrella group would review progress on economic deregulation in areas that affect Korea-U.S. economic relations and, where appropriate, it would seek to develop agreed recommendations. Each side would be responsible for implementing recommendations directed to it.

In regard to economic cooperation, the umbrella group would also seek to identify and make recommendations on steps, including possible agreements, to strengthen this cooperation.

Timing

The umbrella group would begin work in August 1993. It would report on the progress and status of deregulation and economic cooperation efforts to the chairmen of the Economic Consultation by December 1993 and submit a final report to the next Economic Consultation.

TEXT OF AGREED PRESS STATEMENT ON THE DEC

The key achievement of the Economic Consultations was reaching agreement on the outlines of the new "Dialogue on Economic Cooperation" which we will now present to our two Presidents. We hope that the dialogue will be a bold, new cooperative effort to improve the business climate and strengthen the foundations for economic cooperation.

FACT SHEET

U.S.-KOREA DIALOGUE FOR ECONOMIC COOPERATION

President Clinton and President Kim, at their meeting in Seoul in July, agreed on the need to strengthen further the foundation for a U.S.-Korea economic partnership. Accordingly, they instructed their Administrations, under the leadership of the Chairs of the U.S.-Korea Economic Consultation, (which meets at the level of United States Under Secretary of State and Republic of Korea Vice Minister of Foreign Affairs) to conduct a bold new Dialogue for Economic Cooperation.

This dialogue will seek to improve the business climate between the U.S. and Korea and strengthen the foundation for economic cooperation. The dialogue would seek to develop recommendations on economic deregulation as it affects u.s.-Korea economic relations and explore means to enhance economic cooperation between the two countries.

To conduct this dialogue, an umbrella group, chaired at the level of Assistant Minister of MOFA and Assistant Secretary of State and consisting of agencies on each side with an interest in or whose work affects the economic environment, will be established. The umbrella group will review and, where appropriate, seek to develop agreed recommendations on economic deregulation as it affects U.S.-Korea economic relations and other means to enhance U.S.-Korea economic cooperation. As necessary, counterpart groups will be established to address specific issues.

Recognizing the important role that business must play in expanding our economic partnership, both sides will coordinate closely with their business communities.

The umbrella group would begin work in August 1993 and submit a final report in one year to the U.S.-Korea Economic Consultation.

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D R A F T

REGIONAL ISSUES IN SOUTHEAST ASIAN SECURITY

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Introduction.

In the post-Cold War world, Southeast Asian leaders are exploring prospects for new collaborative security arrangements less dependent on benign mentors and more reliant on the supposedly shared interests of neighbors. This search for new regional approaches to security collaboration may be seen as an effort to go beyond the Cold War enunciation of a Zone of Peace, Freedom, and Neutrality (ZOPFAN) whose primary goal had been to keep the Russians and Chinese out of regional politics as the Western powers reduced their military presence.¹

During the 1980s, almost serendipitously because of the Indochina conflict's threat to Thailand and the need to effect a unified position in United Nations debates on Vietnam's occupation of Cambodia, the ASEAN states began regular consultations among themselves and with such external powers as the United States, the European Community, and Japan. These consultations were designed not only to force a Vietnamese exit from Cambodia but also to create the impression of a unified ASEAN position on the more general issue of Southeast Asian security. Annual ASEAN gatherings have helped to establish regional norms which would inhibit expansionist actions by any ASEAN state and create diplomatic alternatives for conflict resolution. Although formal mechanisms for peacekeeping, disarmament, and confidence-building measures (CBMs) are not in place for Southeast Asia, the organizational framework of the annual ASEAN foreign ministers meeting is

available to negotiate these arrangements if its members believe they should be devised.

Fortunately, for ASEAN, time does not seem to be a crucial variable in regional security. That is, with the encapsulation (if not resolution) of the Cambodian conflict, there appear to be no imminent threats to the territorial integrity or economic livelihood of the ASEAN states. Security concerns appear more long-term and prophylactic: (a) regional arms races; (b) the South China Sea disputes; (c) future relations with Indochina; (d) prospects for an Asia-Pacific security regime which would incorporate China and Japan; and not to diminish economic regionalism; (e) the effect of an ASEAN Free Trade Area (AFTA) on regional identity.

Some arrangements for security collaboration among ASEAN members have been in place on a bilateral basis for almost two decades. They include the sharing of political and military intelligence, overlapping and coordinated airspace and coastal waters maritime coverage, and cooperative negotiating strategies on such issues as Indochina and the opening of industrial countries' markets for ASEAN trade. As for regional CBMs, as long as external threats remain low and there appears to be sufficient U.S. naval and air power to move into the region in the event of a crisis, time is available to experiment with new approaches to regional security cooperation.

This is not to say, however, that Southeast Asia will emulate post-Cold War Europe. The region's geography is more

disparate and complex; and the variegated national cultures and economies in Southeast Asia do not fit neatly into a single multilateral framework. Regional political consultations are essential, however, for the ASEAN states to reassure one another as all acquire modern new air and maritime capabilities. To avoid a classic arms race within the region, each member must convince the others that arms acquisitions will not be directed toward aggressive national ends. One way to achieve this is greater cooperative training and deployments, thus enhancing common security for mutual benefit rather than competitive single state armed forces seemingly arrayed against each other. Collaborative efforts could be taken to effect a new security agenda focusing on anti-piracy, counternarcotics, maritime commercial traffic separation particularly in the Malacca Straits, environmental monitoring, EEZ surveillance, fishery protection, and the control of illegal immigrants.² Particularly noteworthy is that this agenda does not require a common external security threat. Its implementation would benefit most ASEAN members; and success would require each state's collaboration.

