Dancing with Giants: The Geopolitics of East Asia in the Twenty-First Century

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I am going to talk about what is happening in East Asia, the possible implications of these events, and how U.S. policy toward the region might be shaped. As a former U.S. diplomat, I spent much of my professional career in East Asia at a time when we had a very powerful and effective lodestar for American policy. We wanted to prevent the region's domination by any single power or combination of powers that could be hostile to the United States. This policy arose during the Cold War, and it was very similar to the approach that we took with regard to Western Europe. From a strategic point of view, these were judged to be the two regions which were most vital to the welfare and security of the United States.

In East Asia, this policy worked pretty well for a long time. While it was somewhat costly and somewhat expensive, it was nonetheless quite effective. But over the last couple of decades, U.S. policy toward East Asia has shifted rather dramatically, which I will summarize. In the interests of full disclosure, much of my discussion is drawn from a book, *Chasing the Sun: Rethinking East Asian Policy* (2006), which I co-authored with Morton Abramowitz.

First, over the last generation or so, East Asia has become a major economic power, and is still rising. East Asia now accounts for 25 percent or more of global exports, almost 25 percent of global imports, and 21 percent of foreign direct investment in the world. Perhaps the most gripping figure of all is that 63 percent of international reserves are held by the countries of East Asia.

Fifteen years ago, I never would have predicted the massive shift in global reserves from elsewhere in the world to East Asia. Over the last

25 years, this growth process has been occurring in tandem with China's marvelous rise. It has posted 25 years of double-digit growth that has lifted 200 to 300 million people out of abject poverty and into an urban-based and consumer-oriented middle class. Of course, simple arithmetic tells you that 600 to 800 million Chinese still live pretty much the way they did 25 years ago, which must be factored into any consideration of China's future prospects.

In the United States, there is presently a great debate over what China's fantastic rise poses for our nation's economy and security. There is disagreement over what China's goals might be and what it seeks to accomplish as its economic power grows. Clearly, as one looks at China, the future is not guaranteed; my co-author and I do not believe that one should blithely assume a linear progression over the next 25 years based on what has happened in China during the last 25 years. With that caveat, I think that China has acquired enormous momentum, both economically and socially. I certainly would not want to bet against China continuing this very rapid process of growth over another generation, but I think this will be harder to accomplish than the gains it has made over the last two decades.

China's growth has in turn fueled the growth of East Asia, and begun the dramatic process of knitting the East Asian economies together. When we started traveling in the region a couple of years ago, talking to people and doing interviews about what we might write about in this book, this was the most striking thing that we found. Asians, particularly in the aftermath of the 1997–1998 Asian financial crisis, began in very real ways to think about their economies as inextricably linked together. From an economic point of view, there is a remarkable degree of integration within East Asia. This has been a market-driven phenomenon sparked almost entirely by the private sector. This development stands, in some contrast, to what happened when Western European governments set a series of political goals concerning economic integration, and then the market and the private sector tried to act within that framework. In East Asia, governments have been entirely outflanked by what has been happening in the private sector. I think one of the reasons for this economic integration has been the manner in which China, starting in 1979, chose to modernize its economy. The very fateful decision by Deng Xiaoping

was to open China to foreign direct investment gradually at first, and then speed it up. As foreign direct investment began to come into China, we started to see, particularly in the last decade, the establishment of production networks that now characterize much of the trade within East Asia. This is particularly true for the portion of trade accounted for by multinational corporations, both East Asian-based multinationals, and American- and other western-based multinationals.

East Asia's pace of integration has been quite remarkable. In 1981, 33 percent of East Asia's international trade occurred within the region. By 2005, that number increased to more than 50 percent. I would submit that is pretty dramatic and rapid progress, and showcases in many ways the power of the free market in East Asia, because for the most part, governments did not try to prevent this from happening. (On occasion, Taiwan tried to prevent it happening within inland China, but this is the exception to the rule.) But neither did governments explicitly do much to try to encourage it. This regional economic integration was a private sector, market-driven phenomenon. As this has developed, particularly within the last decade or so, we have begun to see the emergence of what I would describe as an East Asian regional identity. People who still think of themselves as Japanese, Korean, Singaporean, or Taiwanese now have also begun to think of themselves as East Asian. The people in these countries are growing more accustomed to moving back and forth in terms of employment from one East Asian economy to another. East Asian tourism is booming. Now you find the Chinese traveling all around the world, but particularly in East Asia, where the Chinese are as ubiquitous as the Japanese were a generation ago. South Korean property developers are building golf courses and resorts all along the coast looking to serve a market from China that is materializing quickly. There is a kind of consensus about what it means to be Asian. In some ways, the same thing happened in the early 1990s with the then-emerging debate over what constituted "Asian values." This coming together was rather harshly interrupted in the late 1990s by the Asian financial crisis. Now this broader regional identification is being revived, and I think is occurring in a way that is probably healthier and more sustainable over the long term.

