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15 March 1994

Regional Security Arrangements in the Far East

Fumio Ota

Central Policy Issue: Under the circumstances of an economically growing China and a militarily retrenching U.S., how does the U.S. redefine its foreign policy for the Far East after the Cold War in order to achieve the following political objectives?

-U.S. National Interest in this region: Economic Opportunity

-U.S. Political Objectives:

1. Maintain Stability
2. Engagement
3. Enlarge Democracy
4. Prevent Weapons Proliferation

Key Question: How should the U.S. reshape the strategic triangle among China, Japan and the U.S.?

Other Friendly and Unfriendly Actors Interests:

-Friendly States, Allies: Japan-Economic Prosperity
South Korea-Gradual Korean Reunification

-Neutral, Independent: China-Economic Prosperity First Priority
Russia-Avoid Isolation from This Region

-Unfriendly, Adversary: North Korea-Maintain Present Regime

The Conventional Trend over the next 5 or so years:

-Growing Economic Prosperity; Greatest in the world, 5-10% a year

-Stabilized Area; No potential conflict except Korean Peninsula

-Enlarging Democracy; South Korea, Taiwan, Russia and maybe China

-Acceleration of Chinese Economic Growth and Military Expenditure

-Chinese Positive Relations with Neighbors; Russia, India, Vietnam

-No Drastic Change for Chinese Human Rights and Arms Sales Issues

- American Financial Difficulty and Downsizing Military; 3% of GDP
- US-Japan Trade Dispute; May undermine strong security relationship
- Deceleration of Japanese Economic Growth and Military Expenditure
- Diminishing Russian Influence, Only military Power

Most significant Discontinuity:

- Radical Policy change in China and North Korea; After Deng and Kim
- North Korean Attack on South; Break from Cornered-dog situation
- Friction in China; Political and Economic System, Coastal and Rural
- Economic Imbalance, and North and South Social Imbalance
- Russian military revitalization; Nationalistic Movement

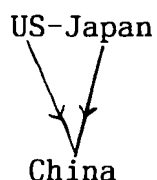
Domestic Aspect: Cost, Trade Off, Impact on other National Interest

- Can the U.S. maintain stability in the region alone?
High Military Presence Cost-Require Burden Sharing
No World Policeman Any More-Need Multilateral Security Arrangement
- With whom does the U.S. cooperate?
Japan and South Korea; Support multilateral security arrangement
Russia; Supports, but less active player
China; Sino-Centrism but interested in economic growth

U.S. policy recommendation in light of the above:

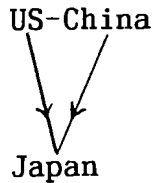
- Option 1. Classic balance of power approach
 - 1-1: Ally with Japan and check China
 - 1-2: Align with China and check Japan
 - 1-3: Economic War push Japan toward China economically and militarily
- Option 2. New cooperative security approach
Maintain US-Japan security relation and integrate China into regional multilateral security framework

Present; Option 1-1



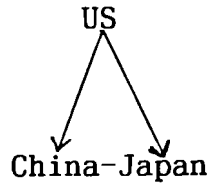
Future Option

Option 1-2



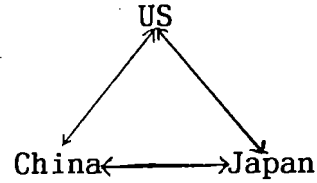
(1930's-1945)

Option 1-3



(Crash of Civilization)

Option 2



(Never happened in history)

Option 1-1

Pros; (1) Relationship with the second largest economic power

(2) Achieve the human rights changes in China

Cons; Lose growing Chinese economic opportunity

Option 1-2

Pros; Lose the second largest economic power

Cons; Gain growing Chinese economic opportunity

Option 1-3

Pros; Achieve the principle of human rights and balanced trade

Cons; Make Japan and China enemies-Worst scenario for the U.S.

Option 2

Pros; (1) Economic opportunity with not only Japan but also China

(2) Maintain Regional Stability without any adversary

(3) Negotiate on Korean reunification with major powers

(4) Positive Effect on Weapons Proliferation

(5) Possible Chinese Democratization

(6) Relatively small cost; Fewer forward-deployed forces

Cons; (1) Reduce U.S. influence relatively

(2) Reduce present alliance relationship with Japan relatively

(3) Less Feasible; China may not want because of Sino-Centrism

(4) Conflict with US values; communism vs democracy/human rights

Recommended U.S. policy: Option 2

Central policy issue:

The conclusion of the Cold War and the collapse of the Soviet Union has ended China's role as a balancing power against Soviet expansion. The central policy issue facing the United States in the next three to five years is the redefinition of China's role in US foreign policy in the wake of the Cold War.

