PART II

EAST ASIA RESPONDS TO CHINA

Talk of China as a threat presupposes it has a planned agenda. I don't think it has one. If China's economic reforms fail miserably, there will be no need for an agenda; the outflow of people will knock us all down

—MALAYSIAN PRIME MINISTER ABDULLAH BADAWI

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CHAPTER 4

CHINA

IDENTITY, SOVEREIGNTY, AND TAIWAN

Explaining the sources of stability and potential instability in East Asia first requires explaining China's identity. Identity is more than history and the narratives people tell about history; it is also formed by current interactions and pragmatic goals. This is true in all countries, including China. There is no immutable, essentialist, or primordial, unchanging Chinese identity. All identities are being constantly reinterpreted and defined, both by the myths people create to explain their past, and by their current interactions. China is no exception to this.

In fact, Chinese views of itself, its foreign policy, its goals, and its practices have changed often over the centuries. The Chinese state is different from the China of the Qing and Ming dynasties. The modern Chinese state has greater capacity to mobilize resources, has fostered greater national identification among its people, and has greater reach into their daily lives than ever before. The international context within which the Chinese state conducts its foreign policy has also changed, and the modern Chinese state is subject to more numerous external influences than ever before. So, in other words, as the international system has changed, so too has China. A premodern belief about the centrality of the Chinese civilization has given way to a strong identification with Westphalian norms.

Many scholars have emphasized, as central to Chinese identity and nationalism, feelings of a "century of humiliation" at the hands of Western powers, and a preoccupation with competition with the West and Japan. While these elements do exist, they are not in fact the only or even the key elements of Chinese identity. Of more importance for China and East Asia are two aspects to China's identity: an emphasis on sovereignty and the absence of territorial ambition. That is, to argue that Chinese identity is a critical variable in explaining China's foreign policy is not to ignore the importance of pragmatic interests in Chinese foreign policy. Identities are not the

opposite of rational self-interest; in fact, identities in part determine which interests are important.

China's transformation from an ideologically driven, isolated state under Mao Zedong into an active regional and global player with deep international ties has been occurring for over thirty years, and so it is possible to draw some initial conclusions about China's preferences and beliefs. The evidence to date leads to the conclusion that China's foreign policy shows more signs of stability and a status quo orientation than worrisome signs of nationalism and aggression. There is an emerging consensus among scholars that for the foreseeable future China wants peace with its neighbors and economic growth at home. China poses little military threat to East Asia, but offers potentially enormous economic benefits to those countries with which it has good relations. Indeed, as China's power has grown, it has actually decreased its demands on its neighbors and become more involved in searching for cooperative and multilateral solutions to many issues. A major element of this grand strategy has been a conscious Chinese effort designed to reassure other states that China is a status quo power, the so-called strategy of "peaceful rise."[1]

As discussed in chapter 1, the one area where China claims it may use force is to retain Taiwan as an "integral" part of China. Significantly, Taiwan is not an instance of power politics, and few observers argue that control of Taiwan could tip the balance of power in the region. Rather, Taiwan has remained an issue because of competing conceptions of identity. Chinese view Taiwan as an issue of nation building, not of territorial expansion. The key question about Taiwan is whether, in fact, it is an independent nation-state, or whether it is merely a part of China. While the answer to many Chinese is obvious: Taiwan is not an independent nation-state; the answer to many external observers is precisely the opposite: Taiwan is clearly an independent nation. This disagreement over Taiwan's identity lies at the heart of the conflict, and is what differentiates Taiwan categorically from China's relations with other East Asian states.

This chapter is composed of three sections. The first section examines China's national identity. The second section explores China's interests and its strategy of "peaceful rise," and the extent to which that strategy is seen as a reflection of Chinese beliefs rather than as reassuring public relations. The third section discusses Taiwan.

CHINESE NATIONAL IDENTITY

There are numerous strands to Chinese national identity, and multiple traditions in Chinese history and experience that inform its current views. In

modern times, scholars have tended to emphasize two of these aspects: a preoccupation with a "century of shame," and a virtual obsession with state power to compete with the United States, Japan, and Russia.[2] Michael Leifer reflects this viewpoint:

> The rising power in Asia-Pacific as the twenty-first century approaches is China, whose leaders harbor a historical resentment of national humiliations inflicted on their weakened state by a rapacious West. China's successful post–Cold War economic reforms have provided it with a historic opportunity to realize a sense of national destiny, which many regional states view with apprehension.[3]

Andrew Nathan and Robert Ross argue that, "in contrast to the self-confident American nationalism of manifest destiny, Chinese nationalism is powered by feelings of national humiliation and pride."[4] Nationalism and a focus on prestige has indeed arisen in China in recent years, as evidenced by such mass demonstrations that broke out to protest the 1999 U.S. bombing of the Chinese Embassy in Belgrade, and those that protested the Japanese soccer team at the 2004 Asian soccer championships held in Beijing. As Peter Gries notes, "if Sinologists continue to dismiss Chinese popular opinion, they will fail to grasp an essential component of Chinese politics." There is no doubt that nationalist sentiment appears to be on the rise in China, and the direction that such nationalism may take is not yet clear.

Although important, nationalism and resentment are only part of national identity. Chinese foreign policy has other traditions and elements. One of them is a pragmatic, realpolitik focus on national power and the international system, as opposed to an ideological, or idealistic, approach.[5] This involves not only recognizing that national power and self-interest are enduring aspects to international politics, but that the pursuit of these goals may take many forms.[6]

In fact, China's behavior over the past three decades shows a movement away from "righting historical wrongs" and toward crafting enduring relationships with its neighbors and the West. This transformation actually began with the end of the Cultural Revolution, when China began to reduce its Marxist-Leninist revolutionary rhetoric and develop a policy of reform.[7] In the 1980s, China began an active foreign policy designed to communicate its benign preferences and reassure the rest of Asia and the world. Much public discussion in China is about how to move beyond the long-held victim mentality (*shouhaizhe xintai*) that emphasizes 150 years of humiliation. Instead, analysts are increasingly discussing China's "great power mentality" (*daguo xintai*). Evan Medeiros and Taylor Fravel point out that "Chinese

officials now talk explicitly about the need to 'share global responsibilities,'" while Peter Gries notes that Chinese nationalism is not inevitably dangerous, arguing that "much—but not all—depends on how the West interacts with China."[8]

Yet perhaps the deepest lesson that the Chinese leadership learned over the past century has been the importance of Westphalian norms, chief among them sovereignty. This has combined with a traditional Chinese concern with territorial integrity, and the more recent struggles China faced in the nineteenth century to preserve that territory against the numerous incursions from outside powers. As Chinese rulers adjusted to the changing nature of the international system, they came to identify sovereignty as a key aspect of international relations.[9] As Michael Hunt noted, "like us [Americans], the Chinese have had their enduring strategic concerns, although their ability to secure their borders and culture against challenge has varied over the millennia . . . this badly battered security line and an awareness of the urgency and at the same time the difficulty of restoring it have been a major legacy of the past to the PRC."[10] Samuel Kim observers that "China has remained compulsively sovereignty-bound on most basic global issues and problems."[11] That is, the past "century of humiliation," when outside powers intervened and interfered at will in China, led to the lesson that national unity and sovereignty were key aspects of modern international relations. Allen Carlson notes that "the new emphasis in Beijing on cooperative international legal solutions to outstanding border disputes still represents a significant development in the overall Chinese stance . . ."[12]

Furthermore, conceptions of identity that emphasize nationalism and historic resentment against the West provide little insight into how China views its East Asian relations. As Lei Guang notes, "the dominant understandings of Chinese nationalism suffer from one major shortcoming: they rely too heavily on our observations about China's antagonistic relations with the West or Japan, the West's close ally. The strong Western-centric quality of conceptualizations of nationalism in China may be one reason why adding the prefixes 'anti-Japanese,' 'anti-American,' or 'anti-imperialist' has little serious effect on the meaning of Chinese nationalism."[13] In particular, these sentiments do not necessarily affect the way China and East Asia interact, or the way they view each other.

How does China view East Asia? There is scant evidence that China hopes to reclaim a position of encompassing hegemony over the region—too much has changed, in both China and East Asia. Steven Levine observed two decades ago that "it was neither feasible nor appropriate to China's new rulers [the PRC] to simply resurrect, even in updated form, a foreign policy based

on the middle kingdom concept of late imperial China . . . this traditional world view had been eroded by the events of the late nineteenth century."[14] The states of East Asia today are more powerful and domestically consolidated than ever before, and thus China is no longer the sole model for political and economic organization it had been in past centuries. Furthermore, the globalized nature of economics and culture has meant that the region—and even China itself—is subject to a number of influential dynamics. This has led to a China that has neither the desire nor the capacity to attempt hegemony in the region.

In terms of territorial expansion, as this and subsequent chapters will show, although China has modified its tactics in dealing with East Asia its underlying conception has been one of stability and a lack of territorial ambitions. China's chief concerns have been regional, not global, and include securing its borders, delineating maritime claims along the eastern coast, and deepening economic relations within the region. The Chinese conception of "China" has been located around a geographic unit. Chiang Kai-shek said, "China's mountain ranges and river basins form a self-contained unit . . . there is no area that can be split up or separated from the rest."[15] Precise borders have been subject to dispute, the demarcation between China and its neighbors, but not the existence or legitimacy of other countries. Gilbert Rozman notes that China's view of East Asia is one not of expansion, but rather of stability: "it was common to identify greatness, the peak of the cycle, with China's ability to stabilize tributary relations with the peoples around its borders. In the absence of strong competing states, however, the Chinese empire tended to look inward."[16]

In sum, Chinese national identity is not fixed, but rather has changed as both China and the world have changed. Lessons of the past, and narratives about the past, do have an influence on Chinese outlooks, as they do on any country. Although some have emphasized the resentment that China feels for past wrongs, perhaps the most important lesson learned from the past is that the norm of sovereignty is a key part of modern international relations. Coupled with a historical lack of territorial aggrandizement, this has led to a focus on pragmatic and cooperative interactions with the rest of the world, so long as China's national interests are not threatened.

THE STRATEGY OF "PEACEFUL RISE"

There is increasing evidence that China has limited military aims, and much in China's behavior points to Beijing's desire to reach a modus vivendi with

the region and indeed the world. The regime leadership has devised a fairly consistent strategy. Avery Goldstein writes that "this consensus in Beijing on a broad approach for dealing with the world, China's transitional grand strategy designed to sustain a peaceful environment for the country's rise to great power status, reflects not just China's capabilities and the constraints of a unipolar international system but also the hard lessons of experience learned during the Cold War and its immediate aftermath."[17] Although history and ideas are important elements to understanding China's preferences, the pragmatic interests, actions, and communications of today are equally important.[18] China's modern strategic priorities are to create a peaceful foreign policy environment while the PRC regime focuses on economic development and domestic political stability, preserve territorial integrity, calm regional fears about China's intentions, and increase China's regional and international influence and prestige.

Numerous high-level officials have reiterated this stance. Zheng Bijian, chairman of the China Reform Forum of the Central Party School and widely considered a major influence on the "peaceful rise" policy, said in 2006, "as for those who take it for granted that as a communist party, [China] will inevitably follow the Soviet-style route of seeking international expansionism and practicing domestic autocracy, those views are groundless."[19] The phrases used to describe the grand strategy have changed over the years as China has searched for a concept that best articulates its vision. In 1997, China unveiled a "New Security Concept" emphasizing peaceful coexistence, mutually beneficial economic contacts, dialogue among states to increase trust, and the peaceful settlement of disputes.[20] A year earlier, China accepted principles contained in a report by the ARF Inter-Sessional Support Group on Confidence-Building Measures, which advocated engaging in multilateral security organizations, Track II (informal) dialogues, and formal meetings among the participants as a way to reduce security fears in the region.[21]

Li Junru of the Central Party School wrote that "China's rise will not damage the interests of other Asian countries. That is because as China rises, it provides a huge market for its neighbors. At the same time, the achievements of China's development will allow it to support the progress of others in the region."[22] As Wu Baiyi, head of international politics at the Institute of European Studies, Chinese Academy of Social Sciences, has argued,

> What China pursues now is a security of sustained development. The change is landmark . . . the nature of its security policy, therefore, is accommodative, rather than confrontational. Compared to past policies,

> the current concept signifies two major changes . . . For the first time, economic security is treated as equally important with those of "high politics." Second, it focuses more on the interrelationship between external and internal security challenges.[23]

This grand strategy provides a series of principles for managing China's foreign relations. Michael Swaine notes that the emerging strategy is similar to the Five Principles of Peaceful Coexistence articulated fifty years ago by Beijing.[24] As Avery Goldstein writes, "[China's grand strategy] comprises two components. One is diplomacy that focuses on establishing various types of partnerships with other major powers . . . the other component is an activist international agenda designed to establish China's reputation as a responsible member of the international community."[25] Thomas Christensen concludes that "there is little or no evidence that China's goal or expectation for the next two or three decades is to dominate East Asia militarily."[26] China's sense that its interests are safest going into the future under a grand strategy that emphasizes cooperation with its neighbors and the world, flows from its recognition both that its rise is potentially troubling and that it is not yet a mature great power.

DOMESTIC SOURCES OF GRAND STRATEGY

China's focus on sovereignty, nation building, and stabilizing its border is central to its grand strategy. Yet there are also domestic sources of China's foreign policy, chief among them the desire to create conditions that will sustain economic development. Chinese leaders face legitimacy problems, issues of regional separatism, a tenuous balance of power between the central and local governments, and extensive government corruption, as well as a host of other issues.[27] The Chinese communist party has few sources of legitimacy other than providing continued economic growth.[28] For that reason alone, China needs such growth in order to maintain regime stability, which has meant emphasizing not just stable political relations with other countries, but also stable and open economic relations around the world.

Economically, the central government also faces a number of problems, including how to raise the standard of living of China's vast rural population. Furthermore, the problems facing China's financial system are in many ways similar to those of East Asia before the Asian financial crisis: bank dominance of the financial system, a central bank subject to political pressures, weak or even nonexistent corporate governance standards, nonperforming

loans, and a weak equity market that does not discipline capital.[29] In addition, as with East Asia a decade earlier, the international financial community sees China as an opportunity for explosive growth, and capital inflows into China have begun to approach bubble dimensions, where capital flows not because of a deep understanding and assessment of the opportunities in China, but rather because "everyone else is doing it." This does not mean China will inevitably face something like the 1997 Asian financial crisis (China has not yet floated the yuan), but it should lead to caution when assessing China's prospects for continued economic growth and ability to attract international capital through liberalization.

Capital constraints in the Chinese market result from overregulation and politicization, and from a lack of corporate governance, all of which have distorted equity markets. The current structure of banking regulation is intended to foster the growth of a Chinese banking industry through overt protectionism and the use of joint ventures with foreign firms to create a "training wheel" effect. However, the lack of liquidity and transparency has caused a bottleneck of capital, which has impeded growth of private industry and driven away risk-averse institutional investors. The state's position in the market is also a significant barrier to the development of functional equity markets. Risk premiums on existing instruments will not fall until the nonperforming loans (NPLs) hidden in the banking system are sold off as the bulky state-owned enterprises are dismantled, but privatization can proceed only as fast as is politically tolerable. Thus the extent to which capital markets can develop in the short term will be largely determined by the approach taken in selling off state-owned shares as privatization and restructuring proceed.

Furthermore, the "big four" banks (the Bank of China, China Construction Bank, Agricultural Bank of China, Industrial and Commercial Bank of China) are widely considered "too big to fail," leading to the sorts of moral-hazard problems that have been well identified in the literature.[30] The Bank of China admits that 28.8 percent of its assets are currently nonperforming. Other estimates are far higher. Indeed, as is widely known, when NPLs on the state's books are factored into calculations of government debt, the ratio of government debt to GDP is 70 percent. Pieter Bottelier estimates that the big four may have NPLs as high as 40–45 percent of their combined assets.[31] Standard & Poor's estimates the cost of bailing out China's banks would be between 47 percent and 86 percent of GDP.[32] It is estimated that the total size of NPLs (including rural credit cooperatives) in China is between $800 billion and $1 trillion, or almost half of GDP.[33] In contrast, before the Asian financial crisis of late 1997, South Korea's NPLs accounted for 16 percent of bank assets, while they were 15 percent in Thailand.[34] Thus the economic

problems facing China are significant and could have a severe impact on its ability to lead internationally or regionally.

Despite these problems, an assessment of the Chinese economy also reveals a number of positive developments. Indeed, Chinese management of its economic reform to date has been remarkably successful. So smooth and rapid has been China's economic growth that it's easy to forget how rare it is when countries actually manage the reform feat. Indeed, given the chaos of the decade-long Cultural Revolution (1966–1976) and the disastrous Great Leap Forward (1958–1960), China's subsequent policymaking is even more remarkable. China during the 1960s never grew at more than 2.1 percent, and the social and economic dislocations of the Cultural Revolution affected the entire country.[35]

The central government in China has navigated the reform process fairly well.[36] The Chinese Communist Party has learned to manage the economy and begin implementing the WTO standards with considerable speed. In assessing China's eleventh five-year plan of 2005, economist Barry Naughton notes that "[the plan] takes the context of China's high speed economic growth as a market economy for granted . . . and provides [goals] that are clear-headed, and indeed are fundamentally accurate. In fact, they reflect the best of current world thinking about what the process of development entails."[37] Minxin Pei writes that "conservative macroeconomic management, despite several episodes of high inflation, is another much-praised policy adopted by the Chinese government in maintaining a stable pro-growth environment."[38] In its military planning, China has also exceeded predictions. Kurt Campbell, deputy assistant secretary of defense for Asian and Pacific Affairs during the Clinton administration, offered this assessment in 2006: "You look back on those intelligence studies, and it's only been a decade. China has exceeded in every area of military modernization that which even the far-off estimates in the mid-1990s predicted."[39] Thus for both international and domestic reasons, China is following a grand strategy of reassuring its neighbors, focusing on economic growth at home while expanding economic relations abroad, and stabilizing relations on its periphery.

CHINA'S INTERACTIONS WITH EAST ASIA

A grand strategy, however, needs to be more than a concept; it needs to be expressed in concrete actions. The evidence to date reveals that China is increasingly conforming with, and adapting to, international standards and norms, rather than attempting to subvert them. One way in which scholars

have asked this question is to explore whether China is a status quo or a revisionist state.[40] Perhaps the most careful study of China's behavior is by Alastair Iain Johnston, who writes that "it is hard to conclude that China is a clearly revisionist state operating outside, or barely inside, the boundaries of a so-called international community. Rather, to the extent that one can identify an international community on major global issues, the PRC has become more integrated into and more cooperative within international institutions than ever before."[41]

As noted in chapter 3, China's more active diplomacy includes growing trade relations with East Asia, the signing of numerous cooperative agreements, joining and proposing multilateral, bilateral, and informal ("Track II") institutions and forums, resolving its borders disputes, and increased high-level military and diplomatic visits to numerous countries. As one observer has described it, "During the past few decades, China's foreign policy has undergone a remarkable transformation."[42] This is even more striking when put in a historical context. In the mid-1980s, analyses of Chinese foreign policy emphasized China's preference for bilateral relations and its disdain for multilateral or cooperative institutions.[43] Yet as China increasingly interacted with the rest of the world and with East Asia in particular, it came to realize that such multilateral cooperation was necessary and that it could be beneficial.

As China has grown more powerful, it has also engaged in more international actions, not less, and has moderated its rhetoric. We noted in chapter 3 that instead of abjuring multilateral cooperation, China has joined a range of institutions, from the WTO to the ASEAN Regional Forum to the ASEAN-plus-China negotiations over a free trade area. Indeed, Evan Medeiros and Taylor Fravel note that "in the last ten years, Chinese foreign policy has become far more nimble and engaging that at any other time in the history of the People's Republic."[44]

Johnston points out that China is more involved in international organizations than other states at its similar level of economic development. Moreover, Johnston tells us, China is increasingly embracing and complying with international norms, as it did on the issues of free trade and sovereignty in the 1990s. Johnston quotes a 2001 U.S. General Accounting Office assessment that reported that China had "shown considerable determination" to build the legal infrastructure required under the WTO.[45] On other issues, however, such as human rights, China is widely considered to be less in compliance with international norms.

In terms of military cooperation and exchanges, the PLA (People's Liberation Army) has also rapidly increased its military diplomacy in the past two decades. In July 1998, China published its first defense white paper, *China's*

National Defense, and has followed with new editions every two years. The 2000 edition commented, "China holds that the ARF [ASEAN Regional Forum] should continue to focus on confidence-building measures, explore new security concepts and methods, and discuss the question of preventive diplomacy."[46] Although the defense white paper has much less of the transparency and detail one finds in those published by other East Asian states, such moves were the first sustained attempt at creating some transparency regarding the PLA's goals and capabilities.[47] The 2004 edition comprised ten chapters and seven appendices, describing both China's national defense policies and the army's modernization process.

The PLA has also become much more active in supplementing state diplomacy through a wide range of activities. In the past two decades, China has sent more than 1,000 military delegations abroad, and hosted more than 2,000 military delegations from other countries.[48] The number of delegations in the 1990s was double that of the 1980s. Most senior PLA leaders make at least one and often more international visits each year. Port calls by the PLAN (PLA Navy) have rapidly increased, with return hostings increasing as well.[49] China has signed state-to-state military protocols with contiguous nations, such as the 1996 Agreement on Confidence Building in the Military Field Along Border Areas, which it approved with Russia, Kazakhstan, Kyrgyzstan, and Tajikstan. China has also engaged in numerous Track II (unofficial) initiatives, such as the Committee on Security and Cooperation in the Asia Pacific (CSCAP).[50]

Taylor Fravel's careful study of China's resolution of territorial disputes provides a useful overview of its increasingly stable borders. China has tended to negotiate compromises about its frontiers, often in very unfavorable terms for itself, while remaining staunchly unwilling to compromise on what it views as its homeland. Even when China's regime has faced internal struggle it has been willing to compromise. Fravel points out that this often helps internal stability. Solving border disputes can seal borders, deny internal dissidents refuge or material, gain a regime promises that the foreign powers will not intervene, and affirm its sovereignty over the unrest in the region.[51] For example, China's settlement of its border dispute with Burma ended with China accepting only 18 percent of the disputed land, only 6 percent of the disputed land with Nepal, and 29 percent of the disputed land with Mongolia. China and North Korea demarcated their border in 1962, with North Korea controlling the majority of Baekdusan, an important cultural icon in Korea.

In the past four decades China has resolved territorial disputes with its neighbors, again, often on less than advantageous terms.[52] David Shambaugh

notes that "China has managed to peacefully resolve all of its land border disputes except one (with India), having concluded treaties that delimit 20,222 kilometers of its boundaries."[53] These include Afghanistan, Burma, Kazakhstan, Kyrgyzstan, Mongolia, Nepal, Pakistan, and Russia. India and China have developed a number of confidence-building measures that have reduced the tension along that border, and in early 2005 agreed to begin negotiations to finally demarcate it.[54] China has also resolved its disputes with Cambodia and Vietnam, renouncing its support for the Khmer Rouge and embracing the Paris Peace Accords of 1991 that brought elections to Cambodia, and normalizing relations and delineating its border with Vietnam.[55] All Asian countries except Cambodia, North Korea, and Thailand have signed the United Nations Convention on the Law of the Sea, which helped to institutionalize disputes between many of the countries over fishing rights, trade routes, and other matters.[56]

China does have unresolved territorial disputes with ASEAN over the Spratly Islands, with Japan over the Senkaku (Diaoyu) islands, and with India.[57] As will be discussed in chapter 6, China is not unique in this regard. Many other Asian nations also have unresolved territorial issues, and this is much more the result of a century of change, and increasingly legalistic practices among states, than it is evidence of simmering hostility. For example, Japan has yet to resolve either its dispute with Russia over the Northern Territories, or its dispute with Korea over the Dokdo Islands. Malaysia and Indonesia have had recurring border issues, and six major states have unresolved claims to the Spratly Islands. Furthermore, in 2002 China signed a declaration on the code of conduct for the Spratlys in which it abjured the use of force. Importantly, the code of conduct included most of the language ASEAN provided, and little the Chinese wanted.

Thus territorial disputes by themselves are not an indicator of Chinese ambitions.[58] Indeed, the rapid pace at which it resolved its territorial disputes is strong evidence that China wants to resolve these issues, not use them as a pretext for initiating conflict on its periphery. Given China's deep interest in sovereignty, and its resolution of territorial disputes, it is hard to see that it would reopen these claims or use them as a pretext for expansionism.

THE USE OF FORCE AND CHINA'S MILITARY MODERNIZATION

Although China engaged in military conflicts on its borders during the Cold War and provided limited support to communist insurgencies in Southeast Asia, it has generally limited the use of force in the past twenty-six years.

During the Cold War, all of China's military conflicts occurred on its periphery: Korea (1950), India (1962), Russia (1969), and the last major military conflict, with Vietnam (1979). None of these clashes were wars of conquest; all were attempts by China to protect its borders and stabilize its relations with countries along its periphery.

Vietnam's 1978 occupation of Cambodia—under Soviet tutelage—"undermined China's credibility as guarantor of regional peace and stability."[59] Furthermore, the Chinese felt that Vietnam had betrayed them: having supported Ho Chi Minh's fight against the French and the U.S. by providing arms, money, and 100,000 Chinese military volunteers, the Chinese felt that Vietnam should not undertake aggressive policies toward the Chinese-backed Cambodian government. At the same time, the Vietnamese felt that China was too aggressive and imperious, and that the Cambodian state was destabilizing the region. To stabilize its borders, Vietnam invaded Cambodia.

In response to Vietnam's occupation of Cambodia, Beijing attacked the six northern provinces of Vietnam. The short but bloody 1979 war a classic punitive expedition. Although the Chinese had perhaps 75,000 casualties, either killed or wounded, the war had a profound effect on Vietnam. Within a month, the PLA captured Lang Son, a provincial capital on the final hills before the plains open up to the Red River Delta and Hanoi. Beijing immediately announced its intention to withdraw, and within two weeks all Chinese troops were pulled out.[60] Following the 1979 war, the six Vietnamese border provinces were under constant harassment by the Chinese, and the Vietnamese had to divert enormous resources in order to protect their border. Yet as we will see in chapter 6, since that time China and Vietnam have normalized relations and settled their border disputes, and cooperation between the two countries is rapidly increasing.

China and India also fought a brief war over the contested border between the two nations in 1962. It is also worth noting that India started the conflict, not China. China achieved early success and India was in no shape to counterattack, yet the Chinese halted their own attack. This was limited and careful use of force by the Chinese. Gerald Segal writes that "India . . . launched a local offensive on 14 November [1962]. It was easily rebuffed by China and Beijing moved to deliver the final crushing part of its military lesson. By 18 November the PLA forces broke through Indian lines again. With the Indians in panic, China declared a unilateral cease-fire and withdrew its forces to the lines it had originally proposed."[61]

Although the border remained undelineated after the 1962 war, China and India have made significant progress in stabilizing this relationship. In April 2005, the two nations signed an agreement focused on resolving the

fifty-three-year-old border dispute. On April 11, 2005, Chinese Premier Wen Jiabao and Indian Prime Minister Manmohan Singh released a joint statement pledging to establish an "India-China strategic and cooperative partnership for peace and prosperity."[62] China officially recognized the Himalayan territory of Sikkim as part of India, and reached agreement with India about how to resolve the rest of their boundary dispute, offering at one time to take only 29 percent of the disputed land.[63] The comprehensive agreement also covered areas including civil aviation, finance, education, and tourism. Evan Medeiros and Taylor Fravel conclude that as a result of China's efforts, "China's long land border, the site of many of the country's major wars, has never been more secure."[64]

China continues to modernize its military, but it is not necessarily focused on power projection, and rather is mainly concerned with Taiwan.[65] As Bates Gill and Michael O'Hanlon write, "Most of the Chinese aims that run counter to U.S. interests are in fact not global or ideological but territorial in nature, and confined primarily to the islands and waterways to China's south and southeast."[66] China has no plans to create carrier battle groups, it has built few destroyers capable of operating in the open ocean, it is not building long-range bombers, and most importantly, the PLA has not adopted an overall military doctrine that would allow force projection capability—rather, the PLA's doctrine is one of "peripheral defense."

