



**NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY
TRIP TO SEOUL, TAIPEI, BEIJING, SHANGHAI, AND TOKYO
MAY 8-25, 2010
BY DONALD S. ZAGORIA***

The National Committee on American Foreign Policy (NCAFP) sent a small group to Seoul, Taipei, Shanghai, Beijing and Tokyo from May 8-25. The group included: Dr. George D. Schwab, President of the NCAFP; Ambassador J. Stapleton Roy, Director, Kissinger Institute at the Woodrow Wilson International Center for Scholars; Ambassador Nicholas Platt, President Emeritus, the Asia Society; Mr. Evans J.R. Revere, Senior Director at the Albright Stonebridge Group; Mr. Ralph Cossa, President of the Pacific Forum, CSIS; Ms. A Greer Pritchett, Assistant Project Director, NCAFP; and Donald S. Zagoria, Senior Vice President, NCAFP. Professor Gerald Curtis, Department of Political Science at Columbia University and Mr. Robert Dujarric Director, Institute of Contemporary Asian Studies (ICAS) at the Temple University, Japan Campus joined the group in Tokyo.

The group met with leading officials in the Republic of Korea (ROK), Taiwan, China and Japan and held several seminars and conferences with experts and top think tanks. The itinerary is listed in Appendix A of this report.

The NCAFP came away from this trip with a new respect for the complex array of challenges in the Asia-Pacific region that now face American policymakers. There is, first and foremost, the problem of how to accommodate a rising and more assertive China, which increasingly talks about how other powers, especially the U.S., must respect its “core interests.” Second, there is the problem of dealing with rising tensions in the Korean peninsula after the sinking of the ROK warship Cheonan. Third, there is the challenge of maintaining the present rapprochement between Beijing and Taipei. Finally, there is the challenge of dealing with a new ruling party in Japan which has given conflicting signals about its attitude towards the alliance with the U.S. The report is divided into seven sections: General Themes; Cross-Strait Relations and the Challenge of Integration; U.S.-China Relations: Back on the Right Track; China’s Domestic Challenges: Numerous and Preoccupying; Rising Tensions on the Korean Peninsula; The China Factor on the Korean Peninsula and the U.S.-Japan Alliance: Strategic Vision Needed.

* Each of the trip participants made substantial contributions to the final report.

GENERAL THEMES

- Economic, cultural and educational integration is on the rise in Northeast Asia. This is particularly evident in the increasing economic interdependence between China and South Korea, and especially between China and Taiwan. An unprecedented process of social and economic integration between China and Taiwan is now picking up speed. The Taiwanese have mixed feelings about this.
- The regional and global reactions and responses to the sinking of the ROK warship, the Cheonan, demonstrate that North Korea continues to be a serious subject of contention in the region. “Business as usual” is an increasingly irrelevant description for North and South Korea relations. Following an international investigation, which proved that North Korea sank the Cheonan, killing 46 sailors, tensions are rising on the Korean peninsula. It will be a major challenge for the ROK, the United States, Japan and China to respond firmly to this provocation while avoiding an escalation of tensions that could lead to war.
- Domestically, China faces a daunting array of social, economic and political challenges, all of which preoccupy its leaders. It seems likely that China will need a prolonged period of peace – what the Chinese leaders call an “era of peace and development” – in order to concentrate on these problems.
- After a three-month period of twists and turns, the U.S.-PRC relationship is now slowly moving back on track after President Hu's visit to Washington D.C. to attend the nuclear summit and the S&ED (Strategic and Economic Dialogue) which followed.
- China’s military is expanding but it has substantial limitations. The need for military-to-military dialogue between the United States and China is increasingly important as this aspect of the bilateral relationship is the most “immature.”
- The Japan-U.S. security alliance is now at a critical juncture. The alliance faces a daunting set of both internal and external challenges. Much needs to be done if the alliance is to maintain its strength and vitality in the 21st century.

CROSS-STRAIT RELATIONS: THE CHALLENGE OF INTEGRATION

An unprecedented process of social, economic and cultural interaction between China and Taiwan is now picking up speed. The two sides have signed 12 agreements on travel, transportation and trade. Cross-Strait relations are better than ever. There are 270 direct civil aviation flights a week from Taiwan to Mainland China, soon to be 540. Mainland tourists and businessmen visit Taiwan at a rate of a million a year, straining facilities, particularly hotels, where the travelers often wile away the evening hours watching Taiwan politicians beat each other up on TV talk shows.