Key question:

To what extent should the US seek to engage with China and to what extent should the US confront China?

Conventional trends over the next 5 years:

General synopsis:

How China will deal with other countries is largely dependent on what happens in China internally. Chinese foreign policy in the next 3-5 years will continue serving China's most important domestic policy and national goal: economic development. In order to maintain a peaceful environment for economic development, China will seek friendly relations with all its neighbors, avoid conflict, and promote regional stability. Regarding regional disputes, China will press for peaceful resolution instead of relying on the use of force, although it will not deprive itself the choice of using force if it deems necessary. China will expand its leverage on regional issues both diplomatically, economically, and militarily. On the global arena, China will become more cooperative in order to gain support for its economic reform. However, it will continue its effort to maintain an independent voice in international politics.

Specific issues of concern:

- * **The Korean Peninsula:** China will continue expanding its ties with South Korea and will cooperate with the US and Japan to diffuse tension on the Korean Peninsula. The degree of its cooperation, however, will to a large extent depend on the development of US-China relations and on perceived Japanese threat.
- * **Hong Kong & Taiwan:** China will firmly oppose any British attempt of democratic reform on grounds of sovereignty. However, China will also make every possible effort to have a smooth transition after 1997 to maintain Hong Kong's economic prosperity. Commercial relations and unofficial dialogue with Taiwan will continue to expand. However, China will be constantly watchful of any expansion of the

Taiwanese military and increasing voice for Taiwanese independence. China will not give up the option of using force to reunite with Taiwan, even though that option is becoming more and more unlikely and not viable.

- * Indochina and ASEAN: China will seek to improve relations with all the countries in the region, but potential tension remains in the South China Sea, where the Philippines, Vietnam, Brunei, Malaysia and China all claim sovereignty. Although China will seek diplomatic solution to the dispute, it will also be ready to use force.
- * South Asia: Although China will improve relations with both India and Pakistan, China will continue its arms sale to Pakistan in order to make sure that the balance of power is not tilted too much in favor of India.
- * Central Asia: China will play an expanding and potentially stabilizing role in Central Asia as a result of its economic success and increasing trade with the region.
- * Russia: Commercial ties, and to a lesser extent, military ties, with Russia will expand due to the Russian need for goods and cash and the Chinese need for advanced weapons to modernize its military. However, any growth of ultra-nationalism will be monitored very closely. China shares the same interests with Japan and the US in preventing a come-back of a ultra-nationalistic Russia.
- * Arms Sales: China will continue and even increase its arms sales to other Third World countries, including unstable regimes such as Iran, Iraq, Burma, etc. Reform and decentralization will enhance this trend because arms sale is one of the main source of income for the Chinese military.
- * UN: China will likely be more selectively cooperative with other members of the UN Security Council (such as the UN Cambodian peace-keeping mission), although it will remain somewhat suspicious of and may choose to oppose to other Third World intervention.

Most Significant discontinuity:

A number of factors could lead China to adopt an aggressive foreign policy: misperception of perceived threats, domestic power struggle, failure or difficulty of the economic reform. In that case, China would expand its military, increase its arms sales abroad and strengthen its nuclear program.

It will take a more aggressive stance toward its neighbors and be less cooperative in the UN. That could increase tension in the whole region and create difficulties for US policies in other parts of the world.

Policy options:

1. General partnership for regional stability: Cooperate with China wherever and whenever we can on promoting regional stability in Asia, while applying only targeted pressure on specific issues of US concern such as arms trade and nuclear-proliferation. Specifically, grant China permanent most favored nation trading status without condition to signal the general US commitment to engage with China. At the same time, targeted economic and technology transfer sanctions can be used in achieving important and specific, economic and non-proliferation objectives when discussions and negotiations fail.

Pros:

- * This approach will build up trust between the two nations, minimize Chinese misunderstanding, and lay the broadest base for a long-term good relationship and Chinese cooperation on a broad range of issues of Chinese concern.
- * It will have a positive impact on China's economic reform thus reducing the potential deviation from its current policy of promoting peace and stability in the region.
- * It will have the support of most Asian countries involved.

Cons:

- * It may not have the support of the American public and Congress.
- * It could potentially cause Japanese concern.
- * The US will have to sacrifice its relation with Taiwan to a certain extent by decreasing military relationship/reducing arms sale.

2. Confrontational cooperation: Linking US engagement with China's compromise on nuclear non-proliferation and arms sale. Use MFN as the leverage for this link.

Pros:

- * This policy will have the support of both the public and Congress.
- * It may effectively achieve the Chinese compromise in the short-run.

Cons:

- * It may over provoke the Chinese and undermine their cooperation for regional security and cooperation in the UN security council.
- * It does not have the support of most other Asian nations.
- * It will damage US business interests in Asia.

