

A Changing Paradigm of U.S.-East Asian Relations: Strategic and Economic Perspectives

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Introduction²

There is little doubt that portions of the strategic and economic paradigm in East Asia and for U.S.-East Asia relations have in general been changing in dramatic ways for the past ten to fifteen years. Several contributing factors are well known: China's economic rise along with the potential strategic and political role it is likely to play in the future; the possibility of a more assertive Japan that may revise its constitution in an effort to become a "normal" country; and South Korea, in possession of greater economic, military and political power accompanied by the confidence to be a more significant player in the region. Moreover, even the notion of "East Asia" may be less and less relevant as economic integration is no longer bound by old geographic delineations, particularly with the region's growing economic and political ties with Southeast Asia and India, ties that are breaking down some of these regional distinctions. Finally, the United States is facing a more confident and multi-polar Asia that is organizing to play a greater role in controlling its future and increasingly will require a different approach than in the past.

Yet, while there is little argument that significant change is occurring in East Asia, it is not at all clear what the results will be. While international relations theory may indicate one outcome, there're also arguments that East Asia will take a different path from the past and from what theorists have predicted.³ Many also predicted a sudden collapse of the old Cold War order in the region as occurred in Europe. However, change in Asia has been a much more gradual evolution to a different security environment. Thus, the paradigm is changing, but what is it changing to? The answer to this question is not entirely clear. Moreover, while significant dimensions of the paradigm are changing, others are likely to remain the same for some time. Though U.S. economic power relative to East Asia is

decreasing, the U.S. economy remains a powerful force in the region. In addition, the United States is likely to remain the dominant global political and military power for some time. The rivalries of East Asia that are grounded in World War II are unlikely to change soon and will continue to complicate relations. Finally, the issues of North Korea and Taiwan will also linger for some time and remain potential flashpoints for conflict in the region. Thus, while talk of a paradigm change describes some of what is occurring in East Asia and its relationship with the United States, much will also remain the same. In short, the destination of this possible paradigm shift is far from clear.

There is one other important dimension of the East Asian paradigm to consider. In many respects, there are two paradigms operating in the region, an economic and a political/strategic paradigm, that are juxtaposed and operating at two different levels. The economic paradigm is characterized by significant levels of integration and cooperation. Economies throughout the region depend greatly on each other and continue to build an intricate web of relationships that is growing and pushing states to address problems through creation of regional forums and greater dialogue. However, while this is occurring, the political/strategic paradigm is at a very different place. Serious political and territorial disputes remain fueled by growing nationalism in the region along with unsettled issues of history concerning Japan and World War II. The Sino-Japanese rivalry is the centerpiece of these concerns, but a potential Sino-American confrontation also looms, generating a fierce debate in the United States regarding the proper course of action to take vis-à-vis China and its rise. Thus, there are essentially two paradigms at work that can be complementary but also can be in conflict.

The remainder of this article will address the following: the elements of the East Asia economic paradigm that are shifting and the parts that are not; the elements of the East Asia strategic paradigm that are shifting and the parts that are not; the implications these developments have for U.S. and South Korean security; and finally, some recommendations for the future.

The Shifting Economic Paradigm of East Asia

The most important shift in the East Asian paradigm is the rising economic power of China. For the past 20 years, China's economy has been riding a phenomenal wave, generating GDP growth rates of 8-9 percent to become the world's 4th largest economy. China's economic growth has generated over \$1.2 trillion in foreign reserves and is a huge economic engine for the region and globally as its appetite for goods has helped to bolster many neighboring economies. As Nicholas Lardy of the Brookings Institution has phrased it, "for all the countries in Asia, China is such a large force, the only rational response is to figure out how to work with it. It can't be stopped."⁴ In 1990, China's share of global industrial output was 2.2 percent, but by 2002, its share had climbed to 6.6 percent. However, a significant portion of this production is final end assembly that does not add a significant amount of added value to the products. In addition to its impact on production, China's economic growth has also been a major driver for the growth in other economies. Since 1979, China has been the world's 3rd largest importer, following the United States and Germany and is a major export market for Taiwan, South Korea, Germany, Japan, and the United States.⁵ China is also a major consumer of foreign direct investment (FDI), soaking up over \$50 billion in 2002, and becoming a more popular destination for FDI than the United States.

One signal of change is the shifting order of major trade partners in the region. After years of being the leading trade partner for Japan and South Korea, the United States has now slipped from this leadership position in the region. In April 2007, China surpassed the United States to become Japan's leading trading partner with a two-way increase of 10 percent to \$214 billion. These trade numbers exclude Hong Kong; had this region been included, the United States would have been replaced as the top partner three years earlier in 2004. Chinese demand for Japanese automobiles, construction equipment, and machine tools have played an important role in pulling Japan's economy from its over decade-long slump.⁶ In 2003, China also became South Korea's leading trade partner, overtaking the United States in a position it had held since the 1960s. Three years later, the United States was South Korea's third largest

trade partner behind China and Japan respectively. In 2006, China was Washington's third largest trade partner preceded by Canada and Mexico and had wracked up a trade surplus with the United States of over \$230 billion. Finally, China is also North Korea's largest trading partner, accounting for 40 percent of Pyongyang's foreign trade, an amount that more than doubled from \$490 million in 1995 to \$1.1 billion in 2005.⁷ In addition, China provides 80 to 90 percent of North Korea's imported oil at a cost that is well below the market price.⁸ For many of these countries, while China's military power is viewed with some wariness, its economic power is less of a concern. In a Pew Research survey, 68 percent of Japanese respondents believed China's growing economic power is a good thing.⁹ Many states in Southeast Asia now increasingly see China as the regional power and more of an opportunity than a threat.¹⁰ Moreover, there is concern by many that the United States is attempting to build a coalition to contain China, an effort that forces them to make a choice they do not wish to make because it will only stoke regional tension and hurt the regional economy, should these efforts to contain China prove successful.

Asian economic development has also had important spillover effects in the area of FDI. In 2006, Asian FDI totaled \$90 billion with most of it going to other economies in Asia. However, an increasing amount has been going to other regions with a significant increase in the FDI going to Africa. The top FDI flows from Asia to Africa come from Singapore, India, Malaysia, China, South Korea, and Taiwan.¹¹

East Asian states also hold a significant portion of U.S. treasury securities. By March 2007, Japan and China ranked first and second with \$612.3 billion and \$420.2 billion respectively, representing 47 percent of total outstanding treasury securities. When including the holdings of Hong Kong, China's total increases to \$478.1 billion. South Korea and Taiwan are seventh and eighth on the list with \$58.1 billion and \$57.9 billion respectively. Including Singapore, which ranks 12th, these states hold a total of approximately \$1.24 trillion or 56 percent of U.S. treasury securities held by foreign countries.¹² Thus, the United States is becoming increasingly dependent on the economies of Asia to fund its spending habits.