Both sides expect to sign an Economic Cooperation Framework Agreement (ECFA) in June. Some 44% of Taiwan’s exports now go to China; there is more than \$100 billion in annual trade

and Taiwan has somewhere between \$100 and \$300 billion invested in the Mainland. More than a million Taiwanese (mostly businessmen and their families) now live in the Mainland, half of them in the Greater Shanghai area. The PRC is organizing delegations from all the provinces, including Tibet and Xinjiang, intent, it seems, on encouraging a comprehensive, multilevel economic and social integration of the Mainland and Taiwan. The end result of this process is still unclear. The Kuomintang's (KMT) officials in Taipei talk of a European Union-style integration as the final goal. Mainland officials talk of peaceful reunification as the final goal.

Perspectives from Taiwan:

1. The Taiwanese have mixed feelings about the increasing interactions with China. Many welcome the process, the stability, and the economic gains that come with it. Others, including some of the same people, are anxious about the influx of visiting Mainlanders worried that Taiwan, with its population of 23 million, will be overwhelmed (“gobbled up” is the term they use) by the 1.3 billion-person whale that swims next door.
2. Domestic politics revolves around these concerns. The opposition pro-independence Democratic Progressive Party (DPP), crushed two years ago after eight years in power under the inconsistent, risk-prone leadership of Chen Shui-bian, has new leadership which both feeds off and tries to exacerbate the anxiety. President Ma Ying-jeou's Kuomintang is committed to the integration process. Ma sees the future of Taiwan's economy as inevitably tied to the Mainland, and counters popular concerns about being “gobbled up” by refusing to engage in any talks about future political deals. The three No's, “No Independence, No Reunification, No Use of Force” are Ma's guidelines for a future of several generations of peace and stability across the Strait.
3. Both the ruling KMT and the opposition agree that continued U.S. arms sales are crucial to strengthen Taiwan's hand in dealing with the Mainland. A senior KMT official hopes that the U.S. has both the “courage and wisdom” to continue the arms sales. Consequently, the official expresses hesitance to enter into talks about military confidence-building measures (CBMs) with the Mainland out of fear that this would undercut the rationale for continued arms sales.
4. The current focus of debate – the Economic Cooperation Framework Agreement (ECFA) – is a broad blueprint for the next phase of economic agreements with the Mainland. The DPP opposes ECFA because it considers it a threat to Taiwan's sovereignty, a blow to local workers and industries, and questions Taiwan's current leadership's apparent sense of urgency in getting it done now. The KMT promotes ECFA as the key to large-scale economic growth, which will also open the door to deeper economic ties with ASEAN countries. Negotiations with the PRC about ECFA are coming to a close. The plan is to have a document to sign in June, for approval by the Legislative Yuan shortly thereafter, a tall order given the fractious feeling in an unruly legislature inexperienced in dealing with agreements of this kind. A referendum may also be called for, though this seems unlikely to pass given the high bar that has been set for any potential referendum.