Policy recommended: #1.

Commentary

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What Health-Care Crisis?

Irwin M. Stelzer

Against the New Pessimism

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David Bar-Illan & Critics

Books in Review: Martin Kramer / Dan Himmelfarb /

Susan Wiviott / Daniel J. Silver / Jonathan D. Sarna

Main comment:
 Hello! What about Africa
 and the Middle East?? What
 about Scarcities, resource
 inequalities, and unsustainable
 development?
Against the New Pessimism

Francis Fukuyama

*This is all
 about Europe,
 Japan, Korea,
 Taiwan, China,
 for USSR, and some
 of L. America.
 The rest
 of Asia
 + L. A.
 + rest of
 world?*

THE end of the cold war has brought about a remarkable consensus between former hawks and doves—at least those professionally involved in some fashion with international affairs, whether they be journalists, academics, or politicians—to the effect that the world has become a much worse place since the demise of the Soviet Union. The pessimistic analysis runs roughly as follows:

In 1989, with the fall of the Berlin Wall, everyone was filled with euphoria over the collapse of Communism and believed that the entire world was turning to democracy. But this expectation proved extraordinarily naive: the collapse of Communism led not to democracy but to the unleashing of virulent nationalism and/or religious passion. Now, about four years later, we see that the world is not progressing toward the "global village" but retreating into atavistic tribalism, whose ugliest expression is the "ethnic cleansing" witnessed in Bosnia.

Nor, according to the pessimistic account, is the former Yugoslavia an isolated case. Rather, Yugoslavia demonstrates that modernity is a very thin veneer indeed; what has happened there portends the resurgence of ethnic passions throughout Eastern Europe and the former USSR. And not just in that region. Even among the apparently stable democracies of Western Europe, attacks on foreign residents and immigrants are just the tip of a larger racist iceberg.

Our international institutions, by this same account, are woefully inadequate to the job of maintaining global order. The United Nations, which many people hoped would become far more effective after the cold war than it was in the days of the Soviet veto, has gotten overextended and is now presiding over policy failures in Bosnia, Somalia, and Haiti. The fecklessness of the European Community (EC) and NATO in failing to stop the slaughter in Bosnia shows how laughable was George Bush's concept of a "new world order." Instead of order we have a world far more dangerous and insecure than that of the cold war. Just as in 1914—so the pessimists con-

clude—the Balkans in our own day may serve as the tinderbox for a larger European conflict.

This litany, promoted by media and academic pundits around the world, makes the present situation sound very, very bad indeed. But I would argue that it misses the deeper reality of the contemporary situation, and vastly exaggerates the problems we face.

One reason it does so is that the pessimistic outlook is held primarily by Europeans or by Americans focused on European affairs, and represents a highly Eurocentric view. For a "return to tribalism" is not a helpful formula for understanding much of the rest of the world.

LET us begin at home. After having come through a bruising recession, the United States now leads the industrialized world in economic growth, hitting a rate of close to 4 percent in the fourth quarter of 1993. This latest recession performed the positive function of all recessions: it forced corporations to trim fat and focus on productivity, leaving American companies leaner and more competitive than they have ever been (albeit at a cost in certain jobs). Many of the productivity-enhancing innovations introduced in the 1980's, mostly related to information and communications technology, are now finally showing up on corporate bottom lines, particularly in the service sector. Who today would trade the American semiconductor, computer, aerospace, banking, or biotech industries for their Japanese counterparts? Or, for that matter, the American automobile industry for the German one?

As Henry S. Rowen of Stanford has pointed out, the new reality of the 21st century is that many poor people around the world are going to get rich. This is nowhere more true than in Asia, a region that is hardly descending into tribal violence. Its problems are, rather, ones of adjustment to newfound prosperity. China, the world's largest country, grew an astonishing 13 percent in 1993, and every other country in the region (with the exception of Japan) forged ahead at comparable rates despite the recessions in other parts of the world.

Just as the proponents of modernization theory predicted in the 1950's, democracy has

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been following in the wake of economic development: the election of Kim Young Sam in South Korea last year represents a final break with that country's authoritarian past, while Taiwan will hold its first completely free elections in the near future. The most remarkable development is occurring in Japan. Despite Karel Van Wolferen's protestations that nothing ever changes in Japan, the Japanese political system is slowly moving away from the corrupt machine politics of the past couple of generations toward a more genuinely pluralistic democracy.

There are, it is true, serious security problems in Asia, the most important being North Korea's nuclear program. Further, the whole region will have to adjust to a very large and dynamic China, which in a decade may have an impact on regional politics comparable to the emergence of a unified Germany after 1871. But the likelihood seems low that in ten years China will still be a unitary, purposeful, authoritarian superpower with external ambitions, given the massive and rapid socioeconomic transformation it is now undergoing. A fragmenting or unstable China would also cause serious problems for the region, but not a balance-of-power threat.

