



**The Asia Foundation**

**AMERICA'S ROLE**

**IN ASIA**

**AMERICAN VIEWS**

**2004**

The Asia Foundation is a non-profit, non-governmental organization committed to the development of a peaceful, prosperous, and open Asia-Pacific region. The Foundation supports programs in Asia that help improve governance and law, economic reform and development, women's participation, and international relations. Drawing on 50 years of experience in Asia, the Foundation collaborates with private and public partners to support leadership and institutional development, exchanges, and policy research. With a network of 17 offices throughout Asia, an office in Washington, D.C., and headquarters in San Francisco, the Foundation addresses these issues on country and regional levels. In 2003, the Foundation awarded more than \$44 million in grants and distributed over 750,000 books and educational materials valued at almost \$28 million throughout Asia.

## **AMERICA'S ROLE IN ASIA: AMERICAN VIEWS**

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*The Asia Foundation gratefully acknowledges the GE Fund for their generous support of the America's Role in Asia project.*



**The Asia Foundation**

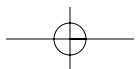
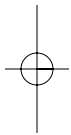
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## FOREWORD

Since its founding 50 years ago, The Asia Foundation has maintained the conviction that United States policy, and the broader cause of U.S.-Asian relations, are best served by promoting candid dialogue between Asians and Americans. Identifying points of mutual understanding and acknowledging divergent points of view enable government officials and private sector leaders on both sides of the Pacific to craft policies which have the greatest chance of success, domestically and internationally.

To this end, The Asia Foundation is pleased to have organized and supported The America's Role in Asia project. This is the third time the Foundation has supported this project, following projects in 1992 and 2000. The purpose of the project is to bring together an outstanding group of policymakers, scholars, and private sector representatives from Asia and the United States to examine the security, economic, and political challenges occurring in Asia, explore the implications of these challenges for U.S. interests, and produce reports making recommendations with respect to U.S. policies and priorities in Northeast, Southeast, and South Asia.

The project's American working group was chaired by two of America's most distinguished diplomats, Ambassador Michael Armacost, Senior Fellow at the Asia Pacific Center at Stanford University, and Ambassador J. Stapleton Roy, Managing Director of Kissinger International Associates. They and the members of

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the working group met in Washington in the spring and summer of 2004 to discuss Asian views and concerns about U.S. policy toward the region and to draw up a set of recommendations important to U.S. policy interests in the region. On the Asian side, three groups of senior policy experts led by Ambassador Kim Kyung-won, President of the Seoul Forum of International Affairs, Ambassador Tommy Koh, Chairman of Singapore's Institute of Policy Studies, and Ambassador Farooq Sobhan, President of the Bangladesh Enterprise Institute, came together in Northeast, Southeast, and South Asian regional workshops held in February 2004.

Select individuals from the American working group and the three Asian regional chairs have written papers which The Asia Foundation is pleased to publish in two reports titled *America's Role in Asia: American Views* and *America's Role in Asia: Asian Views*. Each report offers recommendations for U.S. policy in the areas of security, economics, and politics. Comparisons between the two reports are both useful and inevitable. Nevertheless, we believe each report should stand on its own, articulating two sides of a relationship that is vital to the security and prosperity of Americans and Asians alike.

The Asia Foundation is grateful to the five chairs for the consideration, cooperation, and commitment they have demonstrated to the America's Role in Asia project throughout 2004. We would also like to thank the GE Fund for their financial support. Lastly, this project could not have been launched, much less successfully concluded, without the support of many Asia Foundation staff in 17 field offices which span from Japan to Afghanistan, as well as our offices in San Francisco and Washington, D.C., particularly

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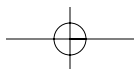
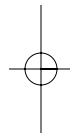
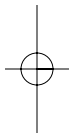
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## CHAIRMEN'S PREFACE

This report is written by a distinguished group of U.S. specialists on Asia. The views expressed are those of the individual authors, but the ensuing chapters have been informed by discussions held in Washington in May and July of 2004 with a bipartisan group of leading U.S. foreign policy and Asian specialists. In February 2004, The Asia Foundation sponsored meetings in Seoul, Singapore, and Dhaka to hear the views of leading Asians about their concerns in the political, economic, and social realms in their respective sub-regions, and in their relations with the United States. In May 2004, the chairs of the Asian regional workshops came to Washington, D.C. to share their views about America's role in Asia with the American working group. Their findings are available in a companion report titled, "America's Role in Asia – 2004: Asian Views," also published by The Asia Foundation.

This is the third time The Asia Foundation has organized and supported The America's Role in Asia project. The first two times were in 1992 and 2000. In all three projects, the reports addressed the security, political, and economic issues that have been important to U.S.–Asian relations. Events and trends over the past 12 years have altered the global landscape and give urgency to the need for thoughtful Americans to take a fresh look at the dynamics and complexities in the Asia-Pacific and at America's role in the region, especially following the terrorist attacks on the United States of September 11, 2001. The tragic events on that day forced Americans to rethink their concepts of security and stimulated responses that have affected U.S. relations with all three of Asia's sub-regions. U.S. policy must now take into account the widely

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held perception in the region that the United States is using its unprecedented power to pursue unilateralist policies without adequate regard for the impact of its actions on other countries. At the same time, deeply rooted tensions in Asia continue to demand the attention of American and Asian policymakers: on the Korean peninsula, in the Taiwan Strait, and between India and Pakistan.

Economically, despite the Asian financial crisis of seven years ago, the Asia-Pacific continues to be one of the fastest growing developing regions in the world. U.S. economic interests in the region remain strong as Asia accounts for one-third of U.S. trade and more than one-fifth of outbound investments. The United States, Japan, and China are the world's three largest economies, and India is currently one of the world's fastest growing economies. Yet, the Asia-Pacific is home to some of the poorest people on the planet who are in desperate need of development assistance.

