

The United States and East Asia: A New Paradigm?

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I. Introduction

The end of the Cold War has precipitated a major rethinking of the United States' international commitments in both the scholarly and policymaking communities. For the first time in nearly half a century, the United States is fundamentally reconsidering both its military and economic relations with the outside world. However, the debate over how to restructure US foreign policy has generally focused on Europe.¹⁾ When analysts have referred to Asia, the emphasis has generally been on economic problems in the region. Similarly, the thrust of these works has tended to remain short-term, looking at the immediate future.²⁾

This paper challenges these viewpoints. It argues that East Asia is as important as Europe to the United States, for security as well as economic reasons. The paper looks at the long-run as well as short-run trends in East Asia, and argues that the issues the US will face in the future will not arise solely from its traditional adversaries—a major problem will be managing conflicts within alliances. Whatever room to maneuver the US now has for adjusting its relation both within and without alliances in the region, soon events and tensions may severely limit US options in East Asia. The apparent stability in Asia is in fact quite fragile, and might not endure without a careful examination of what accounts for both this stability and the potential for instability.

This paper presents two arguments, while dealing with two broad issue areas. The first is that excessive emphasis on economics to the detriment of traditional politico-security concerns is a serious mistake. No matter how tightly woven national economies have become in this interdependent world, the use of force as

a means of aggrandizement will not cease to be an instrument resorted to by governments. The effective functioning of international markets depends on a political system that is relatively stable and predictable. Without a stable political environment, economic transactions across borders will become difficult. The second argument revolves around the question of US leadership, and stresses that while America is currently the only nation with the capacity, desire, and credibility to be the leader in East Asia, America must begin preparing to share leadership in the future.

While making these arguments, the paper focusses as well on two broad issues. The first issue is the sensitive question of Japanese rearmament. This paper argues that an increase in Japanese military and political influence in the region is, for better or for worse, inevitable. The heightened Japanese visibility in the region, however, must be carefully balanced so that Tokyo's strategic reach does not become a source of new conflict in the region. The second issue is the growing multipolarity in East Asia. Differing growth rates among a host of countries has resulted in a number of states with the capacity to forge independent, non-US centered, foreign policies. An overview of the region today sees America engaged in two major policy issues—the question of continued US troop deployments in Asia, and increasingly tense economic ties with its trading partners. In the years ahead, America, China, Japan and Russia will continue to be central actors in the region. They will continue to have dissimilar, as well as overlapping, interests. Such a world can be either relatively pacific or quite tense. The manner in which the US manages these short-run conflicts will have a significant bearing on long-run regional stability.

The paper is divided into four parts. The first part provides a survey of current trends in East Asia, the sources of East Asian stability, and how the US has traditionally viewed Asia in both attitude and actions. The second part focuses on a short-run view of Asia and the interplay of economics and politics. The third section looks at the long-run in Asia, arguing that increased Japanese political visibility and multipolarity are likely outcomes. The final section presents some suggestions for US foreign policy in the region.

I. East Asia after the Cold War

A broad survey of East Asia reveals both positive and negative trends. Security relations among the nations in East Asia are generally amicable. Aside from continued tension on the Korean peninsula, neither China, Japan, nor Russia appear to be entertaining expansionist regional ambitions. China and Russia, while still distrustful of each other, have reached a new *modus vivendi*. South Korea's forward-looking foreign policy during the 1980s has been successful in forging ties

with Russia and China, while Japan for the moment continues to pursue a relatively low profile security posture.

Economic trends are also generally positive. Although Asian states have faced recent difficulties due to the global recession, Japan, China, Korea, and Taiwan have continued to experience relatively high rates of economic growth. Between 1985 and 1989 Korea and Taiwan grew at almost 10% per year, while Japan's GDP grew at an annual average of 4.5%, and China grew at 11.6% annually.³⁾

With the fall of communism, liberalism has generally been vindicated in Asian minds. Democracy continues to strengthen in South Korea, where 1992 saw the election of South Korea's first non-military leader since 1961. In Thailand a coup was aborted. Another example is the steady movement toward political openness in Taiwan where, for the first time since 1949, a native Taiwanese was appointed prime minister this February. Similarly, other Asian capitals are imbued with an optimism rarely seen during the Cold War. East Asian leaders are confident of their abilities, ambitious in their goals, and proud of their achievements. Along with an increasing emphasis on liberal ideology, capitalism as the engine of development is increasingly being accepted in Asia. The success of Taiwanese and Korean export-oriented strategies is apparent, and the lesson has not been lost on such nations as Malaysia, the Philippines and even Vietnam. In Taiwan and Korea moves towards increasing liberalization of financial and commodity markets continue apace. Although none of these countries practices *laissez-faire* policies to the extent of the Anglo-American experience, command economics is longer seen as a viable option by East Asian countries.

With economic development has come greater integration in the region. Markets have become linked through "commodity chains" of upstream and downstream suppliers whereby one multinational company has diverse investments throughout the region.⁴⁾ Additionally, growth in the scale and quality of telecommunications have contributed to making the region smaller and more transparent. Satellite communication, MTV and cable television have increased direct awareness and knowledge of neighboring states. Airline travel has increased both contact with and knowledge about the region. Asian travelers are no longer making the US their number one destination, preferring to travel within Asia. 81% of tourists to Japan came from Pacific Economic Cooperation Council countries in 1988, while 90% of tourists to Korea came from PECC countries.⁵⁾ Rising incomes have made trade, travel, and telecommunications both more accessible and frequent.

In sum, the East Asia of the 1990s has many positive facets. Asia's economies are dynamic and productive. Their military establishments are modern, efficient, and increasingly under civilian control. Travel and knowledge about Asia is increasing. All of these trends indicate that Asian power and wealth will rival and probably exceed that of Europe in the 21st century. Asia is both a complex and

dynamic region, its nations far different from the somnolent entities of a century ago.