The effort is mainly focused on the potential for conflict across the Taiwan Strait. David Shambaugh concludes that "the PLA does not seem to have made much progress in enhancing its power projection capabilities, nor do these seem to be a priority."[67] China did buy one aircraft carrier from Ukraine, the *Varag*, although it is not combat-ready.[68] Indeed, the PLA anchored the carrier in Macao and turned it into a recreation center.[69]

Some analysts believe that China is aggressively pursuing a submarine force as its main force projector, and that this force is mainly aimed at Taiwan. In terms of its missile capabilities, for four decades, China has made a conscious decision to confine itself to a relatively modest second-strike nuclear force, although this could change depending on United States actions regarding missile defense.[70] Currently China has some twenty nuclear-capable DF-5 ICBMs with an estimated range of 13,000 miles. China has also deployed 600 short-range ballistic missiles across the Taiwan Strait.

In 2006, a mid-career naval officer who monitors the Chinese military said, "This is just one aspect of the overall PLA modernization effort that has been underway during the 10th Five Year Plan . . . [is this aimed at] Taiwan? You bet. Japan? Possibly, but I really don't think Hu and the 'center' leaders

want to ever have to use these forces. However, my Clausewitzian mind tells me that sometimes other factors overcome 'good' intentions."[71]

In sum, China in the past thirty years has come quite far in establishing peaceful relations with its neighbors and the world, and in reassuring others of its intentions. China's chief concern for sovereignty and stabilizing its borders derives quite clearly from its national identity. Furthermore, domestic instability and the need to sustain economic development have also led China to emphasize stable working relations within the region. Concerns over whether this is tactical and temporary, or strategic and enduring, miss the point that for China this is the grand strategy that it appears set to follow for the foreseeable future.

IS TAIWAN A NATION-STATE?

The only situation in which there is the clear possibility of Chinese use of force is the dispute over Taiwan. Yet the key issue regarding Taiwan is whether it is an independent nation-state, or whether it is a part of China. While China has been publicly and formally willing to reject the use of force to settle other issues, such as the Spratly Islands dispute, it has steadfastly been unwilling to do so in the case of Taiwan and indeed has been doing everything possible to make credible its threat to use force in order to stop Taiwan from declaring independence. Yet, as has been discussed in brief earlier, Taiwan is not an "exception" to the argument put forth in this book about the peaceful nature of Chinese intentions. That is, Taiwan is not an instance of Chinese expansionism. Rather, Taiwan-China relations are categorically different in Chinese eyes than are relations between China and the other East Asian states.

It needs to be emphasized again that the Taiwan issue is not about power but about identity. China claims Taiwan not because it will move China's military influence ninety miles further into the Pacific Ocean, or because Taiwan's value as a military asset can have any appreciable impact on the regional balance of power. Indeed, Taiwan is militarily insignificant. China claims that Taiwan is a part of China, and that Taiwan is an issue of nation building and an internal matter, and that Taiwan must never be allowed to declare independence. Conversely, the United States is concerned about the loss of Taiwan not because it believes Taiwan could tip the balance of power, and not even because there is any U.S. belief about a potential "domino effect," whereby the loss of Taiwan could lead to further losses. No, the U.S.

cares about Taiwan because of its identity as a thriving capitalist democracy. Thus the critical issue is whether Taiwan is a nation-state.[72]

This question is important for theoretical as well as policy reasons. The issue of Taiwan does not fit easily into Western conceptions of sovereignty. Although the United States treats Taiwan as a de facto sovereign state, *de jure* it is not. This ambiguity has an impact on whether states fear China or not, because East Asian states do not use China's actions toward Taiwan as an indicator of how it would behave toward the rest of the region. This is in contrast to the predominant perspective in the United States, where some see Chinese attitudes toward Taiwan as prima facie evidence that China is a destabilizing and revisionist power. The contrast between these assessments of Chinese preferences highlights the different ways in which the United States and East Asian states interpret China's actions, and helps explain why East Asian states do not fear China as much as many Western theories predict that they should.

The United States formally and legally does not recognize Taiwan and thus it is not officially a sovereign nation to the United States. With U.S. diplomatic recognition of China in 1979, and the formal de-recognition of Taiwan, the United States explicitly agreed to the "one China" principle.[73] In fact, as of early 2007, only twenty-four states held formal diplomatic relations with Taiwan; the most important state that recognizes Taiwan is probably the Holy See. No other European state recognizes Taiwan, nor do any of the major East Asian or Latin American states.

Despite this lack of formal recognition, the United States treats Taiwan as a de facto nation-state, even though *de jure* it is not. Thus, the United States sees the Taiwan issue as a major indicator of whether China is a status quo or revisionist state. For example, Secretary of State Colin Powell said in a November 2003 speech that "whether China chooses peace or coercion to resolve its differences with Taiwan will tell us a great deal about the kind of role China seeks with its neighbors and seeks with us."[74]As Evan Medeiros writes, "For many U.S. policymakers and analysts, Taiwan is the litmus test of China's future role in global affairs. China's resolution of the Taiwan situation is one of the most important indicators of how China will use its growing economic influence, diplomatic skills, and military might to shape international affairs in the future."[75]

However, while the U.S. answer to the question of whether or not Taiwan is a nation-state is essentially "yes," the Chinese answer is exactly the opposite.[76] China views Taiwan as an internal problem, similar to Northern Ireland for the United Kingdom or Chechnya for Russia. Xu Dunxin, former Chinese ambassador to Japan, expresses a common Chinese refrain: "The

Taiwan issue is China's business. It is China's internal affair. No country, including the U.S., has a right to concern itself with this issue."[77] Although such announcements tend to be dismissed in the West, the Chinese have had a consistent policy toward Taiwan, and it is perhaps premature to argue that China is not sincere in expressing this attitude.[78] As one Chinese academic noted, "The United States fought a civil war to keep its country unified. Why would they expect Chinese to behave any differently?"[79]

Indeed, in contrast to the assurances that China signals to the rest of East Asia, China is sending clear signals about how it views Taiwan and the actions it will take to keep Taiwan from declaring independence. These actions include military exercises, massing of short-range missiles aimed at Taiwan on the Chinese coast, and legal actions such as passing the "Anti-Secession Law" of March 2005, which authorizes use of force in event of a Taiwanese declaration of independence.[80] China is doing everything possible to convince the rest of the world that it will use force under certain circumstances.

The Chinese view Taiwan as an internal issue because they claim that Taiwan has always existed as an informal part of China. Taiwan historically was not a formal province of China, but was considered either a part of Fukien province, or was administered by Chinese officials assigned from Beijing. Official Chinese records in the eighteenth century refer to Taiwan as a "frontier area."[81] Although clearly a "part" of China, Taiwan was not considered a part of Han China, and yet it was also not a separate political entity like Korea and Vietnam. Thus, although nominally independent, Taiwan was a part of China. Furthermore, Taiwan has traditionally served as a refuge for the losers of mainland strife. In 1644 the Ming loyalists retreated to Taiwan to harass the triumphant Qing.[82] Led by Admiral Koxingga, the Ming loyalists used Taiwan as a base from which they hoped to oust the Qing. Although the Qing eventually subdued the Ming loyalists on Taiwan, Taiwan was not made a formal province of China until 1886.

Taking this Chinese view seriously also means recognizing that a Western conception of sovereignty on China may be missing the point. The nations of East Asia have made an implicit pact with Taiwan: exist as a quasi-nation and enjoy the benefits of the international system. It should be emphasized that this has been the traditional solution to the Taiwan issue.[83] As long as Taiwan was willing to abide by these rules and be a quasi-nation, the benefits of being a nation-state were available to it. Taiwan's leaders could travel the world and play golf and perform quasi-diplomatic functions, Taiwan's firms could trade and invest overseas, and its status was not threatened, even by China. But while Taiwan could act like a nation-state, it could not officially become a nation-state.[84]

China has a complex view of international relations. Although adopting much of the Western rhetoric regarding sovereignty, in its practices the Chinese also incorporate many non-Westphalian elements.[85] For its part, China is more comfortable with a loose definition of "nation" than are many Western states. China has already agreed to a "one nation, two systems" approach with respect to Hong Kong. The Chinese attempt to derive an identity that allows for the "one-country, two-systems" principle with Hong Kong is one example of how identities can be reconfigured to accommodate this looser definition of sovereignty.

THE DEBATE IN TAIWAN

The question of whether or not Taiwan is a nation-state is complicated by the fact that Taiwanese themselves are undecided about this issue. Truly indigenous Taiwanese comprise less than 1 percent of the population. The rest are of mainland descent, the main dividing line being whether they came to Taiwan before or after 1949. Taiwanese themselves are not sure whether they are 1) culturally Chinese but with a distinct identity, 2) basically Chinese, or 3) something else. What has become clear is that only a very small minority of Taiwanese support immediate independence; the vast majority advocate the status quo indefinitely.

Economically, there has been a gradual change in Taiwan's stance toward the mainland. For decades the government of Taiwan engaged in an attempt to restrict economic ties between China and Taiwan. Until 2001, the Taiwanese government placed heavy restrictions on Taiwanese investments into China that were larger than $50 million. This was an attempt to restrain the Taiwanese business community from emphasizing China as either a market or a production base.

However, the economic logic of creating cross-strait ties was too powerful to ignore, and the result of these restrictions was that many Taiwanese companies simply set up corporations in third countries and funneled the money indirectly into China.[86] With the lifting of restrictions, Taiwanese trade with and investment in China expanded rapidly, and by 2005 over forty thousand Taiwanese companies had made investments in the mainland, employing 10 million people. The Taiwanese central bank estimates that total Taiwanese investment in China is perhaps $80 billion, with private estimates putting that figure at over $100 billion.[87] Sixty-seven percent of Taiwanese foreign direct investment went to China in 2004, and almost 30 percent of total trade, despite rising political tensions. Thirty-eight percent of Taiwanese ex-

ports—over $70 billion—went to China in 2005.[88] Thus the economic future and vitality of Taiwan is increasingly tied to the mainland. Over one million Taiwanese have moved to the mainland since 1985. In the past few years, Taiwan and China have discussed opening direct tourism links, joint sea rescue drills in the Taiwan Strait, and linking ferries and direct shipping.[89]

Not surprisingly, the business community in Taiwan has become increasingly opposed to the idea of independence for Taiwan, simply because the economic importance of China is too strong. In one of the most striking examples of this, in March 2005, Hsu Wen-lung, the founder of Chi Mei Optoelectronics Corporation and who has extensive investments in China, wrote an open letter to the Taiwanese press in which he indicated his support for "one China" and his opposition to Taiwanese independence.[90]

The Taiwanese electorate itself does not want independence. Opinion polls regularly show that 80 or 90 percent oppose declaring immediate independence.[91] A poll conducted in February 2006 by the Taiwanese Institute for National Policy Research found that 67 percent of respondents preferred maintaining the status quo, 12 percent favored unification, and only 17 percent favored independence.[92] As a result of sentiments like this, President Chen Shui-bien's approval ratings hover in the low teens, while likely Koumintang presidential candidate (and current Taipei mayor) Ma Ying-jeou has approval ratings of 80 percent.[93] Ma's 2006 visit to the United States, where he publicly opposed independence, was hailed in Taiwan. While in the United States, Ma said he would pursue the "Five Dos": resume negotiations with China on the basis of the "1992 consensus," reach a peace accord with confidence-building measures, facilitate economic exchanges with the aim of eventually establishing a common market, work with China to boost Taiwan's presence in international bodies, and boost educational and cultural exchanges.[94] In the "1992 consensus" that Ma supports, both China and Taiwan agree that there is one China, although they have their own interpretation of what that "one China" is.

Militarily, China can already devastate Taiwan. In fact, the U.S. Defense Department's fifth annual "Report on the Military Power of the People's Republic of China" concluded that the military balance across the Taiwan Strait has already tipped in China's favor.[95] As a result, Taiwan is not even defending itself anymore. The Legislative Yuan in Taiwan has allowed the "special arms procurement budget" to remain inactive for over three years, and has avoided purchasing arms the United States has already agreed to sell to Taiwan.[96] The *Economist* notes, "Legislative opposition in Taiwan [to the U.S. defense package] has sparked concerns in the U.S. that the island is not willing to contribute seriously to its own defense."[97] This is particularly telling

because the military balance is shifting in China's favor. In 2005, an unofficial U.S. assessment of the military balance over the Taiwan Strait concluded that "some analysts in the United States fear we are on the cusp of a tipping point where the PLA develop[s] [the] capability to attack Taiwan and accomplish its political objectives in a speedy enough manner that the U.S. could not reasonably expect to get to the fight in time, even in the event of a political decision to engage."[98] Lee Kwan Yew, Singapore's former prime minister, forcefully pointed out to Taiwan in the 1990s that it must defer to China because it has no other choice. "Whatever weapons the West can supply Taiwan, the array on the mainland side will become so massive in any confrontation that Taiwan must talk."[99]

Taiwan has balanced China with U.S. help since its inception in the late 1940s. In the 1950s, tensions were high across the Taiwan Strait, and in both 1954 and 1958 there was the possibility of serious escalation of conflict between China and Taiwan.[100] China was deterred by an explicit U.S. military protection of Taiwan backed with veiled threats of nuclear weapons. By the 1970s the global geopolitical situation had changed; the U.S. had begun to approach China in an attempt to isolate the Soviet Union, and in 1979 it normalized ties with China at the expense of Taiwan. Taiwan was quickly ousted from a number of international organizations, including the U.N. However, Taiwan's survival at that time still depended on the United States as an ally that could provide safety against the mainland.

Today, however, Taiwan cannot realistically defend itself. This has led to a potential schism in Taiwanese domestic politics, where the economic future of Taiwan depends on close ties with China, and yet the political future is an increasingly vibrant democracy with a population that views mainland China with concern. As Yu-shan Wu has said, "China's economy is too large to ignore, and it is too natural that our businessmen would prefer to do business there. There is no escaping China. Our only hope is that we change China before it changes us."[101]

EAST ASIAN AND AMERICAN VIEWS OF TAIWAN

Considerable ink has been spilled in speculation about how East Asian states would react to a war over Taiwan. If Taiwan is a sovereign nation, then conflict between Taiwan and China, and China's actions toward Taiwan, provide information about how China views its position in the world and how it might act toward other states either regionally or globally. Conversely, if Taiwan is not a sovereign nation, then we would draw different conclusions

about what Taiwan means for stability in the region. Thus the issue of China and Taiwan poses an interesting dilemma for international relations theorists. Is the dispute between China and Taiwan a dispute between nation-states? If not, how do we make sense of the conflict?

Most significantly, it is clear that East Asian states want peace and stability and are working to achieve that outcome. Furthermore, one sees the hypothetical nature of the debate over Taiwan. Speculating about what might happen in East Asian states' response to a hypothetical war over Taiwan is ultimately of little analytic value, because so much of states' responses will be determined by the actual specifics of how such a conflict occurred and how China, Taiwan, and the U.S. ended up reacting in that time.

Even U.S. officials have cast doubt about whether the United States would use force to defend Taiwan in all circumstances. In 1996 the United States did send two aircraft carriers to the Taiwan Strait after China engaged in a series of provocative missile launches. This strategy of "strategic ambiguity" by the United States centered on the goal of leaving doubt in both Taiwan and China as to whether America would intervene, in order to forestall either adventurous tactics by the Chinese or a unilateral declaration of independence by Taiwan.[102] Although President George W. Bush's presidency in 2000 marked a tougher line toward China and more favorable statements regarding the U.S. willingness to defend Taiwan, the United States also made it clear that it does not support Taiwanese independence when it pressed Taiwanese President Chen Shui-bien in 2004 to restrain his rhetoric.[103]

In 2006, Senator John Warner, R-Va., chairman of the U.S. Senate Armed Services Committee, said that if "conflict were precipitated by just inappropriate and wrongful politics generated by the Taiwanese elected officials, I'm not entirely sure that this nation would come full force to their rescue if they created the problem."[104] Richard Armitage, former deputy secretary of state, pointed out on a trip to Taiwan in the winter of 2006 that the "Taiwan Relations Act does not commit us to defend Taiwan . . . [the word 'resist'] doesn't necessarily mean militarily."[105]

Most states in East Asia see the China-Taiwan issue as an internal matter, and do not view Chinese actions against Taiwan as an indicator of how China will act toward any other state. ASEAN, and all its members, recognize China and officially consider Taiwan to be a province of China. Although most Americans view China as the destabilizing power with respect to the Taiwan issue, most Asian elites and their public view Taiwan as the cause of friction with China.[106] Southeast Asian states are comfortable with a Taiwan that can for all intents and purposes be independent, but that de facto remains a part of China. The furor over the 1996 and 2000 Taiwanese

elections, and then-president Lee Teng-hui's 1996 statements in particular, revealed the consequences of breaking this understanding. Although much of the response emphasized the destabilizing nature of the Chinese threats and hailed the democratic elections in Taiwan, there was caution as well.

The reaction to the Chinese military maneuvers of 1995–1996 was especially telling.[107] U.S. concern was directed almost exclusively at China for being provocative. However, the rest of the Asian states were muted in their responses to Chinese military intervention, and informally extremely upset at Taiwan for provoking China. The informal feeling among other Asian states has been that "Taiwan broke the pact."[108] Thus Southeast Asian nations do not view China's actions and intentions toward Taiwan as an indicator of deeper revisionist Chinese preferences about the region itself, nor do they view Chinese actions toward Taiwan as an indicator of how China would act toward other East Asian states.[109] If this is the case, then East Asian states do not fear China as much as the U.S. expects them to.[110]

While much of the reaction in East Asia was sympathetic to the Taiwanese and the American view, there was also another perspective. The *Singapore Straits Times* wrote, "Yes, the [Taiwanese] people want their space and wealth, but they know in their guts that they have to be reunited with the mainland someday. When and how, that is the question—not if."[111]

Given this perspective, can the United States construct a coalition of states willing to be involved in a U.S.-led military effort to defend Taiwan in the event of a Chinese attack? Numerous U.S. officials have commented on the strategic importance of the Philippines, Japan, and South Korea in having potentially well-situated bases to use in such a conflict. However, this possibility has raised concern among the Southeast Asian states and puts them in a difficult position relative to China. They have all said that their defense treaties do not necessarily include military conflict in Taiwan.[112] For example, in March 2001, Philippine Foreign Undersecretary Laura Baja Jr. expressed concern about Taiwan as catalyst for a war in which the Philippines would be involved but would have had no interest in fighting.[113] Even in private conversations, Japanese and Korean defense and military officials would not make a definitive statement about whether they would allow their militaries, or even their military bases, to be used in the event of a conflict between Taiwan and China.[114]

Australia, one of the closest U.S. allies in the region, has also dodged questions about whether it would allow its bases to be used in the event of a China-Taiwan conflict.[115] The Australian fracas over whether it would be involved in a conflict over Taiwan is worth describing in detail, because it shows how little other East Asian countries wish to be involved in a war. In

August 2004, Foreign Minister Alexander Downer suggested that Australia might not fight alongside the United States in a conflict over Taiwan, which immediately created an uproar. In an interview on Australian television on August 20, 2004, Prime Minister John Howard answered questions about Downer's statement:

INTERVIEWER: Just to get this clear, would Australia automatically back Washington in a war between China and Taiwan?

JOHN HOWARD: Well, that's a hypothetical question.

INTERVIEWER: But Mr. Downer did raise it, regardless of being hypothetical.

JOHN HOWARD: I'll give you my answer. My answer is that we are working very hard to stop any conflict between the United States, China, and Taiwan, and actually for all the talk, relations between China and America are quite good at the present time. There is tension over Taiwan. We have a one-China policy. We think some of the statements that have come out of Taiwan in recent times have been a little bit provocative. We want stability and cooperation between China and Taiwan and we certainly don't want conflict between the United States and China. That is not in our interest.

INTERVIEWER: But the awkward question remains—has the foreign minister redefined the terms of the ANZUS treaty [the 1951 Tripartite Security Treaty between Australia, New Zealand, and the United States] and in doing so created problems between Australia and the United States?

JOHN HOWARD: Well, our obligations are clear under the ANZUS treaty, but I'm not getting into a hypothetical question. There's no conflict between the United States and China.

INTERVIEWER: But if they're clear, what are they?

JOHN HOWARD: Well, we have to consult and come to each other's aid when we're under attack or involved in conflict. That's the situation.

INTERVIEWER: Do you agree that that contradicts what Alexander Downer said?

JOHN HOWARD: No, I don't. I simply say that the issue of conflict between China and the United States is hypothetical.[116]

In fact, it is not even clear what Japan would do in the event of a military conflict between China and Taiwan. Although this is hardly unique (no one is sure exactly what the United States would do in such a circumstance, either), it probably depends very much on the nature and causes of such a conflict.[117] As Gregory Noble writes, "While there is significant ambiguity about what Japan would do if a crisis erupted, and no doubt much would depend upon the specifics of the case, analysts increasingly suggest that

Japan (like another crucial regional ally, Australia) would not necessarily follow the U.S. lead."[118] What is clear is that Japan—like most of the other East Asian states—views Taiwan as a "Chinese" matter, and that it views Taiwanese statements about independence with concern.[119] Although Japan did publicly mention Taiwan for one of the first times in its joint statement with the United States on February 19, 2005, that statement merely called for the parties to resolve the Taiwan issue in a "peaceful manner," and said that Japan looks forward to cooperating with China. As Ralph Cossa notes, this mention "hardly constitutes a demonstration of Japan's willingness to confront the rapidly growing might of China."[120]

In sum, the Taiwan issue is important for two reasons. First, the only potential source of conflict between the United States and China exists because of the ambiguous nature of Taiwan's identity, not because of power. Second, substantively, the Taiwanese themselves are unsure of whether or not they are Chinese. Other East Asian states appear extremely reluctant to commit themselves to one side or the other, preferring that the matter be resolved peacefully. Indeed, even the official U.S. position is that the substance of the resolution is not important, but that the two sides must not use force to decide the issue.

CONCLUSION

China's concern for sovereignty and its lack of territorial ambition are central aspects of its identity. While potentially aggressive nationalist sentiment does exist within China, this has not stopped China from crafting a grand strategy that is largely peaceful, multilateral, and cooperative. The one area in which China has claimed it will use force is to keep Taiwan from declaring independence, and this is an issue of identity, not power politics.

China is already a powerful country that offers potentially large economic and political benefits to other countries that have stable relations with it. China has managed almost three decades of economic modernization with overall domestic cultural and political stability, and shows little sign of revisionist impulses in international relations. Furthermore, China is cognizant that its actions will prompt a reaction from other states, and has increasingly attempted to communicate its desires with the rest of East Asia. China's strategic priorities are focused on preserving regime security through continued economic growth while also preserving territorial integrity.

Some have questioned whether this Chinese grand strategy is merely a pragmatic and tactical ploy while China is still relatively weak, and wonder

whether it will continue if China actually achieves unquestioned great power status a generation from now. This is the wrong question to ask, however. Pragmatic interests lead China to search for economic growth, secure borders formally recognized by treaties, and increased economic and diplomatic integration with the world. Although such ties in and of themselves do not guarantee that China will always be peaceful, it does reflect how important assessments are of China's goals and intentions. That is, the question about China's future course arises because of concerns about Chinese identity, not about its power. Furthermore, as chapter 9 will explore in greater detail, it is simply not possible to do anything more than speculate about what any country will be like a half century from today, and the Chinese themselves have little idea.

CHAPTER 5

SOUTH KOREA

EMBRACING INTERDEPENDENCE IN SEARCH OF SECURITY

South Korea presents perhaps the clearest example of the changing nature of East Asian international relations. Conventional power politics perspectives would expect South Korea to fear a rapidly growing, geographically and demographically massive authoritarian and communist China that sits on its border. Not only does China already have the military capability to threaten the peninsula, but the power disparity is widening. China also maintains close relations with North Korea—South Korea's main external threat since 1945. Furthermore, the United States and South Korea have enjoyed a close alliance for over a half century, and it was only U.S. military action that prevented the North (in concert with the Chinese) from conquering the South in 1950. Since that time, the United States has stationed military forces in South Korea to prevent a second North Korean invasion. For all these reasons, the conventional perspective would expect that South Korea cleave closely to the United States and against China and North Korea.

However, over the past fifteen years South Korea has not only drawn closer to China, it has also been embracing North Korea while apparently being content to let its relations with the United States—its longtime ally and protector—unravel. Furthermore, South Korea has had increasing friction with Japan, a capitalist democracy that shares an alliance with the United States. Indeed, South Korea appears more worried about potential Japanese militarization than about Chinese militarization. This has caused both confusion and sometimes even anger in the United States, as some wonder why South Koreans are ungrateful to the United States despite its long history of supporting South Korea. Although the U.S.-ROK alliance remains strong, the United States is no longer the main focus of South Korea's foreign policy. There is little evidence that South Korea will attempt to balance China, and

even less evidence that South Korea fears China. As Chung-min Lee writes, "for the first time since the bilateral alliance [with the United States] was forged more than a half century ago, more Koreans are at least *entertaining* the specter of closer political, security, and economic ties with China."[1]

There are pragmatic reasons for South Korea to draw closer to China and North Korea, to be sure. South Korea's economic development over the past half century was predicated on international trade and investment, and this strategy is finding its logical extension as South Korea emphasizes its economic and cultural ties with both China and North Korea. South Koreans also view the potential costs and chaos that could occur from rapid regime change in North Korea as unacceptable, and there was fear, particularly at the height of the second nuclear crisis in 2002–04, that the United States might start a preemptive war against the North that would devastate both sides of the Demilitarized Zone (DMZ). Furthermore, China is not a realistic military threat to the peninsula—the military threat arises because of the unresolved division of Korea itself.

Yet South Korea's foreign policy orientation reflects more than merely the triumph of economic interdependence over power politics. South Korea's identity is another key reason that its foreign policy is changing. This identity has two fundamental strands. Most important is an intense desire for unification of the peninsula, which is South Korea's overriding foreign policy goal. Second, Korea has a long history of stable relations with China, and a much more recent and conflicted history with Japan and the United States. This identity, long masked by the Cold War and a succession of military governments, is increasingly asserting itself in South Korea.

The ultimate goals of each country are also different. The United States has consistently made eliminating North Korea's nuclear and missile programs its primary goal on the peninsula, while many in South Korea view their primary goal as unification with the North, whether or not it has nuclear weapons. China shares this goal of peaceful change in North Korea. Perhaps because of these shared goals, the current interactions between South Korea and China have been largely positive, from cooperation over the North Korean issue to expanding economic and cultural ties between the South and China. To be sure, there are domestic divisions within South Korea, and many conservatives are skeptical of both engagement with the North and a too-optimistic approach to China. Still, despite these divisions, on the whole South Korean attitudes support these two trends.