In general, the character of international relations in East Asia is remarkably different from that of Europe: security concerns have for some time now taken a back seat to economic issues as the chief preoccupation of the region's best minds. This perhaps explains why the countries most directly threatened by North Korean nuclear weapons—South Korea and Japan, as well as China—are decidedly more relaxed about the problem than is the distant United States. They believe that North Korea is one of the world's weakest states, economically and politically, and they maintain that its erratic behavior is the product of weakness rather than strength. Since time is working against the Kim Il Sung regime, it is in their view better dealt with through patience.

Finally, Latin America's prospects look brighter than at any time since the first decades of the century. Despite recent setbacks in Haiti and Venezuela, three of the region's large economies—those of Chile, Mexico, and Argentina—have liberalized substantially over the past decade, and have experienced low inflation and high growth. The code to economic development—a liberal one—has been cracked (or, more properly, relearned after decades of Marxist and Keynesian confusion), and those countries that have mustered the political will to follow its dictates are being rewarded.

Indeed, one of the great slanders of last fall's debate on the North American Free Trade Agreement (NAFTA) was Ross Perot's assertion that Mexicans were desperately poor people who could not afford to buy anything. In the next generation, Americans will have to get used to thinking about Mexico not as a political and eco-

nomic basket case, but as an avid consumer and increasingly aggressive competitor. Even Peru, by most measures one of the world's most troubled countries, has seen a flood of new investment and positive economic growth since the Fujimori government's arrest of Abimael Guzman, the leader of the Shining Path guerrilla movement. With the passage of NAFTA and the successful conclusion of the Uruguay round of the General Agreement on Tariffs and Trade (GATT), the foundations have been laid for another generation of economic growth in Latin America.

Now let us turn to Europe. There, it is clear, nationalism and ethnic violence *have* been worse than anyone expected four years ago. Civil or interstate wars have been raging in Georgia, Azerbaijan, and Tajikistan, with many other potential conflicts just beneath the surface. But the chief indictment of the new world order centers, of course, on Bosnia, a horror the like of which has not been seen in Europe since the Holocaust.

The Bosnian conflict has four possible implications for the broader security of Europe. The first is that the war there could spread and involve other Balkan countries, and then the great powers of Europe. The second is that Yugoslavia will set an encouraging precedent for new conflicts among other intertwined ethnic groups in the former Communist world—Hungarians and Romanians, Poles and Lithuanians, Russians and Ukrainians. The third is that ethnic cleansing will legitimate racial and ethnic intolerance even in the apparently stable democracies of Western Europe, undermining their political fabric at a particularly delicate moment. And lastly, the ineffectiveness of international organizations like the EC, NATO, and the UN in dealing with the Yugoslav crisis will damage their credibility and encourage further aggression.

These fears are real, and should not be dismissed lightly. On the other hand, each one can and has been greatly overstated.

Take the question of escalation. The scenarios by which the Yugoslav civil war could lead to a larger conflagration tend to be rather nebulous. Other Balkan countries could indeed get involved if conflict spreads to the Serbian province of Kosovo, or to Macedonia. But of the interested outside powers, Albania—Europe's poorest and most backward country—wields virtually no power, while Greece would likely side with Serbia in crushing Macedonian independence.

Far more important than local Balkan considerations, however, is the absence of a larger great-power rivalry in Europe. In 1914, Europe was divided between two hostile alliances, and if war had not broken out over the Balkans, it could just as well have been sparked by Tangier or the Baghdad Railway. Today, the great powers of Europe are, if anything, struggling to avoid messy

foreign entanglements as they try to deal with pressing domestic economic problems. Regional conflicts were of concern during the cold war because the superpower competition left open the constant possibility of superpower intervention and ultimately escalation. But the absence today of larger great-power rivalries means that sectional strife will remain regionalized in its impact, however horrendous the consequences may be for local populations. The ironic result is that even as the world is being united through communications technology, it is being regionalized and *disconnected* politically by the absence of a global great-power rivalry.

The second fear, that the Yugoslav example will be replicated among other ethnic groups, has already been realized in many places. But most of these conflicts, such as those in Transcaucasia and Central Asia, can and have been safely ignored by the outside world. (The only one that will pose direct security concerns for Europe is between Russia and Ukraine, an issue that will be dealt with below.)

