

Prime minister Paul Keating's expression.³ Most ASEAN countries and China tend to uphold this Asianist view mainly to counter what they consider to be Washington's inapt attempts to interfere in their domestic life and to practice managed trade.

The relative decline of the American market for East Asia's exports and Washington's tendency of preaching American values did create certain estrangement in American-Asian relations. As Winston Lord, assistant secretary of state for East Asia and the Pacific, reportedly pointed out, the style in which Washington carried out its Asia policy in favor of its domestic priorities has indirectly helped Asians search for an Asian identity in economic integration, too.⁴

By contrast, the U.S. has been a most enthusiastic advocate of the Pacific Community combining East Asia and North America. When Clinton proposed "A New Pacific Community" in his speech at Waseda University in July 1993, his first economic priority was to foster a stronger partnership with Japan and to expand the U.S. market share in Asia. U.S. Secretary of State Warren M. Christopher referred to "a primacy of Asia" to emphasize the importance of Asia for American economic and security interests in the coming century. By having the Congress pass the NAFTA bill right before the fifth APEC in Seattle in November 1993 Clinton was able to sponsor an informal summit with Asian leaders. Subsequently, this helped him persuade European leaders to complete the Uruguay Round negotiation in December 1993. Thus, the U.S. has led the efforts to build a Pacific Community in a manner that is consistent with global principles of free trade by strengthening the trans-Pacific economic interdependence in addition to the security relationship to which it is firmly committed.

³*International Herald Tribune*, May 3, 1994.

⁴*Far Eastern Economic Review*, May 19, 1994, pp.22-23.

South Korea, Australia and Canada are supporting this Pacific view of economic cooperation because they not only maintain their security relationships with the U.S. but equally important is the fact that the U.S. is their largest market for exports. In fact, Australia and South Korea took the initiative for founding PECC in 1980; they also played some leadership in launching APEC in 1989. South Korea also mediated admission of China, Taiwan and Hong Kong to APEC at its third forum in Seoul in November 1991. Naturally, they favor a faster pace and a more structured form of Pacific economic cooperation.

Japan is in a position to swing these contrasting perspectives. Yet Tokyo has been ambivalent by preferring a slower pace and a looser form of economic regionalism for fear that swinging decisively to Washington's view may well antagonize ASEAN and China where it has poured a huge amount of investments and that doing so can intensify Washington's pressure to open up its domestic market. Japan is trying not to offend either the U.S. or ASEAN and China. Moreover, Japan is now exporting a third more to Asia than it does to America; she is making a fifth of its foreign direct investment to Asian countries. In terms of size, the Japanese economy represents almost two-thirds of the entire East Asian economy if China is excluded. As the largest provider of exports, ODA, capital and technology, Japan is in a position to determine the future shape of economic regionalism in the Asia-Pacific.

2. ASEAN, EAEC, and AFTA..

Originally, the Association of Southeast Asian Nations(ASEAN) was organized in 1967 as a political grouping to express a collective stand of non-alignment against the Vietnam War. Now as the most successful regional organization of six countries: Thailand, Malaysia, Singapore, the Philippines, Indonesia and Brunei, ASEAN with some 320 million consumers has attempted to

form an economic subregion among themselves. As already noted, Mahathir is still seeking to form an EAEC that excludes the U.S., Canada, New Zealand and Australia. But ASEAN as a whole has been trying to form an AFTA within 15 years by cutting tariffs among its members. The ASEAN summit in January 1992, for example, agreed to cut tariffs on intra-ASEAN trade in manufactured, capital and processed agricultural goods to between zero and 5 percent by 2008, beginning in 1994.

This ambitious plan notwithstanding, a lack of economic complementarity is hampering such progress. Indonesia and the Philippines are not ready to cut their tariffs. Most ASEAN countries are trading more with the U.S., Japan, South Korea and Taiwan than among themselves. By no means will it be easy for ASEAN to form a custom union like EU within 15 years.

3. Borderless Economies: Greater China, Greater Singapore, Greater Indochina, and Greater Korea.

Without formal agreement there have emerged several "borderless economies" or "growth triangles" in East Asia. With the help of instant communication and rapid transportation, the private sector and especially multinational corporations have taken a leading role in facilitating this kind of subregional economic integration although the states involved have also encouraged moving capital, labor and technology beyond their territorial boundaries. Potentially, this development can make greater contribution to economic cooperation in the Asia-Pacific, for it is being promoted through market forces and strategic alliances among the concerned parties.

Greater China, linking South China of Guangdong and Fujian, Hong Kong and Taiwan, is the largest of these borderless economies. It is this area that is showing the highest growth rate by using its abundant labor and resources. Guangdong alone has a population of 65 million and is the

fastest growing province in China. Driven by this engine of growth in South China, China as a whole increased her exports by an average of around 17 percent from 1979 to 1992 and attracted about 40 percent of all foreign direct investments in the developing world in 1993. Net direct investment from overseas in 1993 amounted to \$20 billion.⁵ As a result, China has become the world's fastest growing economy.