This chapter will examine South Korea's changing foreign policy, and explain why the U.S.-ROK alliance has come under strain. The first section examines South Korea's national identity, emphasizing the twin aspects of

unification and historical narratives about Korea's relations with large powers. The second section explains the divergent strategies pursued by the United States and South Korea over the North Korean nuclear issue and explores the long-term South Korean goal of reintegrating North Korea into the region. The third section explores the Korea-China relationship, showing that South Korea, although wary of a powerful China, is moving closer to China on political, economic, and cultural fronts. The fourth section explains why the U.S. and South Korea have experienced tensions in their relationship.

KOREAN NATIONAL IDENTITY AND ANTI-AMERICANISM

National identity is composed of both current interactions and national narratives about the past. For Koreans, an overriding aspect to their identity is the idea of a unified Korean peninsula. Koreans often cite five thousand years of history and a unified language, culture, and history. Furthermore, Koreans claim to "share a single blood-line," regardless of geography, and believe that North Koreans "are of the same Korean ethnic-nation."[2] While these beliefs are demonstrably false, this "myth" of Korean homogeneity has real consequences for the conduct of politics and foreign policy. As Gi-wook Shin notes, "a sense of ethnic unity has served Koreans in a variety of ways from being an ideology of anticolonialism to that of national unification."[3]

This idea of a unified Korean nation with a shared bloodline is to the foundation of South Korea's foreign policy toward North Korea. That is, Koreans on the whole do not question the ethnic unity that includes both North and South Korea. South Koreans overwhelmingly desire unification with the North. Shin writes, "Koreans regard the current division as temporary . . . [T]hough the two sides diverge over the form and strategy of unification, their proposals rest on the premise that Koreans will be reunified because they belong to the same ethnic nation/race."[4]

Conceptions of history are also important for national identity. The overriding element of Koreans' national identity is their perception that they are surrounded by much larger powers. A common Korean phrase is "when the whales fight, it is the shrimp that get hurt" ("*gorae saumae, saeoo tojinda*"). Of the large powers surrounding Korea, China has perhaps the most positive image in Korean eyes. Korea's current relationship with China, and Korea's long history as one of China's closest allies, has led to a narrative that emphasizes their peaceful relations. Historically, the Korea-China relationship was often called *sadae* ("serving the great") or, more pejoratively, *sadae-juui* ("flunkeyism").[5] In this view, Korea recognized that China was a greater

power but also benefited from close relations with it. From the end of the Chinese-dominated regional system in the late nineteenth century until normalization of relations in 1992, Korea had little interaction with China. Thus South Korean views of China are based largely on historical memories of the distant past.[6] In the short time that has elapsed since ties were renewed, interactions have mostly been positive, as will be seen below.

This largely positive national narrative about Korea-Chinese relations contrasts with the largely negative one of Korea-Japan relations. Japan's colonization of Korea from 1910 to 1945 was particularly harsh, ultimately involving the forced Japanization of Koreans, such as the ban against Korean language and the forcing of Koreans to take Japanese names.[7] Resentment of Japan's colonization remains palpable in Korea. Examples abound, from protests over forced sexual slavery during World War II ("comfort women") to popular songs claiming that the disputed islands in the East China Sea are Korean, not Japanese.[8] While economic relations with Japan continue to rapidly improve, and while some political leaders have succeeded in developing good working relationships with their Japanese counterparts, South Korean resentment and hostility over issues such as Japanese colonization and ownership of the disputed Dokdo Islands exist just below the surface.

Between relatively positive Korean views of China and relatively negative views of Japan lie South Korean views of the United States.[9] Although South Korean sentiment about the United States is often labeled as purely "anti-Americanism," it is more complex than that, and even those who oppose American actions tend to view America itself fairly positively. Although some feel that relations have only recently deteriorated, Daniel Snyder notes that there is a "myth of the golden age" regarding the U.S.-ROK alliance. Relations between the two have always been contentious, never completely harmonious.[10]

For their part, some Americans selectively emphasize certain aspects of the U.S. involvement in Korea, for example its defense of South Korea during the 1950 Korean War, seeing this involvement as essentially absolving the United States of responsibility for its other actions. More than 33,000 U.S. troops died in the Korean War, and with the armistice, the military alliance came into formal existence with the signing of the 1953 bilateral defense treaty.[11] The core of the alliance has always been U.S. military deployments in South Korea, which at their height comprised 100,000 troops and nuclear-capable Lance missiles and even today includes nuclear-capable forces of over 30,000 troops, sophisticated airbases, and naval facilities that guarantee U.S. involvement in any conflict on the peninsula. The military alliance provides that operational control of selected ROK armed forces will be given to

the U.S. commander of the ROK-U.S. Combined Forces Command (CFC) in wartime. Given these security arrangements and the extensive American economic support for recovery after the war, many Americans view the U.S. role in South Korea as basically positive.

Yet many Koreans have a perspective on the historical U.S. role in Korea that is far more complex. Although virtually unknown in the United States, U.S. President Theodore Roosevelt brokered the 1905 peace treaty that ended the Russo-Japanese war. That treaty—part of the negotiations known as the Taft-Katsura Agreement—essentially acknowledged Japanese primacy in Northeast Asia, including dominance over Korea, in de facto exchange for Japanese acceptance of U.S. domination over the Philippines.[12] Indeed, during negotiations in 2006 over the proposed U.S.-ROK free trade agreement, a South Korean negotiator made reference to the Taft-Katsura act.[13] The U.S. role in dividing Korea in 1945 is another source of concern to some Koreans, who note that the Franklin Roosevelt administration in 1943 took the position that Korea should be free and independent "in due course" after liberation from Japan.

The issue that most severely divided South Koreans in their perceptions of the United States was the furious debate over whether the United States had implicitly or explicitly supported Chun Doo-hwan's suppression of dissidents in Kwangju in 1980. This remains an intensely emotional issue in South Korea, since much of the South Korean population remains convinced that Chun Doo-hwan could not have suppressed the Kwangju uprising without at least implicit U.S. consent.[14] The Kwangju massacre, more than any other single incident, led to a basic shift in opinions among many South Koreans. Anti-Americanism and anger at what was perceived as U.S. arrogance and high-handedness began to grow noticeably from that point onward.[15] Finally, as this chapter will elaborate, there are disagreements over how best to deal with North Korea. Thomas Kern notes that "it appear[s] to many South Koreans that the United States is interested in maintaining the political *status quo* on the peninsula at all costs."[16] With perceptions of steadfast U.S. support for four decades of authoritarian governments, many South Koreans came to distrust the United States' intentions on the peninsula.

Tensions between the United States and South Korea did exist during the decades of South Korean military rule, but they were manipulated and contained by the ruling elite. The advent of increasingly liberal democratic governments since 1987 enabled dissidents to express their concerns more freely. Regarding Anti-Americanism in particular, Katharine Moon writes, "Anti-Americanism as a social movement is both a consequence of rapid democratization and a catalyst for democratic consolidation in the area of foreign pol-

icy within South Korea; and this social movement's particular traits, such as methods of protest and coalition behavior, are informed both by the legacy of authoritarianism and more current efforts at democratic consolidation."[17]

In sum, South Korean identity is focused primarily on national unification of the peninsula. Beliefs about China are largely positive but based more on ancient history than any critical appraisal of the current Chinese regime. Conversely, negative views about Japan are a reflection of more recent history. South Korean views of the United States are mixed: while there are elements of anti-Americanism, there is also widespread goodwill.

NORTH AND SOUTH KOREA

The changing nature of South Korea's overall foreign policy is most visible in its strategy for solving the North Korea problem. U.S. and South Korean policies were in relatively close accord during the entire Cold War period and well into the first North Korean nuclear crisis of 1993–1994. And as recently as the mid-1990s, South Korea viewed North Korea primarily as an imminent military threat.[18] Yet the past decade has resulted in a major change in how South Korea views itself, North Korea, and the ROK's own preferred method for resolving the issue of a divided Korean Peninsula. The 2002 crisis over North Korea's nuclear programs showed how far South Korea and the United States had drifted apart in their foreign policies and perceptions. South Korea increasingly fears that the United States could initiate a conflict on the peninsula that would devastate the ROK.[19]

The United States has continued to view North Korea primarily in military terms and is worried about North Korean military strength, in particular Pyongyang's nuclear weapons and missile programs.[20] The United States is concerned over the potential sale of either nuclear material or missiles to terrorist groups such as Al Qaeda, which would in turn use such weapons against the United States. Furthermore, although from 1999 to 2006 Pyongyang had placed a voluntary moratorium on tests of its ICBMs, its unsuccessful test of a Taepodong-2 missile in July 2006 heightened fears throughout the region about its weapons programs.[21] In response, the United States has generally attempted to isolate North Korea and avoided negotiating directly with the North, choosing instead to negotiate only through a multilateral process composed of a complex mix of negotiation and coercion in an attempt to convince it to halt its nuclear programs.

By contrast, South Korea has come to view North Korea primarily as an issue of national reunification, and view it in economic and cultural terms.

South Korea's much deeper long-term question has proven more complex: how best to manage and ultimately solve the North Korean issue—even if nuclear weapons are no longer a factor. As a result, although managing the nuclear issue has been a necessary step to reintegration, South Korea's foreign policy over the past decade has reflected this more fundamental goal of unifying the peninsula.

South Koreans believe that North Korea can be deterred and are worried instead about the economic and political consequences of a collapsed regime. To put the matter in perspective, should North Korea collapse, the number of refugees could potentially exceed the entire global refugee population of 2004.[22] Even assuming a best-case scenario in which such a collapse did not turn violent, the regional economic and political effects would be severe.[23] Alternatively, were a war to break out, the consequences could potentially devastate the region. The commander of U.S. forces in Korea estimated that a war could result in $1 trillion in industrial damage and over one million casualties on the peninsula.[24]

South Korean engagement resulted from more than merely pragmatic reasons. In actively moving toward unification, South Korea has embarked on a path of economic interdependence and political reconciliation with North Korea. Begun a decade ago, this new policy will most likely continue to be South Korea's primary foreign policy direction. The goal is to slowly change and to promote reform in North Korea—the Democratic People's Republic of North Korea, or DPRK—through increased economic and cultural ties.

South Korean engagement of North Korea actually began under the Kim Young-sam government (1993–1998), when South Korean nongovernmental organizations, most of which were Christian-based, ignored governmental prohibitions against sending aid to North Korea during its famine.[25] With the Kim Dae-jung administration (1998–2003) and continuing with the Roh Moo-hyun administration (2003–08), South Korean official policy changed as well. Kim had long criticized the conservative military governments for both excessively politicizing the North Korean threat and impeding inter-Korea reconciliation efforts. As president, Kim called for a "Sunshine Policy" that would engage North Korea and begin the reconciliation process.

The Sunshine Policy reaped an important political and psychological benefit—the first sustained exposure to the DPRK and the regime's reclusive leader, Kim Jong-il. The unprecedented summit in June 2000 between the ROK and North Korean heads of state resulted in a flurry of political, commercial, and social exchanges, including reunions between families separated by the Korean War. The summit marked the culmination of a change

in South Korean attitudes toward North Korea. South Koreans were paralyzed with excitement, with newspapers and television devoted almost exclusively to the summit. This was especially true among baby boomers who had not experienced the horrors of the Korean War and the brutality of North Korean forces killing innocent South Koreans during their occupation of ROK territory. Conservatives, especially those who had experienced the Korean War, were more wary of these developments. Four decades of rapid economic development has created a generation of young South Koreans who have nothing more than book knowledge about the Korean War, poverty, or a genuine North Korean threat. South Korea thus began to pursue economic and cultural engagement with North Korea and turned away from its previous policy of competition and hostility.

Official ROK policy toward North Korea is explicitly based on the idea that trade and interdependence can promote peace and stability on the peninsula, and so encouraging the North to continue economic reforms and to open itself up more to the international community is a means to achieve this. For example, when speaking of the increasing economic and cultural ties between the North and South, the South Korean Ministry of Unification stated that "with the peaceful use of the demilitarized zone, [and] the eased military tension and confidence building measures, the foundation for peaceful unification will be prepared."[26]

For almost a decade, South Korea has consistently pursued a policy of economic engagement toward North Korea designed to encourage North Korean economic reforms. Following the shift to the Sunshine Policy, South Korea rapidly increased its relations with the North: North-South merchandise trade has exploded over the last five years, increasing 50 percent from 2004 to 2005 and exceeding $1 billion for the first time.[27] Commercial trade amounted to 65 percent of total North-South trade in 2005, while noncommercial (government) trade accounted for less than 35 percent. Thus while the government is supporting the economic integration of the two Koreas, private firms are also heavily involved. Trade with South Korea accounted for 20 percent of North Korea's trade in 2004, while South Korea's $256 million worth of economic assistance comprised 61 percent of total external assistance to the North.

South Korean conglomerates rapidly expanded their activities in the North with the official approval of both South and North Korean governments. Perhaps the most notable success has been the Kaesong Industrial Park, a special economic zone just north of the DMZ in the ancient capital city of Kaesong. Designed to use South Korean capital and North Korean labor, the zone includes roads and a rail line connecting North and South

through the DMZ.[28] The first products from Kaesong, North Korean–made iron kitchen pots, became available in Seoul in December 2004, and they sold out in one day.[29] Currently shoes, clothes, electronic products, machinery, and some semiconductors and communication equipment are being produced at Kaesong, and production exceeded $100 million for the first time in 2006.[30]

Kaesong in some ways represents the most visible success of the South's engagement policy of the North. The actual economic benefit of Kaesong at this initial stage is minimal—it is estimated that the North earns less than $20 million annually in rent and taxes, and few of the South Korean companies currently operating (less than twenty) are profitable. However, the South Korean government planned to license another twenty firms to operate in Kaesong by the beginning of 2007, and Kaesong was explicitly excluded when the South reduced its aid to the North following the latter's missile tests of July 2006.[31]

South-North negotiations have covered a wide range of issues, such as reconnecting the railroads through the DMZ, repaving a road through the DMZ, creation of joint sports teams, family reunions, economic assistance, and most significantly, military discussions.[32] In 2004, the two sides agreed to the establishment of a hotline between North and South Korea, held the first high-level meeting between North and South Korean military generals since the Korean War, and halted the decades-long propaganda efforts along the DMZ.[33] The South Korean *2004 Defense White Paper* downgraded North Korea from the South's "main enemy" to a "direct and substantial threat to our military." In 2005, North and South Korea established three hundred direct telephone lines linking the South with the Kaesong Industrial Park, the first such link since Soviets troops severed telephone lines in 1945.

Growing contacts with the North reinforced the perception in South Korea that North Korea was more to be pitied than feared, and interactions between the North and South have increased in a number of noneconomic areas as well. The Hyundai group established a tour of Mount Kumgang on the east coast of North Korea, which more than 275,000 South Koreans visited in 2005; over 1.1 million have visited since 2000. In 2005 alone, more than 10,000 Koreans held cultural and social exchanges in the North, along with 660 separated family members.[34] Meetings between divided families have occurred on an intermittent basis, and both countries agreed to march together in the Olympics under the "unification flag."[35]

To be sure, there is much skepticism about Kim Jong-il's intentions and the extent of North Korea's market-socialism reform policies.[36] For example, Peter Hayes notes that "the regime is investing in minerals development,

niche markets for exporting cheap labor or embodied labor, a bootstrapping sector, and real estate development on the DMZ that combined, represent a long-term and slowly growing economic foundation for a nuclear-armed DPRK."[37] Alternatively, Marcus Noland has an "essentially pessimistic" view of the North Korean reforms: "it is fair to say that the reforms have been a mixed bag, not delivering as expected and contributing to increasing social differentiation and inequality."[38]

The 2002 South Korean presidential election showed the degree of distance between the United States and South Korea on how to deal with the North. In large part, the election came down to a referendum on South Korea's stance toward North Korea and the United States. By a vote of 49.8 to 48.1 percent, voters chose Roh Moo-hyun, who favored continued engagement with the North, over more conservative Lee Hoi-chang, whose stance toward North Korea—suspending assistance until it cooperates on issues like arms control—more closely reflects America's. In electing Roh Moo-hyun by the largest share in modern Korean political history, voters voiced their displeasure with the Bush administration's inflexible stance.[39] Soon after his election, in January 2003, Roh Moo-hyun said that "South Korea ranks 12–13 in world economy and I want to preside over our strong nation as its strong president. All I am asking is an equal partnership with the United States."[40]

South Korean popular support for an engagement policy appears to be deeply rooted, and reflects the changing nature of South Korea's national identity. In the past decade, South Korea began to formulate a positive image and role for itself by rethinking its relationship to North Korea. After decades of demonizing the North, the South no longer defines itself as its opposite, but rather has begun to define itself as the North's "distant relative." In a way, it is not surprising that South Korean national identity has begun to change with respect to North Korea. Not only do both sides believe that they share a common history and culture, but by any measure—economic, political, cultural, or diplomatic—South Korea won the competition with the North. Thus it is relatively easy for South Korea to be magnanimous.

Although some argue that it is only the younger generation of South Koreans who support engagement, this is not in fact the case. Indeed, discussion about a generational rift in South Korea is somewhat overstated.[41] In reality, there is widespread agreement among the South Korean populace that engagement is the proper strategy to follow. For example, an opinion poll by South Korean newspaper *Dong-a Ilbo* found in March 2005 that 77 percent of Koreans supported the use of diplomatic means and talks with North Korea in response to the latter's nuclear weapons development and

kidnapping of foreign civilians. Significantly, even those from the "older generations" were solidly in favor of engagement. Of those in their sixties or older, 63.6 percent supported diplomatic means.[42] In 2005, a Korean Institute for National Unification poll found that 85 percent of the general public and 95 percent of opinion leaders approved of North-South economic cooperation.[43]

In fact, a leftist (or "progressive") strand of South Korean politics is not new. Though masked during the Cold War, a long-running leftist element has existed in South Korean politics since the 1940s. Kim Kyung-won, a former ambassador to the United Nations and the United States under Chun Doo-hwan, made the following statement:

> South Korea has always had a deeply-held leftist strand of politics. Back in the 1940s it was probably stronger than the conservative forces, and only the U.S. military government allowed the right to win power. We thought [this strand] had disappeared under the military governments, but it did not. And now, it is back, reasserting itself.[44]

This leftist strand of politics was so strong that Park Chung-hee was forced to declare martial law from 1972 to 1979, during which time he temporarily closed the universities because of extensive student protests. After a coup d'etat in 1980, the entire city of Kwangju rose up in protest, and the demonstrations were only put down by the direct use of South Korean military units that were pulled off the DMZ.[45]

Given widespread South Korean popular support for engagement with the North, for electoral purposes both the opposition and ruling parties back that stance, too. In 2005, for example, the opposition Grand National Party—often considered more hard-line toward the North than the ruling Uri Party—submitted a proposal to establish a special economic zone along the entire border with North Korea to foster inter-Korean economic cooperation. The proposed zone would extend the current Kaesong industrial zone to Paju in Kyeonggi province in the South, with plans to expand the economic boundary from Haeju in the North to Incheon in the South as a joint inter-Korean project similar to the Kaesong zone.[46]

South Koreans could have arrived at a policy of coercion in their desire for unification. Yet a number of factors have combined to support an engagement strategy. First was the belief that outside powers—mainly the United States—were both exacerbating the division against the wishes of Koreans and also increasing the possibility of a devastating war on the peninsula. Second was the actual progress that has been made through the en-

gagement strategy, however minimal. Events such as joint North-South athletic teams and tourist visits to the North have had a profound psychological impact in South Korea, emphasizing the commonality of Koreans on both sides of the DMZ.

Even in the wake of the North Korean nuclear tests of October 2006, South Koreans remained far more suspicious of U.S. motives, and more supportive of engagement, than many other countries. An opinion poll conducted in South Korea after the nuclear test found that 43 percent of South Koreans "blamed the U.S." for provoking a North Korean test, 37 percent blamed North Korea, and only 13 percent blamed South Korean engagement policies.[47] The South Korean Catholic Bishops Conference released a statement that week denouncing the nuclear test, but also reiterating support for its programs in the North: "For the recent several years, the South and the North have maintained peaceful exchanges, through which the two Koreas came to recognize the other not as an enemy but as one people, the same brethren . . . no one should block the way of reconciliation which the South and the North have paved through all efforts, nor should turn back the streams of the peace and unity running through the Korean peninsula."[48] Even the conservative opposition party, while calling for reductions in aid, remained willing to engage the North under more restrictive circumstances.[49] Although it imposed a few symbolic sanctions on the North, the South Korean government steadfastly refused to let U.N. Resolution 1718 significantly affect the Kaesong and Mount Kumgang joint economic ventures between the two countries.

In sum, unification through interdependence with North Korea is the keystone of South Korean foreign policy. Managing the nuclear issue has been a necessary step to reintegration, but South Korea's foreign policy over the past decade has reflected the more fundamental goal of unifying the peninsula. There is widespread popular support for an engagement policy, and this support show little signs of abating. Indeed, until national reconciliation is achieved, North Korea will be the overwhelming first priority of South Korean foreign policy.

CHINESE RELATIONS WITH THE KOREAN PENINSULA

The goal of integrating North Korea back into the region, and even eventual unification, is still only part of the strategic problem South Korea faces. South Korea—and a unified Korea—must find a way to live in a region with two massive countries (Japan and China), and a global superpower with interests in the region (the United States). There are no easy choices. To that

end, this section assesses the degree of South Korea–Chinese economic cooperation and the degree to which Seoul welcomes or accepts increased Chinese regional influence in Northeast Asia. In both respects, developments in the past few years have arguably edged Korea closer to China.

THE LURE OF THE CHINA MARKET

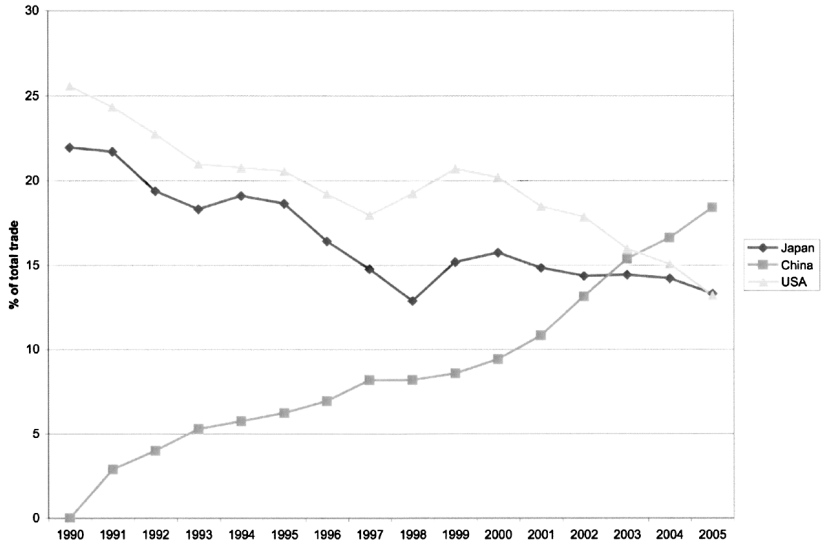
Much like every other country in the region, South Korea increasingly sees its economic fate tied to the future of the Chinese economy. The potential benefits are large, especially given the two countries' geographic proximity and cultural similarities. Though there are clearly worries in South Korea over the rapid rise of Chinese manufacturing and technological prowess, this concern has not stopped the headlong rush of South Korean firms into China. Nor does the South Korean government resist regional moves—mostly initiated by China—to foster economic integration and open borders.

In terms of economic cooperation, China's attraction to South Korea was exemplified in 2003 when the PRC surpassed the United States as the largest export market for South Korean products—a position the United States had held since 1965.[50] Figure 5.1 shows total trade (imports and exports) between South Korea and China, Japan, and the United States. It is most notable that China has become the largest trading partner of South Korea and that that transition has taken place quickly.[51] In 2003 South Korea invested more in China than did the United States ($4.7 billion to $4.2 billion). In that same year, ROK exports to China increased 35 percent, to $47.5 billion, far surpassing South Korean exports to the United States, which increased 7 percent, to $36.7 billion.

Over 25,000 South Korean companies now have production facilities in China.[52] South Korea's Woori Bank has a 150-member research group focused on China, and by 2004 all the major South Korean banks had opened branch offices in China.[53]

China's increased importance to South Korea is evident not just in economic interactions. For example, the number of Chinese language schools in South Korea increased 44 percent from 2003 to 2005.[54] Over 1.6 million South Koreans visit China each year, and the numbers continue to grow.[55] In 2003, there were 35,000 South Koreans studying at Chinese universities (comprising 46 percent of all foreign students in China), while over 180,000 South Koreans had become long-term residents in China.[56]

FIGURE 5.1 SOUTH KOREA'S MAJOR TRADE PARTNERS, 1990–2005



SOURCE: STRATEGIC ASIA ONLINE, HTTP://STRATEGICASIA.NBR.ORG/.

As noted in chapter 3, South Korea–China relations are warm and only becoming more so. Public opinion reflects this trend. For example, an April 2005 poll conducted by *Dong-a Ilbo* newspaper in South Korea revealed the extent of South Korean perceptions about the United States and China. Asked which country was most important for South Korea to have good relations with, 35.5 percent chose North Korea, 28.7 chose the United States, and 22.1 chose China. Similarly, 17.3 percent of respondents saw the United States as the most threatening to Korea, while only 6.7 percent saw China that way. When asked about potential concerns relating to China, 26 percent chose negative economic consequences, and only 8 percent chose China's military buildup.[57]

ROK-China relations have not been completely smooth, however. In recent years the two countries have clashed verbally over the nature of the ancient kingdom of Koguryo (37 B.C.–668 A.D.), with both sides claiming that Koguryo was an historical antecedent to their modern nation.[58] This dispute does not, however, appear likely to have any substantive effect on relations between the two countries, in part because it does not involve official Chinese government policy but rather comes from unofficial claims by Chinese academics.[59] China and North Korea formally delineated their border in

1962, with China ceding 60 percent of the disputed territory. In contrast to South Korea's territorial dispute with Japan over the Dokdo/Takeshima islands, which has never been formally resolved, the dispute over Koguryo is restricted to claims about history, and at no time has the Chinese government made any attempt to abrogate the 1962 treaty or renegotiate the actual border.[60]

Of more relevance is the fact that individual South Korean firms are increasingly finding themselves in direct competition with Chinese manufacturers. Korea's technological lead over Chinese firms has shrunk more rapidly than was anticipated even a few years ago. Currently, South Korean firms have an estimated 3–5 years lead on their Chinese counterparts, down from a 10-year margin just a few years ago.[61] While it is unlikely that in the immediate future this will become a source of trade friction between the two countries, it serves to remind South Koreans that close relations with China are not an unmixed blessing.