The truth is that the mutual hatred of Yugoslavia's constituent groups is in many respects an extreme and atypical situation, and other parts of Eastern Europe look much less bleak. Economically, recent news is encouraging. Virtually all East European countries that have engaged in shock therapy or some variant of radical market reform have seen their inflation rates come down and their production bottom out and then rebound. Poland's GNP stopped falling in the second half of 1992 and is now rapidly on the way up. While recent elections in Poland brought back to power a left-wing coalition including the former Communists, this does not represent a rejection of reform so much as a desire to modulate its pace.* Hungary, the Czech Republic, Slovakia, Slovenia, Lithuania, and Latvia are similarly poised for economic turnarounds, much like Western Europe in the early 1950's.

THE third fear—that Bosnia will undermine tolerance and democracy in Western Europe—is supported by the wave of anti-immigrant violence in Germany, Italy, France, and most recently Austria. Nevertheless, the embourgeoisement of West Europeans has gone very far, and their situation is quite different from that of the rural Serbs and Croats driving the current struggle in Yugoslavia. If one scratches the typical Italian, German, or Frenchman of today, one is unlikely to find a vicious nationalist itching to come out. Such individuals certainly exist in Western Europe, but they have thus far been segregated at the margins of their societies. With any degree of sensible leadership, and in the absence of new discontinuities like war or depression, there is no reason to think they will not remain there.

The fourth and final fear concerns the weak-

ness of international institutions in dealing with the war in Yugoslavia. The international community's single most important failure was actually an error of commission rather than omission—that is, the placing of a UN arms embargo on all the combatants in the civil war, and the subsequent failure to lift it so as to give the Bosnian Muslims a chance to defend themselves. An early ending of the embargo was the only policy option that had a chance of stopping Serb aggression at a reasonable cost to the outside world, and the fact that it was so bitterly opposed by the Europeans and so weakly advocated by the United States is both a moral failure and a political mystery.

On the other hand, the failure of various international organizations to intervene actively to promote order in the ways suggested by some does not reflect impotence so much as prudence. It is not self-evident that multinational, or even single-country organizations can intervene effectively and at reasonable cost in many conflicts that are primarily ethnic and/or civil in nature. Those, like Anthony Lewis of the *New York Times*, who argue that appeasement of Serbia encouraged the nationalists in Russia to vote for Vladimir Zhirinovskiy in last December's parliamentary election should consider what lessons would have been drawn from a *failed* Western intervention.

The UN cannot function as a serious security organization except when it acts as a cover for unilateral American intervention, as in Korea or the Gulf. It has gotten into trouble in Somalia and Haiti because it did indeed outrun its mandate. As for NATO, it is an effective security organization, but primarily in those canonical big-war scenarios for which it was originally designed. Those who want to extend NATO's functions to include ethnic peacekeeping and the like seriously risk involving it in contingencies for which it is not particularly well suited, thereby unintentionally subverting its ability to execute tasks it is better able to perform. It is true that the world community does not have an effective instrument to promote order and security in regions like Eastern Europe today; but if the chance of escalation is low, this lack will not be critical.

THE gloomy Europeanist assessment of the implications of ethnic conflict would be more cogent if there were an ongoing great-power rivalry. And in fact, many do postulate that one exists, latently if not overtly. Thus, a view is currently coalescing that Russia is well under way toward restoring the old union, using the cause of ethnic Russians stranded in the "near abroad" by the breakup of the Soviet Union to bully and threaten the other Soviet successor states. Some, like Zbigniew Brzezinski, believe it is almost inevitable that President Boris Yeltsin

* See George Weigel's article, beginning on p. 37.—Ed.

will fall and that Moscow will go back to its authoritarian, expansionist ways. Others, like Henry Kissinger, believe that Yeltsin himself harbors great-power yearnings, while analysts like William Odom argue that Yeltsin has already sold his soul to the Russian military in return for its support in his showdown with parliament.

People who offer more sinister interpretations of recent Russian behavior point to Eduard Shevardnadze's Georgia, as well as other examples. Having at first bolstered the breakaway Abkhaz republic against Tbilisi, the Russians subsequently switched sides and agreed to help Shevardnadze, on the condition that he return Georgia to the Commonwealth of Independent States (CIS). In addition, the Russians used Ukraine's extreme economic vulnerability to press for a very favorable deal over the Black Sea fleet; Russian troops are giving assistance to the Tajik government in its war against Islamic forces; Moscow has repeatedly threatened to slow down its withdrawal from the Baltic states unless the latter recognize the rights of ethnic Russians living there; and a Russian army, under the command of the bull-necked General Lebed, has in effect hijacked the region of Moldova east of the Dniester River and turned it into an "independent" republic.

The December 12 election in Russia, in which the neo-fascist Zhirinovskiy won nearly a quarter of the popular vote, may help to make this interpretation a reality. Zhirinovskiy, a Great Russian chauvinist, has unabashedly called for restoration of the old czarist empire, including Finland and parts of Poland.