In sum, the Asia-Pacific region presents the United States with serious challenges and opportunities for American policymakers. This report provides analysis and recommendations for the next administration and Congress. We also hope this report will be of benefit to the broader policy community and to the American public, whose support is crucial for U.S. policy to achieve its objectives.

*Michael H. Armacost*

*J. Stapleton Roy*

## AMERICA'S ROLE IN ASIA IN 2004: AN OVERVIEW

*Michael H. Armacost*

*J. Stapleton Roy*

The next U.S. Administration, whether led by George Bush or John Kerry, will face tough policy challenges in the Asia-Pacific region at a time when the region's importance is growing, U.S. grand strategy is changing dramatically, and the contours of the Asian balance are in flux. The United States is well positioned to advance its core interests in the area. However, without a more coherent and integrated strategy which links our approaches to East Asia with our policies in South and Southeast Asia, and which extends well beyond countering terrorism and checking nuclear proliferation, we could see American influence in the area seriously diminished in the years ahead.

The challenges we will face in Asia are not simply a consequence of Washington's understandable preoccupation with the threat posed by radical Islamic terrorism in the wake of the September 11, 2001 attacks on the World Trade Center and the Pentagon. They are equally by-products of the disintegration of the Soviet Union and the resulting era of American global preponderance that followed. This removed the conceptual moorings of post World War II strategy (the threat of communist expansionism), undermined the *raison d'être* for the U.S. alliance system, and presented us both with new challenges – dissuading the other major powers from “ganging up against us” – and new temptations – e.g., to inflate our aims imprudently, and to act unilaterally with less sensitivity to the interests and concerns of others.

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*Without a more coherent and integrated strategy which links our approaches to East Asia with our policies in South and Southeast Asia, and which extends well beyond countering terrorism and checking nuclear proliferation, we could see American influence in the area seriously diminished in the years ahead.*

The breakup of the Soviet Union, moreover, coincided with the acceleration of China's rapid economic growth, which has transformed it within a decade into a global economic power. This surge in China's economic performance occurred in turn against the backdrop of protracted stagnation in Japan's economy, thus tilting the regional balance in Beijing's favor. Meanwhile, democratic transitions in South Korea, Taiwan, and Indonesia, the remarkable improvement in relations between Seoul and Beijing, and the impact of the Asian financial crisis combined to alter earlier threat perceptions in the region and introduce new complications for U.S. policymakers, e.g., the rise of separatism in Taiwan and the quest by South Korea for rapprochement with the North. The two failing states in the region – Burma and North Korea – reacted to their isolation in opposite ways: Burma by drawing closer to China, and North Korea by risking its ties with Beijing through the pursuit of nuclear weapons. In addition, nuclear tests by New Delhi and Islamabad, the Taliban's victory in Afghanistan, and the rise of Islamic fundamentalism in South and Southeast Asia all had a significant bearing on Washington's policy agenda.

Beijing has skillfully exploited these developments with a deft diplomacy. It has cultivated closer ties with its neighbors, offered itself as a broker of regional disputes, fostered dramatic increases in intra-regional trade, and explored possibilities for new multilateral economic and security ties in Asia. In the process it has eased Asian anxieties about China's growing power, and provided what many Asians see as a welcome counterpoint to America's post-September 11th threat-based policy with its overriding preoccupation with Islamist terrorism and nuclear proliferation, and its penchant for unilateralism.

A dozen years into the post-Cold War era, it is increasingly clear that the United States needs urgently to adjust its policies toward Asia and adapt them to the new circumstances that are emerging.

### **Asia's Growing Importance**

In recent years the shift of global economic power to Asia has accelerated as first China and then India adopted market-friendly policies that produced sustained high levels of economic growth. In doing so, they were following a path pioneered by Japan, South Korea, Taiwan, and many Southeast Asian economies. But the sheer size of China and India – who together constitute over two-fifths of the world's total population – gave their burgeoning economies broader significance. China is rapidly becoming the world's manufacturing hub; India a key provider of services. This "power shift" will gain further momentum if recent signs that Japan's economy is emerging from the doldrums are sustained. Needless to add, Asian nations are busy translating their growing economic power into political and strategic clout.

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No country is likely to benefit more from this “power shift” than the PRC. Characterized by Napoleon as “a sleeping giant,” China is no longer slumbering, and it seems destined to present the United States with its preeminent 21st century foreign policy challenge. However, the attention devoted to China’s rise should not be allowed to obscure the fact that India is emerging as a major power in its own right. The generational shift in Japan is also producing leaders less reticent in expressing nationalist sentiments and less reluctant to shoulder more ambitious international responsibilities. Even Russia, whose power atrophied dramatically in the 1990’s, is still a “player,” for Asians want or need vast supplies of marketable oil and sophisticated arms.

Asia’s increasing significance for the United States is bolstered by the fact that it contains our largest overseas trading partners. We run our largest trade deficits with Asian countries, and their governments are the biggest holders of U.S. public debt. We can finance our growing global trade imbalance only so long as Asians are prepared to recycle the proceeds of their surpluses into our financial markets.

Asia is also becoming the world’s largest consumer of primary energy and will become the largest producer of carbon emissions before long. It imports the bulk of its petroleum from the Middle East and Persian Gulf; its dependence on that tumultuous area is destined to grow; and its sensitivity to American policies toward the Arab world has inspired growing criticism – especially in the Muslim countries of South and Southeast Asia.

Whoever is sworn in on January 20, 2005 as president will have to pay more attention to Asia not only because of its impressive strength, but because dangerous legacies from the Cold War persist in the region, and “weak” or “failing” states can become the source

of future dangers. North Korea's combination of economic desperation and nuclear ambitions could precipitate a regional nuclear arms race or facilitate transfers of fissionable materials or nuclear weapons to terrorist groups. Pakistan's stability is fragile, and its control over radical Islamists and even its own nuclear arsenal may prove unreliable. The Taliban were routed, but Afghanistan's political future is far from settled. Any or all of these issues could spur trouble among the major powers. Conversely, they could provide the opportunity for concerted diplomatic efforts to head off trouble or ameliorate its consequences.