Under the East Asian Security Initiative (EASI) first enunciated in 1990, the U.S. military position in the western Pacific is being gradually reduced. At the same time, however, there have been no alterations in Washington's formal bilateral security commitments to Thailand or the Philippines in Southeast Asia; and the United States is developing new access arrangements with Singapore, Malaysia, Brunei, and Indonesia. While these are

low profile and limited in numbers of U.S. personnel, ships, and aircraft for any single location, they are designed to "ensure a rapid, flexible crisis response capability ; contribute to regional stability; discourage the emergence of a regional hegemon...[and] demonstrate...a tangible U.S. interest in the security of the entire region."³ These new arrangements illustrate ASEAN's desire to keep the United States involved in Southeast Asian security. But, they also reveal a growing realization that the United States can no longer be the dominant security guarantor for the region. If, for example, the proposals made by Secretary of Defense Les Aspin when he was a Congressman become policy, then the number of aircraft carriers in the U.S. Navy will be reduced from 14 to some six to eight with surface support vessels and submarines cut back from 180 to fewer than 80. The effects of this reduction on the ability to concentrate forces in Southeast Asia for sea control or power projection would be severe.⁴ Moreover, if U.S. force levels in the western Pacific are drawn down to a level no longer believed credible for general deterrence, an arms race between China and Japan could be triggered that would ultimately spread to the ASEAN states which fear the prospect of Japanese and Chinese forces moving into the South China Sea permanently. The logic of this concern also leads to ASEAN support for the continuation of the Japan-U.S. security relationship as a guarantee against Tokyo's independent development of force projection.⁵

Some multilateral security arrangements among ASEAN members

may form in the 1990s. One prospect is anti-piracy cooperation. These incidents occur primarily in coastal waters, frequently within overlapping EEZs, thus providing a legal basis for joint efforts against the predators. On the other hand, in Southeast Asia, commercial piracy is most common in the Straits of Singapore and Malacca along the narrow five-mile Phillips channel which is within the Indonesian territorial sea. These pirates are based primarily on Indonesian islands, thus potentially straining relations with both Singapore and Malaysia unless an anti-piracy regime can be created among the littoral states.⁴ Movements in this direction were taken in the Summer of 1992 when Indonesia and Singapore agreed to coordinated patrols in the Phillips Channel.⁷ A major concern about piracy in the Phillips Channel centers on the loss of physical control over ships in these narrow, shallow waters. One or two wrecks in strategic locations could disrupt traffic in the Singapore Strait for weeks, forcing some 6000 ships per month to seek alternate routes between the Indian Ocean and South China Sea.⁸ Indonesia and Malaysia have also set up a planning team to combat piracy, though it does not appear to be as operational as the Indonesia-Singapore arrangement.⁹ And in 1993, there was still no evidence that the straits countries were prepared to coordinate their activities trilaterally. This reluctance probably originates in Jakarta since the evidence points not only to the pirates being Indonesian but also to collusion between the pirates and some Indonesian officials.¹⁰

Another source of tension among Malaysia, Indonesia, and

Singapore is the acceptability of China as a player in Southeast Asia. Jakarta remains wary of Singaporean moves to draw China closer to ASEAN. Chan Heng Chee, a Singaporean diplomat and academic, has argued that China's economic and political weight cannot be ignored and that a regular, formal dialogue between China and ASEAN should be established. Indonesia's traditional mistrust of the Chinese continues, however, this time focusing on the PRC's proprietary claims over the South China Sea islands. Singapore's advocacy of China-ASEAN dialogue is seen by many in Indonesia as a possible Trojan horse.¹¹

Other strains within ASEAN continue into the 1990s. Thailand and Malaysia have not resolved their maritime boundaries, though an agreement on joint exploitation of the disputed area has been reached. The longstanding Philippine-Malaysian dispute over Sabah's ownership foresees no resolution. Malaysia and Indonesia lay contradictory claims to Sipadan island in the Sulawesi Sea. Thai fishing vessels are seized in Malaysian waters, a problem Thailand also has with Vietnam since Thai waters have been depleted through overexploitation by one of the biggest fishing fleets in the world. Thailand's plan to divert Mekong River waters to irrigate its arid northeast could meet with objections from Laos and Vietnam.¹²

Another more recent source of intra-ASEAN conflict arises from the illegal migration of workers from one country to another, drawn by job opportunities and higher wages. Singapore and Malaysia are particular magnets. In 1991, Singapore amended its

capability of moving beyond their own territory and airspace.¹⁴ ASEAN navies are acquiring Harpoon and Exocet anti-ship missiles and maritime surveillance aircraft.

Much of this buildup can be explained not by imminent threats to territorial integrity but rather the anticipation of confrontations sometime within the next decade. Apprehensions over the drawdown of U.S. forces and the apparent growth of the PRC's may be leading to a low level arms race in Southeast Asia vis-a-vis Beijing. China's actions in 1992, including passage of a law which laid claim to most of the South China Sea and much of the East China Sea combined with a declaration authorizing the use of force in these areas, have heightened tensions throughout the region. China's planned acquisition of close to 100 SU-27 fighters and 50 Mig-31 interceptors from Russia will give the PLA the ability to dominate the airspace over the Spratly islands from its base on Hainan for the first time--at least against any Southeast Asian claimant.¹⁵ While China does not yet possess all the elements for inflight refueling, it has reportedly purchased some wingtip refueling pods from Iran.