CHINESE INFLUENCE

China's recent influence over the North Korea–U.S. standoff is further evidence of its emerging role in the region. Much of the conventional wisdom has viewed China's role in the "six-party talks" (involving Russia, China, Japan, North and South Korea, and the United States) as a temporary matter, and expect that any Chinese influence will recede when the crisis is resolved. However, it may be just as likely that East Asian states are witnessing China emerge (or reemerge) as a leader in the region, with (perhaps unwitting) U.S. assistance. Chung-min Lee writes that "the growing role of China vis-à-vis the North Korean nuclear crisis . . . is resulting in a reevaluation of China's overall relationship with the two Koreas. On-going complications and tensions in the R.O.K.-U.S. alliance have also contributed to a more open view of possibilities in South Korean–Chinese relationship."[62]

The difference between regional perspectives and that of the United States became pronounced during the second nuclear crisis. During the six-party talks, policymakers from China, Russia, South Korea, and even occasionally Japan began to implicitly or explicitly criticize U.S. policies as being too confrontational, and all four urged some degree of economic engagement and diplomatic restraint. Most significantly, China and South Korea began to privately and publicly advocate positions that were more moderate than the American position. For example, in June 2004, Zhou Wenzhong, China's deputy foreign minister, said, "We know nothing about [North Ko-

rea's] uranium program. We don't know whether it exists. So far the U.S. has not presented convincing evidence of this program. . . . The United States is accusing North Korea of having this or that, and then attaching conditions [to negotiations]. So it should really be the U.S. that takes the initiative."[63] As one experienced member of a nongovernmental organization that has deep ties with North Korea noted recently, "China is essentially pushing aid and economic relations over the border to the North. They have far more access to the North than South Korea does, and this is worrying the South Koreans as they look to the coming years."[64]

In fact, Chinese trade and investment into North Korea outstrips even that of South Korea—almost two thirds of total North Korean trade in 2005 was with China, nearly double the amount of inter-Korean trade.[65] Without Chinese cooperation, a U.S. attempt to isolate the North will be difficult, if not impossible, to bring to success. Indeed, Kim Jong-il's nine-day visit to Chinese industrial zones in January 2006 was evidence that China continues to have warm relations with the North, and that China intends to continue its engagement policy, showing no signs of taking a more coercive stance toward the North.

Furthermore, as the stalemate dragged on, Chinese officials made public pronouncements urging a conciliatory line to the North, and arguing that North Korea was on the path to reform. In January 2005, Li Bin, the Chinese ambassador to South Korea, argued, "To think that North Korea will collapse is far-fetched speculation. The fundamental problem is the North's ailing economy. If the economic situation improves, I think we can resolve the defector problem. The support of the South Korean government will greatly help North Korea in this respect."[66] Other Chinese commentators have echoed this sentiment. In early 2005, Piao Jianyi of the Institute of Asia Pacific Studies in Beijing said that "although many of our friends see it as a failing state, potentially one with nuclear weapons, China has a different view. North Korea has a reforming economy that is very weak, but every year is getting better, and the regime is taking measures to reform its economy, so perhaps the U.S. should reconsider its approach."[67]

As one newspaper report put it in June 2004:

> Mr. Bush appears to have been pushed by those allies, at least according to the accounts offered up by Asian officials—and confirmed by some but not all—of their American counterparts. For months, diplomats from China, Japan and South Korea have worried that the talks with North Korea were going nowhere, and they have described Mr. Kim and Mr. Bush as equally stubborn.[68]

One scholar characterizes current trends this way: "gazing into the crystal ball, this is what [experts] see: the withdrawal of the 37,000 troops currently stationed in the South; a strong Korean peninsula threatening Japan; a tilting balance of regional power—in China's favor; and the United States in direct confrontation with China."[69] Jae-Ho Chung writes, "China's growing influence over the Korean peninsula is real. The bottom line for Seoul is not to antagonize China; in this regard, South Korea being sucked into a U.S.-China conflict over Taiwan or elsewhere must be avoided."[70]

In sum, despite some tensions in the ROK-China relationship, on the whole China has rapidly become an extremely important economic and diplomatic partner for South Korea. South Korea has warm and increasingly close relations with China along a range of security, economic, and diplomatic issues and does not want to be forced to choose between Beijing and Washington. Although there is little sentiment in Seoul to replace the United States with China as South Korea's closest ally—and despite Seoul regarding Beijing's influence in Pyongyang as worrisome—continued improvement in Seoul's relations with Beijing means that South Korea's foreign policy orientation is gradually shifting. Though still important, the United States is no longer the only powerful country to which South Korea must pay attention.

The events of the past few decades have led to a fundamental shift in South Korea's foreign policy orientation, its attitudes toward the United States and China, and its own self-image. However, in a process that Jae-ho Chung calls "the choice of not making choices," although South Korea and China have increasingly close economic and cultural ties, and share a similar foreign policy orientation toward North Korea, South Korea has not bandwagoned with China, nor does it wish to abandon its close ties with the United States.[71]

As Victor Cha writes:

> The net assessment therefore is that in terms of grand strategic choices, South Korea has edged down the path of being cut "adrift," [moving away from the U.S. and closer to China] but not yet by definitive leaps and bounds. . . . The fact that no clear direction has been set out over the past year is testament to the genuine state of flux in the ROK's strategic direction.[72]

THE CHANGING U.S.-ROK ALLIANCE

The U.S.-ROK alliance is under greater strain than ever before. While South Korea has clearly not abandoned the United States for the embrace of China, and while cooperation and interaction is still deeper with the United States

than with China, South Korea has moved in the direction of warmer ties with China and less dependence on the United States. This has been a slow process, but the events of the past few years have accelerated the trend. Indeed, it is increasingly possible that the U.S.-ROK alliance will change in a fundamental way. In part this is a natural evolution, but it also reflects starkly different perspectives between the two countries on major international issues. As Scott Snyder notes, "the alliance appears demonstrably less important to both Americans and South Koreans than it was during the Cold War."[73]

The U.S.-ROK alliance has succeeded beyond expectations in maintaining peace at the strategic crossroads of Northeast Asia, promoting South Korean economic development, and helping one of East Asia's most vibrant and successful democracies emerge. The United States, of course, pursued mutual U.S.-ROK security interests in maintaining regional peace, which was the prerequisite for South Korean development. These Koreans overwhelmingly value the U.S.-ROK alliance and welcome a U.S. military presence in their country—indeed, there remains deep appreciation and warmth for the United States. George Washington University professor Kirk Larson notes that there continues to be "substantial support for the alliance and a continued U.S. military presence in South Korea."[74]

Contrary to public perceptions, both sides value the alliance and their long-standing relationship, and the ROK has sought to cooperate with the United States in many diverse areas in hopes of strengthening the alliance. For example, South Korea provided the largest contingent of troops to Iraq after the United States and United Kingdom. The relocation of U.S. military bases outside of Seoul proceeded with minimal protest, and U.S. and South Korean negotiators are holding discussions about a free-trade agreement between the two countries. [75]

The most central aspect in the relationship is the military alliance that has been in effect since 1953. However, this alliance is embedded within a much larger U.S.-ROK relationship that has grown dramatically in the past half century. With bilateral trade of over $55 billion in 2002, South Korea is a major trading partner of the United States. U.S. firms invested almost $5 billion in South Korea in 2004.[76]

There are real differences, and real changes in perceptions and attitudes, between the United States and South Korean people regarding the U.S. role in South Korea, policy toward North Korea, and the U.S. and South Korean roles in East Asia. Understanding the history of the U.S.-ROK alliance, and more broadly the interaction between the United States and Korea over the last century, sheds light on the context in which South Koreans view the United States and how the bilateral relationship has reached its current state in 2007.

DIFFERENCES OVER NORTH KOREA POLICY

There are domestic divisions in South Korea over the utility of the U.S.-ROK alliance, over policy toward North Korea, the global "war on terror" being pursued by the United States, and South Korea's relations with the other powers in the region.[77] While differences over how to deal with North Korea are nothing new, these were often tactical, resolved in large part because of the common perception that North Korea represented a serious security threat. In recent years, however, Seoul finds the Bush administration's apparent interest in fostering Pyongyang's collapse or in using military force to be unacceptable, since both events would threaten progress made over the past three decades. Magnified by other tensions in the relationship—increasing South Korean self-confidence and pride, anti-Americanism, and concerns about U.S. unilateralism—the Bush approach to North Korea has become the prism through which many South Koreans view the security relationship. Eric Larson notes, "The ongoing nuclear crisis and what is perceived as a harsh position on the part of the U.S. toward North Korea seems to have led to growing concern among many South Koreans that U.S. actions could pose as great a threat to South Korea as North Korean ones."[78] A September 2003 *JoongAng Ilbo* poll found that the United States was simultaneously the most-liked and the second-most-disliked country in South Korea.

The split in the two countries' approaches to North Korea became clear soon after the election of George W. Bush in 2000. The Bush administration began adding new conditions to the Agreed Framework (AF) early on in its tenure. The AF was signed between the United States and North Korea in October 1994, as a means of resolving concerns about North Korea's nuclear facilities, and involved reciprocal steps that both sides would take to allay each other's concerns. Yet on June 6, 2001, the White House included conventional forces in the requirements it wanted North Korea to fulfill, saying, "The U.S. seeks improved implementation [of the AF], prompt inspections of past reprocessing . . . [and] a less threatening conventional military posture." On July 3, 2001, a senior administration official said, "We need to see some progress in all areas . . . we don't feel any urgency to provide goodies to them [the North Koreans]."[79] Given South Korea's engagement of the North, many in the South began to worry that the increasingly hard-line U.S. stance was actually provoking the North.

With the October 2002 crisis over a second North Korean nuclear program, U.S. and South Korean positions openly diverged. The South Korean populace and leadership urged restraint, while the Bush administration took a harder line. In his 2002 State of the Union address, President Bush in-

cluded North Korea in the "axis of evil" along with Iraq and Iran, and later offered other choice negative personal opinions about Kim Jong-Il (referring to Kim as a "pygmy" and how he "loathed" him), after which many speculated a dark future for U.S.-DPRK relations.[80] As the crisis intensified, Colin Powell refused to consider dialogue with the North, remarking, "We cannot suddenly say 'Gee, we're so scared. Let's have a negotiation because we want to appease your misbehavior.'"[81] The South Koreans were concerned that the Bush administration's open embrace of preemptive war as an instrument of national policy would make North Korea a potential target, with Seoul—and South Korea—being the victims and bearing the brunt of the devastation that would follow.

On the other hand, many in the United States were skeptical as to the wisdom of South Korea's policy on North Korea. Indeed, South Korea's adamant refusal to take a harder line toward North Korea has led some analysts to call its foreign policy "appeasement," thus increasing friction with the United States. Nicholas Eberstadt of the American Enterprise Institute called South Korea "a runaway ally," arguing that the U.S. ought to "work around" the Roh administration.[82] The Cato Institute called for an "amicable divorce" between South Korea and the United States, and researchers Ted Galen Carpenter and Doug Bandow suggested that the alliance should be dissolved.[83] In the *Wall Street Journal*, Bruce Gilley even advocated that China invade North Korea in order to force regime change.[84]

In 2005, President Roh Moo-hyun made some unusually direct comments on U.S. policies toward North Korea. The United States had begun to publicly pressure his country to take a more active stance against the North's illegal financial activities, such as counterfeiting U.S. money. Roh said:

> I don't agree (with) some opinions inside the US that appear to be wanting to take issue with North Korea's regime, apply pressure and sometimes wishing for its collapse. If the US government tries to resolve the problem that way, there will be friction and disagreement between South Korea and the US.[85]

When the United States released a press statement through the U.S. Embassy in Seoul "urging" South Korea to take action against North Korean financial transactions, the South Korean Foreign Ministry released a response calling the U.S. press release "inappropriate."[86]

The South Korean Embassy in Washington argued that "a more confrontational U.S. policy approach is not likely to bear fruit. North Korea has never succumbed to external pressure over the past fifty years, despite the wishes of

foreign ideologues."[87] In Seoul, the liberal newspaper *Hankyoreh Shinmun* editorialized that "the Koreans should resolve their own problems, including the nuclear issue."[88] Over one hundred respected figures in Korean society, including Catholic Cardinal Stephen Kim, sent an open letter to the U.S. Embassy in Seoul, urging the U.S. ambassador to reject military options.[89]

Most of the South Korean public clearly opposes the U.S.-led efforts. Only 15 percent of South Koreans surveyed in the summer 2002 considered terrorism to be a national priority.[90] Victor Cha writes that 72 percent of South Korea opposed the U.S.-led war on terrorism (Table 5.1). In the run-up to the war in Iraq in March 2003, 81 percent of the general public opposed U.S.-led military action against Iraq and only 9.7 percent supported it; 75.6 percent opposed the deployment of ROK combat troops to Iraq and only 16 percent supported it.[91] A survey of South Korean college students in October 2003 found that 88 percent believed the U.S. initiated a war against Iraq without justifiable cause and only 4.7 percent thought the U.S. justified in its actions.[92]

While South Korea—and perhaps even a unified Korea—will continue to seek good relations with the United States, it is also becoming clear that South Korea will not blindly follow the U.S. lead in the future. With increasing ties to China, and with a younger generation that is not interested in kowtowing to the United States, South Korean is perhaps the strongest example that the world does not fear China the way we think it should.

The U.S.-ROK alliance is still strong, and China has not yet become the regional leader in Northeast Asia. However, compared to fifteen years ago, the U.S. influence is diminished, and China's influence has clearly increased. Over the long run, the United States has not articulated any fundamental strategy toward the region other than ridding North Korea of nuclear weap-

TABLE 5.1 AMERICAN AND SOUTH KOREAN VIEWS OF THE "WAR ON TERROR"

	SOUTH KOREANS	AMERICANS
View terrorism as a "very big" or "moderately big" problem	44%	87%
Favor U.S. war on terrorism	24%	89%
Agree with U.S. military action in Afghanistan	43%	88%

SOURCE: ADAPTED FROM ERIC LARSON AND NORMAN LEVIN, *AMBIVALENT ALLIES? A STUDY OF SOUTH KOREAN ATTITUDES TOWARD THE U.S.* (SANTA MONICA, CALIF.: RAND, 2004), P. 72. ORIGINALLY SOURCED FROM PEW CENTER FOR PEOPLE AND THE PRESS, JUNE 2003; PEW CENTER FOR PEOPLE AND THE PRESS, DECEMBER 2002; GALLUP INTERNATIONAL, DECEMBER 2001.

ons. This means that if and when the nuclear issue is resolved, South Korea and the U.S. may not have the same interests in how the region should look, in who should be the leader, and may not be able to agree on where the threats are. Even the conservatives in Seoul recognize that the traditional Cold War alliance with the United States will inevitably change, and they hope to find some way of dealing with China while retaining their U.S. relationship.

Moreover, China's rise is forcing South Korea to confront a region radically different from the past fifty years. While most international relations theory, and indeed, most American policymakers, see the United States as the most obvious and benign ally with which South Korea should ally, China's proximity and its massive size mean that South Korea can no longer ignore it. Far from being threatened by China, South Korea in fact shares similar policy orientations on short-run issues such as the best way to solve the nuclear crisis.

Furthermore, South Korea shows no signs of security fears regarding China, and even is willing to let China take the lead on some regional issues, such as how to resolve the second North Korean nuclear crisis. Even those South Korean conservatives do not advocate a balancing posture against China. Thus, while there may be a transition occurring in East Asia, it is clear that the pessimistic predictions regarding China's rise have not begun to manifest themselves on the Korean peninsula. Rather than fearing China, South Korea appears to be adjusting to China's place in Northeast Asia.

CHAPTER 6

SOUTHEAST ASIA

ACCOMMODATING CHINA'S RISE

The states of Southeast Asia have moved further to create multilateral institutions and to accommodate China than have those in Northeast Asia. Furthermore, the tight military alliances that exist between the United States and Japan and Korea are absent in Southeast Asia, and Southeast Asia is ethnically more integrated with China than is Northeast Asia. Even some states that previously had close relations with the United States, such as the Philippines, have begun a process by which the United States becomes no longer the main focus of their foreign policies. These states are increasingly taking both the United States and China into account. Like Japan and South Korea in Northeast Asia, however, Southeast Asian states also want to avoid a zero-sum choice between either China or the United States. They hope instead for a situation in which they benefit from rising Chinese economic power but also continue to maintain good relations with the United States.

This strategy of accommodating China while staying close to the United States arises because of the potential benefits that come from engaging China, and also because of the efforts that China has itself made to engage these countries and reassure them of its intentions. China and the Southeast Asian states place a high value on respecting sovereignty and pursuing nation-building, and this similarity of perspectives has been a key reason why China and Southeast Asia have managed to adjust and learn to cooperate over numerous issues. These states also view the likelihood that China will use military force in the region as low. They prefer a strong and active China to a weak and preoccupied China, they see continued economic growth as beneficial for the region, and they have moved to include China in a number of bilateral and multilateral institutions.

This trend toward cooperation is especially apparent when compared to the dynamics in the region thirty years ago. The end of the Vietnam War marked the end of a period of instability in Southeast Asia. There were exceptions—Cambodia and Burma, for example—yet on the whole, an era notable for its economic growth and domestic nation building began. More recently, the U.S. actions during the 1997 Asian financial crisis, and its policies during its "global war on terror," have led many in Southeast Asia to question the legitimacy of U.S. actions and leadership. As a senior Singaporean diplomat concluded in 2004:

> The balance of influence is shifting against the United States. In the last decade the Chinese have not done anything wrong in Southeast Asia. The Japanese have not done anything right, and the U.S. has been indifferent. So already Thailand, Laos, Cambodia, and other states are defining their national interest as "Finlandization" with respect to China. The U.S. will never be shut out of Southeast Asia completely, but there is less room for it now than in the past fifty years.[1]

In this chapter, after an overview of the "ASEAN way" in the first section, we will focus on China's actions toward Southeast Asia, showing how in the past three decades the Chinese have actively engaged the region and attempted to reassure these states through a variety of measures. The next section examines Southeast Asian perspectives of China, concluding that these states are more inclined to accommodate rather than balance. The fourth and fifth sections present two short case studies of the Philippines and Vietnam. The Philippines is the closest U.S. ally (and a former U.S. colony) in the region, and Vietnam only normalized relations with the United States recently. Thus both their foreign policy strategies can shed particular light on the conundrums facing Southeast Asian states. A sixth section examines the U.S. role in Southeast Asia, emphasizing the different U.S. and Southeast Asian views of the Asian financial crisis and the global war on terror.

THE "ASEAN WAY"

Policymakers in Southeast Asia emphasize that the Association of Southeast Asian Nations (ASEAN) has developed in order to manage complexity in the region, not to balance any particular outside power. Southeast Asia

comprises a number of overlapping subgroups, including the small states such as Singapore and the Pacific island states, the continental states such as Vietnam and Thailand, and the Islamic states such as Indonesia and Malaysia. They vary politically, economically, ethnically, religiously, and culturally. Yet they also form a distinct region, one that is already deeply interconnected and integrated, and growing more so as time passes. As Andrew Shearer of the Australian Embassy in the United States remarked, "this plethora of overlapping and multiple systems has led to a functional, bottom-up approach to regionalism, with multiple views and systems depending on the specific issue at hand."[2]

Scholarship on Southeast Asia that emphasizes the role of ideas is well developed, and takes as its main focus ASEAN. Going beyond realist notions of power, a group of scholars have argued that explaining ASEAN's emergence and influence in regional affairs is not possible without reference to the norms and identities that have existed in Southeast Asia. This scholarship emphasizes the "ASEAN way," a set of norms that emphasize security cooperation in East Asia, noninterference in domestic issues, respect for sovereignty, and nonconfrontational dialogue building.[3] Amitav Acharya defines the ASEAN way as a "process of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles" that stands in contrast to the "adversarial posturing, majority vote and other legalistic decision-making procedures in Western multilateral organizations."[4] Indeed, Southeast Asian states have always had a tendency to avoid balancing coalitions. For example, the U.S.-led SEATO (Southeast Asian Treaty Organization) had comprised only four Southeast Asian countries—Thailand, the Philippines, Australia, and New Zealand.[5]

This set of norms, and in particular the concern for national sovereignty, came about partially because Southeast Asia has undergone tremendous change in the nineteenth century, when only Thailand avoided being colonized by Western powers. Southeast Asian countries only regained their independence in the post–World War II era. Of the larger Southeast Asian states, the Philippines first achieved independence, in 1946. Indonesia followed in 1949, and Malaysia (and Singapore) in 1957. With the unification of Vietnam and the end of the Vietnam War in 1975, the states of Southeast Asia all experienced varying degrees of peace, economic prosperity, national consolidation, and participation in flourishing regional integration.[6] Given the ethnic, religious, and racial divisions within each of these heterogeneous states, their main objectives included domestic political unity, nation building, and protecting their national sovereignty from external interference. As Acharya writes, "it was during the 1960s that the moderate nationalist lead-

ers of Southeast Asia saw regionalism as a way of preserving their state security and regime survival not from neo-colonial pressures, but from the twin dangers of Cold War superpower rivalry and domestic communist insurgencies."[7]

Thailand, Malaysia, Singapore, Indonesia, and the Philippines founded ASEAN in 1967 with the aim of preventing major powers from using the region as a battleground.[8] The founding ASEAN-5 were originally supportive of active U.S. containment of communism in Southeast Asia. For example, none of the original members had normalized ties with China (Indonesia had normalized ties with China in 1950, only to suspend them in 1967 over suspicions of Chinese support for the Indonesian communist party).

Placed in the historical context we examined in chapter 2, Southeast Asian states' suspicions regarding China were relatively new, resulting mainly from China's post-1949 policies, and most notably over suspected Chinese support for internal communist movements.[9] Before 1949, Southeast Asian nations had had stable and deep relations with China, whereas during the Cold War, the Chinese were occasional supporters of the communist parties in Malaysia, Indonesia, and Vietnam. For its part, after the end of civil war in 1949, China became relatively isolated in international affairs.[10] On the whole, China during the Cold War focused more on internal problems, and was not actively involved in the world economy due to trade embargoes from Western and many Asian nations. China was preoccupied with domestic factional struggles, the Great Leap Forward of the late 1950s, the Cultural Revolution of 1966–1976, and its troubled relations with the Soviet Union. By the late 1960s, China's foreign policy had become much less radical, even though relations with Southeast Asia remained cool.

As the United States and China moved toward rapprochement in the early 1970s, as the Vietnam War wound down and the U.S. military presence diminished in Southeast Asia, and as China began to reintegrate itself into the world, the Southeast Asian nations began to normalize relations with China. Malaysia did so in 1974; Thailand and the Philippines, in 1975. Singapore and Indonesia did not normalize relations with China until 1990.

CHINA'S FOREIGN POLICY TOWARD SOUTHEAST ASIA

China has increasingly sought to reassure Southeast Asian states about its intentions. China has had deep historical trading ties throughout the region, and builds upon this long history as well as its current interactions.[11] Brantley Womack points out three Chinese policies that have helped to create a

nonthreatening diplomatic environment in Southeast Asia for it. The first policy itself encompasses China's "Five Principles of Peaceful Coexistence," from the Bandung conference of 1955. These relatively noncontroversial principles are mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in one another's internal affairs, equality and mutual benefit, and peaceful coexistence. China's concern for sovereignty and noninterference fit well with ASEAN's similar concerns. The second policy is one of economic reform and opening that China has pursued for the past three decades. Finally, China's policy of multipolarity in the 1990s helped assuage Southeast Asian fears of Chinese aggrandizement.[12] As noted in chapter 4, China's own preoccupation with maintaining its sovereignty and with internal nation building fit quite well with Southeast Asia's devotion to the same goals. Both the Southeast Asian region and China had experienced extensive external interference in their affairs for over a century, and both were focused on the task of solidifying and strengthening their countries.

In the past two decades, China actively pursued preventive diplomacy in what it viewed as a multipolar world, and in particular it began to engage and court states in Southeast Asia. This strategy became pronounced following the Tiananmen Square incident in 1989, in which Chinese authorities used force to suppress a protest in Beijing that had drawn worldwide attention. Realizing that other states viewed China with suspicion, Beijing began to actively cultivate better relations with its Southeast Asian neighbors. In 1990, Chinese Premier Li Peng visited Indonesia, Singapore, Thailand, Malaysia, the Philippines, and Laos. These moves included normalization within two years of Chinese relations with Singapore, Vietnam, Indonesia, Brunei, and South Korea.

Beijing began participating in multilateral forums, something it had previously avoided. Foreign Minister Qian Qichen's visit to the 24th ASEAN Foreign Ministers Meeting in July 1991 marked the first formal contact with ASEAN.[13] Although originally Beijing had attempted to negotiate with the Southeast Asian states on a bilateral basis, when ASEAN stood firm China adjusted, and worked cooperatively with ASEAN itself. Most significantly, Beijing began to discuss the Spratly Islands dispute in these multilateral settings, while also reaching bilateral accord with Malaysia and the Philippines over the islands.[14] Womack writes that "frustrated by the west, and duly noting the respectful silence of Southeast Asia and South Korea, China began sustained efforts to improve regional relations."[15] China became a dialogue partner of ASEAN in 1996, and in 1997 joined "ASEAN+3" (China, South Korea, and Japan). China and ASEAN also pursued the ASEAN-China Free Trade Area (ACFTA), portions of which began implementation in 2005.[16]

China's unwillingness to take advantage of the Asian financial crisis of 1997 furthered Southeast Asian views of China as a responsible actor in the region. China did not devalue its currency at the time, and this was interpreted by ASEAN as a sign of goodwill. China pledged $1 billion to Thailand to help assuage its foreign exchange problem; it also pledged $400 million to Indonesia in standby loans as part of the IMF package, and further extended Indonesia $200 million in export credits.[17] In 1998, then-ASEAN Secretary-General Rodolfo Severino, Jr., said that "China is really emerging from this [crisis] smelling good. We still have a territorial problem with China, but otherwise things here are going well between ASEAN and Beijing."[18] Malaysian leader Mohammed Mahatir said in 1999:

> China's performance in the Asian financial crisis has been laudable, and the countries in this region . . . greatly appreciated China's decision not to devalue the yuan. China's cooperation and high sense of responsibility has spared the region a much worse consequence. The price China has to pay to help East Asia is high, and the Malaysian people truly appreciate China's stand.[19]

Chinese efforts to reach out to Southeast Asia continued in the 2000s. In Bali in October 2003, China became the first large power from outside of ASEAN to sign the Treaty of Amity and Cooperation in Southeast Asia. The treaty includes pledges to avoid disputes and to resolve those that do occur, by peaceful means, and renounces the threat of force.[20] In 2004, Chinese Prime Minister Wen Jiabao described China as "a friendly elephant," recognizing its size, but arguing that it poses no threat to Southeast Asia.[21] Zheng Bijian, a close advisor to China's top leadership, said that "if China does not provide economic opportunities in the region, it will lose the opportunity for a peaceful rise."[22] Chinese President Hu Jintao said in 2004 that China would seek security dialogues with all the Southeast Asian states. Hu said that "China is ready to set up a military-security-dialogue mechanism with other Asian countries and actively promote confidence building in the military field."[23] One Chinese diplomat who worked for three years in Southeast Asia during the 1990s told me,

> China today is not the same as it was before. From 1949, sometimes they [Southeast Asian nations] even thought we were exporting revolution to their countries. But today we want good relations for our own economic growth. Southeast Asia doesn't know us that well, but more and more, as we interact, they come to see us for who we are. They will always have

problems with China just because of our size, but they also see the value in good relations. China is not that ideological anymore. The United States is more ideological than we are.[24]

Chinese actions indicate more than just a reassurance strategy. They reflect China's view of itself and the region. Southeast Asian states, long wary of external interference in their affairs, and focused on economic development and political consolidation, have seen that China does not have imperial aims in Southeast Asia, and is in fact moving on political, economic, and cultural fronts to improve relations with that region.