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### **The Changing Contours of U.S.-Asian Relations**

U.S. relations with Asia are in flux due both to local developments and major adjustments in American grand strategy. Historically, U.S. policy in the region has been an adjunct of a larger global strategy. For more than half a century that strategy was focused on organizing and managing a global system of alliances against a fixed adversary. Bipolarity, which conditioned our foreign policy reflexes for nearly half a century, collapsed with the USSR's demise in 1991. The terrorist attacks on September 11th, reminded us of

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America's vulnerability to attack, and these assaults were mounted by radical Islamists who as non-state actors, possessing neither territory nor other attributes of sovereignty, appear indifferent to the logic of deterrence.

The Bush Administration has announced a new grand strategy in response. It has been designed to exploit our preponderant power and to cope with our rediscovered vulnerability. It is a work in progress. America's primary enemies are now Al Qaeda and other Islamic fundamentalist terrorist groups "with a global reach." Our closest friends and allies are now those countries prepared to join "coalitions of the willing" to combat these terrorists and states extending them safe haven or support. The Middle East has replaced Western Europe and East Asia as the "fulcrum of international politics." Since defense and deterrence offer inadequate protection against terrorist foes, the administration has signaled its intent to "preempt" attacks whenever possible, and to interpret their "imminence" flexibly. For "rogue states" proffering support to our enemies, "regime change" is regarded as a legitimate policy option. And Washington has sought to modify or circumvent international treaties, conventions, and institutional arrangements that constrain its diplomatic freedom of action.

This transformation of global strategy has had obvious effects on our policies in Asia. Above all, Washington has attempted to enlist Asians in the "war against terrorism" and gain their support in its efforts "to prevent the most dangerous weapons from winding up in the hands of the most dangerous states."

In some respects America's attention to Asia has shifted southward toward sub-regions that were generally neglected in the 1990's: South Asia – where Afghanistan and Pakistan are current battle-grounds against remnants of the Taliban and Al Qaeda; Central



Asia – where we have established operating military bases for the first time; and Southeast Asia – where the combination of large Muslim populations, porous borders, and weak central authorities offers opportunities for the recruitment and training of terrorists.

Yet Northeast Asia retains its critical significance for Washington because of the urgency of the North Korean nuclear problem, and because the interests of the United States, Japan, China, and Russia intersect most directly there. These powers have the greatest ability to provide tangible support for U.S. initiatives against international terrorists and the proliferation of nuclear weapons; they have the capacity to enlist others to join these endeavors; and their obstructionism could gravely undermine America's ability to achieve its current objectives. Coincidentally, these are the only states that could even remotely contemplate becoming "peer competitors" of the United States in the foreseeable future.

Maintaining close ties with these powers is no easy task. Each is facing unique domestic and foreign policy transitions of its own. And perceptions of the United States and its foreign and security policies are in ferment.

- China recognizes that it shares a number of converging interests with the United States. It was prepared to join a counter-terrorist coalition with us, not least to secure political cover for intensified resistance to separatist activities in Xinjiang. It understands its stake in rolling back North Korean nuclear activities lest they inspire emulation by Japan and other neighbors. Access to the U.S. market and American investment, technical knowledge, and business know-how is critical to the acceleration of its own modernization. But China's ideology is obsolete, and its ruling party's future is uncertain. The regime's legitimacy rests largely on economic performance, thus magni-

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fyng the risk that a diminished growth rate would engender instability. For Beijing, nationalism is a two-edged sword: it can rally support when the government is seen as vigorously defending Chinese interests; but it can also turn sentiment against the government if nationalistic elements view Beijing as insufficiently vigorous in upholding Chinese prerogatives. Under these circumstances, preventing Taiwan from moving incrementally toward a separate status remains a central foreign policy objective. Beijing is accordingly sensitive to any U.S. actions or gestures that imply Washington's conscious or inadvertent acquiescence in steps by Taipei to edge toward independence. And the PRC is increasingly inclined to link its cooperation in moderating North Korea's nuclear activities to Washington's readiness to limit its political and military support to Taiwan.

- Japan still relies heavily on the United States for its security. But it is moving out from under U.S. tutelage, and assuming gradually more of the responsibilities of a "normal country." Domestic sensitivities and the concerns of neighbors induce caution about acquiring the full military capabilities of a major power, or abandoning all of the post-World War II restraints on its defense policy. Yet such inhibitions are weakening. Amending the Constitution is openly discussed. The right to "preempt" North Korean missile attacks has been publicly asserted. Since the Japanese recognize that they live in a tough neighborhood, they welcome the insurance the U.S. alliance affords. Popular support for the alliance has grown, even though popular opposition to American policy in the Middle East is strong. The LDP retains its political dominance, but the party system is becoming more competitive. The economy has been perking up, buoyed mainly by strong exports to China. In such circumstances, Japan is seeking cautiously to

broaden its foreign policy options, without making decisive choices among them. It has, for example, simultaneously strengthened defense cooperation with the United States and bolstered Asian regional cooperation through ASEAN Plus Three.

- Indian concerns with disorder and radicalism in the Muslim world parallel our own, and New Delhi is actively cultivating closer ties with all the major powers (including its erstwhile rival, China). It is increasingly active in East Asian markets and politics, and is making occasional naval forays east of the Malacca Strait. It is unwilling to cede a dominant role to any outside power in its neighborhood, eager to expand commercial ties with all countries, and determined to play a larger role in global trade negotiations. It appears resigned to Washington's closer links with Pakistan, yet resists the notion of a U.S. mediating role on the Kashmir issue.
- Russia's identity was forged through its acquisition of a vast empire. Stripped of its "colonies," many Russians are baffled, as Henry Kissinger recently noted, by the question: "If we are not an empire, what are we?" Leading Russians often reveal a primordial fear of China, and worry about how it will defend its vast resources in the Far East against future Chinese encroachments. Yet Moscow continues to sell abundant supplies of advanced military technology to Beijing. Contemporary Russia is sensitive to slights, anxious to preserve the perquisites of a great power, and eager to compensate for the loss of its geopolitical heft through greater diplomatic dexterity.