Controversy swirls around the question of whether China plans to acquire an aircraft carrier for use in the South China Sea. On balance, the evidence seems to be negative. Purchase of a large carrier would swallow most of the PLA's procurement budget for several years. Moreover, the shallow waters around the Spratly Islands are not propitious for a carrier and its support vessels. Furthermore, Beijing lacks the technology to defend a carrier from

anti-ship missiles and does not yet have the capability of deploying aircraft at sea.

Aware of China's growing air and maritime capabilities, the ASEAN states have spent over \$3.3 billion on upgrading their airforces alone in 1992. Thailand, Singapore, and Malaysia have particularly increased their defense budgets since 1990. Coastal patrol, sea and airlift, and airborne early warning dominate ASEAN arms purchases for the early 1990s. Thailand, additionally, has displayed blue water ambitions with plans to have an aircraft carrier built by a Spanish company. The ship will probably carry Harrier /AV-8B STOL aircraft as well as ASW helicopters. Six recently purchased Chinese frigates could serve as escorts.¹⁶ Unlike Indonesia, Malaysia, and the Philippines, however, Thailand does not perceive China as an external security problem. With no territorial claims in the South China Sea and a recent history of tacit alliance with the PRC against Vietnam, Thailand's external security concerns are focused westward toward the Andaman Sea. Without formally identifying India as a future threat, Thai strategists justify a bicoastal navy as necessary to protect the country's southern seaboard development project. The navy has taken over from the army to become the lead player among the three Thai service arms as security concerns have shifted away from Indochina.¹⁷

In line with this enhanced maritime mission, the Thai air force hopes to buy airborne tankers to extend the range of its F-16s and four AWACs aircraft to create a peninsula-wide 24 hour

early warning network. If these systems are purchased over the next several years, Thailand will possess a significant regional navy centered around an aircraft carrier, 10 new frigates equipped with ASW capability, and a submarine complement. This navy will be tasked with the exploration and protection of Thai claims in both the Gulf of Thailand and the Andaman Sea, centering on the Southern Seaboard Development project to create a strategic land bridge to link the two seas.¹⁸

As in Thailand, Malaysia is moving from an emphasis on ground warfare to its navy. Two frigates are on order from Britain; and a tentative agreement has been reached with Sweden for two submarines. Both the Russians and Americans are competing to upgrade Malaysia's air force with the Russians offering Mig-29s and promise of delivery by late 1993. The Mig-29s are much superior to the subsonic British Hawk-200s ordered from Britain as an interim aircraft; and, if based in East Malaysia, would give Kuala Lumpur air capability over the Spratly islands. At a price of no more than \$20 million per plane, the Mig-29 is a financially attractive alternative to the F-16 which is flown by Indonesia, Singapore, and Thailand.¹⁹

Singapore's initial deployment of E-2C early warning aircraft during the 1992 Five Power Defence Arrangement exercises has upgraded the Malaysian-Indonesian-Singaporean capability to detect aircraft over the horizon out into the South China Sea. Malaysian Defence Forces chief General Tan Sri Yacob Mohamed expressed his pleasure at the E-2Cs' availability, noting that the ASEAN states

regarded each other's capabilities as joint assets rather than competitive arming. Similarly, Singaporean defense officials have stated that Malaysia's possible acquisition of Mig-29s, Mirages, or F-16s will also be seen as a contribution to joint defense and a supplement to the relatively small Singapore air force.²⁰

Indonesia and the Philippines possess the smallest power projection capabilities within ASEAN. Jakarta can sea or airlift only two battalions among Indonesia's 16,000 islands; and its existing amphibious landing craft are so old they are barely seaworthy. The navy plans to buy 42 oceangoing ships and patrol craft from Germany. These will be designated for territorial waters to cope with illegal fishing, navigation safety, and rescue work. The new vessels, when commissioned later in the decade, will not add to its 80-ship fleet but merely replace its oldest numbers. Equally important are plans to upgrade the Indonesian air force by buying an additional squadron of F-16s and some 144 Hawk 100/200 multi-role combat aircraft--enough to outfit six new squadrons. The combination of Hawks and F-16s should provide Jakarta with the ability to cover its airspace on a regular basis by the end of the decade.²¹

Among the ASEAN states, the Philippines has the smallest share of its national budget going to defense--6.5 percent compared to an ASEAN average of 17.5 percent. As a percentage of GNP, Manila spends 1.4 percent compared to an ASEAN average of 4.3 percent on armed forces. With such an anemic budget, despite extensive maritime and airspace to patrol and a claim in the

Spratllys to defend. Manila's modernization plans have not progressed beyond the purchase of new trainer aircraft. Air Force chief Major General Loren Abadia has stated that even in the best of circumstances, his service will not have the aircraft to monitor Philippine airspace until the turn of the century. President Fidel Ramos has rationalized small defense budgets by pointing out that the Cold War's end has virtually terminated military threats to Southeast Asian security.²² Nevertheless, weak naval and air forces also mean that Manila cannot control smuggling, the movement of insurgents between Sabah and Mindanao, prevent fishing by foreign fleets, or protect the maritime environment. It is estimated that illegal fishing alone is costing the country \$1 billion annually.²³

The ASEAN-Indochina Relationship.