Another significant change in the economic paradigm is increasing regional economic integration. Regional trade flows have had significant increases in the past 25 years. In 1981, the regional share of intra-Asian trade was 33 percent, but by 2004, that number had increased to 49 percent.¹³ Economic integration has also generated enthusiasm for free trade agreements, a trend reinvigorated by the Korea-U.S. Free Trade Agreement (KORUSFTA) concluded in March 2007. Seoul and Washington began negotiations on an agreement in May 2006. Both are important trade partners for each other with South Korea ranking seventh in total trade with the United States while the United States is third for South Korea behind China and Japan. In 2005, total two-way goods trade between the two was valued at \$72 billion.¹⁴ The United States is also the number one source of foreign direct investment with over \$18 billion in 2005 and over 3,000 U.S. companies operating in South Korea. For the United States, South Korea is the first FTA with an Asian country and the largest FTA partner since it negotiated the North American Free Trade Agreement. The talks were difficult and at several points there was doubt the agreement would ever come together. Complicating matters was a March 31, 2007, deadline that would allow the requisite 90 days for congressional examination and eventual approval of the measure before the expiration of the president's trade promotion authority or "fast-track authority" as it is more commonly known. Under fast-track authority, the U.S. president is able to negotiate free trade deals that allow the Congress only an up or down vote, with no amendments or limits on debate. Once fast-track authority expires, and at the moment the Congress is unlikely to renew it, approval of FTAs will be more difficult to obtain, particularly from a Democratic Congress that is more wary of these agreements.

The KORUSFTA is expected to increase U.S.-ROK trade by 25% to \$90 billion annually. For the United States, it is hoped that this will reduce the bilateral trade deficit with South Korea by \$16 billion.¹⁵ The agreement addresses a multitude of sectors, including automobiles, textiles and apparel, U.S. beef imports,¹⁶ e-commerce, the film industry, financial services, and intellectual property among others.¹⁷ In addition to the economic

benefits, the agreement would also do much to repair U.S.-ROK relations that have been in some trouble in the past few years. However, the Congress has indicated that it may insist on renegotiating the agreement to address labor and environmental standards, something South Korean officials have vehemently opposed.

The conclusion of the KORUSFTA has also sparked renewed interest by others in the region to conclude similar deals. In April 2007, South Korea ratified an FTA with ASEAN that excluded Thailand due to Seoul's refusal to include rice in the agreement. South Korea has already begun FTA negotiations with Japan, and China has expressed interest in an FTA with South Korea. The European Union has also begun negotiations with Seoul and is exploring an FTA with ASEAN.

Thus, U.S.-East Asian economic relations are undergoing significant change in the face of the rising economic power of China and the region as a whole. U.S. economic dominance is being challenged, and the U.S. economy is becoming more and more dependent on East Asia. Yet, while this changing paradigm creates challenges for the United States, increasing regional integration helps to bind the countries of the region together and draw them into a regional and global economic order that will help to lessen the possibility for tension and conflict.

It's Not All Changing: Elements of the Economic Paradigm that Remain the Same

While there have been significant economic shifts in the region, some important dimensions have changed far less and point to a continuing paradigm in East Asia. First, and perhaps most importantly, the economic dynamism of China and East Asia continues to occur within a global economic system of free trade that is sponsored by the United States. In many respects, the economic paradigm—capitalist, free trade system—has not changed, only the players within that system. Thus, while China's rise is viewed as a threat in some quarters, Beijing has begun its ascent without a desire to change the prevailing economic system and has worked to prosper within the existing international economic order rather than seek to overturn it as

had been the case during the rule of Mao Zedong. Moreover, continued Chinese economic growth is crucial politically because it buttresses the legitimacy of the Chinese Communist Party (CCP). Given the authoritarian nature of the Chinese political system, its legitimacy is based largely on its ability to continue assuring increased prosperity. Disrupting the international system and China's close ties to the international economic order, including its relations with other economies, puts its record of economic growth at risk along with the long-term survivability of the Chinese Communist Party.

Second, despite China's rise, the United States remains a key economic player in the region. U.S. companies are a crucial source of foreign direct investment in East Asia, and though China has become the lead trading partner for many, access to U.S. markets remains essential for the region's continued growth. In addition, it will be some time before China becomes a leader in developing new technology and innovations so that the United States, Japan, South Korea, and others will continue to drive the advancement of cutting edge technology.

While China's economic growth is difficult to down play, there are also reasons to be cautious as China has serious problems that could present daunting obstacles in the future. Large segments of the Chinese populace live in poverty as the state struggles to deliver adequate health care, address education inequalities, and fight infectious diseases such as sudden acute respiratory syndrome (SARS).¹⁸ Of particular concern is a growing income gap that increasingly divides the rural and urban populations creating a rising tension of unfulfilled expectations. Early in the reform process, Deng Xiaoping argued that "to get rich is no sin" and China may have to "let some people get rich first." Deng's admonitions have been followed, but they have created a growing anger based on increasing income differences. This anger is exacerbated by rising concerns over corruption and government mismanagement. An editor of a labor website in Beijing may represent the views of many Chinese on this: "Who got rich? Did they get rich through decent means? Most people don't believe they did. We all know that they got rich by corruption, and by abusing political powers."¹⁹

There are also worries over increasing environmental degradation with some of the worst urban air quality and water pollution, and an aging population that demands an ever higher share of the state's resources. Moreover, there is concern as to whether China can sustain its current economic pace without burning out. During the March 2007 National People's Congress meeting, where the government typically touts its accomplishments for the year, China's Premier Wen Jiabao voiced concern, noting that China's economic development was "unstable, unbalanced, uncoordinated and unsustainable." Premier Wen elaborated by stating that "China's investment growth is too high, lending growth too fast, liquidity excessive, and trade and international payments very unbalanced. Energy efficiency and environmental protection issues haven't been properly resolved."²⁰ Thus, while China is likely to continue its steady economic climb, that ascent is not guaranteed to remain at its current rapid pace and may be more erratic as China addresses the continuing problems of inflation, pollution, corruption, and income inequality. How China confronts these issues will have a significant impact on its domestic politics and, in turn, its rise in the region. A more gradual rise of China will allow the region to adjust more easily to the changing dynamics of this power redistribution.

The Shifting Strategic Paradigm of East Asia

While the shift at the economic level has been significant, change at the strategic level is less pronounced, at least for the moment, demonstrating that the notion of a paradigm shift is more complicated than sometimes portrayed. Also, while a shift is in progress, it is not at all certain what the next paradigm will look like. China's economic rise has generated the resources to improve its military capabilities and make some in the region nervous over its strategic intentions. There is also movement in Japan that it will adjust its defense posture to become a "normal" country again. Despite these concerns, much remains the same at this level, most significantly, the continued role played by the United States and its military presence in the region. Yet, while there has been less change on the strategic front, there remain

many security challenges and significant potential for strategic shifts at a later date.

To begin this section, it is important to note that the United States has contributed to an important dimension of the paradigm shift that for Washington began on September 11, 2001. Prior to 9/11, the Bush administration had been critical of President Clinton's efforts to deal with China as a strategic partner. Instead, many in the administration argued China should be viewed as a potential military and economic challenge to U.S. hegemony in East Asia and globally. After 9/11, the administration began to change its position. Though still wary of China, Washington and Beijing began a new, more cooperative relationship as they both saw common ground in their efforts to confront terrorism. For the Chinese, this addressed their growing concern with separatist movements in Xinjiang province and Tibet. Washington also relied more heavily on the Chinese to push the North Koreans back to the negotiating table and a possible settlement of the nuclear problem.