At the same time, an examination of post-Cold War Asia also reveals potentially negative trends. The stability in Northeast Asia over the past forty years arose from one overarching source: a bipolar system that subsumed all regional conflicts under the banner of the East-West divide. The security threat from the Soviet Union gave impetus to alliances and incentives to resolve disputes. In this decade, however, nations will no longer be so willing to subsume their sovereignty to US security needs, nor will it be possible for Asian regimes and leaders to legitimate their political decisions on the basis of a "domino theory" or a "Red threat."

The potential for conflict between states has risen as the potential for all-out nuclear war has decreased. As a result, the nations in East Asia are pursuing force modernization programs.⁶⁾ In 1990, South Korea spent 4.4% of its GDP on defense, while China devoted 1.7% to defense. Additionally, the Japanese defense budget has grown by over 4% annually since 1982, and Taiwan is attempting to purchase submarines and fighter planes from the US and Europe.⁷⁾

Another major source of potential instability lies in the heterogeneity of states in the region. One reason that Europe is peaceful is that the western European states are relatively homogenous, in terms of cultural and political institutions and in the level of economic development. In Asia, states such as the Philippines and Vietnam coexist with Japan and China, lending an ideological aspect to their relation. Diverse military power, levels of economic development, and cultural differences are spread over vast geographic distances. These trends will continue to grow, making conflict possible. The heterogeneity of these states also means that each nation in East Asia confronts different problems. How these problems are resolved will also influence the level of tension in the region.

Within these broad trends, individual countries are also changing rapidly. Mainland China must deal with two issues: that of continued internal reform, and the "internal" issue of reunification with Taiwan. Chinese economic reform has been underway for almost 15 years, and it will be difficult for any reversal to completely undo such a vast transformation. However, the potential for political unrest in China was vividly demonstrated during the June 1989 Tiananmen incident. A post-Deng succession crisis may ignite long-suppressed passions within both the populace and the elite. Such a political crisis is a real possibility, and could have a chilling effect on economic growth, domestic and international politics, and the transition of Hong Kong into Chinese dominion. Reunification is also an issue, for although both China and Taiwan seem to have reached a *modus vivendi*, both states still claim to be the sole legitimate government of China and are engaged in vigorous military modernization programs. Although the possibility of conflict appears dim for the moment, so too does a smooth resolution of this problem.

Japan, for the first time since 1945, is asking a fundamental question: whether or not to continue its alliance relations with the US. Although we will return to this question in the body of the paper, it must be pointed out that questions of renewed Japanese militarism miss the point: Japan is a formidable military power already. Japan has the third-largest defense budget in the world. The Self Defense Forces can rapidly be expanded to the size of almost one million men. Japanese technological and productive capabilities provide ample dual-use high-tech resources that could easily be diverted to military ends. Capabilities are, however, only half the equation—intentions also matter. Japanese leaders are in the process of deciding what, exactly, Japan wants. While Japan's foreign policy continues to be relatively reactive and cautious, trade and territorial friction with Russia and the US are causing Japan to rethink its policies.

North Korea's attempt to develop nuclear weapons has been the overwhelming focus of world attention. While a serious challenge, other North Korea-related problems are no less crucial. North Korean leadership lacks clear direction.⁸⁾ Economic problems and the looming uncertainty over succession combine to produce the sense that North Korea has "lost" the legitimacy race to the South. North Korean relations with South Korea are a continual strain. Although the prospects of renewed conflict on the Korean peninsula are small, such an aimless North Korean foreign policy will at a minimum create unnecessary tensions.

Into the foreseeable future, South Korea will have to grapple with a major issue: What does a unified Korea want? Regardless of the timing of unification, Koreans will need to decide with whom and for what a unified Korea will stand. There is no inherent reason that the Korea of the 1990s should see the US as its natural partner—a unified Korea could ally with China, Japan, Russia, or become neutral. While there are compelling reasons for Korea to remain in the US alliance, in the future it is possible that Korea will see its interests as more congruent with those of its Asian neighbors than with the US.

For Russia, Gorbachev's thrust into the Asian Pacific region during the late 1980s was a partial success—tensions were reduced and a modicum of economic exchange began to take place. However, the Russia of the 1990s is in a far different position from that of the mid-1980s. The Russian Far East economy is in shambles. Aside from resource exploitation, there exist few Russian industries to speak of near the Pacific. The Russian Far East is for now not well-integrated into the East Asian region, and is therefore at a serious disadvantage. Rapid East Asian growth and subsequent Russian dependence and economic vulnerability relative to East Asia can be a problem because Russia remains a formidable military power. Lacking integration and development in the region, the Russian Far East can easily become a threat and a source of tension once again.⁹⁾

Thus the nations in East Asia face varied and difficult problems. In formulating

American policy toward the region, the US must maneuver a careful course. How the US deals with these complex problems will have major repercussions for both the region and the US.

III. The US and East Asia in the 1990s

Understanding current American foreign policy towards East Asia requires a brief overview of how the US looked at, and acted towards, East Asia in the post-war era. From 1945 to 1973 the US viewed Asia primarily through the lens of the Cold War. Anti-communism, Cold War battles, and the threat of falling dominos dominated American attitudes towards Asia. The US saw itself as the protector of Asian states, a approach which saw US support of right-wing regimes as critical to their continued economic and political survival. With the US withdrawal from Vietnam, East Asia receded in American consciousness, and America began to view East Asia with relative indifference. Americans were dimly aware that East Asian economies were growing and dynamic, but Asia as a region became relatively unimportant to policymakers.

Oh what a difference 20 years makes! While the US paid only cursory attention to East Asia, The region itself changed dramatically during the 1970s and 1980s. In this decade, the East Asian NICs have become proto-industrial states. Manufactured goods comprised 94% of all South Korean exports in 1990, while Taiwan's percentage of manufactured exports was over 95%. Life expectancy in Japan and Taiwan reached 79 and 74 years respectively, while literacy rates are over 95%. In 1987, the US market accounted for 41% of South Korean exports and 20% of Korean imports, while Japan exported 18% of its good to the US, and 33% of its imports came from America. The four East Asian NICS accounted for 23% of total inter-Pacific imports in 1987.¹⁰⁾ Technological and industrial cooperation with Japan, Korea, Taiwan, and China is extensive and continues to deepen. The Asian-Pacific region now outproduces Europe. By 1985, South Korea, Japan, and China had equaled the total production of Germany, Switzerland, France and the UK combined.¹¹⁾ In terms of economics, East Asia is now both larger and more important than Europe.