Opposition to Vietnam's occupation of Cambodia served as ASEAN's political raison d'être in the 1980s and catapulted the Association to a position of prominence in world politics. Within the United Nations and at annual meetings between the ASEAN foreign ministers and their European, Japanese, and North American counterparts, ASEAN's lead on Cambodian diplomacy was followed by these more powerful states. Hanoi's withdrawal from Cambodia at the end of the decade and efforts to construct a U.N.-controlled resolution to the Cambodian civil war have altered ASEAN's political attitude toward Indochina. Having successfully resisted Vietnam's hegemonic ambitions, the ASEAN states now hope to assist

Hanoi in becoming part of a new Southeast Asian order. ASEAN political leaders and business interests are encouraging the privatization of Vietnam's economy. Indonesia, Singapore, Thailand, and Malaysia have all invested in light manufacturing and tourism. Vietnam's skilled work force and low wages are incentives for a number of labor-intensive enterprises based in the ASEAN states to consider relocation.

This new economic attraction between ASEAN and Vietnam is reinforced by new political ties. Beginning in 1991, the Vietnamese communist leadership abandoned its previous plan of forming an Indochina bloc and opted to affiliate with the region's most successful economic group--ASEAN. Hanoi's decision was not made exclusively through economic reasoning. Rather, the country's leaders were reaching out for allies against China. Given Beijing's longterm naval development program, Vietnam sees the prospect for common cause with ASEAN in jointly defending Southeast Asian claims to South China Sea territories. Whether this may ultimately lead to an ASEAN-Vietnam entente against the PRC remains an open question. But, it is worth noting that Vietnam appears ready to sacrifice its interest in a Cambodian client regime in exchange for establishing its bona fides with ASEAN vis-a-vis China. One of the effects of Hanoi's willingness to forgo additional involvement in Cambodia may well be China's parallel decision to reduce its ties to the Khmer Rouge. Both of these policies of self-abnegation seem designed competitively to court ASEAN's favor.

By 1992, some 50 ASEAN companies had invested in Vietnam with a total capital of \$220 million. Curiously, Thailand whose former prime minister, Chatchai Chunhawan, had conceived the "golden peninsula" idea linking Vietnam's development to Thai capital and management, had fallen behind Malaysia as Vietnam's largest ASEAN investor. Both Thailand and Malaysia were involved in oil, gas, fisheries, gems, hotels, and tourism.²⁴ Most of these investments, however, are capitalized at no more than a few million dollars. More substantial commitments await the simplification of Vietnamese bureaucratic procedures, the construction of better infrastructure, and the lifting of the U.S. trade embargo. Singapore is Vietnam's number one trade partner, while all ASEAN states believe that Japan is poised to dominate both trade and investment as the decade progresses. Tokyo recently reactivated its Official Development Assistance program to the country.

Vietnam has striven to cultivate its ASEAN neighbors' support for strategic as well as economic reasons. Hoping to isolate China from the region, Hanoi has negotiated exploitation understandings over maritime boundaries with Thailand and Malaysia. Pending agreement on overlapping EEZs, Bangkok and Hanoi have agreed on joint development. A similar undertaking was reached with Kuala Lumpur in 1992. These agreements have been undertaken at a sufficiently early stage in underwater mineral exploration that no problems had yet arisen over the diversion of resources.²⁵

Bangkok and Hanoi have also achieved significant progress toward resolution of the almost four decade-old problem of citizenship for Vietnamese refugees. In August 1992, Thailand agreed to grant citizenship to 9,000 third generation Vietnamese in Thailand and added a promise that similar opportunities would become available for 20,000 second generation Vietnamese in due course. Bangkok has pressed Vietnam to clarify its Nationality Law so that dual citizenship would not be retained by Vietnamese in Thailand. Approximately 50,000 ethnic Vietnamese live in the country, most tracing their origins to flight from Vietnam at the time of the First Indochina War (1950-1954).²⁴

The South China Sea Conflicts.

There is consensus among Southeast Asian analysts that the most intractable regional conflict--one that has led to hostilities more than once over the past two decades--encompasses the disposition of the Spratly islands.²⁵ Comprised of 230 barren islets, reefs, sandbars, and atolls only 20 of which are above sealevel at all times, six countries claim sovereignty over part or all (China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei). Vietnam occupies over 20 of these mini-territories, the Philippines eight islets, Malaysia four, Taiwan one "large" island, Itu Abu, and China seven islands seized from Vietnam via a naval skirmish in March 1988. The Spraltys' value is inherent in its fisheries, seabed mineral nodules, potential underwater petroleum and natural gas fields, and strategic location for

sealane control and surveillance of air and maritime traffic between the Indian Ocean and South and East China Seas.

Ironically, the claimant with the weakest regional military capability--the Philippines--has the largest military presence (1000 men) and the longest airstrip in the archipelago.²⁸ It is China, however, that has been the most bellicose in both rhetoric and actions. In 1987, Beijing asserted that the Spratlys would ultimately be "recovered...at an appropriate time."²⁹ PRC claims and its construction of a permanent base in the Spratlys combined with a steady naval and air buildup in southern China led to a classic security dilemma reaction from Malaysia, Vietnam, and the Philippines all of which reenforced their Spratly contingents between 1987 and 1992. Malaysia built a naval base on the northern coast of Sabah for readier access to the disputed territories. Sensitive to the prospect of an anti-PRC coalition among the other claimants, Beijing stated in April 1988 and has since reiterated that its dispute with Malaysia and the Philippines could be resolved through friendly negotiations, implying, of course, that its conflict with Vietnam might go beyond the bargaining table.³⁰

A geographical breakdown of the contenders' claims reveals that it might be possible to separate out Malaysia's which is confined to the southeastern portion of the archipelago. But, the most hotly contested area is in the central portion of the islands where separation is virtually impossible because of overlapping EEZ extensions.