The events of 9/11 also changed the U.S. strategic outlook in the region. President Bush noted in the letter that introduced the 2006 National Security Strategy, "America is at war. This is a wartime national security strategy required by the grave challenge we face – the rise of terrorism fueled by an aggressive ideology of hatred and murder, fully revealed to the American people on September 11, 2001. This strategy reflects our most solemn obligation: to protect the security of the American people."²¹ As a result, East Asia has been viewed primarily through the lens of the war on terrorism with less interest in other regional problems. The United States has also remained preoccupied with its on-going struggles to stabilize Afghanistan and Iraq, commitments that have been a serious drain on U.S. resources and attention. Countries in Southeast Asia are particularly concerned that they have either been ignored or have become important largely as part of U.S. counter-terrorism efforts. Moreover, U.S.-ROK disagreements over North Korea stem in large part because Washington sees Pyongyang's nuclear weapons program as a proliferation problem for the spread of nuclear weapons and technology to terrorists and rogue states. For Seoul, the North Korean threat is viewed through a very

different lens, one that is more regional. Finally, the Department of Defense has accelerated its effort at "transformation" to make the U.S. military more agile, expeditionary, and prepared for the challenges of the future. In East Asia, particularly in South Korea, this has meant a reconfiguration of its bases in the region to allow for greater flexibility in its deployments and the possible use of military power.²²

A second important shift is tied to China's economic rise. As China's economic power has grown, so has its defense budget along with speculation regarding its future strategic interests and intentions, both in the region and globally. For more than 15 years, China's defense budget has been growing annually by double digits. By 2005, China ranked 5th in military spending, only slightly behind Japan.²³ In March 2007, Chinese officials announced a \$45 billion defense budget that represented a 17.8 percent increase from the previous year. However, some sources, including the U.S. Department of Defense, maintain that China has not been fully transparent in reporting its defense spending and that the actual budget is considerably more than reported. While the 2007 Pentagon report on China acknowledges a "modest improvement in transparency," it also notes that Beijing "does not adequately address the composition of China's military forces, or the purposes and desired end states of China's military development."²⁴ These increases have supported a major expansion and modernization program that has allowed Beijing to pursue greater blue water naval capability, deploy more advanced aircraft, and develop an improved ballistic missile force. Several hundred of these ballistic missiles are deployed on its eastern coast and target Taiwan while also having sufficient range to reach Japan. China's intention is to have sufficient military capability to deter Taiwan from declaring independence and reversing that outcome, should Taipei pursue this course of action. However, China's efforts are also directed at deterring any U.S. military involvement should fighting break out over Taiwan. In the December 2005 White Paper entitled *China's Peaceful Development*, Beijing insisted that its growth is part of an effort at "peaceful development" to achieve "peaceful, open, cooperative and harmonious

development.” Moreover, “China did not seek hegemony in the past, nor does it now, and will not do so in the future when it gets stronger. China’s development will never pose a threat to anyone.”²⁵ Yet, China’s efforts to increase its military capabilities have not always been viewed favorably in the region. Certainly, Taiwan is unsettled by the increasing level of Chinese military assets pointed in its direction, especially the 600-700 missiles that target the island. Polling data indicates that 93 percent of Japanese, 76 percent of Russians, and 63 percent of Indians believe that China’s increasing military power is a “bad thing.”²⁶ Thus, countries in the region are keeping a watchful eye on these developments.

A third key shift in the strategic paradigm of East Asia, one that has not fully played itself out, is the strategic shift occurring in Japan. Since World War II, Japan and its military have been constrained by Article IX of its “pacifist” constitution. The constitution was imposed on Japan by U.S. occupation authorities after the war and has remained largely unchanged since. Concerning Article IX, the constitution states that the Japanese people “forever renounce war as a sovereign right” along with foregoing the threat or use of force to resolve international disputes. Article IX also maintains that “land, sea, and air forces, as well as other war potential, will never be maintained,” the interpretation of which has allowed the existence of the Japanese Self-Defense Force (SDF). As a result, there are strict limitations on the deployment of Japanese troops abroad and their use, even for UN peace keeping operations has often evoked a firestorm in Japan and in the region. Throughout the Cold War, Japanese security has been maintained by the United States within the framework of the U.S.-Japan Alliance, an arrangement that remains important for regional security.

The effort to revise the constitution has been driven largely by a changing mindset among conservative Japanese elites who are less tied to World War II and prepared to move beyond these historical legacies. Japanese historian Kenneth Pyle notes:

A new generation of Japanese leaders is impatient with the low political profile that came with Japan’s role as a merchant nation. Japan is moving from a period of

single-minded pursuit of economic power to a more orthodox international role in which it will be deeply engaged in political-military affairs. After more than half a century of national pacifism and isolationism, the nation is preparing to become a major player in the strategic struggles of the twenty-first century.²⁷

Japan’s current leaders are part of a new generation that have been born after World War II but still have a foot in both worlds. For example, recent Prime Minister Shinzo Abe, the first prime minister born after the war, is the grandson of Nobusuke Kishi and the grandnephew of Eisaku Sato, both former prime ministers, and the current foreign minister, Taro Aso is the grandson of Shigeru Yoshida, who served as prime minister during the early post-war years. These leaders point to an important shift in Japanese political leadership that is more interested in moving beyond the constraints of World War II history and becoming a “normal” country again.

In 2005, the ruling Liberal Democratic Party (LDP) announced a proposal for revising Article IX that retains the “no-war” provisions but formally authorizes the existence of the SDF and allows it to participate in collective defense efforts, including a wider range of operations within the U.S. alliance and UN peacekeeping operations. For example, under the current interpretation of Article IX, a Japanese warship could not come to the defense of a U.S. ship that is attacked in international waters. This change would allow Japan to participate more fully in collective self-defense operations, end the contradictions present between the constitution and the existence of the SDF, and be a more active player in regional and global security affairs.

Prime Minister Abe supports a strong U.S.-Japanese alliance but is also concerned that Tokyo has become too reliant on this relationship. Thus, he supports continued close cooperation with Washington but is also comfortable with an occasional disagreement and less dependence on the United States as the guarantor of Japanese security. Abe believes Japan can and should play a larger, more independent role in international affairs. In May 2007, Prime Minister Abe convened the first

meeting of an advisory panel to overhaul Japan's national security policy. He indicated his intention to "break away from the postwar (World War II) regime," noting "the national security environment surrounding Japan has become more severe by several degrees because of such issues as North Korea's development of nuclear weapons and ballistic missiles as well as international terrorism. As a prime minister who must deal with such situations, I bear the responsibility of constructing a more effective national security apparatus."²⁸ Abe asked the panel to provide recommendations concerning the Constitution and the interpretation that prohibits Japan from exercising the right of collective self-defense and how this affects the activities of the SDF.²⁹ That same month the Japanese Diet gave final approval for the process of holding a constitutional referendum in 2010. Thus, Michael Green notes, "although increasingly aligned with the United States because of growing uncertainty about its external environment, Japan is an independent variable, and the Japanese elite will come to its own conclusions about how to safeguard Japan's interests."³⁰ Japanese leaders also believe they should take a seat as a permanent member of the UN Security Council, a spot they believe Japan has earned since it is the second largest contributor to the organization's budget, providing 20 percent of UN revenue and based on its stature in the international community. Abe has already undertaken efforts to modernize the national security establishment by upgrading the Japanese Defense Agency to cabinet level status as the Ministry of Defense. In response to the threat from North Korean ballistic missiles, Japan has also begun a satellite reconnaissance program along with increased cooperation with Washington on theater missile defense.³¹

As both China and Japan are on the rise, the stage could be set for these two powers to compete for dominance in the region and clash on several potential issues. China has a long history as East Asia's hegemon where it controlled regional affairs and expected others there to accept Chinese authority. With the growth of Chinese economic and political power, there is concern that Beijing may intend to reclaim its former status. China's economic progress in the past ten to fifteen years has fueled a resurgent nationalism that taps into the Chinese

historical memory and evolving Chinese identity as a great regional power. Moreover, the CCP uses nationalism, particularly criticism of Japan's World War II past, to buttress its legitimacy when necessary. If China chooses, at some point in the future, to pursue regional dominance, there will likely be a clash with Japan that will further provoke Tokyo's remilitarization. Thus, a resurgent Japan may happen of its own accord or it may occur as a reaction to China's new direction.