Yet to write Russia off is still premature. Up to this point, Russia has been drawn, willy-nilly, into the affairs of the other successor states by a combination of two factors: first, the activities of local Russian forces, usually hard-line nationalists or former Communists bitterly opposed to the regime in Moscow; and second, the incompetence, weakness, and chaos prevailing in the neighboring states. But this is very different from saying that Yeltsin is following a thought-out expansionist master plan. In general, there is a fine line between a Yeltsin who caters to nationalist sentiment just enough to remain in power, thereby neutralizing more aggressive tendencies, and one who adopts the chauvinist agenda as his own. In the coming months the key task for American policy will be to judge which is which.

Ultimately, those who take a jaundiced view of Russian intentions have already written off Yeltsin's democratic experiment. They argue—with much plausibility—that the political situation in Russia is unlikely to stabilize, or the economy to turn around, or democratic institutions to start putting down roots any time soon. Yet the policy question the United States faces is whether *we* want to be the ones to turn out the lights, especially when the new constitution

adopted last December at least clears the way for a hyper-presidential regime that has some chance of promoting economic reform and a moderate foreign policy.

AT ANY given historical moment there are always ominous clouds on the horizon. The current nightmares of specialists in international relations—nationalism or fundamentalism run amok; immigration; a growing gap between rich and poor countries; uncontrolled nuclear proliferation; and the like—may not be as dangerous as they are portrayed. Others less discussed may be more urgent. I will pick just two problems, foreseeable now, that need to be addressed, one with domestic and the other with international ramifications.

The first problem arises out of the third-world success in achieving economic growth, and its impact on income distribution and job security in the United States. The U.S. was in a uniquely favorable position for the first generation or so after World War II, because the dominance of its manufacturing industries allowed it to reward relatively low-skilled manufacturing labor with relatively high wages. These are the "good jobs at good wages" that politicians like to champion. Today, the U.S. economy continues to be good at generating lots of high-skill, high-wage jobs, as well as low-skill, low-wage ones; what it can no longer do is protect, much less create, the kinds of low-skill, high-wage jobs it once did. The passionate resistance of unionized labor to NAFTA reflects the intense threat under which the traditional American working class feels itself.

In the best of all worlds, the United States would accept the loss of these jobs, while moving its workers up the skill ladder into higher value-added occupations. But most working-class Americans have little confidence in government-sponsored retraining programs, whose record has indeed been abysmal, and they fear that the public-education system will not provide their children with the skills necessary to avoid downward mobility in the 21st century. The global village, in other words, has a very harsh side, and America's ability to live in it successfully will depend on its ability to reverse the slide in its educational system.

The second problem is one that we could be facing as early as this year. Because of their respective sizes and the fact that they are home to large numbers of nuclear weapons, conflict between Russia and Ukraine cannot be safely ignored. There is growing doubt as to whether Ukraine will be able to survive as an independent state. In December 1991 a majority of the ten million ethnic Russians living in Ukraine voted for independence, mostly on the ground that an independent Ukraine would have a better shot at economic reform than one still tied to Russia. These expectations have been sorely dis-

appointed by the inept former Communists running the country, and it seems only a matter of time before the ethnic Russians there decide that it would be better to rejoin Moscow.

The Yeltsin government is not at all eager to see this happen: the Donbass coal-mining region, where many of the Ukrainian Russians live, is an economic albatross that Moscow would just as soon not have hanging around its neck. But if there is a general breakdown of the Ukrainian state, and calls on the part of ethnic Russians for a return to Russia, it will be very hard for any Russian government to turn its back on them. Moreover, a breakdown of the Ukrainian state may mean loss of centralized control over the nuclear weapons still on Ukrainian territory, something the Russians are not going to regard with equanimity. The temptation either to take part in the dismemberment of Ukraine, or to intervene militarily to gain control of those weapons, will thus become a real possibility.

A Ukrainian collapse would be easier to handle, in a way, if Russia itself were by then to have turned authoritarian and aggressive: the United States would simply oppose forceful Russian moves to reabsorb Ukraine, and we would return to an unfortunate, though familiar, polarization of Eurasia. There would then be a much stronger consensus to admit Hungary, Poland, and other threatened East European states into NATO.

But if Yeltsin were still in power and reform still on track, the U.S. would be faced with some extremely difficult policy choices. Russian motives might be mixed and not necessarily aggressive, but there would be a very strong inclination to interpret them in the worst possible light: we would not want to be seen acquiescing in the restoration of the former empire. Accordingly, the U.S. might be driven to break with a clumsy but still moderate Russia, thereby undercutting its

democratic experiment prematurely and perhaps unnecessarily.