The intractability of the South China Sea disputes combined with its potential for naval warfare motivated the ASEAN foreign ministers openly to address regional security issues at their July 1992 meeting. The ASEAN Declaration on the South China Sea issued in Manila was clearly aimed at China, though no specific country was singled out. It urged restraint on all claimants and asked them both to promise not to use force and to cooperate in joint exploration and development while awaiting resolution of sovereignty issues. ASEAN called for the littoral states to begin negotiations on maritime safety, anti-pollution, and anti-piracy issues.³¹

Hanoi quickly acceded to the Declaration. Beijing displayed more reserve, however. PRC Foreign Minister Qian Qichen stated only that he "appreciated some of the basic principles" in the Declaration without endorsing it. While promising a commitment to joint development and also requesting a dialogue with ASEAN on security issues, China has not softened its comprehensive sovereignty claim over the Spratlys.³² Moreover, on February 25, 1992, the PRC passed a law declaring the Spratlys as part of its territorial sea and authorizing the use of force to protect that claim. The next Chinese move came in May 1992 when it signed a contract with the Denver-based U.S. oil company, the Crestone Energy Corporation, to explore a block contiguous to an offshore Vietnamese oil field. Crestone's president declared that the Chinese promised his company's exploration activities would be protected by the PLA navy.³³ As one Southeast Asian strategist

put it: "Peking's recent action strongly suggests that its ultimate aim is to replace the U.S. and Russia in the region....China's assertiveness militates against any Southeast Asian effort for a confidence-building regime."³⁴

China's encroachment on Vietnamese claims in the South China Sea peaked in the Summer of 1992 when Beijing abandoned an understanding it had reached with Hanoi in the early 1970s. At that time, during the Second Indochina War, the then allies were unable to reach an agreement on a Gulf of Tonkin sea boundary. China proposed that the area remain unexplored until their differences could be resolved. According to Vietnam, that understanding has been unilaterally violated by Beijing when it introduced an oil rig into the disputed area in August 1992 and began drilling activities scheduled to last until March 1993.³⁵

PRC pressures on Vietnam have caused consternation throughout Southeast Asia for they appear to violate a 1990 undertaking given by Premier Li Peng on a visit to Singapore. At that time, he agreed to shelve disputed claims in the South China Sea. Repeating this promise at the ASEAN foreign ministers meeting in July 1992 after the Crestone contract was awarded has not enhanced China's credibility. Nor have offers for joint development of the Spratlys extended to Malaysia one month later.³⁶ In discussions with a PRC Foreign Ministry delegation, the author was told that China does not oppose multilateral discussions on the Spratlys' future, but only if those discussions are undertaken exclusively by the disputants.³⁷ This would suggest that Beijing does not see

ASEAN as a proper venue for South China Sea sovereignty negotiations since not all ASEAN members have claims to the islands. Moreover, the PRC does not wish to negotiate within an arrangement that would pit ASEAN against China.

Although Hanoi also claims all the Spratlys, it has been more willing to move directly to cooperative exploration with both the Philippines and Malaysia.³⁸ Because Vietnam by itself lacks the naval capability to resist China, Hanoi may calculate that involving other countries in joint exploration will deter Beijing from renewed naval action. Alternatively, the PRC's Crestone Corporation contract provides a modicum of international recognition for China's counterclaim in the overlapping EEZs. (See the map of the Crestone drilling area.) The fact that Crestone is an American company was no random choice of nationality by the PRC. Vietnam may be loath to challenge a U.S. enterprise at the same time it is trying to establish a new relationship with Washington.

With the Spratlys in mind, Philippine Foreign Secretary Roberto Romulo and President Fidel Ramos have both urged that the United States negotiate a new access arrangement for Subic Bay. As with the late President Ferdinand Marcos, the new Philippine government has argued that the Mutual Defense Treaty between the two countries requires that the United States defend the Philippine claim. And, as in the past, U.S. officials have rejected that interpretation.³⁹

Indonesia has hosted two ASEAN workshops on the future of the

Spratlys in hopes of devising agreeable methods of resolving the conflict peacefully. Working papers presented to these conferences have advocated schemes for navigational safety, marine resources management, and scientific research--all possible without prejudice to the respective territorial claims. Because these claims overlap, any partial allocation is improbable. Even a partial development arrangement such as that between the Philippines and Vietnam on fisheries will probably be rejected by China and Malaysia.

Mark Valencia of the East-West Center has put forth the most ambitious proposal: declaring the Spratlys a demilitarized zone and creating a Spratly Authority among the claimants to manage the resources of the area.⁴⁰ Demilitarization could dampen the regional arms buildup, particularly with respect to China, but only if the latter honors the undertaking. The Spratly Authority could allocate costs and benefits from resource exploration and exploitation based on the extensiveness of respective claims. It could also protect vulnerable ecosystems and manage the search for and exploitation of hydrocarbons.

On the military dimension, all agree that (1) no further military personnel or material are introduced; (2) military activities in the area require prior notification to all; (3) efforts be made to harmonize the operating procedures of the navies and air forces of the claimants in the area; and (4) the Spratly Authority be given the right to monitor military as well as civilian activities.