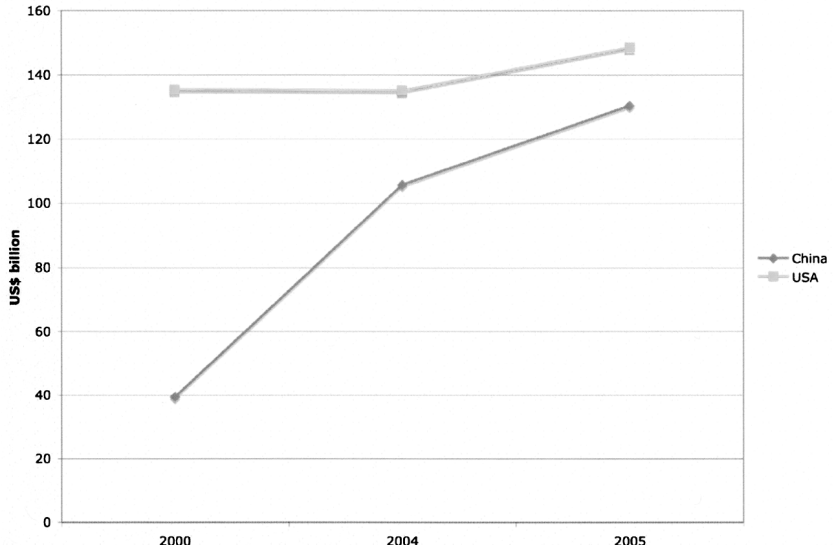
SOUTHEAST ASIA'S APPROACH TO CHINA

Southeast Asian states see their economic future as heavily influenced by China's economy, and trade and investment between ASEAN and China has been rapidly increasing. Yet the ties involve more than trade. Southeast Asian states are culturally and ethnically linked with China, and this, combined with a long history of stable relations, helps shape how they view China. There is still caution about China and its role, if only because the region itself has undergone so much change in the past half century. Nevertheless, the trend is clearly toward greater cooperation.

In the past thirty years, China has become an important economic actor in Southeast Asia. And in the past five years alone, China-ASEAN trade has increased at rates of over 30 percent annually.[25] While U.S. total trade (exports and imports) with ASEAN ($148 billion in 2005) remains marginally greater than Chinese total trade with ASEAN ($130 billion in 2005), the gap is closing quickly (see Figure 6.1). As recently as 2000, total Chinese trade with ASEAN was only $39 billion. In 2005, Chinese exports to ASEAN exceeded U.S. exports to ASEAN for the first time.[26] Indeed, in July 2005, China, Brunei, Malaysia, Myanmar, Singapore, and Thailand implemented reciprocal tariff reductions on over 7,455 types of goods and commodities, as part of progress toward an ASEAN-China Free Trade Zone.[27] In 2005, China pledged $3 billion in economic assistance to ASEAN countries.[28]

China and Southeast Asia have also taken a series of steps to increase intra–Southeast Asian cooperation, and this has been part of a wider effort by both parties to expand cooperation regionally and globally. By 2006, China and ASEAN had established 46 dialogue mechanisms at different levels, including 12 at the ministerial level.[29] Although these multilateral institutions have experienced varying degrees of success, the region itself is not the

FIGURE 6.1 ASEAN TOTAL TRADE WITH UNITED STATES AND CHINA, 2000–2005



SOURCE: DATA COMPILED FROM BRUCE VAUGHN AND WAYNE MORRISON, *CHINA–SOUTHEAST ASIA RELATIONS: TRENDS, ISSUES, AND IMPLICATIONS FOR THE UNITED STATES* (WASHINGTON, D.C.: CONGRESSIONAL RESEARCH SERVICE, 2006), PP. 10–12.

same as it was in 1990. In addition to explicitly economic ties, ASEAN-China relations include the ASEAN-China Senior Officials Consultations, ASEAN-China Joint Cooperation Committee meetings, and ASEAN-China summits. Another significant move was the Chiang Mai initiative—a currency swap arrangement among Asian states designed to help prevent the currency crisis that led to the 1997 Asian financial crisis. Although ASEAN signed a "Strategic Partnership for Peace and Prosperity" with China, it has also signed an ASEAN-Japan "Strategic Partnership," an ASEAN–South Korea "Comprehensive Cooperation Partnership," and an ASEAN-India "Partnership for Peace, Progress, and Shared Prosperity."[30] Thus, China is increasingly important, but Southeast Asian states are also focused on a wide range of cooperative mechanisms with states around the globe.

Jose Almonte, former director general of the Philippine National Security Council, noted that "East Asia's greatest single problem is how to incorporate China into its regional arrangements—how to 'socialize' the country."[31] He wrote in 1997, "Southeast Asians are more ready to accept that China will sooner or later become a great power, and that it is unrealistic for outsiders to prevent such a development."[32] Singaporean Prime Minister Goh Tok Chong said that "it makes no sense to mortgage East Asia's future by causing

the Chinese people to conclude that its neighbors and the U.S. want to keep them down."[33] Singapore has most actively moved to engage China, and has the most clearly articulated engagement policy. For example, in 1994, Goh said,

> It is not preordained that China's military power will turn into a threat, or that it will behave like the former Soviet Union . . . [But] China must show through its attitude and action that, big as it will be, it intends to be a responsible member of the international community.[34]

Southeast Asia's orientation toward China is reflected in its numerous actions. Singapore has a policy to lure Chinese companies to the island, offering generous terms for listing on the stock exchange. For its part, Indonesia has signed memoranda of understandings with China over defense technological cooperation, tsunami relief, economic and technical cooperation, and other issues.[35] China's energy companies have invested into Indonesian oil and gas fields in Java and Papua, and Indonesian exports to China increased 232 percent in 2005.[36]

Of Thailand, a report by the Congressional Research Service concludes that it "appears to be relatively comfortable with expanding ties with China."[37] After the U.S.-China "spy plane incident" of 2001, Thai Prime Minister Thaksin Shinawatra offered to broker talks between the two superpowers, emphasizing that the Thais and Chinese have a relationship that goes back centuries. Shinawatra added, "economically, China is also a big market and Thailand must have a good relationship with her." Gaye Christofferson noted that "Thai newspapers reflected a Chinese tilt. One article claimed that 'most Thais regard China as more of a friend of Thailand than the United States or Japan.'"[38] Indeed, Chinese Defense Minister Chi Haotian held talks with Thailand's defense minister in June 2001, two months after the incident.

Thus, on political and economic relations, the states of Southeast Asia are also moving closer to China.

THE CHINESE "BAMBOO" NETWORK

Southeast Asian relations with China rest on more than just the pragmatic creation of economic ties and cooperative institutions, however important those may be. Southeast Asia's integration with China is as much a result of the webs of ethnic Chinese throughout Southeast Asia who have rapidly reestablished their historical trade and investment relationships with China

as it is of more formal institutional relations. These ethnic links, often referred to as the "bamboo network," or "greater China," are weaving Southeast Asian and Chinese economies and societies tightly together.[39] Ethnic Chinese make up 10 percent of Thailand's population, 3 percent in Indonesia, 2 percent in the Philippines, and almost 20 percent in Malaysia. Furthermore, the ethnic Chinese in Southeast Asia tend to be economically well positioned relative to the indigenous populations. As Gerald Curtis writes, "It is not simply a matter of China's becoming an important export and FDI [foreign direct investment] destination for other countries in Asia. The pattern of trade and investment is creating production process networks that crisscross the region . . . the consequence is not only growing economic interdependence but the beginnings of significant economic integration."[40]

Dajin Peng notes that "the core of the ethnic Chinese business network consists of relatively tight relations cemented by kinship and lineages."[41] Singaporean banks and investors are a major part of this—Singapore's DBS bank bought shares of banks in Thailand and Hong Kong and the Philippines.[42] As T. J. Pempel writes, "By the mid-to late 1990s . . . a dense web of networks in manufacturing and banking was crisscrossing East Asia. Corporations with quite different types of internal organization and varying degrees of flexibility were involved."[43] Hongying Wang has shown that informal personal relationships based on *guanxi* (personal connections) have facilitated FDI into China.[44] Ethnic Chinese firms are thus an important aspect of Southeast Asian economies, linking them to each other, as well as to China (see Table 6.1).

From 1979 to 1997, over two-thirds of all foreign capital into China came from ethnic Chinese. In specific industries, the impact of the diaspora is even greater. For example, in 2000, 72.8 percent of China's information production was actually Taiwanese production based in China.[45] By 2000, 72

TABLE 6.1 STOCK HOLDINGS OF MAJOR FIRMS IN FOUR ASEAN NATIONS BY OWNERSHIP TYPE (%)

NATION	GOVERNMENT	OTHER	FOREIGN	CHINESE
Malaysia	48.0	22.6	4.1	25.3
Indonesia	67.1	7.4	3.1	22.4
Thailand	13.2	9.9	45.6	31.3
Philippines	31.4	16.9	29.5	22.2

SOURCE: DAJIN PENG, "INVISIBLE LINKAGES: A REGIONAL PERSPECTIVE OF EAST ASIAN POLITICAL ECONOMY," *INTERNATIONAL STUDIES QUARTERLY* 46, NO. 3 (SEPTEMBER 2002): 432.

percent of all investment into ASEAN and China was into China. By 1999, total external trade from the "Chinese" region of China, Taiwan, and Hong Kong (after removing trade within these three countries) was greater than that of Japan: $810 billion to $731 billion.[46] These networks are not necessarily exclusive, however. It is common for a Taiwanese firm to manage a Thai electronics factory that uses Japanese technology for production.[47]

These ties are more than just business relations. For example, two-thirds of the Thai parliament in 2006 was of Chinese origin, as were the last three prime ministers.[48] The Thai queen spent ten days in China in 2001, during which the "Chinese leadership reportedly paid rare and constant attention to the royal party," and Thai Princess Sirindhorn studied at Beijing University.[49] Southeast Asians are also increasingly turning to China as a source of training for their future intellectuals and elites. In 2003, there were 77,628 foreign students studying in China, and David Shambaugh notes that 80 percent of them came from other Asian countries.[50] In 2005, more Chinese than Japanese visited Australia, where Chinese is the most widely spoken foreign language.[51] Chinese tourists to Southeast Asia now outnumber Japanese tourists to the region.[52] In sum, Southeast Asian relations with China continue to strengthen, driven in part by the rich mix of ethnicities and ethnic affinity in Southeast Asia.

THE SPRATLY ISLANDS

The only issue that might lead to armed conflict in the region is the dispute over the ownership of the Spratly Islands.[53] However, the possibility is low. Furthermore, the Spratlys dispute is primarily one of "boundary setting" and the resolution of previously undemarcated borders among all the Southeast Asian states, rather than a case of Chinese expansionism—China is only one of many claimants.[54] The disputed islands are too small to provide bases for power projection, and it is still unclear whether they contain any significant natural resources.[55]

Competing claims over the Spratlys have been made for at least four decades. In 1971 the Philippines had claimed islands in the South China Sea and garrisoned eight of them, calling the zone "Kalayaan" (freedom).[56] In 1974 and 1988, China clashed with Vietnam over the Spratlys, and in 1995 China evicted Philippine fishermen from the Mischief Reef. These clashes involved patrol boats and were not major military mobilizations, and Vietnam and Malaysia, not just China, have made claims to the Philippines' stated exclusive economic zone. Vietnam has also occupied the Barque Can-

ada Reef, which is also claimed by Malaysia. In the 1990s, China erected "military bases" on Mischief Reef that were in fact little more than semisubmerged huts. Indeed, Greg Austin points out that "the [Chinese] occupation of Mischief Reef could scarcely be seen as a new military threat to the Philippines . . . China's record in the South China Sea is little different from that of other countries."[57] It is worth noting that Taiwan claims the largest island in the area, and that Malaysia claims the largest number (twelve) and occupies six.

Despite the complexity of the competing claims, the parties involved have made progress in finding a resolution. Most significantly, in November 2002, China signed the Declaration on the Conduct of Parties in the South China Sea, a memorandum that prohibits the use of force to settle rival claims over the oil-rich Spratlys.[58] As one senior Singaporean diplomat noted, "The Spratlys issue is not resolved, but nobody wants to go to war there. There are a number of codes of conduct and there has been a decrease in the armed clashes. China's moves over the Spratlys in 1994–1995 had the potential to bring a pall to China's relations with all of ASEAN. In order to avoid this, China worked out resource sharing agreements without giving up their claims. China's goals are internal, not foreign policy. China is building up its navy because of Taiwan, not ASEAN."[59]

U.S. assessments of the region have also not seen the Spratlys as a major issue. The Department of Defense's 1995 *Strategic Framework for the Asian Pacific Rim* mentioned the Spratlys only in passing, and the 1998 report did not mention the South China Sea at all.[60] Vietnamese and Chinese leaders have met annually since the normalization of their relations in 1991 despite the Spratly Islands issue, and relations have improved steadily over time. Ang Cheng Guan writes that "it is unlikely that the two countries [Vietnam and China] will engage in another military clash over their South China Sea dispute."[61] Indeed, in 2006 the second meeting on implementation of the Code of Conduct was held in Hainan, China, by the China-ASEAN working group, discussing relevant cooperation projects and deciding on a working plan for 2006.[62]

Cooperation over the Spratlys has continued to increase. In March 2005, Vietnam, the Philippines, and China agreed to jointly explore oil exploration in the South China Sea.[63] This agreement calls for the China National Offshore Oil Corporation, the Vietnam National Petroleum Corporation, and the Philippine National Oil Company to conduct three years of "joint marine seismic work" over an area of 140,000 square kilometers in the Spratlys.[64]

In conclusion, compared to the situation just after World War II, when weakly institutionalized, newly independent states feared for their survival,

Southeast Asian states in 2006 are in a far more secure international and domestic situation. All states in the region have made significant progress in settling border claims and delineating boundaries. That the Spratlys can be seen as the most likely source of conflict in the region is in itself an indicator of how much progress has been made. These states are overwhelmingly focused on economic development and domestic political consolidation. Furthermore, they face no significant external threats to their survival, and the various countries are deeply interlinked with one another through ethnic ties, trade and investment relations, and cultural history. Within this context, their rapid embrace of China is not that surprising.

THE PHILIPPINES

The Philippines and Vietnam are particularly relevant case studies for illustrating the changing regional dynamics. The Philippines, a former U.S. colony, has always been most closely aligned with the United States in Southeast Asia. Conversely, among those same Asian states Vietnam has had the most distant relations with the United States. Yet the Philippines and Vietnam are both moving steadily toward China on a number of fronts, while still retaining good relations with the United States. Similarly, both countries want to avoid a situation in which they are forced to make a stark choice between one superpower or the other.

As noted in chapter 3, Philippine-China relations are warm, and getting even warmer. Trade and investment between the two countries is rapidly increasing. From 2000 to 2005, total bilateral trade between the two countries went up annually at an average rate of 42 percent.[65] Total trade between China and the Philippines was $17 billion in 2005, roughly the same as U.S.-Philippine trade of $18 billion.[66] In June 2006, Chinese Commerce Minister Bo Xilai visited Manila and agreed to a series of investments in agriculture, fishing, tourism, mining, and energy that could be worth up to $32 billion.[67] State-run schools in the Philippines are required to offer Mandarin Chinese as an elective.

Compared to its tight alignment with the United States during the Cold War, the Philippines has moved away. Although the Philippines has no desire to have poor relations with the United States and has no intention of renouncing the mutual defense treaty, the Philippines also has a looser relationship with the United States in 2007 than it did in 1990. For example, when a U.S. EP-3 plane collided with a Chinese jet over Hainan Island in 2001, most Southeast Asian nations publicly hoped for a negotiated settle-

ment and none of them backed the United States. The Philippines did not postpone the third meeting of the China-Philippines Experts Working Group on confidence-building measures in the South China Sea, which convened at the same time as the incident.[68] Furthermore, Philippine President Gloria Macapagal-Arroyo stated that the incident was between two "elephants" and did not involve other, smaller countries.

The most direct evidence of this changing relationship was the Philippine decision in 1991 not to renew an agreement that permitted U.S. military deployments at Clark and Subic Bay bases. At its height Subic was the largest naval facility in the world outside of the United States, a major element of U.S. force projection in the region and even outside of the region. The Philippine government's official position on the bases was that "the Philippines faced no external enemies or threat, and that threats arising from both communist insurgency and the right-wing military rebels could not be addressed by U.S. military presence in the country."[69] Although after the terrorist attacks of September 11, 2001, the Philippines increased its military cooperation with the United States in a limited fashion aimed at domestic terrorist insurgencies, cooperation remains well below pre-1991 levels.[70]

The conventional explanation for why the Philippines did not renew its bases treaty with the U.S. is based on domestic political considerations. For example, Yuen Foong Khong writes that "by 1989 it became obvious that the negotiations had become entangled with a fierce domestic political debate within the Philippines. The surge in Filipino nationalism derailed the negotiations."[71] Barton Brown emphasizes the different cultural milieus in the Philippines and the United States, arguing that "from the start of negotiations, the security partners danced to different tunes . . . arguing over rights and duties of allies, friends, partners, patrons, and clients."[72] The situation came to a head in 1991. The Philippine senate voted against a treaty to renew the basing agreement with the United States on September 16, and the largest naval base outside of the United States—Subic—was closed the following year, along with Clark air force base. Ironically, in 2004 China gave the Philippines $1 billion in soft loans and investments, some of which will be used to develop the Subic-Clark area as a logistics hub for Southeast Asia.[73]

Since 1992, the Philippines and the United States have increased military cooperation. In 1998 Philippine President Fidel Ramos signed a visiting forces agreement that compromised Philippine stances over criminal jurisdiction on status-of-forces. The Philippines signed a new agreement with the United States in May 1999 that allows U.S. troops back into the Philippines for training and other activities.[74] However, the United States and the Philippines never made clear whether this agreement would include a U.S. security

guarantee for the Philippines regarding the South China Sea.[75] Significantly, however, despite four different Philippine presidents (Cory Aquino, 1986–1992; Fidel Ramos, 1992–1998; Joseph Estrada, 1998–2001; and Gloria Macapagal-Arroyo, 2001–present), none have raised the possibility of returning the alliance to the level of having permanent U.S. bases in the Philippines.

Most importantly, however, renewed U.S.-Philippine military cooperation is focused almost exclusively on the "war on terror" and geographically concentrated on the southern Mindanao region of the Philippines.[76] The sporadic deployment of U.S. forces through the Philippines is a less obvious and clear commitment to the defense of the Philippines than permanent basing. The Philippines is increasing its military cooperation with the United States in a limited fashion, but it has not returned to anywhere close to the levels of cooperation of pre-1991, and is focused on domestic terrorist insurgencies, not a China threat. [77]

The Philippines did send a small medical contingent of fifty-one peacekeepers to Iraq as part of the "Coalition of the Willing." However, Philippine public opinion was solidly opposed to the U.S. war in Iraq—in three opinion polls conducted over two years, the proportion of Filipinos favoring a "neutral" stance on Iraq remained well over 60 percent, with only single-digit support for the United States if it lacked U.N. support.[78] With the kidnapping of a Philippine truck driver in Iraq, and with extensive negative Philippine public opinion against the troop deployment, the Philippines pulled its troops out earlier than planned, in July 2004. In response, U.S. Chargé d'affairs Joseph Mussomeli said that U.S.-Philippine ties face "erosion" if further problems occur in the relationship.

In sum, the Philippines has actively moved to increase the breadth and depth of its relations with China, even as it tries to retain strong ties with the United States. Long the closest U.S. ally in Southeast Asia, the Philippines in the twenty-first century is widening its foreign policy focus beyond the United States in an attempt to maintain good relations with China, as well as the other ASEAN states.[79]

VIETNAM ACCOMMODATES CHINA

Vietnam deserves special attention because it is the Southeast Asian state that is furthest along the spectrum of alignment toward China rather than the United States. The United States clearly plays little role in reassuring Vietnam against possible Chinese aggrandizement. Vietnam is the only

ASEAN state to which the United States has not granted permanent normal trade relations status. In fact, Vietnam only normalized relations with the United States in 1995, and memories of the U.S.-Vietnam war are still very much alive in both countries. Furthermore, Vietnam also shares a land border with China, and the two countries fought a short but sharp war in 1979. If any country should be worried about Chinese intentions, it is Vietnam—yet Vietnam and China continue to develop normal relations, and the Vietnam-Chinese border is not fortified.

Vietnam is only cautiously and slowly deepening its relations with the United States, while it has moved quickly to repair and deepen relations with China. Although Vietnam is in some ways hedging its bets against China, it is also accommodating and adjusting to its larger neighbor. Vietnam is conducting its foreign policy in an historically consistent manner: adjusting to China while attempting to keep as much autonomy as possible. As one Singaporean diplomat described it, the Vietnamese are "supreme pragmatists. The question of balancing is simply absent. The question for the Vietnamese is how do you preserve flexibility on the periphery of a large and rising China?"[80]

As Henry Kenny argues, Vietnam is lapsing back into a "cultural tradition that tends to favor Vietnamese submission to China in exchange for Chinese benevolence and, if needed, protection of Vietnam against hostile outside forces."[81] For its part, China is undertaking a series of actions designed both to reassure Vietnam of its intentions and to further stabilize their relationship. Kim Ninh writes, "This love-hate, dependent-independent relationship with China is a fundamental factor in the Vietnamese conception of security."[82] Furthermore, both ruling regimes are communist dictatorships that are attempting to follow a path of economic reform while retaining political power.

Like most countries in Asia, Vietnam went through a period of upheaval during which colonialism, anticolonialist movements, and outside powers severely distorted and limited its national coherence. Divided into North and South Vietnam in 1954, Vietnam began its "modern" era in 1975 with unification and the final ousting of outside powers. Even when Soviet-Vietnamese relations were at their warmest after 1975, this was not the central relationship for the Vietnamese, but rather it was the Chinese who most occupied Vietnam's attention. In large part, the Vietnamese were using the Soviets as a hedge against China's influence at the time.[83] Ang Cheng Guan quotes Ho Chi Minh as recognizing the central role of China in Vietnam's foreign policy: "[in 1960] Ho Chi Minh appealed to Khruschev to accede to the Chinese because, according to Ho, China was a big country . . . Khruschev retorted that the

Soviet Union was by no means a small country. Ho replied, 'For us it is doubly difficult. Don't forget, China is our neighbor.' "[84]

During the 1980s, repairing relations with China became the main goal of Vietnamese foreign policy, and relations between the two states slowly improved.[85] Vietnam made concessions to China by withdrawing its military forces from Cambodia and Laos, demobilizing half its regular army, and "adopting a defensive posture, including a policy of non-provocation towards China."[86] Vietnamese officials visited China more often during that decade, pointedly noting their desire to emulate the Chinese model. As one Vietnamese official recently pointed out, "Remember that after defeating the Chinese, we always sent tribute."[87] In February 1985, Vietnamese General Secretary Le Duan declared that he was "firmly convinced that friendship between China and Vietnam would have to be restored."[88] Martin Stuart-Fox writes, "Burma and Vietnam have historically defeated Chinese armies, only to ensure their security by reinscribing in the Chinese world order. This was in no way humiliating, it was a sensible course of action."[89]

Vietnam's main political and economic model is China. For example, Vietnamese Foreign Minister Nguyen Dy Nien stated in 2001 that relations with China were the priority in Vietnam's foreign policy. Visitors to Vietnam that year included the Chinese defense minister; Vice Chairman of the Central Military Commission Chi Haotian (for six days), and Chinese President Hu Jintao. "The consistent message that emerged from these meetings was that the Vietnam-China relations should continue to be guided by the principles of 'long-term stability, orientation towards the future, good neighbourliness and friendship, and all-round cooperation.' As agreed upon by [then–Vietnamese General Secretary] Le Kha Phieu and [then-President of China] Jiang Zemin when they met in Beijing in February 1999."[90]

Rapprochement began during the 1990s with resolution of border disputes; since then, cooperation has increased rapidly across all areas. Vietnam-China agreements included the "Treaty on the Land Border between the SRV and the PRC," the "Agreement on the Demarcation of Waters, Exclusive Economic Zones and Continental Shelves in the Bac Bo (Tonkin) Gulf between the SRV and the PRC," and the "Agreement on Fishing Cooperation," which are of profound historical significance.[91] The "Joint Vietnam-China Statement for Comprehensive Cooperation," signed in 2000 by Foreign Minister Nguyen Dy Nien and Foreign Minister Tang Jiaxuan, called for regular high-level meetings to promote cooperation. The range of issues covered in that agreement was comprehensive, including promotion of economic, commercial, and investment ties, as well as communications, trans-

port, and environmental protection. Furthermore, the statement said that "the two sides commit to strengthening the cooperation and coordination at multilateral, regional, and international forum[s] including the United Nations, ASEAN Regional Forum, APEC, [and] ASEM." The Chinese PLA Navy (PLAN) and the Vietnamese navy have conducted joint search-and-rescue missions and joint exercises designed to counter smuggling.[92]

Carl Thayer notes that

> there are at least two contending schools of thought within the Vietnamese leadership about how Vietnam should manage its relations with China. One group, centered on the military, but including ideological party conservatives, advocates going beyond mere normalization and developing close military and security ties. The military, in particular, has pursued its own discussions with their Chinese counterparts . . . [yet] Vietnam has eschewed pursuing the path of confrontation or dependency. Instead, Vietnam has been sensitive to the nuances of China's regional and global status.[93]

Kim Ninh writes that although "China remains the biggest external security threat to Vietnam . . . Vietnam is doing its best to cultivate friendly bilateral relations and is engaging in talks over a number of contentious issues between the two countries."[94]

VIETNAM'S ECONOMIC RELATIONS

After unifying Vietnam in 1975, the Vietnamese leaders attempted to pursue an economic strategy that emphasized state ownership of the means of production and independence from the rest of the world. The results, typical for a centralized and planned economy, were disastrous. Vietnamese leaders noted that "sovereignty and independence" was an empty slogan without economic growth.[95] Although China began a policy of economic reform in 1978, for the first decade after unification the Vietnamese leaders did not follow that path.