Overall, the Asians continue to play a balancing game. Whether U.S. influence will wax or wane will depend to a considerable degree on whether Washington can cultivate better relations with each of these powers than they possess among themselves.

## American Strengths and Vulnerabilities in Asia

In important respects the Bush Administration has preserved a highly advantageous position for the United States in Asia.

- Despite uneasiness with our predominance, no counter-coalition has taken shape among Asian powers. On the contrary, Washington has managed simultaneously to improve its bilateral relations with Japan, China, and Russia. The U.S. alliance with Japan has been given wider geographic scope and greater balance, and it enjoys impressive public support in both countries. Relations with China have been stabilized despite American actions since September 11, 2001 which normally would have reinforced Beijing's paranoia – e.g., newly established military bases in Central Asia, enhanced strategic links with India and Pakistan, renewed military training missions in Southeast Asia, an uncompromising line toward North Korea, and encouragement of off-shore, albeit non-combat, security responsibilities for Japan. And U.S. ties with Moscow are in reasonably good shape, despite major differences over Iraq. In South Asia, the United States has developed solid ties with both India and Pakistan, and government-to-government links with Southeast Asian countries are generally equable, though public attitudes toward the United States have soured somewhat.
- U.S. consumer demand provides a powerful engine of growth for Asian economies. Our market is still the largest and most open, and our foreign direct investment in the region continues to outpace that of other extra-regional states. The U.S. propensity to run large trade deficits with Asia is offset by their tendency to invest the proceeds of their surpluses into U.S. capital and debt markets, reinforcing our mutual economic indispensability.

- Powerful U.S. naval and air forces continue to protect the sea lanes through which the energy, raw materials, and trade that power the regional economies pass.
  
- Significant features of the Administration's approach to Asia have tempered criticisms of its wider global strategy that are heard frequently elsewhere. For example, while many Asians have pressed Washington to manage the North Korean nuclear crisis through bilateral negotiations, it was the president who insisted it be handled as a challenge to regional security through multilateral negotiations, thus giving Asians a greater say at the table. Many Asians find the Administration's support for "regime change" in "rogue states" worrisome, yet they acknowledge that the Administration has exhibited little inclination to launch coercive military actions toward Pyongyang. Washington's preoccupation with terrorism and nuclear proliferation has, meanwhile, tempered the normal U.S. tendency to press Asians publicly, and at times ham-handedly, for internal political reforms and expanded market access. Thus, commercial and political aims have been subordinated, to some extent, to pressing strategic concerns. This has facilitated easier rapport with nations that remain highly sensitive to "foreign interference" in their domestic affairs. It helps, no doubt, that with the notable exceptions of North Korea and Burma, the trajectory of political reform in the region is moving governments toward greater political pluralism and growing respect for the rule of law.

These trends are promising, but complacency is unwarranted. Other developments are more worrisome.

- If the U.S. alliance with Japan is rock solid, defense cooperation with South Korea is subject to unusual strains.

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- Asian friends, particularly Japan, South Korea, and Australia, have responded affirmatively to Washington's requests to aid Iraq's reconstruction. But public opinion in most Asian countries is critical of U.S. policy in the Middle East, and the ability and willingness of governments to stand up to terrorist hostage taking and threats is uncertain. The Philippine government succumbed to such threats; others could follow.
- Commitments in Afghanistan and Iraq have stretched American military forces thin, and large scale redeployments away from Asia have been announced in connection with the Pentagon's global military restructuring plans. Such adjustments, particularly in Korea, are long overdue and could relieve local community concerns. But the timing of their execution has aroused concerns, and if not carefully managed, could convey misleading signals to friends and foes alike.
- The Administration succeeded in putting negotiations over North Korean nuclear weapons into a multilateral framework, yet it is now Washington that is subject to insistent pressures from its negotiating partners to adopt a more conciliatory bargaining stance toward Pyongyang.
- East Asian countries, meanwhile, are becoming more conscious of their regional identity, and appear keen on bolstering their international clout in regional and global institutions. A decade ago, APEC was the liveliest expression of regional economic cooperation; its organizing principle was the promotion of trans-Pacific interdependence. Today, ASEAN Plus Three – in which the United States does not participate – is the most cohesive and consequential regional institution. Perhaps we are witnessing the emergence of what Edward Gresser has called “an informal ‘Asian Union.’” For the first time, China's

manpower and low production costs are being united with the financial resources and technological prowess of Japan, South Korea, and Taiwan (among others). China's huge internal market is a primary engine of growth for countries throughout Asia. Intra-Asian trade is growing faster than trans-Pacific trade. While America has transferred substantial capital to the PRC, China's "investment boom" has been led by Asia's five richest economies – Japan, South Korea, Taiwan, Hong Kong, and Singapore. Japan, meanwhile has accelerated the relocation of its production facilities to Southeast Asia and other parts of the region, including China. And India performs outsourcing functions for its Asian neighbors as well for the West. These developments are blurring East Asia's economic frontiers and fostering tighter political links among Asian neighbors.