This process of economic integration continues apace, but in part because of the experience of the Asian financial crisis, which they

consider an unfortunate result of western-dominated international financial institutions. Particularly since 1998, at the governmental level the East Asians have been moving full speed ahead to try to put together new regionally based institutions, which they argue are necessary because they learned from the 1997–1998 debacle that they cannot count on outside forces to come and help them.

I say this without a issuing a value judgment as to whether they are right or wrong in making this assessment. One can argue about the general East Asian sentiment that international financial institutions did not do what should have been done. But they believe that this was the case, and the resulting response has been the very rapid growth of new East Asian institutions.

The Association of South East Asian Nations (ASEAN), which has been around since shortly before the end of the Vietnam War, has been the cornerstone in all of this. A new organization called ASEAN Plus Three has been put together with China, Japan, and South Korea. It has annual summit meetings, and ministerial meetings take place year-round. In late 2005, the first East Asian Summit was held. Now, for Americans, the strange thing about that summit meeting was that apparently our invitation got lost in the mail, because we were not included. Some of you may recall that back in the late 1980s and early 1990s, Malaysia's then-prime minister Mohamad Mahathir had a similar idea. He thought it would be nifty if the East Asians could get together without the U.S. elephant being in the room. Jim Baker, our Secretary of State at the time, thought that was about the worst idea he had ever heard, and engaged in a display of lightning and thunder to ensure that it didn't come off. Japan and South Korea, who at the time were the two biggest players on the East Asian stage, were persuaded that they should not support it, and so it never came to pass.

We interviewed Mahathir Mohamad in preparation for our book, and to say that this is a man who has seen vindication is an understatement. He is very pleased to see that an East Asian summit has been held without the participation of the United States. There is even considerable talk in the region about something called an East Asian community. Now, what that might mean remains very much to be defined. But, I think there is a growing feeling within the region that part of East Asia's destiny may well lie in a gradual but increasingly active series of commitments leading

to something which could be called an East Asian community. There are substantial barriers and obstacles to that goal, as there were in the case of Europe. Perhaps in the case of East Asia the main one is the fact that China and Japan, the region's two largest powers, at the moment act as though they really cannot stand one another. Both countries have had very little success in reigning in their tendencies toward nationalism.

Nonetheless, even China and Japan talk to outsiders and to each other about the need for greater regional cooperation. It is not hard to figure out why they do this. For China, I think an open commitment to a more multilateral approach to the region, rather than picking off each country in the region one by one, is very much in keeping with their desire to reassure the rest of East Asia that it has nothing to fear from China's rise. In the case of Japan, as when the Lilliputians tried to deal with Gulliver, I think that many Japanese have concluded that it is good to tie China into a web of multilateral commitments and benefits in the hope that this will serve to restrain China's actions. It is also in some measure a way of institutionalizing Japan's current leadership position in the region.

We make no prediction about where this movement towards an East Asian community is likely to go. We do find that it is a very real phenomenon and not just a bunch of diplomatic palaver. They really mean this. There are people in all the capital cities of East Asia who are committed to continuing the process of building multilateral regional institutions.

Another significant change in the context in which East Asia now operates is that the attitude of the United States toward the region has changed dramatically. In great measure this change was precipated by September 11 and by our excessive preoccupation, when viewed through East Asian eyes, with what we call the global war on terror. This focus, in the minds of many of East Asia, has caused the United States' attention to wander in terms of the key elements that really matter to the East Asians and, they would argue, should matter to us. The global war on terror of course has been greatly complicated by the Iraq War, which has been a further distraction.

There is a feeling in East Asia that the United States is not really paying much attention to them. This viewpoint is particularly prevalent in Southeast Asia, where countries like Indonesia, Singapore, Thailand, and Vietnam believe that we have really neglected them for most of this

decade, except for occasional episodic fits of attention such as after the December 2004 tsunami. Throughout the region, there is a sense that we do not care about East Asia quite as much as we used to, particularly not as much as we did during the Cold War, but not even as much as we used to before the global war on terror became such a preoccupation for the United States.