At present, the main obstacle to the forgoing arrangement seems to be the PRC. Beijing remains unwilling to discuss the Spratlys on a multilateral basis and, although paying lipservice to the idea of peaceful resolution and joint development, continues a naval and air force buildup in southern China as well as unilateral exploration for petroleum in the disputed area. The creation of a Spratly Authority without China's participation, though politically feasible for the others, could force a confrontation with the PRC for which ASEAN is unprepared and does not desire.

The ASEAN Free Trade Area and Regional Economic Security.

In the early 1990s, ASEAN faces two challenges to its continued progress as a regional organization. One, as Donald Weatherbee put it, is the loss of its "negative political solidarity" as the Cambodian war is encapsulated and declines on the global agenda.⁴¹ With United Nations forces in the country and a U.N. political plan for Cambodia's future, ASEAN no longer determines global reactions to Cambodian developments. The Association's counsel on Indochina affairs is less frequently solicited by external powers in the 1990s than it was in the 1980s. The second challenge is found in the incipient regionalization of the world economy. With the European Community's new borderless market and North America's nascent Free Trade Arrangement, ASEAN states fear the prospect of a new protectionism in important markets which could adversely affect

their export-led growth. Nor do they wish to become members of a Japan-led Asian economic bloc, though Japanese trade and investment will probably continue to be ASEAN's most important single economic relationship through this decade. Moreover, ASEAN states believe that unless they can increase the size of their own markets, foreign investment will be attracted to larger opportunities in Mexico and southern China.

The Singapore Summit of January 1992 focused on ASEAN's economic future. Under current, separate, individual state market arrangements, intra-ASEAN trade has been less than 20 percent of the Association's total world trade.⁴² Competitive national development plans have impeded ASEAN collaboration through high tariff barriers imposed even on intra-industry trade. Searching for a new basis for ASEAN economic growth and competitiveness, the Singapore Summit essayed a "great leap forward" by agreeing to a new schedule of tariff cuts under a program of common effective preferential tariffs (CEPTs). The CEPT requires ASEAN states to standardize and progressively reduce intra-ASEAN tariffs on a wide range of manufactures, processed and semiprocessed products. By the year 2000, no tariffs on the agreed categories will exceed five percent.

To qualify for tariff cuts under the CEPT, products must contain a minimum of 40 percent ASEAN content from any combination of member countries. This comparatively low content requirement is designed to make AFTA an attractive location for foreign investors. The 15 product groups covered by an accelerated tariff

reduction schedule include vegetable oils, cement, chemicals, pharmaceutical, fertilizer, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewelry, copper cathodes, electronics, and furniture.

The tallies show, however, that ASEAN's less industrialized members still intend to protect a significant number of products from regional competition. The Philippines will initially exclude 1200 or 26 percent of ASEAN-eligible products from the CEPTs. Indonesia plans to exclude more than 1700 items, although it is putting more products on the fast track than Manila.⁴³ Only Malaysia, Brunei, and Singapore are committed to rapid tariff reduction; and Singapore is already a virtual free trader. It may be best, therefore, to think of AFTA less as a device for market expansion and more as a kind of insurance policy if the EC and NAFTA do, indeed become protectionist blocs. Few analysts believe that the CEPTs will lead to much of an expansion in intra-ASEAN trade because the Association's economies are closely tied to the global market, especially to North America and Japan. On the other hand, the CEPTs will reinforce tendencies toward trade liberalization which have occurred throughout ASEAN during the 1980s.

Projecting AFTA into the future suggests the prospect of trade and investment arrangements with other regional entities, including Indochina, the Asia-Pacific Economic Cooperation forum (APEC), and Australia. Links among these groups could accelerate the regionalization of manufacturing. Subregionalization is also

occurring along some state boundaries. It has taken the form of "growth triangles." The most prominent connects Singapore to Indonesia's Riau archipelago province and Malaysia's Johore state. The idea is to link Singapore's capital, technology, and management to the land and labor of its less developed neighbors. If successful, new export-oriented industries would be built in Singapore's hinterlands. The political danger of this approach lies, however, in the possibility that instead of transferring skills and technology to its neighbors, Singaporean companies will utilize Malaysian and Indonesian resources as cheap production platforms without adding any real value to the latter's economies. In effect Singapore is linked bilaterally to Johore and Riau, but the latter two have no links to each other. As Malaysia's Finance Minister said in a December 1992 visit to Singapore: "Cross-border investment must not become an excuse to relocate sweatshops and environmentally harmful industries to the lesser-developed neighbors." Feelings of exploitation may be particularly sensitive in this case because they reinforce ingrained ethnic animosities between Chinese and Malay.⁴⁴

Other ASEAN potential growth nodes encompass northern Malaysia, southern Thailand, and northern Sumatra. This concept, however, has not progressed beyond preliminary discussions. Since 1989, Thai officials have raised the prospect of creating a "golden peninsula" linking Thai capital and management to Indochinese resources. So far, however, Bangkok has been unable to convert its vision into any coherent plan. Indeed, Thai

commercial transactions seem more to be a competitive scramble for one-sided advantage through such resource exploitation as logging, gems, fisheries, and tourism. This robber baron-like activity has brought Thai companies into contact with such unsavory partners as the Khmer Rouge and Burma's military junta. Over time, it could rekindle Indochinese animosity over Thai greed. Finally, not to be excluded from the efforts at subregional economic development, the Philippines has raised the prospect of yet another triangle. This one would join Mindanao in the southern Philippines to Sandakan in Sabah and Manado in eastern Indonesia. Davao City would be the operations base for business planning. This grouping would encourage industries that would take advantage of tariff reductions coming into existence under AFTA.⁴⁵

Conclusion.