The East Asia of the 1990s, moreover, is far less dependent, in terms of both economics and security, on the US than at any time in the last half century. East Asia is less inclined to accept or to follow unilateral US decisions, either political or economic in nature. Japan, for economic and political reasons, is considering charting its own path in international politics. China, a power unto itself, has always resisted foreign influence upon its actions. Even Korea and Taiwan have begun to consider the possibility that the US may not be the long-term solution to many regional problems.

US perceptions fail to take into account these changes. East Asia is a dynamic and important region, qualitatively different and far more important than ever before. While this change has taken place over the last thirty years, US policymaking circles have continued to be staffed by personnel whose experience and inclinations were always directed to the Atlantic.¹²⁾ The US cannot continue to focus the bulk of its attention on Europe. How the US deals with the East Asia transformation will have a critical impact on the long-run stability in the region on America's role in the region, and the world as a whole.

1. America and the emerging East Asian dynamic

For the last half century the *raison d'être* for stationing US troops in Asia has been to keep Communism from spreading to South Korea and to protect Japan and the other allies in the region. However, with the collapse of the Soviet Union, the opening of China, and the increased ability of Japan and South Korea to adequately defend themselves from residual regional threats, policymakers on both sides of the Pacific have begun to question the necessity of stationing US forces in Asia.

Most Asian nations desire a continued US presence. For example, Singapore's Lee Kwan Yew has supported retaining US troops in Asia, and even Russian leaders have noted the stability the US troops bring. The Russians, Japanese, and Koreans have all openly welcomed retaining US troops as a way of muting emerging tensions between both old enemies and new competitors. Certainly a US playing the balancer is good for the region, although such a role might not benefit the US itself in the short term. The US, however, must do so against American public opinion which favors a reduction in foreign commitments.¹³⁾ Even within the military establishment, there is general agreement that the "forward defense" concept adopted during the Cold War is in need of substantial redefinition.

Concurrent with an initial rethinking of American security commitments, the US is undergoing extensive reexamination of its economic policy. How the US will respond to East Asia's economic rise is of paramount importance. Serious economic tension in East Asia may restrict the potential for a substantial change in US military grand strategy. It is naive to think that economic interdependence has mitigated the possibility of serious military conflicts in the world.¹⁴⁾

Although it may be true today that nations have economies that are highly integrated into the global trading regime, that does not mean that the use of force is impossible. Until there is a "fundamental transformation" in international relations, and the use of force is no longer possible, economics will always be potentially overwhelmed by military force.¹⁵⁾

It is therefore troubling that the US sees East Asia as an economic threat. The

East Asian economies are seen as damaging to US industrial health, and Asian workers seen as drones committed to economic development. Asia, however, is no more a "threat" to the US economy than Europe: the largest investors in America are not Asian, but Britain, the Netherlands, and Germany. In the 1990s, discussions about how to strengthen economic "security" has assumed increasing centrality in deliberations of US foreign policy.¹⁶⁾ At the heart of the debates is the perception that the US is in economic decline, and that Washington should take immediate measures to stanch the economic "bleeding" in America.¹⁷⁾ Objective economic indicators, however, belie this assertion—a more careful examination of relevant data reveals that while the US needs to guard its economic interests, panic and over-reaction are not the correct prescription.

In large part the impression of America's relative decline stems from the fact that the US enjoyed an overweening dominance in global affairs after World War II. But, arguably, this was not only an unprecedented but ultimately untenable situation. In absolute terms the US continues grow, although relative to Japan and Germany the US has lost its huge edge. For example, between 1980 and 1989 US industrial production expanded by 38 percent.¹⁸⁾ Still, faced with seemingly intractable trade, budget, and investment deficits, the US is considering a number of options by which it might return to the "glory days" of the immediate post-World War II era when America enjoyed an absolute productive and technological lead over the rest of the world. A coordinated "national industrial policy" is one approach that is increasingly gaining support within the US.¹⁹⁾ Central to this notion is the idea of an American government that will intervene in the economy either selectively or broadly to support US industrial and technological sectors. Whether this interventionist industrial policy would be conducted under the auspices of the current institutions in Washington—the USTR, Department of Commerce, and the Council of Economic Advisors—or through a new layer of bureaucracy such as an "Economic Security Council,"²⁰⁾ the approach would focus on the US government intervening both domestically and internationally and include actions such as "tit-for-tat" trade barrier negotiations, pressure on foreign governments, as well as subsidies and investment credits to US firms.

However, the nature of economic competition is qualitatively different from military competition. Economic threats are more complex and more diffuse than military threats, not to mention far less manageable. Thus an Economic Security Council, whose policies are designed to address "economic threats" as though they were as identifiable and specific as military threats, would most likely be the wrong tool for the wrong problem. Business and economics are inherently dispersed and individualistic, and hence subject to far less central coordination than military threats. While it may be possible for government intervention to broadly influence the macro-economic environment, dealing with specific micro-economic

threats in a coordinated manner introduces all kinds of potential rent-seeking and deleterious behavior on the part of businesses.²¹⁾ The main problem with a national industrial policy, as aptly pointed out by Ellis and Reich,²²⁾ is that the industries that gain protection, subsidies, and cheap credit are generally *not* the industries that would most benefit the United States economy. Rather, these tend to be either mature, or "sunset" industries.²³⁾ Moreover, both US institutions and US culture are not conducive to centralized control—and attempting to control business in the same way as the Japanese and Koreans would be virtually impossible.²⁴⁾

It is also far from clear that the way to keep or gain a competitive edge is by keeping out foreign firms from the US. As Theodore Moran recently asked, "What do we do in cases where a key computer chip or advanced chemical is threatened by a foreign investor who will come in and buy up the last American source of supply?... I am toying with the notion that those are the very industries in which we should want foreigners to come to the US. What if, for example, Sony is ahead in opto-electronic applications? We should want Sony to be able to expand in Silicon valley. We should invite those foreigners who are ahead into the US, making them more integrated with ourselves and placing performance requirements on them, requiring them to keep some production and technology here in the US. At least if we get them here we have the potential of exercising more clout over them."²⁵⁾

2. Over the horizon

As we look into the near future, two broad trends are apparent. First, Japan shows every sign that it will be increasingly unwilling to remain the world's second largest economy and yet remain a hamstrung international political power. The second trend is increasing multipolarity in East Asia.