In terms of American foreign policy, some things have not changed in East Asia, including the two most important items. One is the continuing problem of Taiwan, the Taiwan Straits, and the future of China's relationship with that wandering province. The second is the problem of North Korea, where we have had what in effect is our third nuclear crisis in the last decade and a half.

Those are two problems that almost everyone in East Asia agrees will continue to attract U.S. attention. There is a general feeling in East Asia that neither of those two problems can be effectively managed without the concerted attention and engagement of the United States.

I think that most Americans would agree with that assessment, although our attention does seem, to me at least, to have wandered substantially over the last few years with regard to North Korea, though not so much with regard to Taiwan. With Taiwan, of course, the problem is that for the last couple of decades we have always hoped and assumed that this problem would cure itself, largely through economic integration. The thinking held that as Taiwan's economy became more and more tied into mainland China, the prospect of conflict over the future of Taiwan would diminish. In some measure, I am still confident that is the case. But there is no question that the emergence of democracy in Taiwan has significantly complicated this issue. Not surprisingly, Taiwan believes that it should have the same chance to pursue its destiny that other countries have had. Certainly the current leadership in Taiwan—and I suspect the same will be true of the next generation of leaders—is increasingly convinced that time is not on Taiwan's side. The more time that goes by, the more unlikely it is that Taiwan would ever be able to have more autonomy than it has now; in fact its autonomy may well diminish over time as China's power grows, as the two economies become increasingly interdependent, and as the rest of the world comes to accept the reality that Taiwan is a province of China.

North Korea is a tougher problem because we have not paid it the sort of attention we should have. For years, the United States really has not had a consistent policy toward North Korea, and the Bush administration in particular has been caught up in an internal debate over how to handle the North Korean nuclear issue. One side advocates some form of negotiation, such as bilateral talks or through the so-called six party process, while the other side believes that no lasting solution to the problem of North Korea will come about without a change in the nature of the regime in North Korea, so their attention is focused on regime change.

There are some things I believe it is important that the United States do to take account of these changes in East Asia in order to manage our interests in the region during the next couple of decades. First of all, the United States should not resist the emergence of regionalism in East Asia. To the extent that regional institutions and the increasing integration of the regional economy ensure East Asia's economic progress continues and that no conflict emerges within East Asia, we should welcome these developments, which are in our self-interest. However, that is not to say that we should not insist that integration in East Asia has to occur with respect to the same kind of fundamental principles of the international system that, with varying degrees of success, we have insisted on receiving from the Europeans.

Obviously from our point of view, China is the key issue. Unless the United States can get its approach to China right, nothing else is going to matter all that much in East Asia. This is an enormously complicated proposition for the United States because of the ramified nature of our relationship with China. Dealing with the former Soviet Union was easy—we really did not have a relationship with the Soviet Union other than through a policy of mutually assured destruction. In the case of China, our economic interests are so ramified and so varied, and involve so many constituencies within the U.S. political process that managing the demands and preferences of all of those interests is a very, very demanding job. It is particularly demanding for the congressional branch of the U.S. government, which has consistently shown an inability to pursue an approach of coherence and consistency towards China.

Actually, I think that over the years, the U.S. executive branch has done far better than Congress in trying to follow a coherent path. With regard

to China, we need coherence, we need consistency, and we need the right language. Too much of what we say to ourselves about China is designed to bring comfort to one or the other of our internal constituencies. This is not to say we should say only nice things about China, but we should be sure that what we say about China actually has some basis in reality and some basis in fact. I will not get into the question of our economic relationship with China, given that this topic has been discussed elsewhere at this conference. But a corollary to China's economic rise is what might be its military rise. Here I will state that I find it singularly unhelpful for the United States to be as concerned about the military rise of China as we seem to be.

If you look at U.S. military technology or military institutions, I argue that it will take 25 to 35 years before China, even if it decided to go all out, could possibly match what we can mount in terms of military technology. The United States is reaping the benefits of investments that we made during the height of the Cold War that are still continuing to pay off. We also have what seems to me to be a remarkable political ability to sustain very high levels of defense spending. China is increasing its defense spending, as might be expected given its economic performance, and it is true they are not nearly as transparent as we would like them to be about what they are spending it on. But I see no evidence that on the military side China is in any way trying to match the United States globally or even regionally. In fact, I think their defense spending is largely aimed at one thing, raising the ante for the United States in the event of conflict in the Taiwan Straits. They may have already come close to achieving that objective.