Greater China will become the center of the world's manufacturing industries in the years to come. Since this subregion depends greatly on Hong Kong through which the bulk of China's trade is being transacted, its viability also depends on the future of Hong Kong and Taiwan. This is why Beijing's policy toward Hong Kong is being closely watched not only by the Overseas Chinese who have made more investments than others but also by other concerned countries.

Greater Singapore is emerging in the zone adjacent to Singapore, Malaysia's Jahore and Indonesia's Riaou Province. Bonded processing and light industrial assemblages are being developed in this zone by taking advantage of the available labor force and technologies.

Greater Indochina is being formed in the areas involving Vietnam, Thailand, Cambodia and Laos. Vietnam in particular is attracting more and more investment from these neighboring countries as well as from such Northeast Asian countries as Taiwan, South Korea and Japan. The U.S. lifted its trade embargo with Vietnam in February and agreed to set up a liaison office in Hanoi in May 1994.

Unlike these existing borderless economies, *Greater Korea* is being discussed in the zone

⁵Earnest Stern, "The Way Ahead for China: More Change Substantially," *ibid.*, May 19, 1994.

surrounding the Korean peninsula among South Korea, North China, North Korea, the Russian Far East and Japan. The Tumen River Development Project under the UNDP initiative is a good case in point. The progress of subregional economic cooperation in Northeast Asia has been slower because of the political obstacles including the North Korean nuclear question. Given the rising volume and intensity of interdependence between South Korea and China, Japan and China, Japan and Taiwan, and China and Russia, Northeast Asia has much potential to develop a vigorous subregion. South Korea has made \$1 billion of direct investments in such Chinese provinces as Shandong, Jilin, Liaoning and Heilungjiang. Should North Korea open its economy widely after abandoning the nuclear weapons option, *Greater Korea* will also become a reality as another growth center of East Asia.

4. NAFTA as a Pacific Link.

From the North American point of view, NAFTA has certain potential to link North America with East Asia. The North American Free Trade Area (NAFTA) involving the U.S., Canada and Mexico was formally inaugurated on January 1, 1994 as a huge region with GNP of over \$6 trillion and a population of 360 million. Unlike EU, NAFTA has neither common internal agricultural policy nor common external tariff. But in a sectoral perspective, NAFTA does discriminate Asian countries against its members especially in such low-cost sectors as apparel and steel making. A real worry of Asian exporters is in the automobile sector where the dramatic increase in local contents requirements extends to 62.5 percent. When this provision is fully in force, it will be detrimental to South Korea's export of automobiles to the U.S., Canada and Mexico unless the industries establish their subsidiaries there.

A critical issue facing the U.S. is how and to which countries NAFTA can be extended. If the

U.S. is inward-looking and south-oriented, it may extend this to South American countries to form a Western Hemispheric Free Trade Area as it is said to be engaged in discussion with Chile as an additional member. Or if it is genuinely interested in keeping its Pacific identity, it can extend this to East Asian countries. The level of membership would vary according to levels of economic reform. An alternative to full membership is some form of associate membership to countries like Brazil so that they can enjoy free access to NAFTA's market and investment. The actual economic incentives to South American countries are not greater than those to the East Asian countries that trade more with and invest in North America.

Much more potential benefits will occur to East Asian countries should they join NAFTA because their economies are more complementary with the North American economies. But there are a great deal of structural and cultural differences that can pose certain obstacles for them to do. Besides, the U.S. would not welcome only South Korea and Singapore to NAFTA while it is having mounting trade frictions with Japan. It may be more realistic to expect that some loose form of association can be found between Northeast Asian countries including Japan and NAFTA.

5. APEC as Open Regionalism.

APEC represents a combination of Northeast Asia, AFTA and NAFTA that find a common denominator in the principle of open regionalism. Started as a forum of foreign and trade ministers from 12 countries in Canberra in November 1989, this loose forum of 17 economies now accounts for nearly 50 percent of the world's GNP, about 40 percent of population and 30 percent of global trade. In 1992 America's trade with Asia reached \$345 billion, about 50 percent more than its trade of \$227 billion with Europe.