- Meanwhile, the center of gravity in trade negotiations seems to be shifting away from the Doha multilateral round to a proliferation of bilateral and regional Free Trade Agreements among Asian governments. We have not neglected such arrangements, having negotiated Free Trade Agreements in recent years with Singapore and Australia. But neither are we the leading force behind or the major beneficiary of this trend.
- While Americans should welcome the growing emergence of political pluralism in Asia, democratic elections do not automatically ease the promotion of U.S. interests in the area. Recent elections in Taiwan and South Korea, for example, accelerated the transition of leadership to a younger generation that is more strongly committed to changing established political habits, policies, and institutions. New leaders in both cases display confidence in their judgment as to how to advance their interests vis-à-vis the PRC and North Korea respectively, and they are inclined to act without consistent sensitivity to

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U.S. concerns, let alone deference to Washington's policy priorities.

- And while muted by comparison with other regions like Europe and the Middle East, anti-Americanism has unquestionably grown in Asia. There are a variety of explanations, but we will be fooling ourselves if we attribute this primarily to the apprehension and resentment that we naturally invite as the world's preponderant power. As shown by polling over the last decade, Asians have reacted negatively to the U.S. style of leadership in the post-Cold War era. This was clearly evident before the 2000 presidential election in the United States, but the current administration has exacerbated this problem with excessively muscular rhetoric, and a perceived indifference to multilateral institutions we once championed.

If we are going to respond effectively to these developments, we will also have to take a fresh look at the instruments of policy at our disposal. Some appear notably deficient.

Doubts have arisen about the credibility of U.S. intelligence. This is reflected in our evident inability to date to persuade Chinese and Russian officials that North Korea possesses an active uranium enrichment program. Whether the remedy for this is to be found in new organizational arrangements, as recommended by the 9/11 Commission, is debatable. But there can be no question that shortcomings in our human intelligence and our analysis must be overcome.

The Bush Administration's innovative Millennium Challenge Account adds an arrow to the U.S. quiver in the field of economic assistance. It is high time that the quality of governance be considered when assessing potential recipients of our largesse. But the



Asian candidates for aid from this fund – e.g., Vanuatu, Mongolia, and Sri Lanka – are scarcely major players in the region. Added policy levers are desperately needed for influencing developments in those Asian countries in which governance performance remains problematic — e.g., Pakistan and Afghanistan.

Our cultural diplomacy labors under new and heavy restrictions on visas, imposed to strengthen homeland security. New and cumbersome procedures, however justified, have alienated many Asians who are anxious to visit, study, or work in the United States, and have resulted in a sharp drop in the flow of Asian students to our universities and research centers – a prime source of American economic strength and political appeal.

Our public diplomacy, particularly toward the Islamic world, has floundered badly. This has especially unfortunate consequences for us in South and Southeast Asia.

### **Challenges for Future U.S. Policy in Asia**

In Asia, then, we retain formidable strengths, yet confront genuine vulnerabilities as well. In tackling future policy challenges, one urgent task is conceptual. We need to clarify the organizing principles underlying our strategy in the region. Containment is passé. Promoting a New Pacific Community has a nice rhetorical ring to it, but provides little operational guidance to policymakers. In any event, Asians are currently focused on developing pan-Asian rather than trans-Pacific institutions. Perpetuation of America's "unipolar moment" has been declared one objective of U.S. strategy. But it is not an aim that can evoke support among Asians; indeed, its appeal to most Americans is debatable. Counter-terrorism and counter-proliferation are critical, but provide too narrow a base for a regional strategy.

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If there is no handy “bumper sticker” slogan to describe America’s strategy in an increasingly fluid Asia, there are a set of issues that the United States confronts in each of its sub-regions. The key challenges we face will require tough choices regarding our response to these issues:

- The rise of China and the evolving Asian power equilibrium;
- Emerging patterns of Asian regional cooperation;
- Democracy promotion in the area; and
- The interplay among moderate and radical Islamists in the region.

**The Asian Equilibrium**

One key issue is whether the next Administration will define our objective as perpetuating American predominance in Asia, or preventing anyone else from establishing theirs. As a practical matter, no other country is poised to achieve hegemony in Asia for the foreseeable future. Russia no longer presents a threat; China is preoccupied with hastening its modernization while cultivating close ties with all its neighbors; Japan has shouldered more active overseas security responsibilities, but they threaten no one and have been undertaken in close collaboration with Washington; and India remains principally preoccupied with internal issues and its rivalry with Pakistan. Hence, performance of our traditional role as “off shore balancer” imposes less demanding requirements than in the past.

China looms as the biggest long-term challenge to a stable balance of power in the area, for no one can be sure how Beijing will eventually utilize the power it is rapidly accumulating. But at present it is generally regarded as a force for moderation in the region, preoc-

cupied by daunting domestic challenges, and eager to cultivate neighbors that include a number of countries that could forge a formidable coalition, if provoked – Japan, Russia, India, Vietnam. Under current circumstances, therefore, any U.S. effort to promote the containment of China would be at best premature, and at worst, highly counterproductive. No important Asian country would join us, and we would forfeit China's help in managing potential conflicts in Korea, Taiwan, and Kashmir, not to mention the struggle against terrorism and nuclear proliferation.

There are other conceptual alternatives. We might attempt a role in 21st century Asia comparable to that which Castlereagh's Britain played in 19th century Europe, i.e., encouraging an indigenous balance of forces, while leaving ourselves free to join the weaker states if threatened by a potential "disturber." But this approach has major disadvantages. It could require the attenuation of our relations with close allies; would implicitly encourage Sino-Japanese strategic rivalry, and as a consequence, might spur nuclear proliferation.

A more attractive alternative would involve continuing to cultivate all the key powers in Asia while seeking to use those relationships to resolve outstanding disputes and consolidate a generally favorable political and territorial status quo. This would require the maintenance of U.S. alliances and substantial forward-based military forces in the region. It would demand an active and flexible diplomacy. We would be best positioned to pursue this objective if others accept our primacy not because they fear our strength but because they value our cooperation. They are more likely to do so if we contribute disproportionately to the costs of "common goods" such as regional security and open trade.

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To stabilize a favorable balance of power in Asia, we will need to expend political and diplomatic capital to help manage several specific challenges.