Japan is another issue that we must try to deal with. For many years Japan has been the United States' strategic ally in East Asia. I think Japan will continue to be the strategic U.S. ally in East Asia, both for better and for worse. We are not in total agreement with Japan on all questions, but we share a set of values and convictions more broadly with Japan than with almost any other country in the region. The major problem that I see with regard to Japan is that its relationships with the rest of East Asia are so bad that this adversely affects the U.S. interest in the region. This is not to say that the rest of East Asia is blameless with regard to their relationships with Japan, and I think that certainly China deserves severe criticism for its easy reliance on nationalistic rhetoric whenever it feels

pressured on any issue. Japan is China's favorite whipping boy. By and large, it is still the case that the rest of Asia does not perceive that Japan has come to terms with the legacy of its behavior in the 1930s and during World War II. Fair or not, that assessment is the reality. As a result, while Japan is a powerful economy, while it has provided billions and billions in foreign assistance and trade to the rest of Asia, it receives remarkably little credit for this. Its political influence within the region is far, far less than one would expect, given its economic strength.

In our book, we advocate that the United States should quietly but deliberately take a less hands-off approach with regards to how Japan deals with and treats the rest of East Asia. The insistence of Koizumi, Japan's former prime minister, on visiting the Yasukuni Shrine, which honors some convicted Japanese war criminals, is but one example of the Japanese ability, due to internal politics, to raise the ire of its Asian neighbors in a way that is very much against Japan's enlightened self-interest.

On the question of what the United States should be doing with regards to North Korea, I think any policy would be better than no policy, which basically is what we have right now. I think that the key guide to what our policy should be to first consider whether it is something that South Korea and China would be able to support. I find it impossible to believe that the United States could pursue a successful policy toward North Korea that was opposed by the South Koreans. In truth, that is pretty much where we have been for the last four years, with predictable results. North Korea continues to run free in its production of fissile material, and presumably in its production of thermonuclear devices.

We should pay attention to the big countries in Southeast Asia, particularly Indonesia, which besides being a country of some 200 million people is also the world's largest Muslim country. I think that we have important stakes there, both politically and economically.

On the question of Taiwan, I think that if we could bring about some de-escalation of China's buildup of military hardware, that would be a remarkably important contribution. I must say, given the pressures on our current administration from our defense industry, and our subsequent pressures on the Taiwanese to purchase equipment that they don't always want to buy or believe that they need, I do not have much hope that we are going to be able to turn this around until after the 2008 election.

The promotion of democracy has become a central pillar of U.S. foreign policy around the world. In the case of East Asia, it is clearly an important consideration. Over the last fifty years or so, we have actually enjoyed a fair measure of success in the region. Japan was not a democracy in 1945, but now it is. South Korea is perhaps an even more dramatic case. Taiwan is democratic. Indonesia has made remarkable progress given where it was at the beginning of this decade. The Philippines has managed to have regular elections. It might fall a little short in terms of governance, but its election process works. In sum, democracy is advancing throughout the region. But I think our policy requires two adjustments. First of all, we should put more emphasis on governance in our conversations with the Asians, and not just focus on the framework of democracy, but on what a democratic government actually does. How does a democratically elected government validate its position with its own citizens? Second, I think we have to be realistic and bear in mind that while promoting democracy is a very important goal, it is not our only agenda in the region. We will forever have to measure that particular policy against what we are also trying to accomplish in other areas of our relationships. I think this type of policy trade-off is globally applicable, not just regionally applicable. While Americans feel very good about pursuing democracies in other countries, this poses a couple dangers. One is that we fall into a trap of self-righteousness and self-interest. The other is that sometimes we tend to pursue those interests without giving adequate attention to other interests that we may have.

Finally, how does East Asia see us? I think it is clear to all of us that East Asia does not see us nearly as positively as it did a decade ago, or even seven years ago before September 11. This change of sentiment, however, is not exclusive to East Asia, but is pretty much true of the entire world. In the case of East Asia, I think that goodwill—if it can be described as such—toward the United States can be regained. While it is probably going to take some time, it can be regained because, in many ways, what we have to offer East Asia is something that they very much want and appreciate. We just have to offer it in ways that are somewhat less self-centered and self-righteous, and somewhat more sensitive to their own views of the world and what they think they might need.

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Lessons from History