However, by the sixth party congress of the Vietnamese Communist Party in 1986, the economy was in a crisis. Unemployment was over 20 percent, inflation had spiraled out of control, and poverty and malnutrition were widespread.[96] In response, Hanoi's leadership began a process of *doi moi*, or "renovation," which led to reforms that increased agricultural production. From those initial steps, the economy has come a long way. By the early

1990s, border incidents between Vietnam and China had mostly disappeared, and unofficial border trade had begun to develop.[97]

In this path of renovation, the Vietnamese have been heavily influenced by the Chinese model of reform. This was not initially the case: in the mid-1980s the Vietnamese economic planners looked for potential models to follow in Singapore and Taiwan, as well as China itself.[98] Yet by the early 1990s, it was clear that Vietnam would emulate China. Across a range of issues, from developing the Tonkin Gulf to technical cooperation, both China and Vietnam began to show the political will to improve relations. Since 1991, trade and other forms of economic cooperation have developed steadily between the two countries. By 1997, this trade totaled $1.44 billion, and China had invested an estimated total of $102 million in Vietnam.[99] In 1999 the two countries signed a tourism cooperation plan, allowing Chinese nationals to enter Vietnam without having a visa.[100] China also signed an economic agreement with Vietnam in 2000, providing $55.254 million to upgrade the Thai Nguyen Steel Company and other industrial plants in Vietnam.[101]

In 1999, Vietnamese General Secretary Le Kha Phieu visited China and said that "since its establishment, and especially during 20 years of reform and open-door policies, China has obtained great achievements. I would like to seize the opportunity of my trip to study China's experiences in building socialism with Chinese identity."[102] At a meeting at the Chinese Academy of the Social Sciences on economic reform in 2000, Vietnamese party General Secretary Le Kha Phieu said, "If China succeeds in its reform then we'll succeed; if China fails, we fail."[103] The United Nations International Development Organization representative in Hanoi said in 2001 that "the Vietnamese are very keen to follow development in China."[104] Formal visits between China and Vietnam at the vice-minister level or above have increased steadily since the 1990s, with over 80 in 1999 alone.[105] By 2004, there were about 100 working visits at the vice-ministerial level or higher each year.[106]

In 1999, Vietnam postponed its trade agreement with the United States until China had signed its own agreement with Vietnam. One observer noted, "If Vietnam got a trade agreement with the U.S., they would see it as upstaging China. It's not that China told them not to sign it. It's just that they didn't want to upset China."[107] Bilateral trade between China and Vietnam is expected to reach $10 billion in 2006, up from $8 billion in 2005.[108] Thus indications are that Vietnam and China are developing a stable relationship with each other.

Although Vietnam has been cautiously cultivating warmer ties with the United States, and normalized diplomatic relations in 1995, it has shown no hurry to rapidly improve relations. The major achievement following nor-

malization was the 2002 implementation of a bilateral trade agreement, which served to increase economic ties between the two countries.

When Vietnam joined ASEAN in 1995, Vietnam's deputy foreign minister explicitly told reporters that his country's entry should not worry China.[109] Vietnam joined ASEAN in 1995, and has been a strong advocate of the organization. One Singaporean diplomat said that "with China, it is not just a question of building an army or finding an ally. Those are not enough. As the Vietnamese learned with the Soviets, a strong external ally is not necessarily sufficient without domestic reforms. So you still need external allies (ASEAN), and there is no point in quarreling with the U.S. But Vietnam also realizes that you can't rely on the big powers. They abandon you."[110] Allen Goodman argues that "ASEAN is not SEATO and the Vietnamese are not anxious to see it converted into a military alliance of any sort, especially one that threatens China."[111]

In the spring of 1997, Vietnam and China clashed over Chinese drilling sixty-five miles from Vietnam's coastline. Vietnam protested to China and also called on ASEAN, and the Chinese withdrew the rig. David Wurfel notes that "the Vietnamese press, however, barely mentioned this apparent diplomatic victory. There was a reason for their reticence; they had boldly played the ASEAN card and wanted to avoid antagonizing China further by gloating over their success. This marked a new stage in Sino-Vietnamese, and in ASEAN-Vietnamese relations."[112] Indeed, as noted earlier, all parties to the disputed Spratly Islands have made significant progress toward setting up multilateral institutions by which to resolve their differences. By 2005, Vietnam and China had agreed to joint development of oil and natural gas in the Tonkin Gulf. Chinese President Hu Jintao and Vietnam Communist Party General Secretary Nong Duc Manh signed a framework agreement to jointly explore natural gas and oil reserves there.[113]

Although Vietnam and China have a long history of difficult and complex relations, Vietnam is accommodating and even emulating China across a range of areas, from the military to the economy to culture.[114] Vietnam is not fortifying its border, it is expanding military cooperation with China in both maritime patrols and border control, and is increasingly economically integrated with China. At the same time, the Vietnamese have a proud history of independence and resisting foreign aggression.

This nuanced, accommodationist strategy toward China has deep historical roots. That the Chinese have worked hard to reassure Vietnam is also evident. Although relations between Vietnam and China are filtered through a cultural and historical lens, much of the reassurance comes from the actions that the Chinese leadership is taking today.

THE UNITED STATES IN SOUTHEAST ASIA

In contrast to China's increased presence in Southeast Asia, over the past thirty years the United States' diplomatic and military presence has significantly diminished. In particular, the 1997 Asian financial crisis and the "global war on terror" have caused Southeast Asian states to reconsider their relations with the United States. Although all countries in the region want to maintain good relations with America, the latter's influence is less pervasive now. Noting this trend, two former U.S. ambassadors to the region wrote in 2005 that the U.S. presence in Southeast Asia is receding, lacks coherence, and that "the current U.S. approach to the area has been spasmodic: some counter-terrorism effort here, a bit of development financing there, an occasional presidential visit, and frequent statements about the glories of ASEAN."[115]

Gradual economic success in some of the Southeast Asian states in the 1980s had caused the United States to begin to pressure them for greater economic concessions and to become less willing to subsume economic relations to geopolitical considerations.[116] This hinted at the beginnings of a divide between the United States and its ASEAN allies. The ASEAN states began to explore alternative or complementary security arrangements to the United States, such as the ASEAN Regional Forum (ARF). At the 1987 ASEAN summit, ASEAN had made clear its interest in exploring "possible relations with additional third countries [i.e., not the U.S.]," with a view toward mitigating its dependence on the U.S.[117] As Andrew MacIntyre and Barry Naughton observe, "The United States had economic interests that conspicuously conflicted with those of [East Asia], and it prosecuted these interests through other channels, with muscular approaches to bilateral economic relations and multilateral agreements . . . if the United States was a goose, it had a very different flight path."[118]

The United States, although an important actor in the region, is also absent from much of the integration that is taking place. For a long time the United States resisted most proposals by East Asian states to form coalitions. In 1989, Australia proposed the creation of APEC as a purely "East Asian" framework that excluded the United States. Then–Secretary of State James Baker protested strongly to Australia's Foreign Minister Evans in 1989. The United States also opposed a proposal by Malaysia leader Mahatir Mohammed in 1990 to create an East Asian economic grouping.[119] In 1997, the United States opposed a Japanese proposal to create an East Asian monetary fund, an action that might have lessened the shock of the crisis.[120] The United States is either dismissive of, or excluded from, many of these institutions.[121]

That such vibrant institutionalization and integration of the region is occurring relatively unnoticed in the United States is significant.

In terms of overall presence and leadership, despite being welcomed in some areas the United States has also managed to provoke resentment in Southeast Asia. The U.S. presence in the region has been shaped fundamentally in the past decade by two major events—the Asian financial crisis that swept through the region in 1997, and the "global war on terror" (GWOT) that began after the terrorist attacks of September 11, 2001. In both cases, the United States has widened a gulf in attitudes and perceptions between it and the Southeast Asian states.

Although the causes and consequences of the 1997 Asian financial crisis have been hotly debated, it is worth noting that Western and East Asian perceptions of these causes and consequences tend to be at odds with each other.[122] Western analyses have tended to emphasize the poor business practices of East Asian firms ("crony capitalism"), putting blame for the crisis on the countries themselves.[123] In contrast, East Asian analyses tend to emphasize the indifferent attitude of the International Monetary Fund (IMF) and the U.S. government in particular as the most important causes of the crisis.[124] Donald Emmerson notes that "from within ASEAN . . . Washington was reproached for hostility, or indifference, or both—for torching the region's economies and then letting them burn."[125] More important than the reality of what caused the crisis is noting that these different perceptions exist, and have shaped the way in which some countries in Southeast Asia have viewed their relations with the United States. As Marcus Noland has noted, "the crisis served to make Asian countries more aware of their Asian identity."[126]

Furthermore, there was widespread wonder in Southeast Asia about why the United States, having pushed Thailand to open its capital markets, did not help when it got into trouble.[127] There was also speculation that the United States was secretly pleased with the crisis, because it allowed American banks to advantage themselves, and created more opportunities for U.S. companies abroad. Jagdish Bhagwati even introduced the phrase "Wall Street-Treasury complex" to denote the American interests that relentlessly press for increased capital mobility to open other countries to highly competitive U.S. financial firms.[128] The IMF—under strong pressure from the U.S. Treasury Department—prescribed very different remedies for Southeast Asian states than it did for Latin American states or for Mexico.[129] The first bailout package, to Thailand in August 1997, comprised $17.2 billion. The United States did not contribute any money to this bailout, although Japan, the IMF, the World Bank, and the Asian Development Bank contributed to

the package. This contrasts with the $50 billion bailout by the IMF and the prompt action of the United States to Mexico in 1994, and created the impression that the United States was indifferent to Asia's problems. The Americans did contribute $3 billion to Indonesia's package in November 1997, although that was less than the $5 billion that Japan and Singapore each contributed.

With the IMF's resources largely depleted, the U.S. Congress refused until October 1998 to appropriate the funds to replenish them. A senior Thai diplomat said, "the American attitude is driving us closer to Japan and China."[130] As the former executive director of APEC, William Biddle, noted, "There was considerable disenchantment among the Asians who felt they didn't get the financial help from the U.S. they thought they should."[131] In a speech strongly positive about China's role in Southeast Asia, Singapore's ambassador to the United States noted in 2006 that "the U.S. response or failure to respond to the Asian financial crisis in 1997 strengthened China's standing in the region. . . . when the Clinton Administration chose not to bail out Thailand . . . it left a deep impression on Thailand and the rest of ASEAN . . . the bitter medicine prescribed by the IMF was seen to be an American prescription."[132] It's clear, then, given reactions like these, that many in Southeast Asia view the Asian financial crisis and the U.S. response to it as an instance of America using its power to the detriment of regional actors. This perception was furthered by the seeming U.S. indifference to, or even hostility toward, Southeast Asian regional and multilateral institutions.

The second major recent event that has affected U.S.–Southeast Asian relations is the U.S. "global war on terror." While these states are all concerned about terrorism, some states—especially those with large Muslim populations—are also concerned with the possibility of unilateral American actions in the region, the possibility that the U.S. might even take preventive military action against them, and the possibility that the United States would use the GWOT as cover to creating a containment coalition against China. Although the United States has close working relations with many countries in the region, the GWOT "caused severe damage" to U.S.–Southeast Asian relations, notes Blair King, and "had a very negative impact on the image of the U.S. military in the region."[133] Singaporean Ambassador Chan Heng Chee noted, "Some ASEAN countries felt that all the U.S. cared about was the war on terrorism . . . democracy and human rights proved to be also complicating issues between the U.S. and some ASEAN nations. A further warming up to China and other powers as a result of the discomfort with the U.S. cannot be discounted."[134]

This hesitance on the part of many Southeast Asian nations to embrace the U.S. war on terror is further evidence that Southeast Asian states are not "hedging" against China. Were they concerned about China, an ideal way in which to increase the U.S. presence in the region would be under the guise of antiterrorism activities. Indeed, there was suspicion in Southeast Asia that the United States was pursuing precisely a containment strategy against China. For example, two Malaysian researchers noted that "the pressure exerted by the US on the littoral states [to allow a U.S. military presence] is enormous," and noted a "worst case scenario" in which the U.S. would use the threat of terrorism and piracy to limit China's access to the straits.[135] However, although Southeast Asian states welcome increased U.S. technical assistance and aid, aside from Singapore and Australia, they have been generally hesitant to allow the United States any increased military role in the region. As Donald Weatherbee notes, "it remains to be seen beyond the counter-terrorism effort, how fungible the American military presence is in terms of future political influence as compared to an economic presence."[136]

Some Indonesian observers have even viewed the United States as the greatest external threat to Indonesia, concerned that it would undertake preemptive military action against Indonesia because of the terrorist activity there.[137] Indonesian analyst Andi Widjajanto wrote in 2003 that "Indonesia must try to provide a counterbalance to the preemptive doctrine of U.S. President George W. Bush."[138] This concern was echoed in Malaysia. As Helen Nesadurai tells us, "Malaysia also regarded the strategy of 'pre-emption' to be highly threatening to its sovereignty, because that meant the U.S. might be tempted to intervene in any way it saw fit if the Malaysian government was seen to be incapable of acting against terrorists and other actors who threaten US security."[139]

Many Southeast Asian states have large Muslim populations (Indonesia is the world's largest Muslim nation), and they walk a delicate line in supporting the U.S. war on terror and yet not alienating their domestic constituencies. The Pew "Global Attitudes Poll" taken in 2003 showed that 74 percent of Indonesians were either "very worried" or "somewhat worried" about a potential U.S. military threat, while only 15 percent of Indonesians had a "favorable" attitude toward the United States.[140] Former Malaysian Prime Minister Mahatir Mohammed was particularly critical of the U.S. decision to invade Iraq.[141] Even Thailand and the Philippines, although they had each initially supported the GWOT and even sent token troop contingents to Iraq as part of the "Coalition of the Willing," pulled out their troops out of Iraq

as the situation bogged down and domestic opposition mounted. Rodolfo Biazon, chairman of the Philippine Senate's National Defense and Security Committee, said in 2006, "There's a perception of negligence or indifference on the part of the United States. Terrorism is the only effective link we have. On defense, economics, everything else, there isn't much interest."[142]

A good example of the hesitance with which Southeast Asian states view the GWOT has been their resistance to join U.S.-led initiatives that exist outside the United Nations or regional multilateral organizations. Singapore, Thailand, the Philippines, Australia, and New Zealand all joined the "proliferation security initiative" (PSI), designed to coordinate activities aimed at "halting the spread of WMD [weapons of mass destruction] by sea, ground, and air."[143] However, China, Indonesia, and Malaysia have not joined, because they view the PSI's international legality as dubious and because they fear that the PSI may legitimize preemptive interventions on sovereign territory.[144]

Another indicator of ASEAN states' views of a U.S. military presence came in disagreements over how best to combat terrorism and piracy in the Strait of Malacca. On March 31, 2004, the head of the U.S. Pacific Command, Admiral Thomas Fargo, testified before Congress about the U.S. "regional maritime security initiative" (RMSI), saying that "[in the Strait of Malacca] we're looking at things like high-speed vessels, putting special operations forces on high-speed vessels, putting, potentially, marines on high-speed vessels."[145] Admiral Fargo further claimed that "there's very large, widespread support for this initiative."[146] In response, both Malaysia and Indonesia "emphatically rejected the suggestion."[147] Even Thailand turned down a U.S. request in 2004 to set up a military base in Thailand, and also declined a U.S. offer of Special Forces that would help fight Islamic violence.[148] Although these states are willing to accept U.S. technical assistance, they have all denied U.S. requests to use their countries as military bases, or even to preposition equipment.

The United States was forced to scale down the RMSI, and instead proposed providing logistical support to Malaysia and Indonesia, but without military units deployed in the strait or any American bases in the region. ASEAN subsequently moved forward with its own arrangements and institutions to combat terrorism and piracy, including ARF (the ASEAN Regional forum) and ASEAN plus three (China, South Korea, and Japan). In 2005, China and Singapore signed an agreement to cooperate over strait security, as did China and Malaysia.[149] In July 2004, Singapore, Malaysia, and Indonesia agreed to "trilateral coordinated patrols," with the codename of "MALSINDO."[150] Indonesian Chief Marshal Djoko Suyanto later empha-

sized that the involvement of countries other than those three would be limited to the provision of equipment.

Southeast Asian states have also worked to include China in regional arrangements, along with Japan and South Korea, too. China and South Korea have joined Japan and seventeen other Asian countries in investing in capacity building, communication, and other navigational aids.[151] ReCAAP (the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia), an initiative originally begun by Japan within the ASEAN plus three (ASEAN and Japan, China, and South Korea, or "APT") framework, was ratified by twelve of sixteen countries including India and Sri Lanka, and came into force on September 4, 2006.[152]

Even stalwart U.S. allies such as Australia are unwilling to embrace the United States at the expense of good relations in the region. In 2006, the former Australian defense force chief, Admiral Chris Barrie, said "the [Australian] relationship with China will become hugely more important for economic and social reasons . . . and Australians will likely feel resentful and untrusting of traditional alliances . . . pressures on the ANZUS alliance relationship between the U.S. and Australia . . . could even lead to a fracturing of the alliance."[153] U.S. Secretary of State Condoleezza Rice traveled to Australia in spring 2006, cautioning the region about China's potential to become a "negative force" and urging a common position by the United States, Australia, and Japan on how to deal with China. In response, Australian Foreign Minister Downer pointedly downplayed the trilateral meeting, stressing that its purpose was not to contain China.[154]

There have been moments of success, however. The rapid U.S. response to the tsunami that swept through Southeast Asia in December 2004 was widely seen as rebuilding trust in the United States. Furthermore, it was pointed out that only the U.S. had the military and logistical capability to provide quick and comprehensive aid throughout the region.[155]

On the whole, U.S. influence in the region has declined from its height during the Cold War. Some Southeast Asian nations are even more concerned about the potential for unilateral U.S. actions than they are about a Chinese military threat. One writer called the U.S.–Southeast Asia differences "a growing disconnect between the U.S. and its closest allies in Asia," noting that analysts worry that "the growing gap between the U.S. and its friends in Asia could begin to undermine security alliances that have bolstered stability in the region since the end of World War II."[156]

Southeast Asia is a region undergone rapid transformation, and the evidence in 2007 points to accommodation of China's increased presence in the

region. The states of Southeast Asia are more secure, and more stable, than they were three decades ago. As the U.S. role has greatly diminished, the Chinese presence has increased. To be sure, Southeast Asia still faces a number of issues, such as piracy, territorial disputes over the Spratly Islands, ethnic minorities, and potential terror attacks and domestic instability in a number of countries. Yet the states of Southeast Asia, although by no means bandwagoning with China, are clearly moving closer to China and away from pure reliance on the United States.

This trend does not mean Southeast Asia is without caution about China's intentions, or that these states wish to abandon relations with the United States. Rather, Southeast Asian countries want stable relations with *all* the major powers, and China is one of those. Lacking any reason to fear China, they have moved closer to it as a means of embracing stability and economic growth. As Singaporean Prime Minister Lee Hsien Loon said in 2005, "China's emergence is the single biggest event of our age . . . [but] ASEAN does not want to be exclusively dependent on China, and does not want to be forced to choose sides between China and the U.S."[157]

CHAPTER 7

JAPAN

A NORMAL IDENTITY

The question of Japan's identity has manifested itself most obviously in a long-running debate over whether, and how, Japan can become a "normal" country.[1] Postwar Japan was considered abnormal because its military and diplomatic presence did not match its economic prowess. Standard realist theories would expect a much more assertive Japan, and yet for six decades Japan defined its national security comprehensively, covering a range of military and nonmilitary issues. As Richard Samuels notes, "the consensus is that postwar Japanese planners made a strategic choice . . . the United States would provide deterrence, and Japan did not need, nor would it seek, to act like a great power."[2] Attempts to describe this foreign policy included terms such as "semi-sovereign," "reluctant" realism, "mercantile" realism, and "anti-militarism."[3] The difficulty that scholars have faced in categorizing Japanese foreign policy reflects the underlying uncertainty—in East Asia and within Japan itself—about how Japan views itself, its neighbors, and its role in the region.

In the 1990s the domestic Japanese consensus behind this comprehensive foreign policy began to unravel, and today Japanese grand strategy is in a state of flux. Although the U.S.-Japan alliance is closer than ever before, Japan is slowly removing barriers to its foreign deployment of its self-defense forces (SDF) and investing in advanced weaponry. Domestically, politicians have begun to advocate modifying Article IX of the Japanese constitution, the famous "peace article," in which Japan renounced war forever. One main factor causing this reappraisal has been the rise of China. Japan remains the richest and most advanced country in the region, and has the most potential to challenge China for regional influence, and thus it is not surprising that the dominant strategic issue in Japan over the past decade has been how to respond to the opportunities and threats posed by China.

Despite uncertainty about Japan's future course, it is still possible to discern two fundamental traits to Japanese foreign policy. First, Japan has shown little desire or capacity to lead East Asia. When China was strong, Japan did not challenge China, nor did it harbor designs on East Asian dominance or leadership. From its sporadic and unsuccessful attempts to dominate East Asia in the past, its reluctance to provide public goods during its era of high growth in the post–World War II era, its acceptance of U.S. predominance during the Cold War, and to its increasingly deep enmeshment in its U.S. security alliance in the twenty-first century, there is little in Japan's domestic institutions, history, culture, or the structure of the region that leads to the conclusion that Japan will challenge China.

Second, the U.S.-Japan alliance remains the sine qua non of Japanese foreign policy, having been successful beyond expectations in ensuring Japanese and American interests in the region while simultaneously reassuring Japan's neighbors about Japan's intentions. The possibility that Japan might pursue a truly independent security policy outside the confines of the alliance remains remote, and it is within this context that Japan can pursue a dual hedge: a security policy focused on the U.S. alliance, and economic and commercial engagement of China.[4] Although there are elements to the Japan-China relationship that provide evidence of both competition and cooperation, outside of the U.S.-Japan security alliance it is unlikely that Japan would challenge China. It is only in the context of the U.S.-Japan relationship that Japan can take an assertive and skeptical stance toward China. Already China is Japan's most important economic partner; militarily Japan is already strong but gains little from competing with China.

Yet the success of the U.S.-Japan alliance also brought with it unintended consequences: Japan was merely frozen in place after World War II, and for other East Asian states it is not clear whether the alliance has restrained an unrepentant Japan or that the past sixty years represent a genuine and enduring change in how Japanese view themselves and the region. With an American policy in the past few years that has seemed to move from restraining Japan to actually pushing Japan to be more assertive, East Asian states' concerns about Japan's true intentions and beliefs have been exacerbated. Although change in Japan's grand strategy is still overwhelmingly cautious and incremental, and despite sixty years of a responsible and restrained foreign policy, John Ikenberry notes that this "identity crisis" exists because "without finding a way to put the history issue to rest, Japan will continue to be a diminished regional player, isolated and incapable of helping to shape East Asia that is transforming with the steady rise of China."[5] Although unease about Japan's increasingly muscular foreign policy is often manifest in

terms of conflicts about Japan's historical role, the issue also reflects unease about Japan's current intentions and beliefs.

This chapter first explores that historical role of Japan in East Asia, showing that even during the heyday of economic growth in the postwar era, Japan only reluctantly took on leadership positions in the region. It then explores the issue of what type of power Japan is, showing that the U.S.-Japan alliance is the central pillar of Japanese foreign policy. The third section argues that Japan's conflicts with its neighbors over history is as much about current intentions and beliefs as it is about the actual historical facts; a fourth section directly examines the hot and cold nature of China-Japan relations.

JAPAN'S HISTORICAL ROLE IN EAST ASIA

From an historical perspective, it is not that surprising that Japan does not challenge China. As shown in chapter 2, Japan only attempted East Asian dominance when China was weak. When China has been strong, Japan has not challenged it. As the Ming dynasty was decaying in the late sixteenth century, Japan invaded Korea, only to be repulsed by combined Ming-Choson forces. Three hundred years later, in the late nineteenth century, Japan again faced decaying and despotic Chinese and Korean monarchies, a regional power vacuum, and extra-regional threats from Western nations. Robert Ross notes that even in the early twentieth century, "Japan's bid for self-reliance failed not only when the international circumstances were most favorable, but also when its domestic system was uniquely oriented toward strategic expansion."[6] Today Japan's situation is the opposite: strong and stable Chinese and East Asian states are experiencing rapid economic growth, Japan faces no external threat, domestic Japanese institutions are deeply democratic, and Japanese public opinion is highly skeptical of overly assertive foreign policies.

In fact, Japan has historically aligned itself with what it perceived to be the world's dominant power, although as Richard Samuels notes, "Tokyo's historical penchant for bandwagoning has never been unqualified."[7] Consistent with its historical pattern, after recovering from defeat in World War II, Japan did not challenge U.S. regional dominance, but instead crafted a close working relationship with the United States. This in itself is a major problem for power-based theories, because by the late 1970s, Japan was the second-largest economy in the world and clearly in a position to challenge the United States had it chosen to do so. Yet in the post–World War II era, Japan defined its security in explicitly comprehensive terms, covering military,

economic, external, and internal dimensions.[8] This security policy included an unwillingness to rearm its military forces beyond those necessary for coastal defense despite U.S. pressure to do so, a strong commitment to and focus on multilateral international institutions such as the United Nations, extensive overseas official development assistance (ODA) to countries around the region, and a domestic and international emphasis on economic growth and development.[9] Peter Katzenstein and Nobuo Okawara note that "Japan's security policy is formulated within institutional structures that bias policy strongly against a forceful articulation of military security objectives and accord pride of place instead to a comprehensive definition of security that centers on economic and political dimensions of national security."[10]

For almost six decades that foreign policy was peaceful, responsible, and restrained, and rested on a domestic consensus characterized by the Yoshida doctrine and the 1955 system. The Yoshida doctrine, named for Yoshida Shigeru, Prime Minister during the early postwar era, emphasized economic growth while relying on the American security alliance and Article IX.[11] The "1955 system" was characterized by stable and conservative rule by the Liberal Democratic Party (LDP), which has held power essentially from 1955 to the present day.[12] Domestic Japanese support for Article IX was so thorough that any revision of the constitution had remained beyond discussion by any serious politician well into the 1990s. This overall foreign policy stance was led by a group of politicians throughout the Cold War era who were internationally cautious, open to improving relations with China, and peace-oriented. Geography, population, economics, and a firm U.S.-Japan alliance meant that Japan benefited from a stable regional and international order as it stayed relatively safe from military threats. Even when Japan was the richest and most economically dynamic country in the region, during its era of high growth in the 1970s and 1980s, it only sporadically attempted any form of regional leadership, and those efforts were often unsuccessful.[13]

One concrete manifestation of the Japanese difficulty in providing leadership was its economic development strategy. Often referred to as the "developmental state," Japan's focus has been on protecting domestic industries from foreign competition and investment, and nurturing exports.[14] While this strategy was very successful, it led to numerous conflicts with the rest of the world. In contrast, China has been remarkably open to foreign direct investment and the arrival of foreign multinational corporations, which leads other countries to see a stake in China's continued development.[15]

The East Asian regional economy after World War II was a Japan-dominated system, in which superior Japanese capital and technology formed the basis of production networks that centered on Japanese multinational

companies. Often referred to as the "flying geese" model, the system in this period was characterized by a clear economic hierarchy with Japan as the dominant economy.[16] With the bursting of Japan's economic bubble in 1990 and the increasing dynamism in China's economy, Japan's dominant position began to fade. Throughout the era of Japanese high growth, however, Japan was generally unenthusiastic about taking on a leadership role in its foreign economic policy that was commensurate with its economic power. As one longtime investment banker from the region noted, "Japan did not have an Asian strategy, it had a Washington strategy. Asia was an afterthought."[17] Of all the traits that an economic leader provides that Charles Kindleberger identified long ago—stable long-term lending, relatively stable exchange rates, coordination of macroeconomic and particular monetary economic policy, an open market for world goods, and acting as lender of last resort by discounting or otherwise providing liquidity in a financial crisis—Japan provided these reluctantly, if at all.[18]

In East Asia in particular, Japanese capital became the largest source of foreign investment during the 1980s, and Japanese banks became the leading regional creditors. Given that Japanese firms accounted for the bulk of traded goods, and Japanese overseas development assistance was far larger than that from the United States, the Japanese yen would have become the natural reserve currency, not the U.S. dollar. However, Japan's financial institutions resisted such a role, and resisted taking a leadership position in regional economic affairs.