Southeast Asia is groping toward a new regional order. Its premises include a greatly reduced U.S. military presence and the consequent need to develop indigenous security arrangements which would convince both Japan and China that they should not project their own forces into the region. For Japan, this requires only an understanding that no state threatens the SLOCs through the South China Sea. For China, the issue is more complicated. The PRC does not see the South China Sea as a neighboring maritime region but rather as part of greater China--to be recovered at some time in the yet unspecified future. This perception of China's longterm goal for its "near south" will accelerate

Indochina's integration into a greater Southeast Asian order.

ASEAN's annual post-ministerial conferences which already include individual dialogues with major OECD countries on political and security issues could evolve toward more multilateral discussions integrating economic, political, and military matters. The PMCs will have a Pacific rim "plus" character through the 1990s: South Korea is now a regular dialogue partner; China and Russia have been invited as guests; and Vietnam and Laos as observers. Should an elected government emerge in Cambodia later this year, it, too, may be invited to participate as part of Indochina. The item at the top of the PMC agenda will be peaceful resolution of the South China Sea confrontation between China and Vietnam.

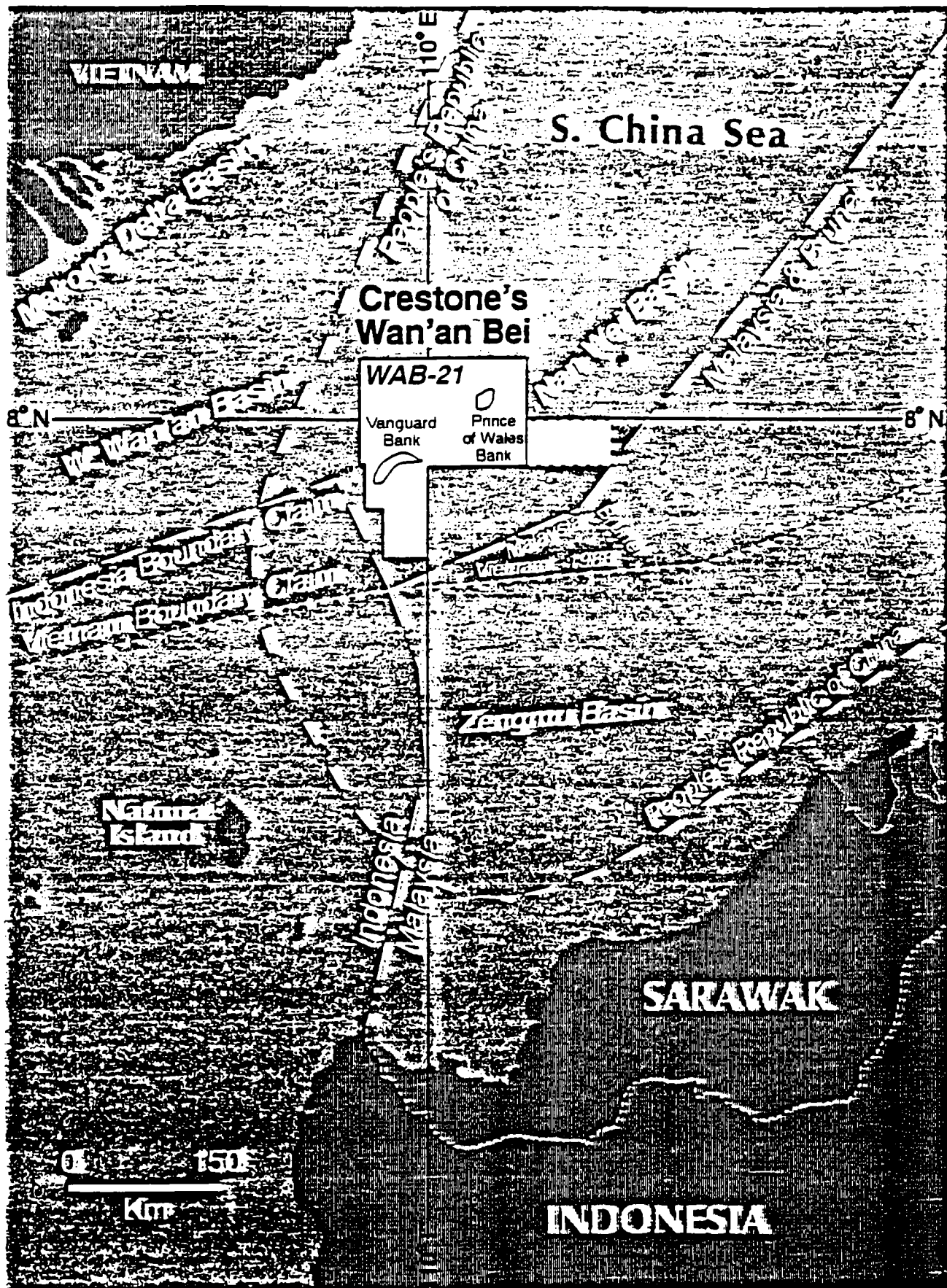
ASEAN's attitude toward APEC will gradually evolve from ambivalence to more vigorous participation, particularly now that Singapore has been selected as the site of its permanent secretariat. Interestingly, one of the reasons ASEAN may have added political and security discussions to its annual foreign ministers' agenda is that Pacific-wide economic discussions now occur primarily within APEC. On economic issues, ASEAN represents APEC's "south", lobbying for greater investment, trade, and technology transfer from the Pacific's wealthier members. However, when differences emerge among the ASEAN states, APEC could be a threat to the Association's solidarity because the larger body provides an opportunity for ASEAN dissidents to create other coalitions.^^