Although in the near future Japan is likely to remain solidly within the US security orbit and subsume its foreign policy to the wishes of the larger international community, over the long-run Japan will become increasingly assertive.²⁶⁾ As noted earlier, Japan already has the third largest defense budget, behind the US and Russia,²⁷⁾ and a decision on the part of Japan to adopt a higher military profile could be taken rather quickly should certain developments take place. For example, excessive pressures from China, Russia, or the US could increasingly push Japan to find unilateral means by which to secure its interests. Here, we must distinguish between Japan's security concerns and its security policy. Japan does have legitimate security interests in the region. However, its security policy can either attenuate or amplify the problems in East Asia. Regardless of the arguments for whether or not Japan *should* rearm, to some degree Japan *will* develop

both greater military establishment and an increasing concern with regional or global stability.²⁸⁾

The issue of Japanese rearmament is, of course, highly sensitive in Asia. At the crux of this matter is the contradictory US position regarding Japan. On the one hand, the US—like most other nations in Asia—fear that a rapid Japanese rearmament could trigger a highly destabilizing arms race among the powers in the region. On the other hand, the US has repeatedly excoriated the Japanese for both “free-riding” on the US security umbrella and also for developing an economic juggernaut without accepting larger responsibilities for regional security. A coherent US policy towards Asia must reconcile these conflicting attitudes towards Japan’s future regional role.

Asian policymakers fear Japanese rearmament because it may either lead to arms races or will presage another Japanese military excursion into Asia. However, the prior cause of rearmament is more fundamental, and hinges on the anarchic nature of the international system. Theorists of international relations remind us that even though nations may wish to cooperate and be conciliatory, the absence of a world government makes any agreement between nations unstable and open to renegotiation.²⁹⁾

In the past, because of the Cold War, Japanese and US security and economic interests coincided to a remarkable degree. Japan needed the US security guarantee, the US needed bases and a Pacific ally, and the larger Soviet threat subsumed all other conflicts. With the end of the cold war, it is no longer clear that Japanese and US interests will continue to converge. Given that regional politics will be multipolar in nature, tensions between other powers in the region may not directly involve the US. Japanese-Russian conflicts over the Kurile islands, conflicts between Japan and Korea or China, and other problems could be viewed by Tokyo as vital and less so by Washington. Because of the inherently changeable nature of alliances, the Japanese cannot expect that the US will automatically take their side on any given issue. Because the international system remains anarchic, states are forced to provide for their own security, and thus Japan will almost certainly increase its military capabilities. Another reason that Japan will increase its military means has to do with the vulnerable nature of Japan’s overseas commitments. Economic commitments will force Japan to become more involved in the region.³⁰⁾

There are two caveats to this analysis, however. First, the question of Japanese rearmament is often posed in opposing terms—between either total pacification or expansionist warmongering. Those who would equate increased Japanese military strength with the Showa militarism of the 1930s ignore both history and the incremental steps which Japan will probably undertake to improve its force posture. To view any change in military posture by Japan, no matter how slight, as a prelude

to a new "co-prosperity sphere" is also misleading. Some nations are cautiously admitting this. Recently the Korean *Defense White Paper* recognized Japanese military concerns, and did not oppose an increase in Japanese military visibility.³¹⁾ Second, this paper makes the argument that whether other nations like it or not, Japan will inevitably assume a greater political and military presence. It is better for the US and Asia to realize this and prepare to make the transition as smooth as possible.

3. Japan and regional leadership

That Japan will increase its presence in the region does not mean that Japan can or will assume the mantle of a full-fledged regional leader. Japan has exhibited few signs of being willing to lead in Asia, much less the world. In this sense the Reagan-Bush policy of pushing Japan to the forefront had limits. First, it created unnecessary friction with Russia at a time when Russia is deeply insecure. Second, it unsettled the Chinese, who have never seen Japan as the historic and cultural or even the economic center of Asia. The Reagan-Bush approach, while recognizing the reality of present Japanese power, paid far too little attention to history, which to Asian minds and attitudes is no less important.

In Asian capitals, Japan is not yet seen as ready for the role of regional leader because Japan has not yet reconciled its history for itself and its neighbors. Additionally, despite its apparent generosity, Japan is unwilling or unable to be the economic engine and magnet for the region as a whole. In terms of overseas development assistance, Japanese aid to Asian countries is equivalent to that of the United States, at an annual rate of roughly \$2 billion. Japan also gives as much globally, currently at \$10 billion annually.³²⁾ Mere economic handouts, however, does not constitute leadership, and the introverted, exclusionary Japanese trading regime will not change overnight. For example, during the recent global economic slowdown, the Japanese trade surplus with the rest of the world increased from 1% to around 3% of their GNP. This is hardly the way to help lead the world out of recession.³³⁾ Structural trade surpluses and predatory investment practices do not leave much room for the rest of the region.

In contrast, during the first twenty years after World War II the US ran trade deficits with most of the world, particularly Asia. American counter-cyclical lending helped stabilize many of the region's economies. During times of global recession the US would be the lender of last resort, supplying more fragile nations funds with which to stabilize their economies. The US kept its tariff barriers low, allowing other nations to export themselves out of recessions.³⁴⁾ Until Japan is willing to undertake similar economic leadership, its political influence will remain constrained. Voluntary steps by Japan would make it easier for other Asian nations

to believe that Japan is serious about sharing its wealth and confronting its militarist history. While Japan might be an economic model, Asians have never voiced admiration for either Japanese institutions or practices. Thus to view increased Japanese international visibility as a prelude to regional leadership is premature.