The Seattle meeting in 1993 itself was the message for open regionalism. It not only admitted

Mexico and Papua New Guinea but also endorsed a lofty "Economic Vision Statement" stressing openness, creation of market, expansion of intra-regional trade, educational cooperation, cooperation on telecommunication and environmental protection among other things. APEC is neither a custom union like EU nor a free trade area like NAFTA but considering "a wholly new model of regional economic cooperation: a steady ratcheting up of trade liberalization between the regional and global levels that would confirm its dedication to 'open regionalism'" according to C. Fred Bergsten who has served as chairman of the APEC Eminent Persons Group.⁶

The Seattle meeting made important progress for institutionalizing policy consultation mechanism. When South Korean President Kim Young Sam proposed to continue the informal summit in Jakarta, too, in November 1994 and Indonesian President Suharto accepted it, they decided to hold annual summits in effect. Japan has publicly announced that it will host APEC in Osaka in 1995. It also agreed to have regular finance minister meetings to discuss macroeconomic and monetary issues, and environmental ministers meetings, and to continue the work of ten working groups on various other issues including an educational program and a business volunteer program. It is important to note that Chinese President Jiang Zemin actively endorsed the spirit of APEC on this occasion although he took a hard line on human rights.

Equally important was that most Asian leaders were reluctant to accept a binding code on investment and an early creation of a Pacific free trade area as Washington had planned. The U.S., Australia and Canada prefer a more rapid institutionalization and transformation of APEC as a body for actual negotiation and coordination on trade and macroeconomic policies. But ASEAN

⁶C. Fred Bergsten, "APEC and World Trade: A Force for Worldwide Liberalization," *Foreign Affairs*, May/June 1994, p.20.

and Japan opted for a slower pace of building a Pacific Community in contrast to the call for a faster pace proposed by the Eminent Persons Group.

This group has recommended to the APEC forum in Jakarta in 1994 that it adopt the goal of creating a zone of "free and open trade and investment" by the year 2020. The group has set a specific timetable for each country to work toward this ambitious goal. It remains to be seen how the meetings at Jakarta and Bogor would act on this contentious issue. Since APEC is being run by a rule of consensus among its members, the pace of its agenda and institution building has to be gradual. Despite this slower pace, one thing the participating countries share in common is to continue open regionalism and liberalism as PECC and the Pacific Basin Economic Council(PBEC) have consistently called for.

III. Security Cooperation: Soft Regionalism.

Unlike the economic realm where liberalism is being deliberately sought, in the political realm of the Asia-Pacific nationalism and realism govern not only domestic politics but also international politics as well. As the states in this region are addressing security issues mainly through their bilateral relationships and seeking balance of power policy, the mode of their multilateral security cooperation is bound to be "soft regionalism." In other words, they try to accomplish some degree of "cooperative security" through confidence building measures rather than collective security through defensive alliance like NATO or CSCE.

Since there is no longer single source of security threat other than the North Korean nuclear one, various formulas of regional security dialogue have been proposed. ASEAN PMC, ARF and CSCAP are some results of these efforts that are designed to supplement the existing bilateral framework like the U.S.-Japanese Security Treaty. These forums have been initiated by ASEAN

leaders but a subregional security forum has yet to be established in Northeast Asia where most imminent security issues are concentrated and the strategic interests of China, Japan, Russia and the U.S. are intersecting while the Korean peninsula still remains "the last glacier of the Cold War" as shown by North Korea's continuing challenges to the Nuclear Nonproliferation Treaty(NPT) by defying the calls for full scope inspection by the International Atomic Energy Agency(IAEA) and the U.N.

1. Cooperative or Collective Security?

In facilitating regional security there have appeared two somewhat different schools of thought: cooperative and collective security. The first school calls for regional security dialogues in order to supplement bilateral cooperation by providing a place for all concerned parties to air their views and by developing habits of dialogues to prevent military confrontation and war. The other school advocates some form of regional collective security in order to replace the existing bilateral frameworks by instituting such formal structures like NATO and CSCE in the Asia-Pacific, too. Given the lack of commonly shared threat, interests and values in East Asia, it is more realistic that Asian and Pacific countries opt for cooperative than collective security cooperation through a series of official and unofficial dialogues as part of their ongoing preventive diplomacy.

The idea of "cooperative security" was actually proposed by Canada in 1990 when then Minister of External Affairs Joe Clark launched a Canadian initiative for a North Pacific Cooperative Security Dialogue(NPCSD) with the proclaimed purpose of strengthening military transparency

and of dealing with non-military threats to security like environmentally unsustainable activities.⁷ In similar vein, the ASEAN PMC also took up regional security discussions in 1991; at the 1992 PMC, Japan also supported the initiation of new security dialogues among East Asian countries including China and Russia. Subsequently at the 1993 PMC, the participants including Chinese, Russian and Vietnamese foreign ministers decided to launch the ASEAN Regional Forum at the Bangkok meeting in July 1994. The Bush administration used to be critical of this idea but the Clinton administration clearly lent support to this regional security dialogue.