Fourth, there is an important shift occurring in the U.S.-ROK alliance. When the United States and South Korea began their formal defense relationship in 1954 under the Mutual Security Treaty, South Korea was in dire straits. It was wracked by three years of war that destroyed much of the economy and killed close to a million South Koreans. Beginning in the 1960s, South Korea began an economic turn around that has made it the world's 12th largest economy and the 7th largest trading partner of the United States. One of the dragons of East Asia, South Korea is now a leading producer of automobiles, electronics, computer chips, and ships among other goods. ROK economic success has generated two forces that sometimes collide and sometimes mesh to push for change in the alliance: growing South Korean confidence in its ability to determine its own destiny, and U.S. pressure for South Korea to take on a greater share of its own defense. As a result, in the past few years, there has been friction over events like the accidental killing of two middle school girls by a U.S. military vehicle along with fundamental disagreements over how to deal with North Korea. Moreover, there have been significant changes in South Korean leadership with the ascension of the "386" generation—those in their 30s, in the universities in the 1980s during the time of protest against the military government, and born in the 1960s—who do not have the Korean War as their primary frame of reference and have only experienced a South Korea that has been on the rise. Led by the current president Roh Moo-hyun, who campaigned on a platform of anti-Americanism, this generation's leaders have been more willing to diverge from U.S. policy and chart its own course in regional security matters. With growing Sino-ROK trade ties, some U.S. officials see South Korea moving away from its long-time, close relationship with the

United States to one more closely aligned with China. However, Sunhyuk Kim and Wonhyuk Lim caution against this assessment and note that “instead, a combination of South Korean economic development over time, the rise of a new generation in South Korean politics, and changing inter-Korean relations, help explain a Seoul that has become more fundamentally independent than anti-U.S. or pro-Chinese.”³²

In the last few years, the United States and South Korea have been undertaking three measures that bring significant change to the structure of the alliance.³³ First, the United States announced in 2003 that it would be reducing the number of troops in Korea by 12,500 so that the total U.S. force level would be 25,000 by 2008. To compensate for the force reduction, Washington committed \$11 billion in force upgrades such as PAC-3 Patriot missile systems. Second, remaining U.S. troops in Korea will be relocated from close to 60 different bases to two hub locations south of Seoul, one at Camp Humphreys near Pyeongtaek and the other at Osan Air Base. For the United States, these force adjustments have several motivations. First, as noted earlier, it is part of the Pentagon’s efforts at transformation. U.S. troops in Korea are deployed for one purpose—deter and, if necessary, defeat North Korea. According to the Pentagon, the United States can no longer afford to have troops deployed that are not useful for more rapid deployment to other contingencies. The reduction is also an effort to lessen the U.S. “foot print” in Korea by returning over 36,000 acres with an estimated value of over \$1 billion, including the Headquarters, U.S. Forces Korea (USFK) in Yongsan, which occupies valuable real estate in the heart of Seoul.³⁴ Recent reports indicate the consolidation into two bases may be delayed beyond the intended completion date of 2008 to 2009 or possibly 2013, due to construction delays.

The third and most contentious issue has been the transfer of wartime operational control (OPCON). After the Korean War, peacetime and wartime OPCON remained with the U.S. military commander in Korea. In 1994, peacetime OPCON was returned to South Korea, giving ROK commanders day-to-day management of their forces but, in the event of war, OPCON remained under the U.S. commander. In 2002, Washington and Seoul began a dialogue to transfer wartime OPCON as well. The

following year, newly elected President Roh Moo-hyun pushed the measure enthusiastically, noting “OPCON is the basis of self-reliant national defense. The point is that self-reliant national defense is the essence of sovereignty for any nation. Unless there is a serious problem, a nation must have OPCON as a necessary condition even if it may have to pay a certain price for it.”³⁵ Once proposed, U.S. officials were quick to agree to the measure and insisted South Korea was able to successfully take over this responsibility. General Burwell B. Bell, the USFK commander, has argued the three ROK armies “are powerful fighting forces” and, regarding the security of South Korea, “nothing will be done, in transferring any command relationships, that jeopardizes that fundamental.”³⁶ After an initial disagreement—South Korea wanted 2012 while the United States argued for 2009—both sides agreed to begin the transfer in April 2012.

Despite these assurances, there is significant opposition in South Korea to this move. Conservatives believe the transfer of wartime OPCON will jeopardize Korean security and is a precursor to the end of the U.S.-ROK alliance. Moreover, there will be a significant cost for Seoul to acquire the necessary capabilities for upgrading its defense posture. It is hoped that a new, more conservative administration elected in South Korea in 2008, a likely outcome, might be able to reverse the OPCON transfer. Those on the left fear these new arrangements will free up U.S. forces for operations in East Asia that might drag South Korea into a conflict. They are particularly worried that a future conflict with China over Taiwan might involve U.S. aircraft based in South Korea and used against Chinese forces that would return to ROK bases.

A fifth dimension of the shifting paradigm is the Asian effort to develop its own multilateral institutions in an effort to address regional issues. Some of these efforts are the result of a changing sense of identity both within their individual countries and in the region more broadly.³⁷ According to Joshua Kurlantzick, “average people have developed a growing pan-Asian consciousness” and “are beginning to think of themselves as citizens of a region.”³⁸ The most well-known organizations are the Association of Southeast Asian Nations (ASEAN) and

the Asia-Pacific Economic Cooperation (APEC) forum begun in 1967 and 1989 respectively. Other more recent additions are the ASEAN Regional Forum (ARF) in 1994, ASEAN + 3 in 1997, the Shanghai Cooperation Organization in 2001, and the East Asia Summit in 2005. Though not part of East Asia, the South Asian Association of Regional Cooperation (SAARC) formed in 1985 may also be relevant as it has granted observer status to China, Japan, South Korea, and the United States in addition to the European Union and Iran. All of these organizations have had various motivations for their start and differing track records in accomplishing their intended goals. APEC began as an informal dialogue at the ministerial level to address regional economic issues and has since evolved into an annual summit meeting. The United States has often tried to coax the group into considering security issues, but the organization has remained devoted to economic concerns. In 1994, in an effort to create an organization that would address a broad array of security concerns, states came together to form the ARF. In addition to ASEAN members and others from Asia, the 25 members include the United States, Canada, and the European Union. Despite its hopes, the ARF's accomplishments have been relatively modest. The organization has been an important forum for dialogue but has taken little substantive action.

ASEAN plus 3—with China, Japan, and South Korea added to the ASEAN membership—came about as a response to the 1997 Asian financial crisis and was a key turning point in the region's move to greater institutional integration. The 1997 crisis demonstrated to East Asian leaders the extent to which the region had developed close economic ties as the collapse of one country, Thailand, could wreck havoc on the entire region. The crisis also fueled a belief that global financial organizations such as the IMF and the World Bank had failed them, and that the United States was slow to come to Asia's aid, despite providing a huge bailout to Mexico a few years earlier when it confronted a similar crisis. In contrast to a perception that the United States was uninterested in helping until it was too late, China capitalized on these events by declaring it would not devalue its currency in an effort to support these failing economies. China's action did little to repair the financial disaster, but it went a long

way in generating good will toward Beijing. In Thailand, leaders still harbor resentment toward the United States and have strong pro-Chinese feelings. As a result, many countries in the region came to believe they needed a different set of institutions that would be more responsive to the needs of East Asia. The Asian financial crisis also signaled the decline of APEC's influence in the region.