4. Multipolarity

Another long-run trend is the increasingly multipolar nature of Northeast Asian international politics. It has become natural to assume that East Asian nations will ally with America because they have done so for the past forty years. However, there exists no inherent reason why the US should be seen as the natural leader or that East Asian nations should prefer the US over a traditional Asian power. Other regional alliances have existed for centuries and may be more suitable to a world lacking a Soviet threat. For example, a unified Korea may find it more prudent to ally with China than the US. Similarly, Taiwan, China, Japan, and Russia all have varying degrees of economic, military, and cultural power in the region. China is backward but growing impressively. Russia is in the throes of a reorganization, but cannot long be expected to remain a bystander in the Pacific. Korean and Taiwanese development have taken them into the ranks of the 20 richest nations in the world, although they still lag behind Japan. These economic and political trends already make the region much more multipolar.

With the increasing multipolarity of East Asia, the US will no longer be the single dominant power. Although Asian nations may currently desire and welcome the US as the leader in Asia, multipolarity will make it increasingly difficult for the US to remain in that position, for there exists no guarantee that East Asian interests and the US interests will continue to coincide. This can lead to both increasing tension and more intractable conflicts.³⁵⁾

Because the region is multipolar, however, multilateral regimes will be difficult to create. Both divergent national interests and differing capabilities will make the resolution of interests within a multilateral setting difficult.³⁶⁾ There will exist no hegemon to enforce order, but at the same time there exist few "equal" partners. Both South Korea and Taiwan still desire technological transfer from Japan. Reunification of the Korean peninsula, both potential and actual, will cause both Koreas to be less concerned with regional stability and more concerned with domestic economic and political problems. Thus while Joseph Nye's suggestion that the US "lock" Japan into multilateral organizations is insightful, the means by which such relationships could be implemented remain hazy at best. A regime which does not improve the positions of all its members is inherently unstable. Thus for the time being, bilateral relations will be important for both the US and other Asian nations.

III. The US and East Asia: The Next Century

If our argument is correct, what then is both a prudent and achievable policy for US to follow during the 1990s and into the 21st century? Any discussion of future American foreign policy must consider both the constraints and possibilities that the US currently faces. The major constraint upon the US is the downsizing of the US military budget.³⁷⁾ The new Clinton administration requested that the US military continue and extend the budget cuts begun under Bush. Such a reduction in both troop levels and material will increase the limitations on the sort of force posture the US can project in Asia.

A second constraint on US foreign policy is the wavering of domestic public opinion. The 1992 election was remarkable in its focus on the domestic economy, almost to the exclusion of any interest in foreign affairs. Even Bush's Gulf War victory rapidly receded in American minds as problems with the domestic economy became apparent. There are no signs that this trend will reverse itself. The US faces a long struggle to reorient its domestic economic and cultural priorities.

Another constraint is the generational shift which has taken place in the US. The older generation came of age during World War II and had a basic internationalist orientation. The new generation of leaders came of age during the Vietnam war, and are much more dubious about the moral and political justifications for overseas US commitments. Thus the US no longer has the capacity to unilaterally impose decisions upon its allies. Given these constraints, however, the US still retains significant tools with which to build a coherent regional policy.

1. Sources of American power

Joseph Nye's apt categorization of "soft" and "hard" power informs our analysis.³⁸⁾ The US retains both soft and hard power in dealing with Asian nations. Soft power refers to cultural and moral influence, hard power to military and economic power. For many countries in Asia, the US has traditionally been a benevolent actor. While goodwill is a finite asset, and should be used with care, for most political leaders in Asia—even the younger generation of leaders of Asia, the US speaks with authority and understanding. American political and cultural values, however hazy, remain ideals in the minds of most Asians. Democracy, human rights, and freedom have been actively sought across Asia. The US, for all its ills, still presents to most Asian capitals a kind of "model" that Asian countries would like to emulate.³⁹⁾

Another vital but seldom discussed aspect to US soft power is access to US education. Not only has this education provided East Asians with concrete technical

and managerial skills, but also an acculturation to democratic and capitalist ways of thinking. The majority of foreign students studying in America still come from East Asia, and they return to Asia with values and ideals learned in the US.

In addition to soft power, the US still retains considerable hard power. America remains a military superpower. The US troops in Asia remain a visible symbol that America retains great interests in the region, and they also provide reassurance against the rise of another military challenger in the region. Although US troops are no longer needed to undergird fragile governments in East Asia, retaining some portion of the 130,000 US troops in Asia will be a low-cost insurance policy against armed conflict in the region. Most likely, the US will draw down its ground forces and begin to rely more heavily upon air and seapower. The US fleet in the Pacific is an effective guarantor of freedom of the seas. Additionally, such seaborne capability means that the US can quickly project power into the region. Until the late 1970s, American power was the sharp edge of a sword—an American shield against communist aggrandizement. The function of US troops has changed. Now their purpose is to both provide evidence that the US remains engaged in Asia and to play the role of balancer in the region.

Another aspect of hard power is access to US markets. As mentioned earlier, this power should be used with care. However, the fact is that the US remains the major destination for most of the region's export-oriented economies. Although the trend has been somewhat declining, the US accounted for over 17.4% of Korean trade, and 29.1% of Japanese trade in 1990.⁴⁰ Such an imbalance gives the US a powerful but blunt tool with which to persuade. Thus, the US without a great enemy in the region, retains significant tools with which to prevent regional conflict, encourage democracy, and promote free-trade in the Pacific.