In fact, Japan's policies exacerbated the precarious international economic situation of other East Asian nations. Japan's central bank kept interest rates extremely low during the 1980s and 1990s, in a policy mainly aimed at invigorating domestic demand.[19] As a result, cheap Japanese capital flooded East Asia and indeed the world—but this capital tended to be dollar-denominated, not yen-denominated. With the yen depreciating against the dollar because of the Plaza Accords of 1985, East Asian states initially benefited from the policy, but when the dollar began to appreciate against the yen in 1994–1995, their loans suddenly became much more costly. Peter Katzenstein writes, "At the root of Asia's reliance on the dollar lies Japan's traditional unwillingness to internationalize its currency and to explicitly exercise monetary leadership, not only in Asia but worldwide."[20]

In addition to Japan's unwillingness to undertake an East Asian leadership position on economic matters, the manner in which Japan's political economy was—and continues to be—organized also led to tremendous friction with other countries, among them the United States.[21] With massive trade surpluses, and almost insurmountable barriers to foreign firms attempting to

export to or invest in Japan, many countries and companies felt that "Japan Inc." was playing an unfair game. Thus Japan's economic development came at the cost of friction with countries around the world. Indeed, one of the main foreign policy issues in the United States during the 1980s and 1990s was an attempt to get Japan to open its markets to foreign—mainly American—access. From the "voluntary" export restraints on Japan's automobile exports in the early 1980s, the Plaza Accords of 1985, the Structural Impediments Initiative of the late 1980s, to George Bush's infamous 1991 visit to Japan, U.S. frustration at Japan's unwillingness to allow foreign penetration of its markets was high. It was only when Japan entered a period of economic downturn that friction with the rest of the world subsided.[22] Michael Mastanduno writes that "Japan attempted to deflect the resentment and pressure. It concluded bilateral agreements yet dragged its feet in implementing them."[23]

Japan's economic development strategy was predicated on a close working relationship between the government, business, and politicians. Often called "the iron triangle," Japan's large business conglomerates—*keiretsu*—organized themselves around a core bank that funneled capital to a wide array of subsidiary companies covering a wide range of sectors.[24] Behind high protectionist barriers that kept out foreign competition, and working closely with governmental bureaucracies such as the Ministry of Finance and the Ministry of Trade and Industry, these firms focused on exporting goods around the world and were able to rapidly dominate international markets in sectors ranging from automobiles to consumer electronics and shipbuilding.

This led to friction because countries feared that Japanese firms would quickly wipe out domestic businesses in a range of industries. As Japanese firms expanded overseas through both production and sales, domestic companies came under extreme competitive pressures. Whole industrial sectors were wiped out by the advent of Japanese products. In Southeast Asia, Japanese firms quickly set up production and commodity chains, and although the Southeast Asian countries benefited from Japanese investment, control of the technology and processes tended to remain in Japanese hands, creating a two-tier sector. Although Japanese foreign direct investment (FDI) was a key factor in East Asian states' development, high and often impenetrable Japanese trade barriers meant that Japanese FDI also brought even greater trade deficits with Japan, and greater Japanese penetration of local markets without corresponding access to Japan itself.[25]

Furthermore, Japanese firms did not exit mature industries, and kept a tight control over their technology. As Dajin Peng observes, "as a result, hierarchical regional networks of production highly dependent on Japan emerged."[26] Indeed, Walter Hatch and Kozo Yamamura have shown that Jap-

anese multinational corporations retained tight control over their membership within the Japanese *keiretsu* network, and also retained tight control over their technology.[27]

Although Japanese technology transfer was critical to both South Korea's and Taiwan's economic takeoff—accounting for over half of technology imports in those countries during their years of initial economic growth—Japanese firms "made other East Asian countries dependent on Japan's technology and equipment."[28] Richard Doner notes that few East Asian firms aligned with Japanese firms were able to reduce their dependency on the Japanese multinationals.[29] Bernard and Ravenhill note that "the industrialization of Korea and Taiwan has been marked by a far greater and longer-lasting dependence on important technology, primarily from Japan." They cite a study that 36 percent of Korean electronics industrial components came from Japan.[30] Korean and Taiwanese firms have been forced to engage in reverse engineering in order to reduce their dependence on Japanese technology. This has changed in the past decade as a few South Korean and Taiwanese firms have become technology innovators, but the process was long, and was not nurtured by the Japanese. Ironically, some major Japanese companies such as Sony are now partnering with Korean companies such as Samsung in an attempt to remain competitive in world markets.[31]

With the Asian financial crisis of 1997, Japanese corporations continued to pull back from East Asia. Honda cut production in Thailand by 40 percent in 1998, while Toyota suspended its production entirely (although it resumed it later). Japanese FDI into East Asia declined as well. In 1996, there were 856 Japanese firms entering China, ASEAN, and East Asia. By 1998, that number had dropped to 210.[32] From 1992 to 2001, Japan's share of Asian trade also dropped from 45 percent to 30 percent, while China's share rose from 6 percent to 21 percent—15 percent shifted from Japan to China in less than a decade.[33] Andrew MacIntyre and Barry Naughton show that Japanese bank lending to East Asian countries peaked in 1994, and by 2000 was at the same level as in 1986. They note that "with Japanese economic dynamism slipping, the critical element in the conception of a Japan-centered system was removed, while . . . the Chinese economy gained strength."[34]

The Japanese developmental state pursued a strategy that was in fact quite different from the one that China has been pursuing. As shown in chapters 4 and 6, China's development strategy, in contrast to Japan's, has been predicated on being open to foreign capital, firms, and imports. FDI into China is predominantly East Asian, and indeed from the Chinese diaspora. This "reintegration" of the Chinese core with its East Asian periphery is both economic and cultural, stitching together the region. China is already more

integrated into East Asia than was Japan during its era of high growth. Economically, culturally, and ethnically, China's presence in East Asia has already exceeded that of Japan's. Chinese growth is East Asian growth, in a way that growth never was for Japan.

China's liberalization of its command economy in 1978 led to a massive influx of foreign capital, initially from overseas Chinese living in Taiwan, Hong Kong, and Southeast Asia, but rapidly followed by an influx of capital from the rest of the world. Relying on a combination of cheap domestic labor and foreign capital, China's development is highly dependent on open capital markets and international trade of both imports and exports. Although China's rapid increase in exports has led to friction with the United States, and although concerns over the protection of intellectual property rights continues to be a source of concern, this friction is different, and lower, than it has been with Japan. Foreign countries and firms can see mutual benefit in working with China and its economic development, while Japan's growth was more zero-sum.

This different approach to development manifested itself in a variety of ways. For the past two decades, foreign direct investment into China has far outstripped that of Japan. In fact, total FDI into Japan since World War II has amounted to a little over $100 billion; China since its opening three decades ago has already attracted over $660 billion of foreign investment.[35] Furthermore, trade of both imports and exports comprises a larger proportion of Chinese GDP than in Japan. In this sense, China's economy is more similar to the United States than it is to Japan. The United States has generally been welcoming of foreigners, foreign trade, and multinational investment. China's economy is increasingly open to foreign penetration.

Japan's foreign relations and its domestic economic and political institutions are deeply intertwined. In the past, Japanese attempts to influence or control the East Asian region have been met with resistance, and led to resentment in East Asia. In the post–World War II era, although Japanese security policy was restrained, its foreign economic policy resembled the overall historical pattern: little attention to the region, and less influence than was commensurate with its economic strength.

THE DOMESTIC DEBATE OVER JAPAN'S INTERNATIONAL ROLE

Japan's era of high growth ended abruptly in 1991 with the twin crises of a stock market crash and a savings and loan crisis. In the fifteen years since then, Japan averaged only 1.1 percent annual growth. In terms of forgone

wealth, if Japan had averaged even modest percentage growth over that time period, it would be trillions of dollars more wealthy than it is today. As Michael Green wrote, "What a decade it might have been . . . Japan might have emerged as a new kind of superpower."[36] The decline in its economic fortunes forced Japan to confront the constraints and tradeoffs in its grand strategy as it shapes military, development, and economic policies.

In addition to the "lost decade" of lost economic growth, Japan also faces a declining demographic situation. Japan's birthrate fell to 1.29 in 2005, well below the 2.2 replacement rate that would keep the population stable at its current level of 130 million. Without a dramatic change in immigration policy, it is estimated that Japan's population could contract between 25 and 30 percent by the year 2050, resulting in a Japan with a population of around 100 million.[37] A Japanese Ministry of Health, Labor, and Welfare study concluded that although there were four active workers for every elderly person in 2002, by 2050 there would be only 1.5 workers for every elderly person.[38] This would have serious implications for Japan's economy and military capability. Perhaps more importantly, a population decline of such magnitude would have severe cultural repercussions as well. In response, Japanese are asking whether to allow massive inward migration—much of which would surely be Chinese—and deal with the cultural and social disruptions that would inevitably accompany it. Tokyo Governor Shintaro Ishihara forcefully argued for immigration, saying that "regardless of how one feels about immigration, it is necessary for Japan's future and it is good for Japan's future."[39] However, as Michael Mastanduno notes, "Japan is not the United States; a commitment to national homogeneity has brought with it a resistance to immigration on a meaningful scale."[40]

Although Japan's national identity and actions derive partly from its international interactions, much of its foreign policy also derives from domestic Japanese institutions and politics. Fifteen years of economic malaise and halting reforms, Japan's difficulty in dealing with its historical relations with other East Asian states, and its attempts to act on the international stage all manifest a set of domestic institutions that were very stable but whose very stability also limited Japan's flexibility in dealing with new situations.[41] In the 1990s, a bursting economic bubble, declining population, unease over growing Chinese power, and questions about the U.S. alliance all combined to cause Japanese to question what type of power they are and how Japan should act in international relations. Support for the Yoshida doctrine and the 1955 system began to whither, and Japan began to take hesitant steps away from its avowedly pacifist stance of the preceding five decades.[42] Those steps included naming China as a potential threat in the future, the dispatch

of troops to the Middle East to support the U.S.-led war on terror and stabilization of Iraq, the 2004 National Defense Program Outline (NDPO) that outlined Japan's new security policy, and increasingly frequent discussions by prominent politicians regarding the modification of Article IX of the constitution.

Yet change has still been modest. Although the 2004 NDPO was perhaps most notable for naming China as a potential threat, the overall tenor of the document emphasizes economic interdependence and the "fundamental principles of maintaining exclusively defense-oriented policy and of not becoming a major military power that might pose a threat to foreign countries . . . Japan will continue to uphold the basic policies of securing civilian control, adhering to the three non-nuclear principles, and building a modest defense capability on its own initiative."[43] As noted in chapter 3, although the 2004 NDPO contained much that expanded Japan's security commitments, it also called for reductions in many types of procurement and staffing over the next decade. The NDPO recognized the problems that Japan faces in the future, saying that "while roles which the defense capability has to play are multiplying, the population of the youth of Japan keeps decreasing from low birth rate, and the fiscal conditions continue deteriorating."[44]

There is also widespread public support for Article IX and the values that it symbolizes. Given the LDP's overwhelming majority in the Diet as of 2007, most observers expect Japan to modify Article IX in the near future. Yet opinion polls have consistently found that the Japanese public opposes revision. In May 2001, the *Asahi Shimbun* found that 74 percent of Japanese opposed revision.[45] Three years later, an *Asahi Shimbun* poll of April 2004 found that 60 percent of Japanese opposed changes to Article IX, with only 31 percent in favor.[46] A *Nikkei Shimbun* poll of April 2005 found that Article IX was not the largest cause of concern about the current constitution. In fact, 35 percent of respondents cited the lack of clauses on environmental and privacy rights as the main problem with the current constitution, while 26 percent cited Article IX, 23 percent chose clauses on the organization of the Diet, and 22 percent cited vague restrictions on governmental powers.[47]

Given this generally apathetic reaction to nationalism, the LDP softened a patriotism clause which it had included in a draft of a potential revised constitution. Masaru Tamamoto observes, "With only a tenth of the people polled agreeing that their government reflected popular will, patriotism was going to be a hard sell."[48] Michael Mochizuki concludes that "the only way a constitutional amendment permitting the use of force in international security activities and the exercise of the collective self-defense right will win public acquiescence is one that also requires such military activities to have

clear international legitimacy either through the United Nations or another multilateral mechanism."[49]

In domestic politics, opposition to increased assertiveness has waned over the past two decades. The main opposition party in the post–World War II era was the Socialists. Strongly committed to a pacifist approach, and opposed to the U.S.-Japan alliance, the Socialists were staunchly opposed to the conservative LDP. However, with the electoral reforms of the early 1990s, their Social Democratic Party of Japan (SDPJ) made a serious miscalculation that some have even called "suicide."[50] In 1994, the Socialists entered into a coalition with the LDP which allowed the Socialists' leader, Tomiichi Murayama, to become prime minister in Japan. Yet in so doing, the Socialists abandoned five decades of opposition to the U.S.-Japan security treaty and to the Self-Defense Forces.[51] The result was that the Socialists held power in a coalition government for less than two years and effectively removed itself from national politics. Meanwhile, the LDP emerged without any serious political party on the left to halt its rightward slide.

The position of main opposition party has been taken by the Democratic Party of Japan (DPJ), formed in 1996. During the 2005 Diet elections, the DJP put forth a foreign policy platform that placed top priority on repairing relations with Japan's East Asian neighbors and reducing reliance on the United States. However, the election, mainly a referendum on then–Prime Minister Junichiro Koizumi's domestic economic reforms, saw an historic victory for the ruling LDP.[52] The LDP itself has changed, as well. Koizumi managed to weaken much of the foundations of the old LDP ruling system—factions, policy caucuses, and local organization—and centralized control in the party headquarters. Thus, a key uncertainty is how Japanese domestic politics will evolve over the next decade. Koizumi has potentially radically altered Japanese domestic politics, and his transformation of the LDP may mark an enduring change. With the election of Shinzo Abe as Prime Minister in September 2006, it appeared that Japan's more assertive foreign policies would continue. It is notable that Abe's first international trip, weeks after his election, was to Beijing and Seoul, not Washington, and the trip was widely judged a success. However, it remains to be seen whether the LDP will evolve, whether Koizumi is an exception to institutionalized rule in Japan, and how and to what extent the Japanese electorate will welcome a more assertive Japan internationally. The evolution of Japan's foreign relations with both the United States and East Asia depends in part upon how well Japan's leaders balance numerous competing pressures.

The diversity of opinions reflects this unsettled and fluid debate. Japan is thus dealing with a number of issues, such as how to balance economic

prosperity with military power, how closely to hew to the United States or Asia, and what type of power Japan should be. Some argue that Japan is a middle power, and that attempting to compete for great power status would be self-defeating. Takeshi Hamashita has developed an argument linking Japan to the traditional Sinocentric Asian hierarchical order, while Yoshihide Soeya has argued that Japan is a middle power and as such should formulate policies consistent with that status.[53] Soeya has said that the difference in Article IX reflects the "twisted roots" of Japan's postwar foreign policy:

> The postwar taboos [Article IX, the military] are gone, so everything is being discussed. But the changing discourse doesn't really inform actual policy changes. In fact, the changes reflected in the 2004 NDPO indicate that Japan is becoming a full-fledged middle power. It's not a military document, because the document really focuses more on international security—peacekeeping, multilateral institution building, and other aspects of international politics. Japan in the future will be more like Canada or Australia, and in that sense, Article IX has become a liability, not an asset.[54]

Akiko Fukushima, who was an advisor to Koizumi on foreign affairs issues, said in 2006 that "most Japanese politicians and policymakers know that we cannot compete with China or the United States. We know that we are actually a middle power, and we are just trying to come to terms with that . . . we have two main goals. First, to maintain the U.S.-Japan alliance. The second is to be a responsible and reliable actor in Asia . . . our question is how to conduct our foreign policy while realizing our constraints."[55]

The other mainstream perspective consists of those who wish Japan to become a "normal nation," exemplified by a strong military and a close U.S.-Japan alliance. Ichiro Ozawa was an early advocate, arguing for Japanese deployment of military forces, revision of the constitution, and a more balanced Japanese foreign policy.[56] Koizumi and Abe both come from this perspective. They view China as a potential threat, and although they advocate a military buildup, Richard Samuels notes that they "have eschewed identifying Japan as a great power . . . they continue to hew to the Yoshida rhetoric of Japan as a peace-loving nation."[57] Among this strategy's supporters are the Japanese Defense Agency, conservative newspapers such as the *Yomiuri Shimbun*, and other elements in the Ministry of Foreign Affairs, all of whom firmly support a close U.S.-Japan military and diplomatic relationship. Christopher Hughes concludes that "the collapse of the 1955 political system has precipitated a fundamental shift in Japanese elite political attitudes toward security policy. Japan's two major political parties are now

committed to the maintenance of the U.S.-Japan alliance and increasingly equate Japan's future international security contribution with some form of JSDF [Japan Self-Defense Force] overseas dispatch and the exercise of military power."[58]

Two other perspectives exist on the margins of this domestic debate. The extreme right wing in Japan (typified by Tokyo Governor Shintaro Ishihara), although relatively marginalized, has become more influential in the past few years. This group, whom Samuels labels "neo-autonomists," harbors resentment against both China and the United States. They believe that Japanese military power is important for its own sake, as national prestige, and doubt the depth of the U.S.-Japan alliance, as exemplified by a speech by Ishihara in 2005. He claimed that "if tension between the United States and China heightens, if each side pulls the trigger, though it may not be stretched to nuclear weapons, and the wider hostilities expand, I believe America cannot win," and added that the security treaty between Japan and the United States is "so undependable."[59] They view nuclear armament as a necessity, and view Japanese apologies for past militarism as an affront. While these views are not yet completely legitimate in Japan, they have gained increasing currency over the years.

Pacifists—those who seek a reduced or eliminated military, and more distance in the U.S.-Japan alliance—are the weakest segment at this point. As noted earlier, the Socialists severely weakened themselves with disastrous political calculations in the mid-1990s, and with the rise of regional issues such as the North Korea problem, their argument that a Japanese military was detrimental to Japanese wealth and security became less convincing. Pacifism has lost its resonance in Japanese domestic discourse, and although a strand of the population still hews to these values, it is the least powerful of the four major viewpoints.

Japanese domestic politics and discourse is in a state of change. The old Cold War consensus has largely dissipated, and a new one has not yet arisen. It does seem safe to conclude that Japan is considering how much more muscular its foreign policy should be, and how best to achieve a number of goals within a changed domestic and international context. Its future course is still unclear.

THE U.S.-JAPAN ALLIANCE

Japan's recent movement in the direction of a more muscular foreign policy can only be understood within the context of a deepened U.S.-Japan alliance.

Even with Japan's increasing assertiveness, it remains difficult to conceive that it would pursue a security strategy independent of the United States. Yet support for the alliance is not unalloyed; Japanese policymakers have a persistent concern about the endurance and depth of the U.S.-Japan relationship. On the one hand, Japan fears being entrapped by a United States that has lost influence in the region and is moreover embarking upon ventures that may not reflect the goals or desires of the Japanese people. On the other hand, Japan fears abandonment by the United States, and wonders about the American commitment to Japan's own security.

To that end, Japan appears to be hedging its relationship with the United States, although not to the extent that it is hedging its relationship with China. In fact, the Prime Minister's Task Force on Foreign Relations in 2002 released a document outlining "Basic Strategies for Japan's Foreign Policy in the 21st Century," which reiterated that the "United States is the most important country for Japan . . . [yet] it is impossible that the Japan-U.S. relationship will become like the one between the UK and the U.S."[60] Reflecting Japan's omnidirectional hedging, the prime minister's report of 2000 recommends that Japan "build creative relationships with Asia while continuing to use the Japan-U.S. relationship as an invaluable asset."[61]

Koizumi drew closer to the United States on a number of initiatives—participating in the U.S. Proliferation Security Initiative to control weapons of mass destruction, sending 500 troops to Iraq to participate in the "Coalition of the Willing," and supporting a generally more coercive American approach to North Korea.[62] Japanese officials have also agreed to revise the defense cooperation guidelines to allow for Japanese rear-area support of U.S. military operations in areas "surrounding Japan." In 2006, the Japanese central government agreed to cover more than half the costs of relocating 6,000 U.S. Marines from their bases in Okinawa to Guam. Japan has joined the United States in its missile defense initiative, and deployed Japanese noncombat troops to Iraq and the Indian Ocean.[63] In February 2003, Japanese Defense Minister Shigeru Ishiba even argued that preemption was allowed under the Japanese constitution, saying, "Attacking North Korea after a missile attack on Japan is too late."[64]

Yet the actual change in Japan's foreign policy has been incremental, not wholesale. While widening its use of force, Japan is still very conservative compared to the roles that other states assume without controversy. Indeed, the Japanese troop deployment to Iraq required that Australian troops guard them, to ensure that no Japanese casualties occurred. As a senior Bush administration official said in 2005, "we've made sure the Australians are surrounding the Japanese forces, because even one casualty would cause Koi-

zumi major difficulties with the Japanese electorate. We [the U.S.] decided the symbolic support was more important than the practical difficulties of protecting them."[65]

The United States is clearly hoping that Japan can be the linchpin of its broader East Asian presence. Samuels notes, "Washington's exhortations that Tokyo expand its security footprint have never been so strident or grandiose."[66] Christopher Hill, assistant secretary of state for East Asian and Pacific Affairs, said that "in many ways, [the U.S.-Japan alliance] is a model for what we hope many countries around the world can and will achieve."[67] Former assistant secretary for East Asian and Pacific Affairs James Kelly said in congressional testimony that "over the next few years, we hope to build with Japan an enhanced strategic dialogue," while the U.S. *National Security Strategy* of 2002 said the Bush administration would "look to Japan to continue forging a leading role in regional and global affairs."[68]

Tokyo's willingness to go along with Washington's desire for a more assertive Japan has sparked a reaction within East Asia and Japan itself. However, Tamamoto comments, "America's Japan handlers had wishfully chosen to ignore the nationalist baggage that comes with 'normal state' advocacy. The United States is the only country possessing leverage over both Japan and China, and Washington has arguably squandered that advantage."[69] John Ikenberry writes, "Complicating matters, the United States has urged Tokyo along the course of great power 'normalization.' . . . [Yet] 'normalization' and 'historical reconciliation' are working at cross-purposes."[70]

Japan's alliance with the United States is hardly the only cause for this unresolved relationship between Japan and its neighbors. However, whereas previously the alliance was viewed as reassuring other states about Japan's intentions while simultaneously protecting Japan, it is now the United States that is urging Japan to become more active both globally and within the region. Wu Xinbo observes, "For years, many Chinese analysts regarded the U.S.-Japanese alliance as a useful constraint on Japan's remilitarization. Developments since the mid-1990s . . . however, have convinced them that the alliance has become an excuse for Japan to pursue a more active security policy."[71]

U.S. officials, although they view the warmer alliance differently, do recognize this possibility. For example, a senior U.S. administration official said in 2005 that "we see changing Article IX as meaning Japan can be more involved in peacekeeping operations, anti-piracy, and anti-terrorism. We have no indications or fears that Japan would militarize. The question is whether East Asian countries would see it the same way."[72] As Eugene Matthews has noted, "fear [of Japanese nationalism] stems from two basic concerns: first,

that if Japan's military is given too much power it could against cause the country great pain and, second, that the Japanese public itself could again embrace militarism."[73]

Even those who view the U.S.-Japan alliance as critical for Japanese security note that the United States is not necessarily a reliable or desirable ally. There have been persistent fears in Japan that either they would be "entrapped" by the United States into conflicts they did not wish to participate in, or that they would be abandoned when Japanese and American interests diverged. Although Japanese security is linked to the United States, Japanese public opinion is not unequivocally behind U.S. global foreign policy objectives. The *Asahi Shimbun* found that before the U.S. attack on Iraq in 2003, 78 percent of Japanese opposed a war, and 70 percent felt that the Bush administration's policies were arrogant or destabilizing.[74] Samuels concludes, "Tokyo sees [Washington's] diplomatic vigor, moral authority, and economic allure as already waning, particularly in Asia."[75]

Despite these concerns, the Japan-U.S. alliance remains the central pillar of Japan's grand strategy. As Mochizuki notes, "the possibility of Japan breaking out militarily by acquiring offensive capabilities and nuclear weapons and by adopting a doctrine of pre-emption is slim."[76] As noted in chapter 3, the closer U.S.-Japan alliance has created conditions under which Japan can actually confront China with more confidence. However, the least likely future scenario is one in which Japan decides to confront China itself, outside the confines of the alliance. As Leonard Schoppa has said, "It is only within the context of the alliance that Japan can confront China. Because of the American security blanket, Japan can get away with [provocative statements]. Without the U.S. alliance, Japan would follow the same course as the rest of Asia—accommodating China's rise."[77] Eugene Matthews speculates that "counterintuitively, Japan and China could also draw closer together if Japan decides to reassert itself—if, that is, both countries recognize the risks of an escalating arms race."[78] Although there is uncertainty about what Japan would do without its U.S. alliance, the fact that such questions can be asked shows the unresolved nature of Japan's national identity, and the lingering suspicions about how it might act.

In sum, the U.S.-Japan alliance has succeeded admirably in providing for Japanese security and projecting U.S. interests in the region, while simultaneously reassuring other East Asian states about Japan's intentions. However, six decades of a close relationship between Japan and the United States did not resolve the fundamental question about Japanese identity. In fact, the alliance merely froze Japan in place, and neither Japan nor its neighbors has yet resolved their fundamental relationship. As a result, both Japanese and

East Asians have become frustrated. Japanese see six decades of peaceful and restrained foreign policy as proving that the days of Japanese imperialism are over. They are frustrated at continued Chinese and Korean suspicions about their intentions, and are tired of constantly "kowtowing" for the actions of their ancestors. East Asians see a Japan that is a junior partner to the United States, one that, if it pursued a truly independent foreign policy, could potentially behave irresponsibly and become a disruptive force within the region. They see six decades of grudging Japanese reticence marked by insincere apologies backed by little or no substantive change in the Japanese mind-set.

HISTORICAL NARRATIVES AND THE ISSUE OF JAPANESE IDENTITY

The issue of Japanese identity has most often manifested itself in renewed friction over "history." In the past few years, disagreements between Japan and China, Russia, and South Korea have erupted over a number of issues, many of which derive from questions about how Japan remembers or avoids remembering its imperialist behavior in East Asia during the first half of the twentieth century. For example, China and South Korea regularly object to the content of Japanese junior high school textbooks that purportedly gloss over Japanese imperialism. They also criticize Japanese politicians when they visit the Yasukuni shrine—a Shinto shrine dedicated to worship of soldiers who died in service of the emperor, and which houses the remains of some World War II Japanese soldiers who were convicted of war crimes. The Japanese treatment of "comfort women" (East Asians, mostly South Korean and Filipinos, who were forced into sexual slavery during World War II by the Japanese) is also an issue, as is the Japanese treatment of the 1937 "Nanjing massacre," when Japanese troops ransacked Nanjing. Territorial disputes also exist between Japan and Russia, South Korea, and China about ownership of various islands, further inflaming passions in Japan and in the region.[79]

However, to call these disputes "historical" is a mischaracterization and obfuscates more than it illuminates. While some dispute is actually about historical facts, such as whether the Nanjing massacre actually occurred, much is not about historical fact but rather about the meaning of those facts. That is, historical disputes have arisen from the changing, and unresolved, identities and political relationships in the region, and the manner in which national narratives have dealt with history. The debate is over how history is

remembered, and how it is characterized in the present; the dispute is thus the most obvious indicator of how Japan and its neighbors view one another, and themselves, and their roles in the region. Indeed, the issues would be much easier to solve if they really were about history: just find better historians and archeologists. But while history is the proximate cause of this friction, the ultimate cause is the underlying mistrust between the neighboring countries about not only the others' intentions, but also their underlying identities. Because of the unresolved political relations, it is not surprising that history is resurfacing as an issue.