5. The next arenas for argument will be the elections in November for five major municipalities, which will set the scene for the presidential main event, the election in 2012. The smart money in Taiwan, the U.S. and the PRC is betting on Ma and the KMT, whose poll numbers are rising, but only narrowly. The DPP has support from some 40% of the population and has proven skillful in opposition. At the same time, the DPP has yet to decide what it stands for, and even who is to lead it into the election.
6. Many senior members of Taiwan's ruling KMT are considerably more confident and relaxed than they were six months ago. President Ma's poll numbers are climbing and public support for ECFA with the Mainland is growing, largely because of Ma's highly successful (by all accounts) debate with DPP's Tsai Ing-wen. The rebound in the Taiwan economy is also an important factor in Ma's better poll numbers; Taiwan's economy grew at its fastest pace during the first quarter of 2010, and the 13.27% GDP growth is considered the highest in decades.
7. Several of Taiwan's high-ranking officials say that U.S.-Taiwan relations were "never better" and he pledges to keep things "low key" and "surprise free."
8. The DPP understands it needs to move to the middle of the Taiwan political spectrum in order to win future elections (senior officials in the DPP told us this), but a real plan for doing this does not exist yet. The DPP is working on policy guidelines for the next ten years but these are not finalized. An overwhelming majority of DPP supporters (86%) favor dialogue with the Mainland (a high-ranking official told us) providing there are no preconditions (e.g. an agreement on a "One-China" formulation).
9. One of Ma's key advisors says that pressure from Beijing to move to political dialogue has been reduced in the past year. He thinks that China is now more interested in consolidating gains than in pushing for political/military dialogue.
10. Many senior officials in Taiwan continue to see ECFA as a first step to establishing FTAs (Free Trade Agreements) with other countries. (Singapore is the next target and an FTA with the U.S. is also on the list.) They assume that the PRC will not block these FTAs once ECFA is signed but the PRC remains vague on this when pressed. On the other hand, one of Ma's advisors says that the Mainland has given Taiwan quiet assurances on this subject.

Perspectives from the PRC:

1. A high ranking PRC official said that during the past two years, cross-strait relations had been raised to a "new level" and facts have proven that PRC policies are the "right" ones. Of course, he added, we understand that there are "difficulties" and "new challenges." One of the challenges lay in "upgrading political relations." Political interaction "lags behind." But the PRC official went on to say that it is still "premature" for political discussion. We advocate greater "political trust," he said, but not "political talks". These were two different concepts and it was important to distinguish between them.

2. Asked whether Taiwan could sign FTA's with other countries after ECFA, the official pointed to Hu Jintao's December 31, 2008, speech in which he said that it was necessary to "explore ways to integrate Taiwan's economy into the region." But he then added that for Taiwan to conclude FTAs with countries which have diplomatic relations with China is a "high aspiration." It is "regrettable," he said, that Taiwan refuses to explore economic integration through the ECFA process.
3. Another high ranking PRC official characterized cross-Strait relations as the "best time ever" in the past 30 years. But, he cautioned, peaceful development has political preconditions in China. China opposes Taiwan independence and endorses the "92 Consensus." This is the "basis" of the good momentum today and the basis for future positive momentum. A stronger and more confident China would "convince people on both sides to join hands." The biggest threat, he said, are the forces in support of Taiwan independence.
4. The same official said that China could consider a dialogue with DPP think tanks. As for a political dialogue with the KMT, he said that we "hope for it but are not hasty." Nor was China pushing for a military dialogue with Taiwan. The PRC official concluded by noting that the PRC was talking much less about unification than in the past. It was talking more about "peaceful development." Peaceful reunification remained the "ultimate goal" and "peace and development" was the process for reaching that goal. How long will this process take? It was very difficult to make a clear assessment. We need a "long period of peace and development because we want peace." That is what is important, he said.
5. The PRC, with its uncompromising aim for an eventual reunification, is getting increasingly more sophisticated in dealing with Taiwan politics without always pressing the One-China issue. The Mainland would like to see Ma re-elected in 2012 so that integration can continue. The "Time is on our Side" school seems to be dominant in Beijing. However, there is the worry, especially in the People's Liberation Army (PLA), that increased integration will lead to a "peaceful separation."
6. A PRC analyst clearly explained that there are "patient" and "impatient" schools of thought on the Mainland vis-à-vis cross-Strait relations. The analyst laid out three factors. First, as Chinese identity gets increasingly weaker in Taiwan, the "impatient" school cites this is a big problem; the "patient" school holds that it is a phenomenon resulting from historical reasons and that it can change. Second, there are differing views on whether the current rapprochement between Beijing and Taipei is sustainable. The "patient" school says it does not matter which party is in power in Taipei – the KMT or the DPP; the "impatient" school says that if the DPP returns to power, it will change the whole situation. Finally, there is uncertainty about reunification. The "impatient" school says there is a need for political dialogue and a "One-China" framework; the "patient" school says it is sufficient for the time being to focus on peace and development and gradually build mutual trust.