In 2001, China instigated the formation of the Shanghai Cooperation Organization, a small group that contains China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The chief public concerns behind its formation are cooperation regarding terrorism and control of separatist movements that operate in this area. However, the organization is also an effort by China and Russia to ensure access to energy and markets in Central Asia while curbing U.S. influence in the region.

In 2005, the ASEAN + 3 group agreed to hold the first East Asia Summit, hoped to be the first step towards the formation of an East Asian Community. The organization was initially mired in a membership fight over who would be eligible to join. Some feared the organization would be dominated by China and wanted broad membership that included India and the United States. In the end, India, Australia, and New Zealand were allowed to join but not the United States. In an effort to make Washington's exclusion politically palatable, EAS stated that only those countries that had signed ASEAN's Treaty of Amity and Cooperation could join, an action the United States has flatly refused in the past based on concerns the treaty would limit U.S. freedom of action and is essentially unenforceable. Of these organizations, the United States is a member in only two—APEC and ARF.

Much of the effort to build regional institutions has been tied to China's economic growth which has created an extensive interdependence among all the economies in the region through production, trade, and investment networks. The growing interdependence has created vulnerabilities that multilateral forums help protect and assist in managing economic disputes along with lingering regional animosities such as ongoing territorial disputes and conflicts over historical issues.³⁹

Finally, there is a new nuclear weapons state in the region. On October 9, 2006, North Korea conducted a nuclear test that likely malfunctioned, producing a blast that was far less than DPRK officials had hoped for. Though many assumed the North already had a nuclear weapon, the test shook the regional security environment though different states had different reasons for their concerns. These differences have also been a source of tension among states in the region, particularly South Korea and the United States, and have produced a lack of consensus on how to deal with North Korea.

For South Korea, though it is concerned about a nuclear North, it does not see this threat in the same way as the United States. Most South Koreans believe the North is unlikely to use its nuclear weapons against the South and can successfully be deterred. As a result of South Korea's economic success, it no longer sees the North as a competitor and does not have the same feeling of national emergency that drove its policy in earlier decades. South Korea has won this battle and, moreover, the tremendous economic suffering in the North has struck a cord of sympathy in the South, generating a great deal of support for its suffering brethren across the DMZ.⁴⁰ As a result, South Korea's past two presidents, Kim Dae-jung and Roh Moo-hyun, have pursued a policy of engagement with North Korea, both politically and economically, as the best way to deal with the DPRK threat. Efforts continue in the Six-Party process to prod North Korea into giving up its nuclear weapons and so far, these efforts have been stalled as a result of Pyongyang's money stuck in Banco Delta in Macao. The long-term impact of a nuclear North Korea, should efforts to denuclearize fail and the two Koreas remain divided, is unclear. However, it is an important change in the regional security environment.

Remaining Realities in the Strategic Paradigm of East Asia

Despite these changes in the strategic paradigm, much is likely to remain the same. First, while the United States has lost some of its economic strength relative to East Asia, it remains the dominant military power within the region and globally. The United States maintains a large state-of-the-art armed forces that is able to project power throughout the region. The base defense

budget for FY 2006 was \$411 billion, far more than the United Kingdom, France, Japan and China, the next highest spenders combined.⁴¹ In the region, the United States maintains the U.S. Pacific Command (PACOM) that is home to 300,000 military personnel stationed in forward locations in East Asia and bases in the United States. Among the units that make up this command are the 25th Infantry Division (Hawaii and Washington), the Third (California) and Seventh (Japan) Naval Fleets, Marine Expeditionary Force I (California) and III (Japan), and the Fifth (Japan) Seventh (South Korea), Eleventh (Alaska), and Thirteenth (Guam) Air Forces.⁴² These units continue to play an important role in maintaining regional stability. Their presence prevents a power vacuum that could be filled by another regional actor. More specifically, these forces will continue to be a hedge against future Chinese intentions to dominate the region or anxieties about a resurgent Japan. As noted previously, there remains concern in the region for a more assertive Japanese foreign policy, particularly if the proposed constitutional revisions pass. However, the fears are muted so long as Japan remains firmly embedded in its alliance with the United States. In addition, the U.S. presence in the region acts as a damper to any future growing Sino-Japanese rivalry. Thus, despite current U.S. attention to the Middle East and the war on terrorism, a senior Chinese foreign ministry official remarked, "we think of you Americans as great surgeons going around the world performing remarkable surgeries but then you move on to open up the next patient before you sew up the last one. We think you made a mistake going into Iraq. But you remain the most powerful country in the world and your interests in East Asia are too great for you to walk away from."⁴³

The United States also maintains five formal security commitments that are likely to persist for some time. These relationships include security treaties with Japan, South Korea, the Philippines, Australia under ANZUS, and Thailand, along with a defense commitment to Taiwan. This hub-and-spoke system of alliances provides the architecture for partial regional security that helps address potential concerns. Though it is different from the European security structure, these alliances are

likely to remain, even if a more formal and institutionalized multilateral security arrangement is created in the future.

Another lingering element of the strategic paradigm is the different interpretations of history in the region that are likely to plague relations for the foreseeable future. China, South Korea, and others in East Asia continue to harbor resentment over Japanese actions during World War II and a belief that Japan has been insufficiently apologetic for the past. In a Pew Research poll, 81% of the Chinese surveyed indicated that Japan has not sufficiently apologized for its military actions during the war.⁴⁴ The Chinese have clear memories of the Japanese invasion of China, the Nanjing massacre, the comfort women, and the chemical and biological weapons experiments and warfare conducted by Japanese units, such as U-731 and U-100. Periodically, these issues are resurrected when Japanese history textbooks are published that do not fully account for these atrocities or claim that the Japanese occupation throughout Asia was actually beneficial to the region. Chinese authorities have often been quick to use these instances to stoke nationalist sentiment and generate support for its government. Another irritant, not only for the Chinese but also for South Korea and others, has been the periodic visits by former Japanese Prime Minister Junichiro Koizumi to the Yasukuni shrine that honors Japanese war dead. The shrine is not owned or operated by the government, and there are no bodies entombed there. However, the 2.5 million that are honored at Yasukuni include 14 Class A war criminals, General Hideki Tojo among them, who were convicted and punished by the Tokyo war crimes tribunal. Koizumi never visited the shrine as a private citizen but made it a point to do so as Prime Minister, visiting six times during his tenure in office, though insisting always he was conducting this ritual as a private citizen. By comparison, former prime ministers Yasuhiro Nakasone and Ryutaro Hashimoto visited the shrine only once during their time in office. Every time Koizumi visited the shrine, a firestorm of protest erupted throughout East Asia.