For example, territorial disputes are not about who owned the islands first. First, were one side be somehow able to definitely prove initial ownership, it would not make the slightest impact on the beliefs of the other side. Second, and more importantly, the issue arises because historically, sovereignty over uninhabited rocks was not an issue, and thus border demarcation among the ancient kingdoms was categorically different than it is today. Applying modern concepts of territorial sovereignty deep into the past has little utility, because these concepts did not exist back then. Finally and most importantly, the issue could easily be resolved if political relations in the present were stronger—since they are not, historical issues take on a resonance that is greater than its actual significance.

There are a number of reasons why these historical issues have returned after a few decades in which they were less salient. First, Japan has not felt as threatened by its neighbors, and in particular, by China, until recently. When Japan was clearly the most powerful country in East Asia, it was easier for it to avoid provoking its neighbors. As China has become more powerful, Japanese have begun to feel that their efforts to reassure their neighbors have been unduly rebuffed, and Japanese resentment toward China has begun to increase.[80] Second, as noted above, the U.S.-Japan alliance put Japan's conception of its national identity into suspension. Although it was not clear what Japanese identity was, at least with the U.S. Cold War alliance, Japan was stable. As that domestic Japanese consensus has begun to weaken, a question is emerging in both Japan and the region as to Japan's future course.

For China, this tension with Japan is not particularly surprising. China's leadership faces the difficult balancing act of both developing a modus vivendi with Japan, while at the same time controlling Chinese nationalism that in many cases is more virulently anti-Japanese than is that of the leadership. China as well is also suspicious of what Japan's tone-deafness means. Wu Xinbo writes, "Japan's actions on all these issues [textbooks, Yasukuni shrine, and the Pacific War] affected partly by its unique cultural tradition

and partly by its rising political conservatism, only fuel the Chinese belief that Japan is fundamentally incapable of behaving as a responsible power and achieving genuine reconciliation with its neighbors."[81]

South Korea's troubles with Japan are somewhat more surprising. While China remains an authoritarian, communist country, South Korea and Japan are both advanced capitalist democracies with long-standing alliances with the United States. Furthermore, both countries are deeply intertwined in their economic relations. As such, the bickering over ownership of the Dokdo/Takeshima Islands and prime ministerial visits to the Yasukuni shrine is all the more anomalous. In part these issues resonate because of domestic politics: leaders on both sides have been pandering to their domestic constituents, and getting worked up over a meaningless set of rocks is easier to do than concentrating on divisive and difficult issues such as North Korean nuclear proliferation, free trade agreements, and how to deal with the United States and China. Partly it is a lack of leadership on both sides: while former Prime Minister Koizumi and South Korean President Roh Moo-hyun could have worked to resolve these issues, they were both content to ride the wave that is focused on history. When Shinzo Abe became prime minister in September 2006, he quickly visited both China and South Korea, signaling a willingness to improve relations with both countries. However, it is still too early to tell how Abe will ultimately handle these issues, or what his basic approach will be. Finally, these disputes are a convenient excuse for other frustrations the two sides have with each other: South Korea is concerned about Japan's moves to change its military stance, while Japan is frustrated that South Korea continues to engage rather than contain North Korea. These frustrations form an explosive mix of sentiment and anger.

Gilbert Rozman notes, "In particular, Japan has failed to bolster its claims to leadership by 1) setting a high moral tone in its treatment of history; 2) forming networks and exchanges where moral issues are addressed; and 3) developing a vision of regionalism capable of winning confidence from others."[82] Yet Tamamoto pointed out in May 2006, "Those in favor [of Yasukuni visits by the Prime Minister] say that China should not dictate what Koizumi should do. Those against say that Koizumi should not upset China . . . what is curiously missing in the popular discussion is the significance of Yasukuni itself."[83]

Clashing national identities, linked to problems in national narratives about historical events, are the primary problem. For example, on the occasion marking the eighty-seventh anniversary of the March 1 Independence Movement in South Korea, Roh advised Koizumi that an act of a nation's leader should be judged by the standard of whether it is proper in light of

universal conscience and historical experience. His remarks on Japan's moves with regard to a revision of the pacifist constitution—that an "ordinary country" does not have to entail a military buildup—were followed by Koizumi's advice to Roh that he should take a close look at Japan's footprints in the sixty-year postwar period and its efforts toward a friendly relationship.[84] While the leaders of both nations were busy giving each other advice, the issues threatened to spiral out of control.[85]

On the subject of the Dokdo Islands dispute, one South Korean diplomat noted, "it is not the islands themselves that is upsetting. It's what Japan's actions tell us about Japan's mind-set. The Yasukuni shrine visits, Dokdo, and the textbooks are all evidence that not much has fundamentally changed in Japan, and they view the world the same way they did a hundred years ago. For a country that wishes to take a role of real responsibility, that is worrisome."[86] In 2006, Roh said that "Japan has already apologized. We do not demand that they apologize once again. We demand that they put their apology into practice. If Japan aspires to become an 'ordinary country' and even a 'leading nation' of the world, it should try to earn the trust of the international community by acting in conformity with universal standards of conscience and decency."[87]

The difficulties that Japan has with its neighbors were not confined to China and Korea. Japan has also not resolved its disputes with Russia over territory, and indeed clashes arose between Russia and Japan in summer 2006 over the disputed Kuril Islands, with Russian security forces killing a Japanese fisherman and arresting three others. Since 1994, Russia has seized thirty Japanese fishing boats and wounded seven Japanese fishermen.[88] Negotiations between Russia and Japan over the four disputed islands have been at an impasse since World War II, and in the spring of 2007 negotiations were still deadlocked, with the Japanese proposing "all or nothing" solutions, while the Russians were asking what Japan would give in return for the islands.[89] Noted Joseph Ferguson, "as long as the historical issues of World War II remain unresolved in East Asia . . . Japanese-Russian bilateral relations will continue to tread the familiar path of mistrust and misunderstanding."[90]

In early 2006, Japanese Foreign Minister Taro Aso claimed that Japanese colonization is the cause of high educational levels in Taiwan. This had the unique effect of uniting both China and Taiwan in denouncing his stance. The Chinese foreign ministry said it amounted to "overtly glorifying invasion history that made Taiwanese people suffer," while a Taiwanese deputy education minister said that educational levels are attributable to Chinese cultural traits; parents "would sell their land so their children could go to

school . . . [Educational success] has nothing to do with Japan's colonization," he said.[91] Hugo Restall wrote, "Japan has mishandled its World War II past for so long, and botched its transition to being a 'normal nation' so badly, that it is becoming diplomatically marginalized in its own region."[92]

Even some Southeast Asian states have not been so sanguine about Japan's moves. Speaking in 2006 in Tokyo, former Singaporean Prime Minister Lee Kuan Yew said "there's this underlying fear that the Japanese drive for perfection and supremacy will once again lead to unhappy clashes."[93] As Keiichi Tsunekawa notes, "in China, South Korea, and some Southeast Asian countries, distrust of and animosity toward Japan persist, based on historical memory."[94] Lee Kuan Yew has likened Japan to an alcoholic who merely has not had a drink in sixty years. When Japan sent peacekeeping troops to Cambodia in the early 1990s, Lee said, "To let an armed Japan participate [in peacekeeping operations] is like giving a chocolate filled with whiskey to an alcoholic."[95]

Ryutaro Hashimoto recounted that while he was prime minister of Japan in the late 1990s, Singapore's Lee complained to him that although Japanese tourists were common in Singapore, they had virtually no idea of Japanese actions there during World War II, and he asked Hashimoto to do something about that.[96] In another reminder of the past being kept alive, the *Mainichi Shimbun* reported that despite the fact that Southeast Asian countries benefit from trading relations with Japan, the country's image at the 2005 ASEAN annual meeting had been "tarnished" by repeated criticism of Koizumi's visit to the Yasukuni shrine.[97]

Yet it is important to keep these diplomatic disputes over history in context: very few of them had actual consequences for policies between Japan and its East Asian neighbors. As noted in chapter 3, these disputes are important, and hinder the creation of enduring and stable relations. But the possibility of the use of force is absent, and even economic relations between Japan and its neighbors have not been unduly affected. In 2005, Japanese investment into China hit a record high of $6.5 billion, rising 19.8 percent over 2004. Koji Sako of the Japan Overseas Trade Organization noted that the economic relationship between Japan and China is now sufficiently compelling and mature to overcome occasional political flare-ups. Said Sako, "The Japanese market is flat and the population is declining. China is therefore very important."[98] Two thousand overseas Chinese entrepreneurs held a conference in Kobe, Japan, in September 2006, sponsored by the Chinese Chamber of Commerce in Japan, with strong support of the Japanese Ministry of Foreign Affairs.[99]

Although Roh's frigidly polite interaction with Koizumi at the East Asia Summit was noted throughout the region, most policies between Japan and

South Korea are unchanged. Their economic interaction proceeds apace, and the long-discussed free-trade agreement between the two countries is a victim not of sentiment regarding history, but of much more mundane domestic politics and an unwillingness by either side to give ground on agricultural issues. In fact, absolute trade and investment flows between the two countries continue to increase, even though the relative share of Japan's total trade with South Korea declined. Indeed, total trade between Japan and South Korea increased almost $30 billion between 2001 and 2005.[100] Japan and South Korea have also continued to work together on a number of other issues. For example, in 2005 the two countries signed the bilateral currency swap deals at the Bank of Korea. The agreement, worth $3 billion, will help stabilize their financial markets and provide for the lending of short-term capital to the other party when one runs short of foreign currency. Nobuhiro Hiwatari notes that "there has been little complaint from Japanese multinational corporations that their businesses have been hurt in Korea."[101] Economist Andy Xie notes that China-Japan economic relations are flourishing even though the two governments are "barely on speaking terms."[102] Japanese policy toward North Korea was stalled in 2007; but that was because the six-party talks themselves had seen only limited progress. Thus, although diplomatic relations were hardly warm, these disputes remained the province of rhetoric and domestic showmanship.

Resolution of these issues—such as territory and textbooks and, more broadly, the entire issue of "history"—will take sustained attention and energy from the leaders of all countries in the region. Masaru Tamamoto observes that "for the Japanese to cure their amnesia, to grasp why Asia is so suspicious of them, it is also necessary to recapture their history, to connect the present with the past."[103] Instead of riding popular sentiment, it will take leaders who decide to create a genuine stable relationship with one another, and are willing to devote political capital to such an end. Until that happens, and as long as both sides pander to popular sentiment instead of confronting it, these issues will keep resurfacing as major events.

JAPAN AND CHINA: COLD POLITICS, HOT ECONOMICS

China-Japan relations show both elements of cooperation and competition, often referred to in Japan as "*seirei keinetsu*" (cold politics, hot economics). Economic relations have become steadily closer at both the governmental and firm levels, and Japanese firms are increasingly sourcing their production into China. Economic cooperation, efforts at economic institution

building, and interdependence between China and Japan have been growing. Politically, however, the two countries have a stable working relationship marred by sporadic disputes at the rhetorical level.[104] Disputes over territory, textbooks, and the Yasukuni shrine episodically occur, although these have remained as minor diplomatic squabbles for quite some time now. Although military conflict between Japan and China—or even any major disruption in their economic or diplomatic relations—remains unthinkable, Japan and China have not completely arrived at a stable equilibrium in their relationship, and in some ways the overall relationship has deteriorated over the last decade.

HOT ECONOMICS

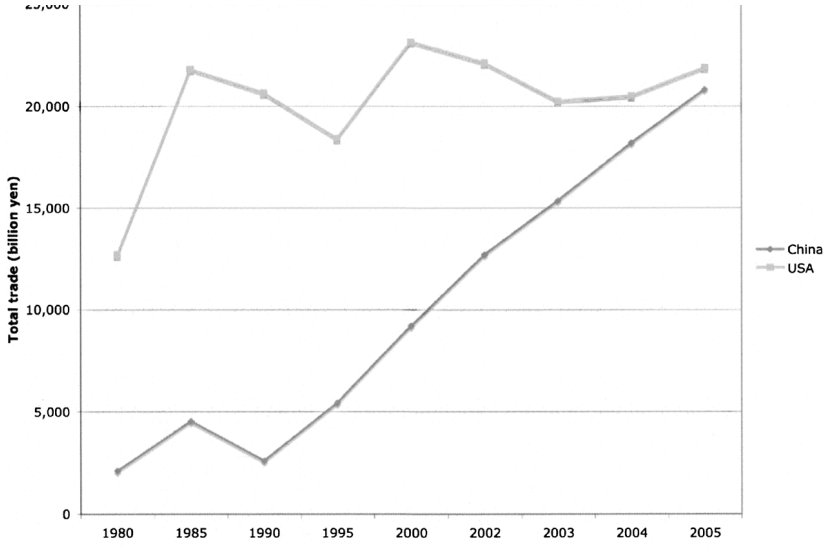
The economic relationship between these two countries is deep and growing deeper. Already the transformation of China has allowed it to take an important position in the regional economy, and Japan's influence has summarily receded, although it remains substantial. Yet not only has Japan not shown overt fear of China, it is moving closer to China and the two economies are becoming more integrated. There is even evidence that Japan realizes and accepts that China may eventually dominate the region. As Saadia Pekkanen writes, "A wide range of Japanese academics, trade bureaucrats, lawyers, judges, and especially businessmen say with stunning pragmatism that debate is over—China has already passed Japan politically and will pass Japan economically; Japan has always been number two, first globally vis-à-vis the United States and soon also regionally with respect to China."[105] Pekkanen argues that Japan's increasing focus on regional free-trade agreements is a direct strategy "designed to ensure its economic security—long the most consistent and dominant of goals for the Japanese government, and the least likely to ever go away."[106]

From the normalization of ties between Beijing and Tokyo in 1972, on into the late 1990s, Japan's overall approach to China emphasized the positive economic aspects to its relations. Japan supported and encouraged China's emergence into the world community, provided China with extensive official development assistance despites China's export of arms, and supported China's bid to join the World Trade Organization. During the 1990s, Japanese economic relations with China intensified. In 2004 China became Japan's largest trade partner, and in 2005 two-way trade between China and Japan grew 12.4 percent to 24.9 trillion yen, larger than U.S.-Japan bilateral trade of 21.8 trillion yen, which only grew 6 percent.[107] In 2002, China passed

the United States as the largest exporter to Japan, and total Japanese trade with China is rapidly closing the gap with total U.S.-Japan trade (see Figure 7.1).[108] Japan does twice as much trade with China as does the United States, and Japanese trade with China is growing faster than U.S. trade with China.[109] In fact, between 2000 and 2004, trade with the United States actually decreased, from 23.2 trillion yen in 2000 to 20.5 trillion yen in 2004.[110] China is also the largest recipient of Japanese investment in Asia.[111] Japan accounted for two-thirds of all China's receipts of bilateral aid from 1980 to 2000, while the United States did not give any aid to China.[112] Japanese investment in China continues to expand, and over 32,000 Japanese companies had operations in China as of 2006. Koizumi said in 2002, "I see the advancement of Japan-China economic relations not as hollowing out of Japanese industry but as an opportunity to nurture new industries in Japan."[113]

In cultural flows as well, China has rapidly become a major source and destination for Japan. For example, 1.5 million Japanese tourists visited China in 2000, an increase of 41 percent in three years, and by 2003, more Chinese students were studying in Japan than in the United States.[114] As Pekkanen notes, "it is difficult perhaps for Americans to appreciate just how much—in perception and also increasingly in fact—the U.S. has slipped and China has loomed on the Japanese trade policy horizon."[115] More than 150,000 Chinese

FIGURE 7.1 JAPANESE TOTAL TRADE WITH CHINA AND UNITED STATES, 1980–2005



SOURCE: JAPAN STATISTICAL YEARBOOK 2007 (TOKYO: MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS, 2007), HTTP://WWW.STAT.GO.JP/ENGLISH/DATA/NENKAN/INDEX.HTM.

students attend Japanese universities, and ten million Chinese work for Japanese companies in China. In turn, it is estimated that 100,000 Japanese lived in Shanghai in 2005, and Japanese investment in China reached $ 31.5 billion in 2005.[116] Furthermore, 9.2 million Chinese work for the over 32,000 Japanese companies with operations in China, and Japan has created a $10 billion endowment to pay for 1,100 Chinese schoolchildren each year to conduct homestays with Japanese families.[117]

China and Japan have institutionalized their relationship in other ways as well. The Japanese and Chinese prime ministers meet several times each year, although that was disrupted in the final years of Koizumi's rule. The leaders of the two countries meet at the annual APEC summit meeting, the ASEAN+3 summit, the Sino-Japan summit (since 1998), the trilateral summit between China, Japan, and South Korea (since 2000), and the Boao Forum (since 2002). As Eric Heginbotham and Richard Samuels note, "the China-Japan relationship has already become more institutionalized than most analysts have expected."[118]

Cooperation at the working level is more stable than at the highest political levels. Despite the antagonism between China and Japan over various issues, companies and government officials from both countries have good working relations, and this cooperation often involves South Korea, too. For example, in the summer of 2005, the Chinese, Japanese, and Korean coast guards participated in a short series of rescue and antiterrorism exercises off the coast of China.[119] In 2006 the ministers of China, Japan, and South Korea who are in charge of tourism held their first-ever meeting to boost the number of visitors among the three countries to 17 million in five years, 5 million higher than the present level, and agreed that they would meet annually, taking turns as hosts. Their "Hokkaido Declaration" expressed the importance of peace and stability in East Asia through strengthened interactions and joint promotion campaigns, and promised to remove obstacles to tourism exchanges. Another inaugural trilateral meeting of the transportation ministers was held in 2006, aimed at creating a "seamless logistics system" in Northeast Asia, with plans to meet annually and the goal of eventually evolving into an intergovernmental cooperative channel. Finally in 2006, finance ministers of South Korea, Japan, and China met and agreed to start joint research at a government level to study the prospects for a single regional currency.[120]

In addition to this working-level cooperation, Japan is moving quickly to increase East Asian institutionalization. Japan approved China's entry into the WTO four months earlier than the United States. Moreover, Gen Nakatani, Koizumi's defense minister, suggested in February 2002 that Japan and

China work towards the creation of an "Asian NATO," which is a departure from Japan's traditional focus on the U.S.-Japan alliance. In 2004, the Japanese Ministry of Economy, Trade, and Industry created a permanent division of Economic Partnership, taking an unusually large staff of over eighty-five personnel, while the Ministry of Foreign Affairs created a similar Economic Partnership division of forty staff members. Both divisions are aimed at expanding Japan's regional and economic integration into the region.[121]

Japan is also engaging in regional institution building. This is in part spurred by China's active foreign policy in this area. In November 2000, China proposed the creation of an ASEAN-China free trade area, which ASEAN accepted, and which prompted Japan to follow suit and propose a similar ASEAN-Japan free-trade area the very next day. That Japan was reacting to China's initiatives has not gone unnoticed in Southeast Asia. As Heginbotham and Samuels note, in 2000 and 2001 China's move "challenged Japanese economic leadership in the region. Japan . . . stumbled along as China set the pace, shape, and direction of regional trade institution building."[122] Pekkanen comments, "it is instructive that for decades while the U.S. and Europe pursued such pacts, Japan did nothing. It was only when its emerging powerful neighbor began to show interest in the idea (of regional pacts) that Japan began to get more serious."[123]

LUKEWARM POLITICS

While economic, cultural, and institutional relations between Japan and China have rapidly gained both density and scope, political relations between the two have not seen the same progress. Still, while political relations are probably not "warm," and the public squabbling between leaders has received much of the attention, there has been stability in their bilateral relations, and both sides have worked with care to manage the relationship and keep those diplomatic squabbles from overwhelming the economic relationship and sidetracking diplomatic efforts.

Japan normalized diplomatic relations with China in 1972, six years earlier than the United States. In 1978, China and Japan signed a treaty of friendship, and the following year Deng Xiaoping visited Tokyo, while Japanese Prime Minister Masayoshi Ohira visited Beijing. A decade later, after the Tiananmen Square incident in 1989, it was Japan that put pressure on the United States not to enact an embargo against China.[124] In 1994, while the United States was pressuring China over human rights, Japanese Prime Min-

ister Morihiro Hosokawa visited Beijing and publicly distanced Japan from the United States, saying that it was not wise for one country to try to impose its democratic values on another.[125]

Ever since the 1972 China-Japan Joint Statement that there is one China, and the de-recognition of Taiwan, Japan has continually reiterated its support for the "One China policy." Over the years, Japanese prime ministers and other government officials have consistently reaffirmed the 1972 statement. For example, in 1995, Prime Minister Keizo Obuchi signed a joint statement with President Jiang Zemin that "Japan promised to abide by its stance on the Taiwan issue as contained in the China-Japan Joint Statement, and reiterated that there is only one China."[126] In 2002, the Japanese Foreign Ministry persuaded Keio University to withdraw an invitation to Taiwan's former president, Lee Teng-hui, a Keio alumnus.[127]

However, the "honeymoon" in Japan-China political relations began to cool in the 1990s. The revision of the U.S.-Japan Mutual Defense Treaty Guidelines in 1997 actually made Japan's military role in Taiwan even more ambiguous. The revision expanded the scope of defense cooperation to include the "surrounding areas" of Japan.[128] When pressed for clarification by China, the official Japanese response was that "surrounding areas" is not a geographical concept, but a situational one.[129]

Japanese public opinion regularly rates trade disputes and concern over official development assistance from Japan to China as more important than military or political issues.[130] Jian Yang cites Japanese opinion poll data showing that in 2001 the number of those who think China friendly dropped from 75.4 percent in 1985 to 47.5 percent.[131] A *Mainichi Shimbun* poll in 2004 asking about "countries threatening Japan" found that North Korea ranked first (50 percent), China second (24 percent), and the United States third (11 percent).[132] In terms of major problems in Sino-Japanese relations, a 2004 poll conducted by the Japanese Ministry of Foreign Affairs found that trade issues, crimes by Chinese in Japan, and maritime disputes were three of the top four issues cited by respondents (the other being "historical consciousness"). Military issues were fifth, and Taiwan was sixth. Another Ministry of Foreign Affairs poll found that in "areas of concern regarding China," economic development far outranked military capabilities as the top concern, with 61.8 percent of respondents citing economic development, while only 32.6 percent cited military capabilities.[133] Poll numbers continued to show the Chinese military threat a distant second behind North Korea. A 2005 *Asahi Shimbun* poll found almost identical results: North Korea by far was considered the most threatening country to Japan, with China and the United States a distant second and third.[134] The Japanese Cabinet Office's

opinion survey of April 30, 2006, revealed that 63.7 percent of respondents referred to the situation on the Korean peninsula as the great concern to Japan's peace and security, while 46.2 percent cited international terrorist organizations, 36.3 percent China's military buildup, and 29.6 percent arms control of weapons of mass destruction and missiles.

Reflecting Japan's dual hedge, public opinion polls regularly reveal that the Japanese public, although wary of China, is almost as wary of the United States. For example, when asked about overall opinion of the United States, a 2005 *Asahi Shimbun* poll found that 22.8 percent of Japanese respondents held favorable opinions, 14.7 percent held unfavorable opinions, and 61.0 percent had a neutral opinion. This compares with Japanese views of China—where 9.9 percent held favorable opinions, 27.6 held unfavorable opinions, and 59.8 percent were neutral. Those same respondents felt China was the most important for Japan's economy in the future, at 39.1 percent, compared to 32.8 percent citing the U.S. Asked about China's economic growth, 45.6 percent thought China's growth would have a favorable effect on Japan, while 31.7 felt it would have a negative impact.[135] However, although observers often focus on occasional surges in Japanese negative feelings about China, Masaru Tamamoto notes that "between 1990 and 2004 the proportion of Japanese who said they liked or disliked China hovered around 30 percent . . . in other words, a large majority of Japanese do not normally harbor any distinct feeling toward China."[136]

Michael Wills comments, "Japan and China have refrained from engaging in a direct interactive military competition . . . concerns on both sides do not add up to an arms race."[137] The National Defense Program Outline of 2004 did mention China, saying it "continues to modernize its nuclear forces and missile capabilities as well as its naval and air forces. . . . We will have to remain attentive to its future actions."[138] One year later, on February 19, 2005, the "Joint Statement of the U.S.-Japan Security Consultative Committee" noted that common strategic objectives of Japan and the United States include "developing a cooperative relationship with China, welcoming the country to play a responsible and constructive role regionally as well as globally."[139] It is difficult to read anything into this other than an attempt by the United States and Japan to cooperate with China. As Ralph Cossa notes, this mention "hardly constitutes a demonstration of Japan's willingness to confront the rapidly growing might of China."[140]

The fact that in the past Japan has followed a restrained grand strategy has led scholars to view even the smallest of changes in its foreign policy as a sign of major militarization. However, such small steps are exactly that—small and marginal steps, not major changes. As Gregory Noble notes, "some

of Japan's most important security concerns can be addressed most effectively by maintaining good relations with China."[141] Tokyo has chosen to embrace China economically and hedge against China militarily. Japanese are worried about China—and their embrace of the U.S. security alliance is their way of hedging the opportunity and threat that arise from China's emergence. At this point, economic interdependence has not had spillover effects that ameliorate or resolve political disputes.

Over the past half century, Japan's international political role did not keep pace with its economic importance. This has begun to change in the past decade. First under Prime Minister Koizumi, and continuing under Prime Minister Abe, Japan is deepening its alliance with the United States, considering building its military beyond its present levels, and discussing whether to modify Article IX of the constitution. Yet Japan's search for a way to "normalize" its foreign policy and strengthen its relations with the United States has exacerbated unresolved relations with its East Asian neighbors, precisely because of uncertainty in the region about Japan's identity and its ultimate place in the region. Indeed, discussion over whether or not Japan can become a "normal country" exemplifies both the central importance of identity in East Asia, and Japan's unresolved role in East Asia. What is normal and what is not, and how Japan defines its role in the region, are all issues of identity, not power.

Japan's unresolved identity is both reflected in, and exacerbated by, Japan's close alignment with the United States. Japan's willingness to ally with the United States since World War II reflects a long-standing Japanese tendency to rarely challenge a dominant, stable power. At the same time, Japan and the United States tended to reinforce each other's distaste for multilateralism in the region, and the alliance was in part what prevented Japan from crafting a stable relationship with the rest of East Asia; it allowed both Japan and the other East Asian states to avoid dealing with difficult political issues that divide them. Economic interdependence has also had little effect on political relations in the region; they have instead moved in parallel with each other. In fact, Japan has not crafted enduring ties with Russia, China, or the Koreas, despite the increasing economic relations. To that end, identity, rather than military or economic power, is the driving factor behind Japan's foreign policy, and how it develops will have a central role in shaping that foreign policy in the future as well.

Japan is hedging in a number of directions. Although its chief concern is China, it is also worried about the depth and reliability of the U.S. alliance. These two concerns are not symmetric—Japan and the United States have a

strong alliance, and that alliance appears set to endure well into the future. Although the consensus behind the postwar Yoshida doctrine has evaporated, Japan has not yet arrived at a new consensus about its grand strategy for the twenty-first century. It does appear, however, that such a grand strategy will involve elements of the omnidirectional foreign policy that is has pursued in the past.[142]