But the concept of "cooperative security" was most succinctly defined by Australian Foreign Minister Gareth Evans when he stated: "Cooperative security has been usefully described as a broad approach to security which is multidimensional in scope and gradualist in temperament; emphasises reassurance rather than deterrence; is inclusive rather than exclusive; is not restrictive in membership; favors multilateralism over bilateralism; does not privilege military solution over non-military ones; assumes that states are the principal actors in the security system, but accepts that non-state actors may have an important role to play; does not require the creation of formal security institutions, but does not reject them either; and which, above all, stresses the value of creating 'habits of dialogue' on a multilateral basis."⁸

The idea of collective security was also first revealed by Australian Foreign Minister Gareth Evans in July 1991 when he suggested that Asia needs an organization like CSCE. Recently,

⁷Brian Job and Frank Langdon, "Convergence and Divergence of Interests in the Changing Asia-Pacific Security Setting," in Charles F. Doran et al(eds.), *Pacific Partners: Canada and the U.S.*(Washington: Brassey, 1993), pp.90-116.

⁸Gareth Evans, *Cooperating for Peace*(Maryborough, Victoria: Allen & Unwin, 1993), p.16.

Russia also has renewed the old calls for instituting a collective security structure among the major powers and other concerned parties to deal with the North Korean nuclear issue when it proposed a eight-party conference including the U.N. and IAEA. Of course, North Korea is not interested in any collective body that may isolate itself. China has generally preferred bilateral to multilateral approaches to security and therefore, been reluctant to fully endorse the idea of collective security in East Asia. Unless these major actors come to share a common threat or compatible values, it will be difficult for them to go beyond the current levels of regional security dialogues. *It will take a long time for East Asian countries to agree on the principle that the security of one is the security of all.*

2. Balance of Power and the Balancing Role of the U.S.

If there is no collective structure of regional security in the Asia-Pacific, security has to be addressed primarily through bilateral interaction from which a balance of power is to emerge. Henry Kissinger must have had this in mind when he said: In the Asia-Pacific, "there is no pretense of collective security or that cooperation should be based on shared domestic values, even on the part of the few existing democracies. The emphasis is all on equilibrium and national interests."⁹

A loose balance of four power system is in the making among China, Russia, Japan and the U.S. Such middle powers as South Korea, Canada, Australia and even ASEAN are searching for better forms of confidence building by playing bridge-building roles. To a large extent, domestic politics is dictating foreign policies in these powers.

While Russia is preoccupied with the task of preserving democracy and of developing a market economy at home, its external roles in the Asia-Pacific will be limited. Although the Boris Yeltsin

⁹Henry Kissinger, *Diplomacy*(New York: Simon and Schuster, 1994), p. 826.

regime has substantially improved relations with China and the U.S., it has failed to reconcile differences with Tokyo over the Northern Territories. The Nationalist challenge from Vladimir V. Zhirinovsky has made it exceedingly difficult for Moscow either to integrate the Far East into the Asia-Pacific or to reduce its military forces deployed in Siberia and the West Pacific. Hence, it is trying to reassert its regional influence by proposing a multilateral security forum in Northeast Asia.

China has renewed its commitment to economic reform at home but been enforcing a balance of power policy abroad more conspicuously than any other powers. To accomplish economic reforms she needs to pursue open and improved relations with Japan and the U.S. To guard "Socialism with Chinese Characteristics," she has to deter any attempts by these Western powers at "peaceful evolution" and therefore been consistently resisting the U.S. policy of linking human rights to most favored nation status. Beijing's quest for balancing other powers by filling the vacuum left by the departure of U.S. and Soviet naval presence in the South China Sea is being closely watched by other parties with a great deal of concern. Southeast Asian countries tend to see China more than Japan as a source of threat to their security. Ultimately, which side between political and economic imperatives wins in Chinese domestic politics especially after Deng Xiaoping departs from the scene will determine the future of China on which the future of East Asia depends. As a rising power with a veto in the U.N. Security Council, China is in a position to swing the direction of regional security cooperation in the Asia-Pacific.

Since China holds a key to accomplishing the fate of regional security dialogues in Northeast Asia, a recent statement made by Foreign Minister Qian Qichen deserves a quotation here:

"China is in favor of a variety of channels and levels of bilateral or multilateral dialogues on issues

of Asia-Pacific security. Owing to the great differences between Asia and Europe and the different characteristics among various countries in East Asia, it is necessary, in addressing the security issues of the region, to proceed from the realities and particular needs of the Asia-Pacific region and its subregions, improve communications and enhance mutual confidence among various parties. China appreciates the efforts of ASEAN to promote a multilateral security dialogue in the region and will take an active part in ARF activities. In the meantime, we would like to see more bilateral security dialogues with the countries concerned. In order to make the regional cooperation in this regard successful, it is necessary to take a realistic approach of seeking common ground while setting aside differences. No country should impose its will on others on any issue."¹⁰

China's balancing act was revealed again when it decided to pull out its representatives from the Military Armistice Commission at Panmunjom in September 1994 by accommodating North Korea's quest to replace the armistice with a peace agreement with the U.S. It is important to note that Beijing took this action while it continued its support for peace and stability on the Korean peninsula and recognized the commission's role in so doing! Clearly, China has sided strategically with North Korea to extricate U.S. military presence in its most important periphery.