**North Korea's Nuclear Challenge**

Pyongyang may already possess a nuclear weapons capability. It is certainly working to acquire one. It insists on exacting compensation for even "freezing" its acknowledged plutonium program, while denying the existence of uranium enrichment activities that constitute a clandestine violation of previous agreements. North Korea apparently believes it can buy time and keep its nuclear options open by exploiting differences between its neighbors and the United States. Strategic options for the United States range from actively promoting "regime change" to grudging acceptance of the DPRK's nuclear ambitions. Each of these extreme courses has major drawbacks, leaving us with the alternative of using a combination of carrots and sticks to achieve a solution that will enhance longer term security in Northeast Asia.

Despite its power, the United States does not have a free hand: it is constrained by the political climate in South Korea, a necessary consequence of the democracy there, and the geopolitical reality that the outcome of negotiations, however structured, will affect the vital interests of China, South Korea, and Japan as much, and perhaps even more than our own. Paradoxically, the principal U.S. challenge is to translate its strength into effective influence with Pyongyang since the disparity in our relative power magnifies North Korea's deep-rooted sense of insecurity, which reflects the regime's abysmal failure to adapt to changing circumstances or to reform itself. This self-imposed insecurity is a factor both in the North's misguided nuclear program and in its intransigent negotiat-

ing style. Perhaps, the best course is to persist in the current multilateral negotiating effort to achieve a verifiable dismantling of Pyongyang's nuclear program in return for security assurances, normalized relations, assistance in meeting energy requirements, and progressive reduction of tensions and demilitarization of the border zone, without which the North's tentative market-oriented economic reforms cannot succeed.

Ultimately, the U.S. approach should be targeted at, and compatible with, the emergence of a multilateral security framework for Northeast Asia that can buttress a successful conclusion to the Six-Party talks and enhance confidence in all the affected capitals that the processes at work on the Korean peninsula will not destabilize the region. Such a framework need not be incompatible with existing U.S. security arrangements.

### **The Taiwan Strait**

With the reelection of Chen Shui-bian, we can expect further attempts by Taipei to test the limits of Beijing's "red lines" against Taiwan moves toward functional independence and the assertion of a Taiwanese identity that is incompatible with a one China framework. Frustrated by its own inability to find the right combination of incentives and disincentives to contain the political evolution on Taiwan within parameters acceptable to Beijing, China has come increasingly to rely on a poorly coordinated combination of military threats and pressure on the United States to restrain Taiwan's separatist tactics. This makes us, willy-nilly, a central player in their long-standing confrontation at a time when the framework provided by the three communiqués is increasingly at odds with political realities in Taiwan and when fewer and fewer Americans grasp the details of how the problem evolved and of the dynamics at work.

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Moreover, like it or not, our necessary reliance on the PRC's help in controlling North Korea's nuclear ambitions reinforces Beijing's influence on our policy toward Taiwan. The linkage of these two issues, currently implicit, could become a more serious problem should Chen move aggressively on his stated intention to revise Taiwan's constitution, a move that Beijing considers an important step toward independence. The conviction of PRC leaders that Chen intends to implement an independence agenda before the conclusion of his term in 2008 adds urgency to the problem.

Of greatest concern, neither Beijing nor Washington is effectively addressing the dangerous remilitarization of the issue that has emerged since 1995, marked by explicit PLA deployments and training aimed at Taiwan contingencies on the one hand, and escalating U.S. arms sales to Taiwan, combined with closer cooperation between the U.S. and Taiwan defense establishments, on the other. To a disturbing degree, this process seems driven less by policy considerations than by the parochial interests of the PLA for enhanced equipment and budgets, and by the attractiveness of the lucrative Taiwan arms market for U.S. military suppliers. Not surprisingly, this policy vacuum is convincing pessimists on each side that confrontation is simply a question of time, despite the disaster this would represent for all parties.

Stabilizing this situation should be a top priority for the new administration. This is an achievable goal if the policy will is there. Trade and investment relations across the Strait continue to grow, and interchanges are at an all-time high. Realistic leaders in Beijing recognize that a short-term solution is not possible. Chinese moves and proposals are aimed at deterring independence, not at forcing reunification. With Taiwan in full control of its domestic circumstances, no country whose support would be necessary in order for Taiwan independence to be meaningful views such independence as worth the cost of the inevitable confrontation with Beijing.

To be viable, a stabilization arrangement cannot negate the one China principle, but it should leave open the parameters of an eventual settlement. Its goal should be an end to explicit PRC threats to use force against Taiwan and of overt preparations for military contingencies in the Strait, supplemented by reduced missile deployments opposite Taiwan; reduced U.S. military sales to Taipei consistent with the lowered threat level; more international “space” for Taiwan in exchange for an indefinite halt to actions aimed at enhancing Taiwan’s international position; enhanced links across the Taiwan Strait; and cross-strait talks aimed at addressing immediate problems and enhancing mutual confidence. The United States can facilitate such talks, but it should not play the role of mediator since experience has shown this is neither necessary nor desirable.

### **Kashmir**

The Kashmir issue remains at the heart of the differences between India and Pakistan, differences that have become more dangerous as both sides have acquired nuclear weapons. For over half a century the problem has been intractable. Nevertheless, experience has shown that India and Pakistan can coexist peacefully with the problem unresolved. While Pakistan believes that the status quo favors India, it cannot alter this reality through infiltration or sponsorship of terrorist activities. It would be wishful thinking for the United States to believe that it can broker a final resolution. However, Washington has a major interest in stabilizing the situation and for reasons of both principle and high policy must be categorically opposed to support for terrorist actions by either side. Within this context, the United States should be prepared to engage actively in facilitating any process that can help preserve peace along this troubled border.