So far, Koizumi's successor Shinzo Abe, has refrained from visiting the shrine and has done much to repair the Sino-Japan relationship, including a trip to Beijing early in his

administration. Abe has been purposefully ambiguous about any future visits, though he strongly supported them when undertaken by Koizumi. He has tried to finesse the issue by donating 50,000 yen, a little over \$400, to the shrine to dedicate a "sakaki tree," sacred to Shinto, for the annual April spring festival. When asked about the donation, Abe declined to comment, indicating that to do so could damage Japan's relations with China and South Korea.⁴⁵ At the moment, Japan's relations with its neighbors over history is relatively calm but below the surface lies lingering suspicion and hostility that have the potential of enflaming tensions in the region. It is difficult to imagine these feelings vanishing anytime soon and they will continue to provide an important back drop for East Asian security relations.

The final on-going elements of the strategic paradigm are the continuing Cold War legacies of North Korea and Taiwan. Though North Korea's status as a nuclear weapons state included it in the previous section of changing aspects, much of the North Korean security problem remains a continuation of the East Asian paradigm, and, along with Taiwan, one that is likely to remain so for some time.

Despite predictions of its imminent demise that have been circulating since the early 1990s, North Korea has shown a remarkable ability to sustain itself, in spite of a decrepit economy that struggles to feed its people. North Korea is a provocative regime, unafraid of using fiery rhetoric and brinkmanship whose chief goal is regime survival. Kim Jong-il has instituted some economic reform but it is halting and glacial. There is little likelihood the DPRK will initiate a conflict. Though it could inflict great damage in the short term, the military balance is not in its favor and its leaders know it. Among the many possible motivations for North Korea's nuclear aspirations, addressing Pyongyang's security concerns may be the most likely explanation. The prestige that comes from joining the nuclear club has also elevated North Korea's international stature and bolstered Kim Jong-il's standing with the military. Unless the South and North reunify, North Korea will remain a serious security threat for some time, as it has been for the past 50 plus years.

Taiwan also remains an intractable element of the East Asian security environment. The Chinese have made it an absolute tenet of Chinese nationalism that Taiwan is part of China and must not be allowed to separate. Susan Shirk, a former Deputy Assistant Secretary of State for China, notes:

It is universally believed in China ... that if the Communist regime allows Taiwan to declare formal independence without putting up a fight, the outraged public will bring down the regime. China's military and political leaders know full well that the United States, while not legally bound to intervene, has committed morally and politically to help Taiwan defend itself. They also realize that China's booming economy would be the first casualty in any military conflict with Taiwan and the United States. Nevertheless, they would use force to avoid domestic humiliation if they believed their political survival depended on it.⁴⁶

China's fear is that the leadership of Taiwan might eventually move toward independence, a position some of its most recent presidents, Chen Shui-bian and Lee Tung-hui, supported. However, the two candidates in the March 2008 presidential election, Frank Hsieh and Ma Ying-jeou, have both pledged to work on easing tension with the mainland.

Taiwan's public is more divided on the issue. According to a 2006 survey in Taiwan conducted by National Chengchi University, 38.8 percent of respondents said they would maintain the status quo and decide the issue at a later date, 19.6 percent would maintain the status quo indefinitely, 12.3 percent would maintain the status quo and move toward unification, and 2.1 percent would move to reunification as soon as possible. Totalling these numbers indicates strong support, 72.8 percent, for maintaining the status quo or moving towards reunification. Fourteen percent of respondents favored maintaining the status quo and moving toward independence and 5.5 percent wanted to pursue independence as soon as possible.⁴⁷ No doubt, some of these numbers would change if a move toward independence

would not provoke a violent reaction from China. However, for the moment, independence is unlikely to occur.

The U.S. position on this issue has been relatively clear and consistent. The United States maintains a one China policy that supports Beijing's position that there can be only a single China and Taiwan is part of that entity. However, the United States has also made it clear that any effort to reunify the two through force is unacceptable and that it would come to Taiwan's defense, if attacked. Washington has been equally clear to Taipei that it should not take any provocative action, namely, a move towards independence. Despite U.S. statements of resolve, the key question is whether the United States would truly come to Taiwan's assistance. For all parties involved, the policy is the veritable "kick the can down the road" in hopes of maintaining the status quo that all can live with and, for the moment, avoid a different scenario that is unacceptable to one side or another. In any case, this, too, is likely to remain another regional flashpoint for some time to come.

Implications for U.S.-East Asian Relations

Despite these important changes in the economic and strategic relationship of the United States and East Asia, describing this as a paradigm shift may be overstating the case. No doubt, the U.S. role is not what it once was and there are clearly more limits to U.S. power and influence in the region than in the past. According to one senior Thai official, "Hey, things have changed. We don't have your pro-consuls around anymore. You don't run things here now."⁴⁸ However, while U.S. power and influence have decreased, Washington continues to play an important and valuable role in the region. Is the United States being overshadowed by China? David Shambaugh maintains "power is shifting toward China in the Asian region, but not absolutely and not equally across different realms" and in general, "it is shifting toward China most in the economic realm, less so but still noticeably so in the diplomatic-political realm, and least so in the security sphere . . . international relations in the Asian region are a very complex mix of multiple trends, not simply the rise of China."⁴⁹ Even when accounting for a rising China, it need not be a zero-sum game at the expense of U.S.

interests in the region. In spite of China's growth, the United States remains the dominant economic and military power, a reality appreciated by many Asian leaders for the stability it brings to the region.⁵⁰

Yet, a rising China forces U.S. policy makers to address an important question – How to manage the Sino-U.S. relationship? Clearly, there are questions regarding China's future intentions and its ability to project power in the region and globally. The 2007 Pentagon report on Chinese military modernization notes that:

The United States welcomes the rise of a peaceful and prosperous China, and it encourages China to participate as a responsible international stakeholder by taking on a greater share of responsibility for the health and success of the global system. However, much uncertainty surrounds the future course China's leaders will set for their country, including in the area of China's expanding military power and how that power might be used.⁵¹

Soon after the report was released, Secretary of Defense Robert Gates traveled to the annual Shangri-La Dialogue in Singapore where he refrained from criticizing China and focused largely on encouraging others to help in Afghanistan. Concerning China, Gates noted some concern for the "opaqueness of Beijing's military spending and modernization programs" but maintained the United States and China share common interests and "there is reason to be optimistic about the U.S.-China relationship."⁵² Recently, China has been more forthcoming in providing information on the full range of its military budget and sent its most senior military official ever to the Singapore event.⁵³ Most importantly, China's rise has been accomplished within the U.S.-established global economic system and has largely followed its recognized norms. China's acquisition of greater military power need not be a threat and as China becomes a global player with global interests, it will wish to protect these interests. Transparency is the key issue. As Secretary Gates noted at Shangri-La, "the fact that they're building capacity is just a fact. It is what they plan or do not plan to do with it that's of interest. And that's where their

transparency would be helpful to everyone."⁵⁴ Even if the United States chose to contain China's rise, how would it go about doing so? Actions to accomplish this would likely provoke the type of aggressive behavior from China that the United States is trying to avoid. In addition, the integration of the U.S. and Chinese economies is to such a level that both countries would pay a steep price in the event of a military conflict or trade war.

A rising China may also coincide with a resurgent Japan that seeks less reliance on the United States for its security. The danger of clashing nationalisms, though quiet now, remains a possibility and one that could jeopardize peace in the region. Though these forces have been present for many years, the Cold War security environment and the relative weakness of China and Japan prevented these historical animosities from playing out. The United States plays an important role here and will need to continue to do so to ensure these rivalries do not flare up in ways that damage regional cooperation. The United States is less able to control outcomes in the region, but its presence and nuclear umbrella remain a crucial element of regional security. Even for China, the U.S. nuclear umbrella prevents Japan and South Korea from going nuclear in the face of North Korean threats.