Being an economic superpower, Japan has set out to reassert its political and security roles commensurate with its enormous economic clout. The end of the 38-year old Liberal Democratic Party (LDP) in July 1993, however, has cast a serious uncertainty over its domestic politics. By improving relations with China, Russia and North Korea, by sending the peace-keeping

¹⁰Speech by H.H. Qian Qichen, Vice-premier and Minister of Foreign Affairs, at the Opening of Symposium on Post-Cold War Security Situation in the Asia-Pacific and Its Prospects, Beijing, May 11, 1994.

operation(PKO) to Cambodia, and by advocating a regional security dialogue, Japan is trying to become a "normal state" in her international relations. Apparently, she has begun to assert a more independent foreign policy by doing away with the previous practice of being too reactive, minimalist and late as dramatized by her policy toward the Gulf War in 1991 but the uncertainty of her domestic politics is severely constraining these efforts by Prime Minister Morihiro Hosokawa, Tsutomu Hata, and Tomiichi Murayama.

By saying no to Washington's attempts to set numerical targets for Japanese imports, accusing them of being managed trade in effect, Tokyo has been in somewhat strained relations with Washington. Nevertheless, its security relationship with Washington enables the U.S. to maintain forward deployment in Northeast Asia. It is ready to cooperate with Seoul and Washington on meeting the North Korean nuclear challenge even by joining the U.N.'s economic sanctions should the diplomatic solution fail. But the Socialist-Liberal coalition under Murayama and Kono is unlikely to take decisive leadership and initiatives it is facing enormous difficulties in reaching a consensus on divisive security issues.

In the the new environment where there is no single threatening power, the role of the U.S. is shifting from that of containment to that of being a balancer and honest broker. This is consistent with its traditional strategy of restraining any single state or coalition of states from exercising hegemony, and of reassuring its allies and other small states of their security in the face of uncertainty. For this reason the Clinton administration has committed itself to the policy of maintaining a military presence in East Asia at the current level. But the basically reactive policy that Washington has shown toward Somalia, Bosnia, Haiti, Rwanda and North Korea has caused much suspicion that the U.S. is adopting a strategy of "self-deterrence" instead of "extended

deterrence" in the post-Cold War world.

The style of Clinton's Asia policy in particular has lacked consistency, cohesion and effectiveness. This has caused many Asian countries to doubt the durability of U.S. military presence. Washington's policy of linking trade to human rights, labor and environmental standards in China, Indonesia, Malaysia and Singapore has prompted some Asian leaders to do "America bashing" by rejecting to be preached by American leaders. Clinton's demands that Asian countries buy more American exports so as to create more jobs for Americans has undercut his pronounced goal for building a trans-Pacific partnership.¹¹

As the tone of these protests gradually escalated, however, some Asian leaders have begun to fear that such America-bashing may encourage isolationism in the U.S.; Lee Kuan Yew, for example, stressed the need for the U.S. to "provide the stabilizing anchor force around which the smaller countries can cluster" and warned against the danger of backlash that can result from America bashing.¹² Since Clinton renewed China's most favored-nation status by delinking it from human rights and reopened trade talks with Japan in May 1994, American policy toward Asia has become more pragmatic.

3. The North Korean Problem and Amorphous Security Threats.

The North Korean problem poses the most imminent threat to peace and stability in the Asia-Pacific. Besides this, other sources of security threat are amorphous because there is no clear-cut one. North Korea with nuclear and other weapons of mass destruction and their delivery systems

¹¹Richard Woolcott, "The U.S. Lacks a Coherent Policy for Asia," *International Herald Tribune*, May 25, 1994.

¹²*International Herald Tribune*, May 26, 1994.

is a nightmare. Until it clears up these suspicions by accepting transparent inspection over nuclear facilities with both IAEA and South Korea, it is the single most important source of instability that can upset the balance of power in East Asia especially after Pyongyang unilaterally removed fuel rods at its main reactor at Yongbyon in May-June 1994 without presence of IAEA experts despite the unanimous statement of the U.N. Security Council demanding it not to do so.

Yet the U.S. did cut "a package deal" with North Korea on August 13, 1994 in which it promised to establish diplomatic relations and to provide light water reactors in return for North Korea's freezing of its current and future nuclear programs without clear commitment for special inspection on its past behavior. As a result, the worst fear existing in South Korea and Japan are turning into a reality: the U.S. is so preoccupied with the task of freezing the North's nuclear programs that it may well lose the stomach to purposefully question the North's past nuclear records and thereby let it preserve permanently the ambiguity about whether it has developed one or two nuclear devices. This is unacceptable to South Korea and Japan.