### **Adjustments in the U.S. Military Presence**

The Pentagon has announced a major overhaul of American bases and force deployments in Asia in the context of a broader restructuring of U.S. forces around the globe. A significant reduction of the U.S. troop presence in the Republic of Korea is planned. Other adjustments will likely take place in Okinawa. With the Cold War over and the security environment in flux, a rethinking of the U.S. global military posture was overdue. Some changes are both necessary and desirable. However, confidence in the U.S. security role will depend on both the substance and timing of any contemplated changes. As always, the devil will be in the details. The key to managing the process will lie in the quality of consultations and the credibility of the force posture that remains in the region. In the case of South Korea, restoring the vitality of the U.S. alliance will depend more broadly on political decisions – above all, our ability to forge a joint strategy for dealing with North Korea. Currently, we differ on the nature of the North Korean threat, the risks associated with its nuclear activities, and the residual role of U.S. forces deployed on the peninsula.

It is a truism worth repeating that for Asian countries to have confidence in the U.S. regional security role they must believe that the United States has both the military capability and the will to use it on behalf of interests that we share, and that the United States will not act unilaterally in ways that damage their own fundamental interests.

The domestic impact of the September 11th attacks and the heavy military commitments the U.S. has assumed in other regions has raised questions among Asians about the future U.S. security role in the area. Consequently, this issue will demand attention from the new administration.



## Regional Cooperation

We have long encouraged regional ventures in the Western Hemisphere, so long as they accorded us a leading role, and we supported the development of European institutions on the continent, on the supposition that they would pursue interests compatible with our own. Today regional fora are emerging in Asia which exclude the United States at a time when China's emergence as a stronger economic, political, and military power is subtly altering regional dynamics. By avoiding bluster (except on Taiwan) and stressing regional cooperation, Beijing has gone a long way, in a short time, towards convincing its neighbors that their interests are best served by working with China rather than by seeking to contain or oppose it.

This is reflected, *inter alia*, in the Sino-ASEAN agreement on strategic partnership announced in 2003, in the Sino-ASEAN agreement on managing their conflicting claims in the South China Sea, in the enhanced vitality of ASEAN Plus Three, in the trilateral consultations taking place with growing frequency among China, Japan, and South Korea, in the various proposals for regional free trade agreements, and in the moves by China, Japan, and India to adhere to the ASEAN Treaty of Amity and Cooperation. As these intra-Asian arrangements have expanded, they have diminished the importance attached by Asians to APEC, which filled a glaring void when it was first established in 1989, and provided for regular summit meetings after 1993.

America's apparent preference for bilateral arrangements, its preoccupation with issues outside of Asia, and its evident desire to retain maximum freedom of diplomatic action have too often combined to make the United States appear to be the odd man out on issues of regional cooperation. In time this may alter Asian perceptions of

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the United States as an inherent part of Asian institutions. A U.S. tendency to use regional consultations principally as an occasion for pressing other participants on U.S. priorities rather than listening carefully to their concerns will surely reinforce a growing desire of Asians to meet on key issues – particularly economic matters – without the U.S. at the table.

Current trends are not irreversible. Nor is the United States without options. We could remain relatively passive, allowing nature to take its course, on the assumption that (1) tighter integration of Asian economies will make Sino-Japanese strategic competition less likely, and (2) Asian interests in preserving open access to our market and, in some cases, to our military protection, gives us plenty of clout with which to protect our commercial and political interests. We can also rely on our position in multilateral institutions like the IMF, World Bank, and WTO to limit Asian moves toward preferential or discriminatory practices. Alternatively, we could seek to counter pan-Asian collaborative efforts by attempting to pump new life into APEC. Or we could support Asian moves toward greater regional collaboration while setting forth clear American “red lines,” which, if contravened, could provoke more active opposition. These issues and options are explored in Marcus Noland’s thoughtful chapter.

**Islam**

We are at war with radical Islamists who ultimately hope to exclude U.S. influence from the Muslim world. Al Qaeda and the affiliates within its network are seeking to incite Muslims throughout the world to join in a jihad against America. Asia is a central theater in this struggle. A majority of the world’s Muslims live there. Mullah Omar’s Taliban regime in Afghanistan offered Al Qaeda training

camps and other support. South Asian Muslims are susceptible to the appeal of the Wahhabis. Extremist Islamists exercise substantial influence in Pakistan, particularly among those who educate the young. Nor is the Pakistan Army entirely immune to their appeal. Southeast Asian leaders have recently complained of a growing “Arabization of Islam” in Southeast Asia, and Indonesia, the Mindanao area of the Philippines, and southern Thailand constitute potential recruiting grounds for Muslim extremists. China and Russia, signed onto the “war against international terrorism” in part to find “cover” for intensified efforts to suppress “separatist” movements in Xinjiang and Chechnya – activities included in Osama bin Laden’s litany of complaints against the “infidels.”

In the “war against terrorism,” Asian governments have shared intelligence, and collaborated in the field of law enforcement. Their central banks and financial authorities have joined ours in seeking to dry up Al Qaeda’s funding. Many supported the U.S. military campaign against the Taliban in Afghanistan and the state-building efforts launched thereafter. Some are providing help in Iraq’s reconstruction.

Since most Asian governments have not been directly targeted by Al Qaeda, however, they bring less zeal to the counter-terrorist struggle than we do. Many, particularly those with Islamic populations, harbor major reservations about U.S. policies in the Middle East, and fear that America’s war in Iraq and its passivity in the Peace Process are playing into Osama bin Laden’s efforts to mobilize Muslim support in Asia for his proclaimed jihad against the United States and its allies. Others harbor doubts about U.S. approaches in South Asia, fearing, for example, that attempts to stabilize a regime in Afghanistan whose leaders have shallow roots in the Pashtun community will merely intensify discord in the long run. Asians generally regard with some skepticism the efficacy of

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democratizing the Greater Middle East in the near term. They are wary about involving themselves deeply in “nation building” efforts abroad. Many Asian governments have questioned our tactics for rolling back North Korea’s nuclear activities. And few have done much to encourage moderate Asian Muslim clerics to speak out forcefully against the jihadists.