2. An achievable policy

Within this broad outline, how can the US adapt to a changing East Asia? First and foremost, the US needs to rethink East Asia while preparing to let others begin to lead. Managing this transition will be critical. Although some Americans may chafe at the idea of not being the sole superpower, the US must face the fact that in the long-run Japan and perhaps even China will be legitimate contenders for leadership. For the time being, however, the US is the leader and how it leads will either make the transition smooth or conflictual. One irony of the current situation is that although the region is more multipolar than before, the disparities between nations continue to make bilateral arrangements more feasible than multilateral arrangements. However, this does not mean that a steady-at-the-helm approach will continue to be successful. Instead, the U.S. should focus on new departures in a number of areas:

Military policy:

The US should concentrate on developing regional arms control forums. Efforts toward nuclear arms controls with China and Russia should be continued and furthered. Extensive efforts to control nuclear proliferation in the region should also be undertaken. America should reduce its manufacture and sales of conventional weapons in the region. In the past, the US has not pursued these arms-control policies due to the necessity of arming the region's powers against the Soviet threat. That threat is now gone, and continued arms sales will increase tension in the region, as mutual insecurities begin to drive arms races. The sale of F-16s to Taiwan during an election year is an example that must not be repeated.

Without arms control forums, moreover, reassuring Japan will fall heavily on US shoulders, and the US could be forced to face Japan as the other major power in the region. This would be regionally destabilizing, as well as have a chilling effect on US attempts to draw down its troops and reduce its military spending. Stability in Japan, is good for the US. And stability in Japan derives from stability of the region. And, for the time being, US troops are needed. But if regional stability requires continued US military presence, how should the US pay for this continued military engagement? Arguments about burden-sharing miss the point that significant spillover effects exist regarding the stationing of US troops. US troops in Japan and Korea today provide stability against potential conflicts which could be deleterious to all parties in East Asia. In effect, Japan is a double-beneficiary: by having the US provide security guarantees, it has been able to prosper without a large military-industrial establishment, while US troops allay fears of other East Asian nations about resurgent militarist Japan.

If other nations did not have these assurances about Japan, the economic and political cost in terms of suspicion and trade-friction would be tremendous. Japan would be forced to devote a significant amount of resources to making credible its reassurances to other nations that its intentions were not malignant. Thus a clear rationale exists in Japan and South Korea for the continued presence of US troops. Second, the US should attempt to build a multilateral framework in East Asia.⁴¹ As an extra-regional power lacking a strategic threat in the region, a mechanism is needed to legitimate a long-term US presence. While this paper has noted the difficulties inherent in successfully developing such institutions, the effort to so do must be continued. One avenue towards such regimes can begin with greater efforts to strengthen both APEC and ASEAN. This would require relatively little investment by the US but can both emphasize American leadership and build goodwill.

Even if Asia does not develop a multilateral framework along the lines of the European Community, such efforts can still be valuable. The benefits to develop-

ing multilateral institutions would be extensive. In particular, the creation of such regimes carries the benefit of providing smaller Asian states an avenue through which to grow closer in the region without having to choose allies. Lacking a multilateral forum, the smaller states would seek to choose a larger power in the region with which to ally. With the smaller states lining up with great powers, a potential downward spiral would ensue, with states being forced to balance other states.⁴²⁾ The ability to mediate and resolve issues in a broad forum would provide a conflict-avoidance mechanism. America must prepare to share power, and doing so within an institutionalized format can greatly help the transition.

Economic policy:

The suggestion here is both simple and straightforward: managed trade should be kept to a minimum. The US Trade Representative should not be used as a political weapon. The paper earlier outlined doubts about the efficacy of government intervention in economic policy. The region's economic dynamism owes to a complex web of relationships and interdependencies that grew over a prolonged duration of time. To try to "manage", or set up a new, artificial dynamic to control the way the region's economy is to court danger. Rather, the United States and East Asian economies should work more closely together to prevent the politicization of trade issues to a point where rational solutions become politically difficult or impossible.

Diplomacy: China and North Korea

China will continue to reform. The critical need for the US is to buttress the reformists while mollifying the conservatives. The US should also treat North Korea with a different focus than is normally considered. Until now the debate over US and South Korean policy towards North Korea has revolved around whether a hard or a soft-line policy would more quickly promote change in North Korea. Instead of attempting to force change in the North, both the US and South Korea should focus upon buying time for the North Koreans to change internally. The North Korean residual threat is diminishing, and few observers truly believe that North Korea can either fully develop or actually use nuclear weapons on South Korea.⁴³⁾ External diplomatic pressure may strengthen exactly the wrong type of factions in North Korea—the military and the conservatives.⁴⁴⁾ Discussions and negotiations will proceed slowly, but America should aim to give time for North Korea so that domestic reformist groups could emerge, and allow technocrats and moderates to come to power. The recent US-North Korea breakthrough in Geneva may owe something to this line of reasoning. In both China and North Korea the US should restrain from an overly interventionist course, and instead try to "buy time and space" for the moderate factions in both these coun-

tries.

Conclusion

The US has a new and unprecedented opportunity to assist in the creation of a peaceful and cooperative future in East Asia. While the US over time must relinquish its place as the sole leader in the region, its presence and power will still be critical in determining whether the order that emerges is peaceful or conflictual. Managing potential conflicts within alliances will be a key to a stable transition.

The United States is a maritime trading nation, and stands to gain most from a secure, global environment buttressed by free-trade. A world that is divided into hostile trading blocks driven by insecurity would be an inferior outcome for the US and the world. For the foreseeable future, the unavoidable fact is that the US still has to play a central role in defining global developments through its influence and power.

Asia has traditionally been of secondary importance in US foreign policy. Flowing from that lack of attention, the US has never had a consistent approach to the region as a whole aside from a military, anti-communist policy. Whereas an ad hoc policy approach may have sufficed in the past, it will not be enough in the years ahead. It is high time that the US look in the region in a holistic and integrated way. And if Japan is indeed the US's most important trading partner, and if stability, both political and economic, in Japan is important not only to Japan but to America as well, the US must remember that Japan's economic health and stability cannot be assumed in the absence of stability in China and Korea. It is for this reason that the US must concentrate for the next several years not only on Japan itself, but also on Korea and China.