Among other potential threats to regional security, we can point to possibilities of power vacuum that might result from U.S. military disengagement from Asia and leadership, arms race, and political uncertainty that is overcasting in many countries. Suppose that the U.S. disengages itself from its forward deployment because of its mounting domestic problems while the Asian economies are booming, it will result in a power vacuum. Most Asian countries fear that in this case either China or Japan will fill it. This is the main reason why they want the U.S. to remain in Asia as a balancing agent and as a cap on Chinese or Japanese power projecting capabilities that they may develop to contest hegemony.

No less fearful is the seeming abdication of U.S. leadership in foreign policy under the Clinton

administration. Mr. Clinton is so preoccupied with the domestic agenda that he seems to be less interested in foreign policy. To him all politics is indeed local. American policy toward Somalia, Bosnia, Haiti, and Rwanda has been waffling. Should this trend be repeated itself toward North Korea, too, it will let Pyongyang get away with a fait accompli of nuclear weapons.

As long as Japan remains within the U.S.-Japanese security framework and democracy, there is less ground to worry about a revival of Japanese militarism. But there has been an acute fear of Chinese hegemonism especially in Southeast Asia since the Chinese occupation of six islets in the Spratlys in 1991. Another potential area of instability is the Taiwan Strait, for Beijing has not ruled out use of force to unify this island state if and when the opposition assumes power and seeks independence. So far, Beijing has failed to use its influence in persuading Pyongyang to abandon the nuclear weapon option either. It is in this sense that the wild card is the attitude of China because her future policy can vitally determine the very stability of the Asia-Pacific.

Fear of power vacuum and the booming economies are causing East Asian countries to build more and more arms. As a result, there is a real danger of arms race. According to one report, from 1985 to 1992 South Korea increased its military budget by 61 percent, Singapore by 36 percent, Malaysia by 31 percent and China by 25 percent. China already has the world's third largest submarine fleet and has doubled the size of its surface fleet to 59 vessels since 1981. Taiwan also has increased its surface fleet to 57 vessels from 35.¹³ This trend for arms race has much potential to cause instability.

Barring any abrupt changes in the current power equilibrium, instability may be caused by political uncertainty that is looming in Russia, China, North Korea and even Japan. No one can be

¹³*The Globe and Mail*(Toronto), April 27, 1994.

sure what will occur after Boris Yeltsin, Deng Xiaoping, Kim Il Sung and Tsutomu Hata step down or pass away. The possibility of another totalitarian regime in Russia cannot be ruled out completely. Nor can a messy breakup of the Kim Il Sung regime. Should such reversal take place, it will surely threaten regional stability with far-reaching implications.

4. Northeast Asia: A "Two plus Four" Forum?

It should be clear by now that sources of instability are concentrated in the Korean peninsula and Northeast Asia but this subregion is yet to have a regional security forum. For the Korean question, South Korea has sought to have a "two plus four" forum among the two Koreas and four powers. At ARF in July 1994 South Korean Foreign Minister Han Sung-joo proposed the establishment of the Northeast Asian Security Dialogue. Japanese Defense Minister Tokuichiro Tamazawa said that Tokyo supports this idea.¹⁴ On record, all these six countries have endorsed a nuclear-free Korea and yet there is no multilateral forum to address this matter because of North Korean and Chinese objection. But only among South Korea, Japan and the U.S. have there been trilateral discussions on the nuclear issues at official levels.

As a Track Two endeavor, the Institute for Global Conflict and Cooperation of the University of California, San Diego, initiated a Northeast Asian Cooperation Dialogue in 1993. In the preliminary discussion for this project, North Korean diplomats did participate and pledged Pyongyang's participation. But the latter failed to send its participants to the first meeting in San Diego in October 1993 and the second one in Tokyo in May 1994. Academics, military officers and diplomats from South Korea, China, Russia, Japan and the U.S. attended these meetings in their private capacities to discuss national perspectives and confidence building measures on

¹⁴Korea Herald, August 31, 1994.

Northeast Asian security including the Korean question.

At the Tokyo meeting, for example, they agreed to launch two study groups, one on delineating broad principles of cooperation and another on ascertaining concrete "mutual reassurance measures." They also agreed to have the third plenary meeting in South Korea in January 1995 while making every effort to persuade North Korea to send its delegates. These represent another non-official route to building mutual understanding and consensus before an official Northeast Asian security forum gets under way in the future.

5. ARF and CSCAP: Soft Regionalism.

It is interesting to note that an official regionwide body called ARF and an unofficial forum called CSCAP were launched in Southeast Asia in 1993. The ASEAN PMC led the decision to launch ARF in 1994 by inviting 18 foreign ministers from ASEAN itself, its dialogue partners and such new invitee as China, Russia, Vietnam, and Laos. North Korea has not been yet invited to this regional forum. At the first meeting in Bangkok, the foreign ministers exchanged their views on matters of common security concern for three hours. According to the Chairman's statement, this first meeting "signified the opening of a new chapter of peace, stability and cooperation for Southeast Asia."¹⁵ But it failed to mention such contentious issues as the North Korean nuclear challenge and the Spratly islands. In the sense that they could hardly touch upon these issues, their activities were limited mostly to talks, let alone their substantive speeches. It is fitting to characterize this form of cooperation as "soft regionalism" as compared to the periodic summits and ministerial meetings of NATO.