IT WOULD be very surprising if the collapse of the largest empire in the world had not caused enormous instability and confusion. We are obviously in the midst of a prolonged transition period as political, economic, and interstate systems transform themselves into something else. But it is vital not to take transitional turbulence for a permanent state of affairs, or to ignore the elements of order that exist while focusing on extreme cases of disorder in relatively unimportant parts of the world.

To be sure, it is primarily specialists in international affairs who are pessimistic; others, like investment bankers, who have to put money on the line behind their views of world order, tend to be much more sanguine. But among people professionally involved with international affairs, the liberals tend to be unhappy with the idea that the West won the ideological struggle of the cold war outright, and are eager to assert that the vindication of capitalism and liberal democracy is only apparent. Many conservatives, for their part, remain wedded to a dour view both of human nature and human institutions.

And then there is a simple matter of prudence: who, liberal or conservative, would not find it safer to be remembered as a Cassandra than as a Pollyanna? A Cassandra proved wrong (and there are many of them populating our TV talk shows and newspaper columns) is never held accountable; indeed, such people retain an aura of moral seriousness for their tragic sense of human history. Naive Pollyannas, by contrast, are routinely held up to ridicule. In the stock market, those who are unduly bearish are punished over the long run. The "market" for views on international affairs is, unfortunately, not quite so self-correcting.

CHINA'S INTERNAL EVOLUTION

Central Policy Issue: China's internal political situation and stability is of great concern to the US, in that it will profoundly impact China's role in either enhancing or undermining Asian stability and other crucial US global interests.

Key Question: To what extent, if at all, should the US actively try to influence China's internal political evolution?

Conventional Trend:

Since the early days of Deng Xiaoping's reform program the likelihood of continuation and expansion of reforms has become increasingly assured. Each successive retrenchment, even the economic retrenchment of 1988-90 and the Tiananmen crackdown, rather than resulting in doubts over the prospects for future reforms, has, in the long run, served to highlight the momentum of reform and the diminishing chance of putting on the brakes. This trend of relative political stability under an authoritarian regime increasingly guided by concerns of national development, bureaucratic statism, and Chinese nationalism, focused on economic performance as the foremost criteria with which to judge government legitimacy, will likely continue over the next 5 years.

The intentional ambiguity of the foundation for China's emerging economic system, "socialism with Chinese characteristics," will continue to give the government the flexibility to pursue its reform agenda but will also invite cycles of testing and interpretation which the government will respond to as subversive acts. This ambiguity will also continue to mean that the leader with the power to define what is meant by "socialism with Chinese characteristics" will guide the policies of the state, a situation that will continue to seriously hinder the routinization of the political system, fuel the post Deng succession struggle, and prevent any clear ideology or principles from being the basis for determining what is and is not legitimate policy.

The contradiction between serving the party and serving the modernization of the nation will continue to be a problem and could lead to more upheavals like Tiananmen, and from time to time seriously challenge the abilities of the party and its channels of communication and control to deal with the interplay between policy making, power struggles within the leadership, and external societal events. In such cases the military might be used again to compensate for failures in the political system. The policy changes that the leadership has pursued, however, especially at and since the 14th party congress in September 1992, reduce this possibility. The changes suggest a leadership that is more united in terms of what policies and reforms should be pursued and more capable of carrying out necessary radical components of reform than at anytime since the beginning of reforms.

The military's trend toward professionalization will likely continue, consisting of a distaste for involvement in areas of domestic security and stressing concepts related to nationalism, focused on the defense of national sovereignty and territorial unity and integrity and the attainment for China of a major power status. This implies a much greater emphasis on largely external security issues; focusing on maintaining a credible military force toward Taiwan, improving China's diplomatic and military leverage for China's claims in the South China Sea, while maintaining a capacity to deal with China's ethnic unrest and border instability.

Any leadership in China that hopes to maintain legitimacy will be severely limited in their policy options and choices by the need for continued economic growth and development. China's large population and the resultant priority of job creation and economic growth combined with the inevitable continuing relative inefficiencies of the state sector will force the government, no matter who is in power, to continue to support growth of the non-state sector as the engine of economic growth and job creation. Emphasis on the non-state sector and labor intensive industries that take

advantage of China's comparative advantage will necessarily lead to growing ties to the world economy and continued international integration. Regardless of whether or not Deng Xiaoping dies at some point during the next five years, the most likely scenario is that in 5 years China will be further along its present reform path.