Many in East Asia acknowledge and support the continued U.S. presence in the region as a stabilizing influence. However, in the same breath, they do not want the United States to be overly involved in the region and act in a heavy-handed manner. The slow evolution of multilateral institutions that exclude the United States risk a further reduction in U.S. influence and involvement in East Asia. For some, these efforts are a form of balancing to ensure the United States does not impose its will on the region. However, the United States must be an active player in East Asia. Indeed, most people in the region believe China will not replace the United States as the dominant global power in the near future. According to the Pew Global Attitudes Project, only 9 percent of Indians, 13 percent of Russians, 13 percent of Japanese, and 20 percent of Chinese believe that China will replace the United States as the dominant power in 50 years.⁵⁵

While some of these changes are underway, it is not entirely clear what the outcome will be. China is rising but so is everyone in Asia, and the eventual economic and strategic power structure is difficult to predict. Thus, there is considerable uncertainty in the years ahead, but it need not be one laced with conflict. The United States needs to remain an active player that is engaged in the region and for reasons that go beyond the war on terrorism. At the Shangri-La forum, Secretary Gates stated:

From its inception as a young republic, the United States has been a Pacific nation We have strong interests in all points of the Asian compass, East, South, Southeast, Northeast and Central spanning the entire spectrum of economic, political and security relations. Our engagement in Asia has been central to America's approach to global security for many decades through multiple administrations of both political parties. It remains no less so today, and will become increasingly so in the decades to come.⁵⁶

The United States also needs to continue engaging China and maintain efforts to embed Beijing in the economic and security structure that is evolving in the region. As the United States has seen its ability to control events wane, it is even more important to have China securely enmeshed in the norms and procedures of the global order. Moreover, Washington should work to be part of that evolving structure while working in collaboration with the other members and avoid being heavy-handed. This will require a balancing act that addresses U.S. allies in the region more as partners while engaging China in a way that maintains support among its friends in the region.

Implications for Korean Security

The changing economic and strategic paradigm has several implications for South Korea. In many respects, South Korean security concerns in the past have been relatively predictable—deter North Korea and continue economic growth, concerns that paralleled the Cold War. However, the security environment has begun to change and is becoming less certain. South Korea's

economy is increasingly tied to China and Seoul is also becoming intertwined in the process of regional economic integration. Yet, while China is a growing economic partner for Seoul, Beijing's strength and intentions can also be a threat to South Korea's interests. If China's rise is accompanied by a corresponding resurgent Japan that fuels a Sino-Japanese rivalry, South Korea will be caught in the middle of a potentially nasty confrontation. In addition, it is not clear how the U.S.-Sino relationship will fare in the future. Increasing tension between these two powers will force Seoul into the difficult position of having to steer a delicate course between a crucial trade partner and long-time strategic ally that is the dominant military power in the region. North Korea's future also continues to be a serious question mark for the future including the possibility of reunification with the certain costs and likely instability that will follow.

South Korea has grown as an economic and political power in the region along with its confidence and willingness to pursue a more independent foreign policy. In the past few years, these dimensions have led to some testy times and serious disagreements within the ROK-U.S. alliance. The alliance is also in the process of being reconfigured to reflect the U.S. Defense Department's drive for "transformation" and South Korea's efforts to reshape the alliance into more of a partnership. As a result, South Korea will increasingly have greater control over its security. Yet, the U.S.-ROK alliance, in its new form, will remain important as a vehicle for ensuring ROK security though it will be less about deterring the North Korean threat and more of a hedge to address overall regional uncertainties. The US-ROK alliance will remain important for both parties, but it should not be directed at containing China. South Korea can play an important role in keeping the United States from moving in an anti-China direction and be in a good position to act as a regional mediator as well. In 2005, President Roh Moo-hyun suggested South Korea could be a "balancing factor in Northeast Asia."⁵⁷ South Korea is not sufficiently strong to be a traditional geo-strategic balancer, and President Roh did not intend his comments to be taken that way. However, Seoul is uniquely suited to be a mediator of sorts since it has never attacked one of

its neighbors nor does it have the power to challenge the regional powers for control of East Asia. South Korea can be viewed as a legitimate mediator by the others without being a competitor.⁵⁸

Conclusion

The U.S.-East Asia paradigm is best viewed as a two level structure with a complicated mixture of dimensions, some of which have changed and others that have not. At the economic level, the region is changing significantly with the continued growth of the Chinese economy accompanied by sizeable levels of regional economic growth, integration, and cooperation. While U.S. economic strength is decreasing relative to the region, the United States remains an important economic driver with access to U.S. markets remaining crucial for most East Asian economies. However, at the strategic level, the amount of change, cooperation, and integration is less pronounced. Certainly, there has been some change. China's economic rise has allowed Beijing to increase its military capabilities, something that has raised questions about its future intentions and generated concern in the region. As a rising power, China's interests will also grow, and it will certainly seek to protect those interests. The ultimate outcome of a resurgent Japan is a question mark while the U.S.-ROK alliance is already undergoing some adjustment. Despite these issues, a good portion of the current security environment has remained the same. The United States retains a significant presence in the region and remains the dominant military power globally; even with its current involvement in Iraq and Afghanistan, the United States maintains significant military power to act if necessary. The current hub-and-spoke alliance structure is unlikely to change soon and will continue to make an important contribution to regional stability. Many of the potential flashpoints will also remain such as Taiwan and North Korea, lingering historical animosities, and several island disputes, all of which have the potential to boil over into conflict. The paradigm is changing, albeit at different speeds for different levels—more rapidly in the economic realm and more slowly in strategic/security affairs. The paradigm is evolving slowly, and it is not clear what the final economic and security architecture will look like.

China's rise is likely to continue, though it may not be as smooth as Chinese leaders would hope. Indeed, continued growth in the Chinese economy is important for the United States as a downturn would seriously damage U.S. and East Asian economies. In addition, a serious decline in Chinese economic growth could destabilize the regime since the CCP's legitimacy is based heavily on its ability to deliver prosperity to the Chinese people, an eventuality that would have significant repercussions in the region.

Japan's future also remains a key wild card. While Japan is on a path to reshape its strategic posture, it is not entirely clear what the result will be or how the remainder of the region will react to these developments. Deep historical animosities remain that have yet to be fully resolved. The U.S.-Japan alliance is crucial for calming fears as Japan moves to assume a more active strategic position in East Asia. While Japan's desire to play a more prominent role should not be a surprise, and the United States should not work publicly to restrain Japan, Washington should also avoid pushing Japan into expanding its military capabilities and taking on a regional role that will likely fuel worries in East Asia.

An important effort to address these future concerns and uncertainties is the establishment of a permanent, East Asian Security Forum. The organization can begin as a continuation and institutionalization of the Six-Party Talks and broaden its agenda to other regional security issues. It need not develop into a NATO-like security structure with alliance commitments and forces deployed under its banner. These six countries—China, Japan, South Korea, North Korea, Russia, and the United States—already have numerous common issues, a track record for working together, though not always successfully, and include the major regional players whose rivalries would impact the entire region. It is also a small group that would avoid the initial pitfalls of large gatherings and the determination of membership which has been a struggle in forming the East Asia Summit. A group this size would also avoid some of the problems of least common denominator dynamics that water down solutions so that they are often ineffective. As the group stabilizes, more members can be added later. Several bodies

exist for addressing trade and finance issues such as APEC and ASEAN, but none is devoted to tackling the difficult security issues that loom in the years ahead. Broader strategic integration that is not an alliance arrayed against China will do much to create a security architecture that imbeds China and Japan in a multilateral environment as opposed to lining up partners against one adversary or the other. Some critics maintain that organizations of this sort are simply “talk shops” that accomplish little of substance. However, dialogue is an important starting point and a permanent forum ensures the players have an organization that meets regularly and frequently to address important regional security issues.