7. On the basis of our conversations in the PRC in recent years, it seems as if the “patient” school remains dominant in the top leadership, the Foreign Ministry, the Taiwan Affairs Office, the Shanghai Party and government officials, and most of the think tanks. (When asked the best way to change the attitudes of the DPP in Taipei, a high-ranking Shanghai official said that the best way to change attitudes is through “exchange and cooperation.”) The “impatient” school is still heard in the military think tanks and in some of the other think tanks too.
8. One former high-level KMT official, who has met China’s Xi Jinping (the successor apparent to Hu Jintao), seems impressed with Xi and sees him in a positive light due to Xi’s experience of many years as a Party leader in Fujian province and Shanghai. During that period, Xi had much interaction with the Taiwan business community that is particularly active in Fujian. According to the former KMT official, Xi understands the Taiwanese business community and people. Xi is also now the head of the Party School on the Mainland (as was Hu Jintao) and the Central Party School is closely tied to the China Reform Forum, one of the more liberal Chinese think tanks, which we visited on this trip.
9. Although the PRC understands that political issues are off the table in the near future (Ma says there is a “long way to go” before the two sides can find something in common politically), several influential PRC analysts are exploring the sensitive territory involving a future political accommodation with Taiwan. One such possibility would be for the PRC to recognize the KMT formula of “One-China with different interpretations.” The PRC now emphasizes the “One-China” without including “different interpretations.” If the PRC were to recognize the KMT idea of “different interpretations,” it would imply recognition of the “Republic of China” government in Taiwan. At least one influential PRC analyst is recommending such an approach. Another influential PRC analyst is seeking to establish political common ground between Ma and Hu. However, there are other analysts who take a much harder line.

U.S.-CHINA RELATIONS: BACK ON THE RIGHT TRACK

1. After three months of twists and turns due to China’s reaction to U.S. arms sales to Taiwan, and President Obama’s visit with the Dalai Lama, the U.S.-PRC relationship is now slowly getting back on track. President Hu’s visit to Washington D.C. in April to attend the nuclear summit and then the S&ED (Strategic and Economic Dialogue) which followed were sure signs of this.
2. A high-ranking PRC Foreign Ministry official, asked to characterize U.S.-China relations, gave us a very nuanced view. He said it was a “complex relationship” difficult to characterize in a few words. Just a few months ago, he continued, it was “difficult” but now things are “back on the right track” after President Hu Jintao’s visit to D.C. in April. On the one hand, there are “major common interests and mutual needs;” on the other hand, there are “differences on a number of issues” and these differences create tensions. Still, he went on, it is a “normal situation” between countries to have disagreements.

China would continue to “base ourselves on our common interests and find ways to handle differences wisely.” China still wants to build the “positive, comprehensive and cooperative” relationship spelled out in the Joint Statement issued after Obama’s visit to China last December. And China wants a relationship that has “no dramatic ups and downs.”

3. Asked what the S&ED would accomplish (our trip occurred on the eve of the S&ED meeting in Beijing) the PRC official said it would help shape relations in the coming months and years, explore ways to enhance mutual trust, accommodate “core interests,” discuss ways of responding to global issues, and find ways to work with each other on regional security architecture. Such a dialogue, he continued, should focus on the “Big Picture” and not on specific problems. Rather, it should focus on “long range strategic issues and goals.” Others indicate a hope (or prediction) that the S&ED would help get military-to-military relations back on track.
4. One area of concern for the United States is that China is increasingly nationalistic and assertive as its power and influence rise and it seeks to define its “core interests,” sometimes in ways that conflict with U.S. interests (e.g. arms sales to Taiwan). Moreover, China has a new sense of entitlement about its rising power. It emphasizes the “new realities” of the changing balance of power and the need for others, especially the U.S., to respect its “core interests” or suffer the consequences if they do not. At the same time, China’s military is more aggressively asserting its territorial claims in regional waters. And Chinese military think tanks seem to have a somewhat more pessimistic view of U.S.-China relations and the Taiwan situation than many of the other think tanks. Most important, as the Commander of U.S. forces in the Pacific, Admiral Robert Willard, recently warned, the military-to-military dialogue between China and the U.S. lags far behind the political and economic dialogue.
5. Asked about the prospects for resuming regular contacts between the two militaries, the previously mentioned PRC official said that “it will take time to get back to normal” and that “strategic mistrust” was at the root of the problem. More exchanges, he said, such as the visit of the NCAFP group, were needed. In an interesting aside, the official said that the world is “changing fast” and “it is difficult even for Chinese to understand the changes in China and China’s role in the world.” All this, he said, contributes to strategic mistrust and a number of “misperceptions” about China’s intentions and capabilities. The U.S., he said, has “an accurate assessment of China’s capabilities” as a result of “good intelligence.” “You know and we know you know” about PRC capabilities. But knowing about China’s intentions is “more difficult” because it is hard for others to have a precise understanding of China’s intentions and “our own perceptions of China’s intentions are changing.” So, he concluded, he hoped that the forthcoming S&ED would help.
6. What the PRC official seemed to be suggesting is that there are substantial limits on China’s power and that the Chinese leaders, including the military leaders, are fully aware of these limits. First, virtually every country in the region is anxious about China’s rise and wants the U.S. to remain as a regional “balancer.” Second, China’s military power and reach still have a long way to go to rival U.S. power and technology. In