East Asia must succeed, for in order to solve the problems of the 21st century the world will need more productive energy than North America and Europe alone can provide. Third World problems in Latin America, Southeast Asia, and Africa will require investment and capital. Stability in Asia can contribute immensely to both economic and political dynamism in these areas and across the globe. In managing its alliances in Asia today, the US has a unique opportunity to help in the founding of a new regional order that, in turn, can reinforce world stability and economic progress. That, indeed, would be a historic achievement by the United States—and one that truly legitimates American leadership into the next century.

Notes

- 1) See, for example, Robert J. Art, "US Grand Strategy after the Cold War" *International Security* 15, no. 4 (Spring 1991): 5-53, "Primed for Peace: Europe After the Cold War,"

- Stephen van Evera, *International Security* 15, no. 3(Winter 1991): 5-34, and Gregory Teverson, "The New Europe," *Foreign Affairs* 71, no. 1(1990-1991): 94-112. For an analysis of potential instability in Europe after the Cold War, see John Mearsheimer, "Back to the Future: Instability in Europe after the Cold War," *International Security* 15, no. 1 (Summer 1990): 5-56.
- 2) See, for example, C. Fred Bergsten, "The Primacy of Economics" *Foreign Policy* 87 (Summer 1992): 3-24, Stephen W. Bosworth, "The United States and Asia" *Foreign Affairs* 71, no. 1 (Winter 1992): 113-129, Joseph Nye, "Coping with Japan," *Foreign Policy* 89 (Winter-spring 1992-93): 96-115, Robert Scalapino, "the US and Asia," *Foreign Affairs* 69, no. 1 (Winter 1990): 89-115, Manwoo Lee and Richard Mansbach, eds., *The Changing Order in Northeast Asia and the Korean Peninsula* (Seoul, Korea: Kyungnam University Press, forthcoming), and Richard J. Ellings and Edward A. Olsen, "A New Pacific Profile," *Foreign Policy* 89 (Winter-Spring 1992-93): 116-136. For a modest discussion of security requirements in Asia, see William J. Crowe, Jr. and Alan D. Romberg, "Rethinking Security in the Pacific," *Foreign Affairs*, 70, no. 2 (Spring 1991): 129-140.
 - 3) Figures taken from *Asia 1991 Yearbook*, (Far Eastern Economic Review, 1990): 6.
 - 4) For recent discussions on the source and impact of off-shore suppliers, see Gary Gereffi and Michael Korzeniewicz, "Commodity Chains and Footwear Exports in the Semiperiphery," in William Martin, ed. *Semiperipheral States in the World-Economy* (Westport, CT: Greenwood Press, 1990).
 - 5) 1992-1993 Pacific Economic Outlook, p. 68.
 - 6) See, for example, *Asia 1991 Yearbook*, p. 16.
 - 7) Figures from *The Military Balance 1991-1992*, (London: Institute of International and Strategic Studies): 210-211. See also June Teufel Dryer, "The Modernization of China's Military." *Problems of Communism* 39(May/June 1990): 104-108.
 - 8) For a thorough discussion of North Korean leadership, see Kong Dan Oh, "Leadership change in North Korean politics: The succession to Kim Il Sung," RAND report R-3697-RC(October 1988).
 - 9) For a particularly comprehensive overview of the Russian Far East, see Mark Valencia, ed., *The Russian Far East and the North Pacific Region: emerging issues in international relations*, (Honolulu: University of Hawaii, East-West Center, 1992).
 - 10) Gerald Segal, *Rethinking the Pacific*, (Oxford: Oxford University Press, 1990): 294, 318.
 - 11) figures derived from *World Development Report* (World Bank, 1985): 202.
 - 12) See Ronald A. Morse and Edward A. Olsen, "Japan's Bureaucratic Edge," *Foreign Policy* 52 (Fall 1983): 167-180, and David Friedman, "US foreign policy-makers ignore Asia-Pacific," *Los Angeles Times*, quoted in *the Korea Herald*, February 17, 1993, p. 6.
 - 13) Bosworth, "The United States and Asia."
 - 14) This concept has been the subject of spirited debate among theorists of international political economy. Among others, see Richard Rosecrance and Arthur Stein, "Interdependence: Myth or Reality?" *World Politics* 26, no. 1(October 1973): 1-27, Kenneth Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), ch. 5, and Robert Keohane and Joseph S. Nye, *Complex Interdependence* (Boston: Little

- Brown, 1977). For a look at interdependence and security, see Steve Weber, "Cooperation and Interdependence," *Daedalus*, 120, no. 1(Winter 1991): 185-194.
- 15) For a differing view, see Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*, (New York: Basic Books, 1986).
 - 16) See Bergsten, "The Primacy of Economics."
 - 17) The classic argument along these lines is by Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict 1500 to 2000* (New York: Vintage Books,1987). See also Hieyeon Keum and Joel Campbell, "The Twenty Year Blip: A critical Analysis of Hegemonic Stability and Decline Theories," *The Korean Journal of International Studies* 23, no. 4(Winter 1992) : 619-650.
 - 18) From the *Korea Statistical Yearbook 1990*, (Seoul: Economic Planning Board, 1991): 587.
 - 19) The central work focusing on Asia is by Chalmers Johnson, *MITI and the Japanese Miracle*, (Stanford: Stanford University Press, 1982). See also Clyde Prestowitz, *Trading Places: How We Are Giving Japan Our Future and How to Reclaim It* (New York: Basic Books, 1989). and For other approaches, see Chalmers Johnson, ed., *The Industrial Policy Debate* (San Francisco: ICS Press, 1984), and Laura D'Andrea Tyson, *Creating Advantage: Strategic Policy for National Competitiveness*. (Berkeley: University of California, BRIE Working Paper #23).
 - 20) One of President Clinton's first acts was to approve a National Economic Council. See the *New York Times*, January 30, 1993, A1.
 - 21) For discussions of tariff formation focusing on the United States, see, Vinod K. Aggarwal, *Liberal Protectionism* (Berkeley: University of California Press, 1985), Judith Goldstein, "Ideas, institutions, and American trade policy," *International Organization* 42, no. 1 (Winter 1988): 179-218, and Helen Milner, "Resisting the protectionist temptation: industry and the making of trade policy in France and the United States during the 1970s." *International Organization*. 41, no. 4 (Autumn 1987).
 - 22) Ellis S. Krauss and Simon Reich, "Ideology, Interests, and the American Executive: toward a theory of foreign competition and manufacturing trade policy," *International Organization* 46: 4(autumn 1992): 857-897. See also Keith Bradsher, "US industries lining up for government protection," *New York Times January 22, 1993, A1*.
 - 23) Recent theoretical work on the value of "strategic trade" has emphasized that externalities and increasing-returns-to-scale are the conditions under which government intervention may work best—both of which exist in startup industries, and not mature industries. See Gene M. Grossman and J. David Richardson, *Strategic Trade Policy: A Survey of Issues and Early Analysis*. (Princeton: Special Papers in International Economics, no. 15: 1985), Stephen P. Magee, and William A. Brock, and Leslie Young, *Black Hole tariffs and endogenous policy theory. Political Economy in general equilibrium* (Cambridge: Cambridge University Press, 1989), and J. David Richardson, "The political economy of strategic trade policy." *International Organization*, 44, no. 1. (Winter 1990).
 - 24) It is also arguably the case that South Korea and Japan are now suffering inefficiencies resulting from the government's heavy hand; national industrial policy, while an LDC,