Most Significant Discontinuity:

Problems such as succession to Deng, keeping the macro-economy under control (maintaining rapid growth without slipping into hyper inflation), corruption, the possibility of economic regionalism leading to political regionalism, a dramatic increase in the unequal distribution of wealth, or any internal or external events (such as increasing costs of environmental degradation or the withdrawal of MFN by the US) that bring about a downturn in China's economic performance, could potentially profoundly impact China's political stability over the next 5 years. The most likely outcome of serious political instability would be a nationalistic military takeover.

The potential for such a scenario will most likely be determined by the intermixing of three factors:

- 1) The succession struggle: Any movement by the civilian leadership in the succession struggle that seriously threatens military interests, such as factionalism leading to major instability or a move to limit arms sales or diminish the importance of territorial claims, would be an invitation for military involvement in policy.
- 2) Economic development issues: The Central government is currently in a struggle to gain control over its fiscal revenue. Budget constraints could exacerbate differences within the Chinese military over sources of funding and further encourage military entrepreneurship that runs counter to the professionalization trend. This tension between professionalism and economic activity could lead to conflict within the military and coalition formation over how to solve China's fiscal problem and how to maintain China's current rates of military modernization. A serious economic downturn could undermine the proponents of professionalization and bring the military into the center of politics.
- 3) Foreign Powers: Aggressive acts by foreign powers, or acts which are perceived to be a serious challenge to China's interests could be very important in precipitating a military move into politics.

II. RECOMMENDED POLICY OPTIONS

1) Non-interference in China's political evolution: Concentrate on building the best possible relationship with the current leadership. Renew MFN and limit future conditioning of MFN to the Jackson-Vanik Amendment criteria on emigration. Expand high level contacts. Pursue close and sustained contacts with different levels of the Chinese military based on dialogues on issues of mutual interest, not contentious issues such as human rights. Support China's entry into the GATT and other international bodies.

Pros: Would likely reduce the influence of both military and civilian leaders who are hostile to the US, while strengthening the position of proponents of continued reform. US would be in line with other nation's policies toward China - especially Asian nations. Recognizes the vital link between China's continued rapid economic growth and the strengthening of a leadership supportive of expanded reforms and a cooperative relationship with US. Good for US business interests. Addresses the possibility of the Chinese military playing a critical role in determining China's future security policies.

Cons: Could be extremely difficult to gain widespread support of American public or Congress. Possibly misses a valuable opportunity to encourage democratizing reforms that would add to China's overall stability.

2) Selective pressure for democratic reforms: All of policy No. 1 plus; selectively target issues in China's political evolution where the US can have the most effective impact without jeopardizing the stability of the overall relationship. Consistently and repeatedly impress upon all different levels of the Chinese leadership that the nature of their rule and of American rule are appropriate subjects of international scrutiny, but without putting the entire relationship on hold waiting for Chinese compliance with American concepts of human rights. Specific actions would include: adding full time staff in our embassy and consulates devoted to the issue of human rights; expand human rights reporting to the provincial level; encourage corporate activism; open a consulate in Tibet; engage China on matters of global interdependence, such as in global warming, environmental protection, agricultural production, more humane methods of birth control, control of communicable diseases and prevention of narcotics trafficking.

Pros: May be the most effective approach for encouraging political reform and greater accountability in China's political process. Puts US in step with other nation's China policy while still pursuing principles important to the US. Potential to have the most beneficial effect on political evolution in China. Addresses the likelihood that change will be a gradual and seeping process in China.

Cons: Will lead to at least some condemnation from Congress and the media for not going far enough to stand up for American values. If this policy were to coincide with serious economic or succession problems in China, it could have the effect of exacerbating factionalism in the leadership, leading to increased instability, and, in an extreme case, be a contributing factor to a slide into the discontinuity scenario described above.

3) Actively demand democratic reforms: Hold China to absolute standards that if it fails to achieve cut off high level government contacts while encouraging as much business and cultural exchange as possible and continuing to build relations with the Chinese people. Establish a "Radio Free China." Pursue selective economic sanctions that target the central government and its state enterprises. Restrict technology transfer, selectively raise tariffs under Section 301 of the Trade Act on those enterprises manufactured in state enterprises, and actively oppose any World Bank or Asian Development Bank loan that would strengthen state enterprises or the central planning system.

Pros: Makes clear and powerful statement of America's commitment to democratic forms of government and respect for basic, internationally recognized human rights, while still maintaining relations on issues of mutual interest.

Cons: Very risky policy based on the premise of the current leadership being in a vulnerable position. Could result in the worst of all scenarios - reinforce repressive and xenophobic tendencies in Beijing, reduce US influence to push for democratizing changes and increase influence of a military leadership hostile to the US and US interests. If this policy coincided with internal economic or succession crisis this policy could push China into the discontinuity scenario described above. No other nations will go along with us. Makes the fundamental mistake of disregarding the progress that China has made.

Recommended Policy: Policy no. 2