ARF should be useful, however, as an exercise of preventive diplomacy for building confidence

¹⁵*Far Eastern Economic Review*, August 11, 1994.

and for achieving transparency on military budget, for potential antagonists can sit down across the same table and talk to one another in a peaceful atmosphere. Even though it cannot replace bilateral cooperation, it can complement this by nurturing habits of cooperative security and by adopting conflict avoiding measures as a first step before proceeding to confidence building measures. As it accumulates these experiences and generates information, it may well develop some common agenda as happened at APEC.

In addition to this Track One, CSCAP was formally launched as a Track Two forum at the Kuala Lumpur Roundtable in June 1993. Since ARF does not have an institutional backup mechanism, this Council is supposed to provide institutional memory and studies for ARF in a manner that PECC used to function for APEC by sponsoring a series of seminar and by producing important reports on substantive security issues. As of 1994, this forum consists of ten leading research institutes concerned with strategic issues. Each participating institute is entrusted with the task of organizing the national committee so that this can serve as a central clearing house.

There are some diverging perspectives on the agenda and membership of this Council. One major problem facing this forum is that China has not designated any institute in protest against the fact that the Center for International Relations in Taiwan has become one of the ten founding institutes. Until an officially sanctioned Chinese institute joins this Council, its activities will be severely constrained. Another problem is a subtle difference of views on a common agenda between ASEAN participants and Northeast Asian participants because the former seeks to shape it in their favor but the latter want to take up those issues most relevant in their subregion.

ASEAN in particular is quite sensitive about the possibility that either ARF or CSCAP can dilute the primacy of ASEAN itself. On the other hand, participants from other subregions and

countries want to shape the agenda in their own way. As long as they cannot share a sense of common destiny, therefore, they will have no choice but accept soft regionalism as their lowest common denominator for security cooperation.

IV. Economics and Security: Can Economic Imperatives Prevail Over Political Imperatives?

Economics and security are inseparable in the sense that one cannot be had without the other. Under the current conditions of regionalism in the Asia-Pacific, it is highly desirable that economic imperatives for interdependence can prevail over political imperatives for nationalism, the liberalist view of international relations over the realist view, on the assumption that economic liberalization leads eventually to political liberalization and peace. Conversely, peace and stability are crucial to accomplishing economic prosperity; hence, they need to complement each other. At the same time, gaps between Asian and Pacific imperatives also must be bridged by all means. Which imperatives take precedence in promoting regionalism, however, will depend on the degree to which participating countries can agree on the issues of agenda, leadership, institutionalization and membership.

1. Agenda.

There is a consensus on addressing mainly economic issues at APEC and security issues at ARF. But in actually setting the concrete agenda beyond such general principle, there is little agreement even though the Senior Officers Meeting(SOM) is charged with the task of working out a common agenda. The U.S. may want to take up such contentious issues as human rights, labor standards, environmental protection and competition policies at these forums. It is actually inevitable for these forums to have some overlapping agenda. For example, such questions as

marine resources and environmental cooperation discussed at APEC are also considered to be "nonconventional security issues" and can easily be discussed at ARF, too.

As far as security issues are concerned, the views of the parties directly affected and the major powers with some stakes cannot be ignored. In trying to come up with concrete measures for building confidence, bridging the gap between Northeast Asia and Southeast Asia, East Asia and North America will not be so easy. Without a sense of common purpose, therefore, it will be difficult for these regional forums to make substantive progress beyond the current level of broad consultation.

2. Leadership.

Who should perform leadership and control the agenda is another difficult issue that these forums must resolve, for without it cooperation is hard to achieve. In building APEC as a regional organization, Australia and South Korea used to assume some leadership roles. Only in 1993 did Clinton begin to take some active roles. As for ARF, from the outset ASEAN set out to control its agenda and leadership. The U.S. and Japan have been reluctant to take leadership on the ground that other smaller countries fear their domination. Judging from the experiences gained thus far, it is hard to expect that economic regionalism can advance without Japanese leadership possibly at APEC and that security regionalism without American leadership at ARF or a Northeast Asian forum in which China also needs to share leadership..

It is time for other countries to accept this fact of reality and the need for these two superpowers to share a division of roles so that Japan can play constructive economic roles and the U.S. security roles for coprosperity and peace in the Asia-Pacific. In fact, security issues cannot be resolved without leadership by the major powers. In Northeast Asia, a more and

positive role of China is expected in making North Korea abandon nuclear ambitions, now that the U.S. has granted most favored nation status to her without conditions and is engaged in delicate negotiation with North Korea on the nuclear issue. Only when Beijing is willing to use its influence in North Korea constructively for this purpose, will Pyongyang consider changing its course of behavior toward economic imperatives and regional cooperation.