- may be beneficial, but as countries develop it become more difficult to control. See *Asia Yearbook* 1991, p. 64.
- 25) Theodore Moran, lecture at UC Berkeley Institute of International Studies, April 15, 1992. See also robert Reich, *The Work of Nations*, (New York: alfred Knopf Press, 1991), and Robert Reich, "What is a Nation?" *Political science Quarterly* 106(Summer 1991): 193-209.
 - 26) Nye, "Coping with Japan," and Ellings and Olsen, "A New Pacific Profile." While both Nye and Ellings and Olsen have discussed aspects of Japanese rearmament, they have generally looked only at the short run. Thin analysis differs because it expands the time-horizon into the distant future.
 - 27) Figures taken from Prestowitz, *Trading Places*, p. 312.
 - 28) for a Japanese perspective, see Hideshi Takesada, "Japan as a military superpower: implications for the Korean peninsula," in Lee and Mansbach, eds., *The Changing Order in Northeast Asia and the Korean Peninsula*.
 - 29) For a good review of this literature, see stephan Haggard and Beth Simmons, "Theories of International Regimes," *International Organization* 41, no. 3(Summer 1987): 491-517. See also Ernst B. Haas, *Beyond the Nation-State* (Stanford: Stanford University Press, 1964), and Stephen Krasner, ed., *International Regimes* (Ithaca: Cornell University Press, 1983).
 - 30) Moves towards this end are already taking place on a small scale in Japan. The recent decision to discuss article IX of the constitution and the decision to hold an "arms conference" of major powers in the region are two such moves. See *Donga-ilbo*, *January* 14, 1993, and "Ilbon yoo-en gyong-chalgun shilbyon noryok," (Japanese UN Peacekeeping forces) *Hangyore Sinmun*, Janaury 21, 1993, p. 4.
 - 31) *South Korean National Defense White Paper* 1992-93.
 - 32) Bosworth, "The United States and Asia" p. 121.
 - 33) This idea was presented in Nye, "Coping," p. 105.
 - 34) Perhaps the classic work on the role of a hegemon is Charles Kindlberger, *World in Depression* (Berkeley: University of California Press, 1973). See also Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28, no. 3 (April 1976): 317-347.
 - 35) The debate among international relations theorists has centered around whether a bipolar or a multipolar system is more stable. for discussion, Kenneth Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), ch. 6., Stephen M. Walt, *The Origins of Alliances*, (Ithaca, N. Y.: Cornell University Press, 1987), Glenn Snyder, "Alliances, balance, and stability," *International Organization*, 45, no. 1,(Winter 1991): 121-146, and Glenn H. Snyder, "Alliance Theory: A Neorealist First Cut," *Journal of International Affairs* 44 (Spring-Summer 1990). For a formal analysis see Emerson M. S. Niuou, Peter C. Ordeshook, and Gregory F. Rose, *The Balance of Power: Stability in International Systems*. (New York: Cambridge University Press, 1989).
 - 36) Nye, (fn. X): 238.
 - 37) See, for example, *New York Times* February 10, 1993, A1.
 - 38) The concept of soft and hard power is taken from Joseph Nye, *Bound to Lead*, (Boston:

Brown-Little 1991).

- 39) Bosworth argues that Japan is increasingly being seen as the cultural or moral leader in Asia. This is hard to believe. See Bosworth, p. 245.
- 40) Figures taken from *Asia Yearbook* 1991, p. 6.
- 41) See Kyongsoo Lho, "The Major Powers and Inter-Korean Relations: Developing Multilateral Support for Negotiations and Agreements," in *The Transformation of the Asian-Pacific Region: Prospects for the 1990s*, (Stanford: Center for International Studies and Arms Control, 1991): 157-164.
- 42) The classic work on the security dilemma is Robert Jervis, "Cooperation Under the Security Dilemma," *World Politics*, 30, no. 2(January 1978): 167-214. For another view, see Marc Trachtenberg, "The Past and Present of Arms Control," *Daedalus* 120, no. 1 (Winter 1991): 203-216.
- 43) For discussions of the nuclear weapons problem in North Korea, see Michael May, "Asian-pacific Security and Nuclear Weapons Development," in *The Transformation of the Asian Pacific Region: Prospects for the 1990s*, (Stanford: Center for International Studies and Arms Control; 1991): 39-48, and Scalapino, "the US and Asia."
- 44) For a discussion of the deleterious effect of US pressure on the Soviets during the early 1980s, see Georgi Arbatov, "The End of the Cold War: Russian-American Relations and their implications for Northeast Asia," in Lee and Mansbach, eds., (Fn. X).