Finally, the United States needs to remain an active player in the region and engaged for reasons that go beyond terrorism. The region is slowly building new multilateral institutions and it is important for the United States to be involved as a member of these new organizations and to help shape their future direction. However, U.S. involvement should occur in a way that is collaborative, fosters regional dialogue and integration, and is sensitive to regional concerns. These efforts can help to build a peaceful and prosperous East Asia that includes China as a partner, builds structures for dialogue to address security concerns, and provides a framework for addressing uncertainties in the years ahead.

Notes:

¹ The views expressed in this report are the author’s alone and do not represent the official position of the Department of the Navy, the Department of Defense, or the U.S. government.

² I would like to thank Ambassador Gene Christy and Paul J. Smith for their help on earlier drafts.

³ See David C. Kang, “Getting Asia Wrong: the Need for New Analytical Frameworks,” *International Security* 27, no. 4 (Spring 2003): 57-85.

⁴ Jane Perlez, “China Emerges as Rival to U.S. In Asian Trade,” *New York Times*, June 28, 2002, A1.

⁵ David M. Lampton, The Faces of Chinese Power, *Foreign Affairs* 86, no. 1 (January/February 2007): 121.

⁶ Brian Bemner, “China Tops U.S. as Japan Trade Partner,” *Business Week Online*, April 25, 2007, http://www.businessweek.com/globalbiz/content/apr2007/gb20070425_392152.htm?campaign_id=rss_daily (accessed May 14, 2007).

⁷ Jim Yardley, “Sanctions Don’t Dent North Korea-China Trade,” *New York Times*, October 27, 2006, A1.

⁸ Joseph Kahn, “China May Press North Koreans,” *New York Times*, October 20, 2006, A1.

⁹ Pew Research Center, “Publics of Asian Powers Hold Negative Views of One Another,” September 21, 2006, <http://pewglobal.com/reports/display.php?ReportID=255> accessed May 21, 2007).

¹⁰ Joshua Kurlantzick, “China’s Charm: Implications of Chinese Soft Power,” *Carnegie Endowment Policy Brief* 47 (June 2006).

¹¹ United Nations Conference on Trade and Development, *Asian Foreign Direct Investment in Africa: United Nations Report Points to a New Era of Cooperation Among Development Countries* (March 2007) http://www.unctad.org/en/docs/iteiia20071_en.pdf (accessed May 25, 2007).

¹² U.S. Department of Treasury, “Major Foreign Holders of Treasury Securities,” March 2007, <http://www.treas.gov/tic/mfh.txt> (accessed May 31, 2007).

¹³ Morton Abramowitz and Stephen Bosworth, *Chasing the Sun: Rethinking East Asian Policy* (New York: Century Foundation Press, 2006), 30.

¹⁴ Office of the United States Trade Representative, “United States, South Korea Announce Intention to Negotiate Free Trade Agreement,” February 2, 2006 <http://www.ustr.gov/Document_Library/Press_Releases/2006/February/United_States_South_Korea_Announce_Intention_to_Negotiate_Free_Trade_Agreement.html> (accessed February 20, 2007).

¹⁵ “US-South Korea FTA: A KORUS of approval?” *AsiaInt Economic Intelligence Review*, April 2007, <http://www.asiaint.com/arl/arl13656.asp> (accessed May 5, 2007).

¹⁶ The agreement will reduce ROK tariffs on U.S. beef imports over 15 years and Seoul has pledged to resume acceptance of U.S. beef that was stopped in 2003 over concerns for mad cow disease. Prior to this, South Korea had been the 3rd largest market for beef exports at \$850 million. “US-South Korea FTA: A KORUS of approval?” *AsiaInt Economic Intelligence Review*, April 2007,

<http://www.asiaint.com/arl/arl13656.asp> (accessed May 5, 2007).

¹⁷ For a detailed summary of the agreement, see Office of the United States Trade Representative, “Free Trade with Korea: Summary of the KORUS FTA,” April 2007,

http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file939_11034.pdf (accessed May 23, 2007).

¹⁸ Lampton, 125.

¹⁹ Li Tu, “Evaluating Deng Xiaoping,” *The Epoch Times*, February 24, 2007, <http://en.epochtimes.com/news/7-2-24/52117.html> (accessed May 15, 2007).

²⁰ *AsiaInt Economic Intelligence Review*, “Beijing sees crash coming – EIR March 2007,” March 21, 2007, http://www.asiaint.com/loggedin/member_executive.asp (accessed April 10, 2007).

²¹ President George W. Bush, *National Security Strategy of the United States*, March 2006, <http://www.whitehouse.gov/nsc/nss/2006/> (accessed May 25, 2007).

²² The plan for transformation of the U.S. military was first outlined in the *Quadrennial Defense Review Report*, September 30, 2001, and later in the 2004 *Global Posture Review*.

²³ SIPRI, “The 15 major spender countries in 2005,” *SIPRI Yearbook 2006*, http://www.sipri.org/contents/milap/milex/mex_major_spenders.pdf (accessed May 31, 2007).

²⁴ Department of Defense, *Military Power of the People’s Republic of China: 2007*, <http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf> (accessed June 6, 2007).

²⁵ Information Office of China’s State Council, *China’s Peaceful Development Road*, December 22, 2005, http://news.xinhuanet.com/english/2005-12/22/content_3955128.htm (accessed May 11, 2007).

²⁶ Pew Research Center, “Publics of Asian Powers Hold Negative Views of One Another,” September 21, 2006, <http://pewglobal.org/reports/display.php?ReportID=255> (accessed May 21, 2007).

²⁷ Kenneth B. Pyle, *Japan Rising: The Resurgence of Japanese Power and Purpose* (New York: Century Foundation, 2007), 2.

²⁸ “Abe shapes agenda for defense panel,” *Asahi Shimbun*, May 19, 2007, www.asahi.com/english/Herald-asahi/TKY200705180322.html (accessed May 22, 2007).

²⁹ Specifically, Abe asked the panel to review four scenarios: the response to an attack on a U.S. Navy ship patrolling with a Japanese vessel in international waters; intercepting ballistic missiles launched at the United States; protecting the forces of other states when Japanese forces are assisting in international peacekeeping operations; and furnishing logistic support to other states participating in peacekeeping operations. *Ibid.*

³⁰ Michael J. Green, “Japan is Back: Why Tokyo’s New Assertiveness Is Good for Washington,” *Foreign Affairs* 86, no. 2, (March/April 2007): 144.

³¹ Richard Katz and Peter Ennis, “How Able is Abe?” *Foreign Affairs* 86, no. 2 (March/April 2007): 81.

³² Sunhyuk Kim and Wonhyuk Lim, “How to Deal with South Korea,” *Washington Quarterly* 30, no. 2 (Spring 2007): 72. See also David C. Kang, “The Cause of Strife in the U.S.-ROK Alliance,” *The Fletcher Forum of World Affairs* 20, no. 2 (Summer 2006): 23-31.

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