particular, the U.S. will remain the dominant maritime power in the Pacific for many decades to come, and sober-minded PRC leaders understand this. Third, China is a rising power but it is still a developing country with huge internal problems to focus on. (These include unemployment and underemployment, building a better social safety net, pension reform, health reform, the income gap, corruption, labor unrest, environment and pollution concerns, urbanization, and rising income disparities.) Fourth, China recognizes its economic interdependence with other major powers, especially the U.S., Japan and Europe, but also increasingly with South Korea and ASEAN. Fifth, China will remain very dependent on outside technology for a long time to come.

CHINA'S DOMESTIC CHALLENGES: NUMEROUS AND PREOCCUPYING

Many of the discussions which the NCAFP group had in the PRC focused on the enormous array of domestic challenges which the PRC leaders face and which will preoccupy them for many decades into the future. This means that Chinese foreign policy will be driven for some time to come by the need for peace in order to continue to develop – what the Chinese call an era of “peaceful development.”

A leader of one of China's major institutes on “reform and opening” spelled out the huge internal problems that China is now facing under several categories: first, the need to restructure the economy from one that relied on labor intensive goods to one that is driven by innovation, high technology and higher quality exports; second, the need to address massive social issues such as housing, social security, education, the urban-rural gap and medical reform, especially in rural areas; third, the need to open wider to the outside world (it was particularly important to get technology from the U.S., especially low-carbon emission technology). In this latter category, he added that China's relations with the U.S. will be “most important” and that China will take “concrete actions” to establish a partnership with the U.S. He concluded by saying that when President Obama wakes up in the morning, he thinks of Iran and North Korea, but when President Hu wakes up, he thinks of job creation, medicine, etc.

In the course of this discussion, several more challenges became apparent – the challenge of measuring China's progress in terms of its enormous population of more than 1.3 billion people; the challenge of encouraging private sector growth (the private sector, he said, developed faster last year than the State Owned Enterprises (SOEs) and contributed more to total GDP); and, not least, the challenge of political reform (there was, said the institute leader, a need to reform government, to tackle corruption, and to cut the vested interests between government and the forces of production so that the market, rather than the government, could become a major player in the allocation of resources.)

Another Chinese participant in the discussion added that the growing income gap in China – what he called the “social justice” issue – was becoming more important. Also, Chinese society is becoming more diversified and the “central government lags behind.” Many Chinese, he continued, increasingly doubt whether the government can help address issues of concern. Finally, there is a serious problem of corruption and “vested interests” make it difficult to reform.

Finally, these challenges are all bound up with the pressures of urbanization – the policy of moving some 400 million Chinese to the cities over the next decade or more. The goal is to lift China’s living standards by changing the present rural-urban ratio from 60/40 to 40/60 by 2030. This will require the equivalent of building a city of one million people every month. The process is well underway, and provides the engine for domestic economic growth so crucial to the CCP hold on political power. But it also drives the growing divisions in Chinese society, civil unrest, urban violence, environmental pollution, official corruption, a growing suicide rate and other problems which cost China’s leaders their sleep.