We have elicited important Asian help in our efforts to counter terrorism and proliferation under conditions that have been challenging. The struggles will continue, whatever the outcome of our election. And we will face our greatest policy dilemmas in Afghanistan and Pakistan. Having ousted the Taliban, we incurred predominant responsibility for what follows. Progress has been achieved in introducing a modicum of order in Afghanistan. We have opened the door to more accountable government in that troubled land. But despite the ouster of Mullah Omar’s regime, the government that replaced his is far from secure. Our aid has been slow; our success in vanquishing the Taliban only partial; the authority of the new Afghan government is sharply circumscribed by tribal war lords; the international security force in Kabul remains modest in its mission and its capability; large questions hover over elections that are scheduled to take place soon.

The next administration will face vexing issues in Afghanistan. They will require more attention, and very likely more resources, for we cannot introduce order, let alone some semblance of democracy overnight, or on a shoe-string. For better or worse, we are stuck with a major responsibility for “state-building” in Afghanistan, and while others can help immeasurably, we cannot outsource this problem to either the Europeans or the United Nations.

Pakistan will pose equally difficult, if not deeper, policy challenges. Its government is fragile. Its border areas are full of angry Islamists.

Its madrassahs fuel hatred against “infidels.” President Musharraf’s government is a necessary ally in the fight to stabilize Afghanistan and dismantle the Al Qaeda infrastructure. Yet, many Pakistanis feel we have complicated their security dilemma next door by picking as post-war leader a Western-oriented Afghan with a limited following, and by promoting governance arrangements which short change the Pashtuns, without whom no stable government has much of a chance. The Army in particular views these developments with apprehension, for they have always counted on Afghanistan to add “strategic depth” in Pakistan’s rivalry with India.

President Musharraf has displayed courage under pressure, and has offered the United States indispensable support. But he faces great dangers, and desperately needs more help. Whoever is elected in November will inherit these policy conundrums, which are explored in detail in Steve Cohen’s chapter.

### **Promoting Democracy**

No administration can ignore the desire of the American people to promote their values abroad. But administrations vary in the priority they accord this interest among others, and in the methods they choose to utilize. In the face of a radical Islamic insurgency, the Bush administration has viewed democracy promotion as the critical antidote to “terrorism.” And it has outlined plans for democratizing the Greater Middle East – a hugely demanding and extremely expensive venture which will take many years if it is achievable at all.

In Asia a new administration will need a carefully differentiated and subtle approach to the task of fostering human rights and democracy. The reason is simple: Asia is a heterogeneous region

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with a bewildering array of political cultures. They range from thriving democracies (e.g., Japan and India) to Stalinist and Fascist anachronisms (e.g., North Korea and Burma). And since Asian nationalism was born in the struggle against colonialism, their governments and peoples are sensitive to intrusive efforts by foreigners to shape their institutions or meddle in their politics. We will face different challenges in various sub-regions.

- In Northeast Asia, it is quite reasonable to expect that in return for humanitarian aid, North Korea should accord more humane treatment to its own citizens. But our primary interest there will focus on rolling back Pyongyang's nuclear program. In China, it is reasonable to push for greater respect for human rights, as the Chinese themselves are now doing. However, we are likely to accomplish more within the context of a cordial and constructive relationship with Beijing.
- In Southeast Asia, we have nudged governments toward more accountable forms of government. In that connection, Indonesia is currently embarked on a promising transition. Burma remains the odd man out. We have few strategic interests there, and political pressures here will resist any lifting of sanctions in the absence of significant change in Rangoon. Refusal of all engagement, however, puts us at cross purposes with our friends in ASEAN and elsewhere in Asia, it pushes Burma into the arms of Beijing, and it deprives us of any influence over the next generation of politically active Burmese.
- We will face our most daunting challenges to democracy promotion in South Asia. For there we face the need to balance our interest in promoting our political values with our evident stake in the stability of a fledgling regime in Afghanistan, and a fragile government in Islamabad.

These matters are treated in greater detail, and with an appropriate acknowledgement of both the complexity of the issues and the limits of American influence, by Bob Scalapino, Catharin Dalpino, and Steve Cohen in their chapters in this volume.

### Conclusion

The United States is well positioned to address these challenges if it can adjust its leadership style to blend most effectively the advantages of U.S. power with the requirements for sustaining regional support and engagement. Overall, the region remains a success story, but in Korea, Taiwan, and Kashmir it contains three of the world's most dangerous unresolved issues. From a historical standpoint, relations among the great powers in the region are remarkably harmonious, thus paving the way for effective diplomacy that can head off, rather than drift toward, avoidable conflicts.

*Overall, the region remains a success story, but in Korea, Taiwan, and Kashmir it contains three of the world's most dangerous unresolved issues.*

The tasks confronting U.S. diplomacy are enormous. They include ensuring that the rise of China does not destabilize the region; fostering a role for Japan that is compatible with a stable regional balance; preventing developments on Taiwan from precipitating a dangerous crisis; strengthening Southeast Asian cohesion as a counterbalance to the more powerful countries in Northeast Asia; maximizing the willingness of East Asian countries to see us as an essential factor in preserving regional stability and security; helping to

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channel India's growing regional role in constructive directions; and promoting good governance and respect for human rights.

The stakes are high. China's growing economic and military power places a premium on wise leadership in both Beijing and Washington. U.S.-China relations are cooperative at the moment but have seen sharp fluctuations over the past decade. The natural rivalry between China and Japan has been partly contained by their growing economic complementarities, but the subsurface tensions between them remain strong and periodically surface in potentially alarming ways. India's growing self-confidence and surging economic performance, a new factor on the international scene, will impact on the rest of Asia in ways that can only be conjectured. Actions by the new administration can play a significant role in ensuring positive outcomes on these issues. Inattention will narrow our choices to less pleasant options.