3. Institutionalization.

On the level of institutionalization for regionalism, ASEAN tends to favor a lower level but Australia, Canada, the U.S. and South Korea prefer a higher level so that these regional organizations can have a more structured secretariat and consultation. Gradually, APEC may develop into an OECD-like organization as it comes to carry out not only consultation but also coordination of macroeconomic policies. Its annual meetings may be held prior to the G-7 meetings so that they can formulate certain Asia-Pacific perspectives for the global forums in which Japan, the U.S. and Canada can represent APEC. It will take a long time, however, for both APEC and ARF to build their institutions on the basis of consensus. As for security cooperation, Track Two must be able to keep Chinese and North Korean participants engaged and to mobilize creativity in raising the level of official security dialogues in Northeast Asia.

4. Membership and Identity.

Resolving the issue of membership and identity depends on the outcome of the above issue. Now that the U.S., Japan and Russia have decided to support regionalism, it is necessary that China and North Korea also share this perspective for their own interests. It is also in the interests of both East Asia and America that the Asia-Pacific identity be carefully nurtured instead of dividing them. For regional economic and security cooperation what some people call "Pacific

globalism" is preferable to the emotional drive to integrate "Asia for Asians."¹⁶

This is because the U.S. is still the largest market for exports from East Asia and the only power that can maintain peace and stability without territorial ambition. Most participants at the PBEC meeting in Kuala Lumpur in May 1994 acknowledged this central reality and stressed the importance of keeping a Pacific identity in facilitating regionalism, for Asia without the Pacific link may not be as secure and prosperous as it used to be.¹⁷ In the post-Cold War era foreign policy in many countries is driven by economics. President Clinton's decision on delinking trade from human rights also attests to this overall trend.

V. Korea, Japan and the U.S. as Partners for Security, Interdependence and Democracy.

To facilitate regionalism in the Asia-Pacific, South Korea, Japan and the U.S. need to strengthen their partnership for security, interdependence and democracy, for they share not only common interests but also common values. The U.S. must provide security leadership and Japan economic leadership; South Korea can play some bridge-building roles between these two giants, and between them and other actors.

In so doing, they are facing a number of common challenges. First of all, they share common perspectives in keeping the U.S. military engaged in Northeast Asia by treaty commitment. They have to work out a common strategy for blunting North Korea's will to develop nuclear weapons

¹⁶Yoichi Funabashi, "Introduction: Japan's International Agenda for the 1990s," in Funabashi(ed.), *Japan's International Agenda*(New York: New York University Press, 1994), p.18.

¹⁷*International Herald Tribune*, May 26, 1994.

and for managing a peaceful road to Korean unification especially in the wake of Kim Il Sung's death on July 8, 1994. In case that these benign scenarios do not materialize, they need to cooperate in preparing some contingency planning as part of their joint crisis management activities. South Korea and Japan need to collaborate in prompting the U.S. to persist in demanding nuclear transparency in North Korea. As far as South Korea is concerned, it cannot provide light water reactors unless North Korea proves that it does not develop nuclear weapon by accepting transparent inspection on its suspected nuclear facilities. Although South Korea does not want to see a messy and violent breakup of the North Korean system, it must be prepared for a "crash" in case a "soft landing" should fail. Thus, tackling these tasks is crucial to maintaining sound regionalism in the Asia-Pacific.

Second, they also share common perspectives on leading regional security and economic cooperation. Even though South Korea cannot join NAFTA now, there is a genuine need to forge some kind of mutually beneficial association between Northeast Asian economies and NAFTA. In trying to integrate China, Vietnam and North Korea into the East Asian network of interdependence, South Korea can serve as a middle man by offering her experiences and by sharing appropriate capital and technology. On balance, South Korea supports liberalism and open regionalism as it is about to join OECD in 1996. More than anything else, South Korea seeks to get a Northeast Asian security dialogue get under way so that North Korea can be induced to join the world of regionalism and survive by relying on economic imperatives instead of political and security imperatives for developing nuclear weapons and shying away with improving its relations with South Korea.

Third, South Korea also share more common views with Japan and the U.S. on such global

issues as PKO, ODA, human rights and environmental issues, and seek such universal values as freedom and democracy.

In short, South Korea, Japan and the U.S. must deepen their partnership for common interests as well as common values beyond the Cold War alliances. Most importantly, only when the U.S. stays a steady hand in exercising decisive leadership with consistent policy, credible action and timely decisions toward East Asia can such partnership be sustained in the face of the North Korean challenge and the post-Uruguay Round world economy.



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