The NCAFP group came away from this discussion with the impression that there is something of a disconnect between those U.S. analysts who see China’s rising power and influence as an imminent and serious threat to the U.S. and those who see China’s massive internal problems as a substantial constraint on China’s foreign policy.

RISING TENSIONS ON THE KOREAN PENINSULA

The NCAFP team traveled to Seoul and then to the PRC immediately before the South Koreans released the results of an international investigation that concluded that North Korea had sunk the ROK warship Cheonan, killing 46 sailors. The ROK response to this finding was to impose additional trade sanctions, close its waters to North Korean ships, take certain additional military measures to enhance its anti-submarine warfare capability, and prepare to resume cross-border propaganda broadcasts into North Korea. The measures were designed to demonstrate a firm response without giving the DPRK an excuse to retaliate.

The action will now move to the UN Security Council where the ROK, the United States, and Japan will call for censure of the Kim Jong-il regime by the Council. A big question mark is how China will respond, and whether the PRC might even utilize its veto power to block this effort.

In Seoul, at a trilateral forum sponsored by the NCAFP together with Asan Institute for Policy Studies, International Policy Studies Institute of Korea, and Japan Institute of International Affairs there was a broad agreement that: (1) there is likely to be a period of rising tensions on the Korean peninsula after the sinking of the Cheonan, (2) the U.S., ROK, and Japan needed to consult closely in coming months, (3) U.S.-ROK relations were “the best ever”, (4) the Six Party Talks are not likely to be resumed for some time to come but they remained a useful tool to manage the North Korean nuclear issue, and (5) North Korea is now facing severe difficulties, including a very difficult economic situation, a complicated succession situation, and growing international isolation unless it changes its presently provocative course of action.

THE CHINA FACTOR ON THE KOREAN PENINSULA

In reporting our findings in Seoul to our Chinese colleagues, the NCAFP group made several points:

1. In South Korea, there was across-the-board and deep dissatisfaction with China for receiving Kim Jong-il at a time that the investigation into the sinking of the Cheonan was still taking place. One U.S. member of the group said that he had never encountered such a high-level of dissatisfaction with China as there was on this visit to Korea.
2. If the international investigation into the Cheonan incident were to prove that North Korea was behind the attack (as it subsequently did), it would be impossible to resume the Six Party Talks in the near future.
3. The NCAFP group was impressed by the careful but firm ROK response.
4. The U.S.-ROK response would probably include: an increase in deployments of U.S. forces, an increase in the scope and intensity of U.S. military exercises, a South Korean defense buildup, and an uptick in anti-submarine warfare exercises.

The Chinese countered that:

1. It was necessary to deal with the present regime in the DPRK; any efforts to change the regime would be counterproductive.
2. The only thing that the international community could do is to show the North Koreans that a different way of behavior is possible, but it could not force change on North Korea.
3. It was necessary to “create conditions” in which North Korea can make changes, especially in its position on the nuclear issue.
4. Regional stability would be affected by the incident. Although retaliatory measures should be “one of the elements” in the response, there should also be measures to avoid any repetition of such incidents and to keep a secure environment. China wants to play a “positive role” in this regard.
5. The unsustainability of the DPRK’s economy is the primary threat to the Pyongyang regime’s survival. And the fast growing gap between North and South Korea is the primary threat to the political legitimacy of the Kim regime. The total GDP of North Korea is now, said one PRC analyst, only 3% of the ROK GDP. This is why, he continued, the DPRK was now in the midst of a change from a “military first” to an “economy first” policy.

Several Americans countered by saying that if China were to lend increasing economic support to a dangerous regime, it would be seen as part of the problem, not part of the solution.

In a subsequent conversation on North Korea with a high-ranking PRC official, the official expressed fear that the rising tensions on the Korean peninsula could spin out of control. China, he said, places emphasis on keeping the situation “under control.” He stressed that in receiving Kim Jong-il, China had used the visit to emphasize economic issues and had tried to show the North Koreans how economic reform and opening would be good for them.

When Americans expressed doubt about Kim's willingness to undertake economic reforms and opening, they asked whether the next generation of DPRK leaders would be more receptive to such reform. The PRC official's response was that he could not say. Other Chinese Korea-watchers implied, however, that they believed the next generation of DPRK leadership would (or should) be more receptive to the China model.