In due course, if the Indochinese states embrace market economics, they will be invited to accede to full membership in ASEAN. Their addition will provide new commercial opportunities in the context of AFTA and strengthen the collective shield against China. The PRC will continue, however, to try to separate its South China Sea dispute with Vietnam from its relations with the rest of Southeast Asia. China may be willing to discuss the Spratlys with the original ASEAN claimants but may well insist on dealing with Hanoi separately. In part, Beijing's adamancy over its South China Sea claims is related to its growing need for offshore oil. Already, offshore drilling provides the country with one-third of its petroleum. To obtain South China Sea resources, China needs ownership of the islands. In its February 1992 law on the East and South China Sea claims, China's navy is authorized to chase foreign vessels out of the region if they violate such regulations as prenotification of passage. In April 1992, a high level PLA Navy official acknowledged that much of the PRC's naval buildup is designed to protect its South China Sea claims. At the very least, the new law places China's neighbors on notice that partial understandings on the area's sea resources may not be reached without China's participation.⁴⁷

Finally, the question of whether ASEAN security cooperation will move from bilateral to multilateral arrangements as the 1990s progress? A number of considerations favor the latter if it is understood at the outset that ASEAN will not become a regionwide defense community. Barring that, multilateral subregional

cooperation has many attractions. They include more effective exercises, training, and joint maritime patrols, as well as the possibility of less expensive joint weapons purchases, stockpiles, and common repair facilities. Moreover, joint defense, particularly if linked to the United States or Australia, would offer incentives to China to discuss South China Sea issues and reassure Japan with respect to regional stability.

Multilateralism would also reduce the security dilemma within ASEAN, reassuring neighbors that weapons purchases were not being acquired against one another.



A map of the South China Sea region, showing the following details:

- Geographical Features:**
 - China:** Labeled at the top, with Hainan island and the Gulf of Tonkin.
 - Taiwan:** Labeled at the top right.
 - Laos:** Labeled on the left, with Danang and Cam Ranh Bay.
 - Kampuchea:** Labeled on the left, below Laos.
 - Vietnam:** Labeled on the left, with Ho Chi Minh City and Con Son.
 - Philippines:** Labeled on the right.
 - Malaysia:** Labeled at the bottom, with Natuna.
 - Indonesia:** Labeled at the bottom right.
- Islands and Reefs:**
 - Paracels:** A group of islands in the center.
 - Spratlys:** A group of islands in the center, including Southwest Cay, Palola, Ullua, Patag, Lawak, Ketao, Sand Cay, Nam Yit, Sin Cowe, Gac Mac, Barau Canada, Soratv I., and Camadore.
 - Other Islands:** Pratas, Macclesfield, Bank, Danang, Cam Ranh Bay, Ho Chi Minh City, Con Son, Ambayna, Mariveles, Adrasier Bank, Swallow Reef, James Shoal, and Natuna.
- Coordinates:**
 - Longitude:** 108°, 112°, 116°, 120°.
 - Latitude:** 4°, 8°, 12°, 16°, 20°.

2

ENDNOTES

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3. U.S. Department of Defense, A Strategic Framework for the Asian Pacific Rim: Report to Congress (Washington, D.C.: U.S. Department of Defense, July 1992) p.20.
4. This reduction is discussed in Jonathon Dean and Randall Wilson Forsberg, "CFE and Beyond: The Future of Conventional Arms Control," International Security, (17,1) Summer 1992, pp.105-106.
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8. Dzurek, "Piracy in Southeast Asia," p.68. Also see Michael Vatikiotis and James Bartholomew, "Raiders of Riau," Far Eastern Economic Review, July 2, 1992, pp.14-45.
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11. Michael Vatikiotis, "ASEAN: Friction in the Club," Far Eastern Economic Review, October 22, 1992. p.16.
12. These problems are discussed by Kusuma Snitwongse, "Strategic Developments in Southeast Asia," in Desmond Ball and David Horner, eds., Strategic Studies in a Changing World: Global, Regional, and Australian Perspectives, (Canberra: Strategic and Defence Studies Centre, The Australian National University, 1992) Especially pp.270-274.
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15. These purchases are reported by Derek da Cunha of Singapore's Institute of Southeast Asian Studies in "Russian Weapons For Sale--Cheap," The Straits Times, November 16, 1992. p.46.
16. Defense News, September 28-October 4, 1992. p.6; and Asia Pacific Defence Reporter, August-September 1992. p.22.
17. See the reports in The Nation (Bangkok) September 27 and November 21, 1992. in FBIS Daily Report East Asia, September 28, 1992 pp.33-34, and November 24, 1992. p.45, respectively.
18. The Bangkok Post, November 14, 1992, and Kawi Chongkitthawon, "Navy To Get Greater Role in Defence", The Nation, November 16, 1992. both in FBIS Daily Report East Asia, November 17, 1992. pp.35-38.
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20. The Straits Times (Singapore) September 22, 1992, in FBIS, Daily Report East Asia, September 24, 1992. p.20; and the same newspaper's October 29, 1992 edition in FBIS, Daily Report East Asia, October 30, 1992. p.43.
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29. Ibid., p.24.
30. Ibid., pp.28 and 31.
31. Raphael Pura, "ASEAN, Wary of Chinese Moves, Offers Guidelines to Solve Territorial Disputes," The Asian Wall Street Journal Weekly, July 27, 1992. p.2.
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