The same Chinese official said, in response to questions about the succession issue, that Kim Jong-il's health had recovered in the second half of 2009 and that the succession issue is "not so urgent" now. North Korea's priority, he said, is relations with the U.S.

In response to U.S. arguments that the North Koreans were hostile to the incoming Obama Administration in 2008 and that the DPRK had missed an opportunity to improve relations with Washington, the Chinese official agreed that North Korea had indeed missed an opportunity of opening talks with the Obama Administration. This was "not the first time" it had missed such opportunities, he said. He concluded that Chinese influence on North Korea was "very limited."

In sum, the PRC will likely try to continue its balancing act between Seoul and Pyongyang. Beijing knows that the anger in Seoul at Beijing's silence over the Cheonan is growing daily, but it also seeks to preserve its influence in North Korea. During the current crisis, China seems likely to find a way to muddle through, privately pressing Pyongyang to calm down but also finding some way to soften the anger in Seoul. (The dispatch of Prime Minister Wen Jiabao to Seoul in late May is an indication of this approach.)

Yet China's balancing act on the Korean Peninsula is getting harder and harder to pull off. The sinking of the Cheonan will embolden those in Beijing who want to change the PRC's traditional ties with North Korea. Several Chinese academics have publicly complained that North Korea is today more of a liability than an asset for China. While North Korea has stagnated, China's trade with South Korea has mushroomed. Samsung now has 16 factories in China and Hyundai has a booming business making cars for the Chinese market in a joint venture with a Chinese carmaker. There was one weekly flight between China and South Korea 20 years ago; now there are 642. Thus, Beijing's economic ties to North Korea are increasingly irrelevant to China's goal of the rapid modernization of Chinese society and economy.

At the same time, however, China is determined to maintain its strategic influence on the Korean peninsula and it will almost certainly try to maintain its influence in the DPRK while continuing to develop its relationship with South Korea.

THE U.S. - JAPAN ALLIANCE: STRATEGIC VISION NEEDED

While in Tokyo, the NCAFP group co-hosted a conference with the Japan Forum on International Relations, titled “The Japan-U.S. Alliance at 50: Crossroads or Continuity?” Both American and Japanese participants recognized that the U.S.-Japan security alliance is at a critical juncture. Though this year is the 50th Anniversary of the revision of the Security Treaty and accordingly, should be a time for celebration, this alliance, which serves as the cornerstone of East Asian security, is facing a daunting set of both internal and external challenges.

The conference brought together several leading Japanese scholars and academics, influential think tank members, as well as members of the House of Representatives and current and former officials. (Please see Appendix B for a list of participants and the agenda.)

The overall tone of the meeting was somewhat sober with participants expressing both optimism and pessimism regarding the future role and direction of the alliance. To follow are some of the key points which were discussed:

1. Since the Democratic Party of Japan (DPJ) came to power in September 2009 in an historic election, which saw the defeat of the Liberal Democratic Party (LDP) and the first significant change in power in the postwar period, alliance management issues have reared their head. And unfortunately, under the leadership of Prime Minister Yukio Hatoyama, relations between the U.S. and Japan have faltered. (It should be noted that this conference took place approximately 10 days prior to Prime Minister Hatoyama’s resignation.)
2. The controversy over where to relocate the U.S. Marine air station at Futenma has preoccupied both governments and has dominated news coverage of the alliance ever since the DPJ took power last September. Both sides concurred that it has been a serious drag on the relationship and has undermined trust and confidence while raising questions of good faith and competence.
3. Some American and Japanese participants believed that the issue of Futenma has been transformed, and it was no longer simply about the military base. Rather, it had become a symbol of a bigger problem of managing the alliance. Moving ahead, there are some individuals who think it is foolish to believe that the United States will be able to continue to keep 75% of the bases that are in Japan in Okinawa. Therefore, there is a need to reduce the U.S. military footprint even further than was laid out in the “2006 Roadmap.” Another problem is that although the DPJ under then Prime Minister Hatoyama appears to be making a reversal of sorts on Futenma, which is good news for the U.S. in the short-term, it could come back to haunt the U.S. in the long-term if Washington is seen by the Japanese public as having unduly accelerated the downfall of the Hatoyama government.
4. There are rays of sunshine, however. As one American pointed out, Japan has, over the past nine months, been assessing its alternatives, and the only solution that makes sense -- be it economically, militarily, politically and geopolitically -- is to work with, not to be at

odds with, the United States. The individual went on to state that increased Chinese naval activity in close proximity to Japan helped to justify Prime Minister Hatoyama's decision to more or less stick with the original Futenma relocation plans and has led to some rethinking of China-Japan relations. The DPJ is committed to improving China-Japan relations but is increasingly concerned about China's lack of transparency.

5. It was nearly universally agreed that the U.S.-Japan alliance needs to adapt to new realities in order to maintain its strength and vitality in the 21st Century. There are some who no longer see the alliance as a "public good," but this is detrimental and it is important for these two countries to regain their footing and remind the world why this alliance is essential to maintain peace, stability and prosperity in the Asia-Pacific region.
6. Several Japanese participants expressed a lot of concern about what a rising China will ultimately mean for the region's peace and security. The modernization of China's military, particularly with regard to its anti-denial access strategies, was singled out as generating the most unease. That is why it is essential that the alliance remain strong.
7. The point was made that even though there are limits to the relationship between the U.S. and China due to differences in ideology, culture, political systems, and values, the two countries are still able to hold a Strategic & Economic Dialogue with top officials, policymakers, and strategists from the two countries. However, in contrast, the U.S. and Japan, two countries with shared values and norms of behavior, support democratic ideals, are often bogged down in "real estate" issues and crises of confidence. There appears to be a pervasive lack of strategic vision about how to shape the alliance to take into account today's present realities. One Japanese participant observed that today it seems as if both the U.S. and Japan are more concerned with having a dialogue with China than about having a dialogue with each other. This is not healthy.
8. An American participant explained how the recent North Korean attack on the South Korean corvette, the Cheonan, has important implications for the U.S.-Japan alliance. It reminds us that the time has not yet come when we can assume that the possibility of serious military conflict on the Korean Peninsula is behind us. It has reaffirmed clearly that the United States, Japan, and the ROK must continue to be vigilant and work cooperatively and diligently to deter possible aggression by the North. It has also raised questions about China's willingness to play a responsible role on the Korean Peninsula.
9. Several Americans reiterated the point that the DPJ is not the enemy. The DPJ is also not anti-American. But it does not have the same automatic faith in the alliance as its predecessor so the challenge is to build, if not restore, that faith. However, it is also important that Hatoyama and the DPJ articulate their view of "East Asia" and their foreign policy objectives. For the U.S. and Japan to have common security objectives, it is important that both sides clearly articulate their individual security objectives. So far, these have not been made clear in Japan. Furthermore, several Americans explained that though the United States has been able to build and sustain its bipartisan support for the alliance, Japan has not been as successful in achieving this same level of bipartisan support.

10. It was agreed upon by several American participants that the process of having the U.S. and Japan re-articulate their individual/national security objectives and respective assessments of the security challenges should be accompanied by a process by which the two sides then reassess their respective roles and missions in their alliance-partnership as they deal with these challenges. Doing so will help restore much-needed transparency to the relationship, allow each side to ensure that our partnership reflects the latest thinking in each capital, and also allow the views of the current leadership in each capital and the current political realities in each country to be more accurately reflected as the alliance is modernized to deal with today's (and tomorrow's) challenges.
11. The trilateral relationship between the United States, Japan and China was also brought up by both sides. One American thought that the Obama Administration was not paying enough attention to developing a trilateral dialogue with China and Japan and saw this sort of trilateralism as an important approach to foster cooperation among the U.S. and the countries in East Asia. However, a couple of Japanese participants expressed concern over the idea of trilateralism depending on the geometry of said triangle. (Did we want to shape the triangular relationship as an “equilateral” or “isosceles” or “right” triangle?)
12. The overarching point which should be reinforced is that “a strong U.S. security presence in Asia remains – as it has for fifty years – a key element for regional stability and growth.” As China rises, U.S. ability to project power in Asia is more welcomed by the nations of the region, who are more nervous about each other than they are about the United States. As another American participant describes it, “we are the military power of choice.”

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