

SCUSA 60 THEME:
“MEASURING PROGRESS AND DEFINING NEW CHALLENGES”

CHINA, JAPAN, KOREA

During the Cold War, the U.S. security strategy in Northeast Asia rested on two fundamental elements: 1) security alliances with Japan and South Korea, and 2) a robust network of forward deployed troops from the United States. The goal of this strategy was not only to contain the spread of communism but also to deter inter-state conflict in these key regions. For many decades, this arrangement served the United States well. It was not only been credited with providing a strong balance of power arrangement against the spread of communism during the Cold War, but it has also provided a source of stability during the post-Cold War era as well.

As we move into 2009 the alliance structures with Japan and South Korea still hold, but the way the United States is supporting this system is changing. The 2002 National Security Strategy and the 2006 Quadrennial Defense Review provided the military and political elements of a new doctrine that features less of a reliance on a static forward deployed military posture to deter conflict, but rather, the ability to deter both state and non-state actors using the threat of preemptive action or quick response through expeditionary forces. For this to work, the military is transforming into a more U.S.-based force that is more flexible, leaner, and can react quickly. Thus, the Department of Defense launched the Global Posture Review during which it decided to withdraw approximately 70,000 soldiers from overseas bases, primarily from Germany and South Korea.

Arguments in support of this change in strategy cite the new political, security, and economic dynamics in regions such as Northeast Asia since the end of the Cold War. Indeed, Northeast Asia today has changed significantly. The impacts of globalization have affected all nations in the region. China has become a great power with the ability to influence the region significantly, whether through political, economic, or military means. Its increased economic influence, the successful hosting of the 2008 Olympics, and the important role it has played in the ongoing six party talks over North Korea’s nuclear program provide ample evidence of this trend. As for South Korea, its economy has grown to become over fifty times larger than that of North Korea. Within Japan, a country which has strong constitutional limits on the exercise of military power, elite and popular pressure continues to press for a “normalization” of Japanese security policy in light of the perceived increase in threats from Pyongyang and Beijing as well as increased responsibilities in providing greater support for elements of U.S. foreign policy.

But, some things have not changed significantly. The specter of conflict over Taiwan, a legacy of the Cold War, has not entirely disappeared. There is still no peace treaty to legally end the Korean War. North Korea’s nuclear program continues to concern the world. China and Japan still regard each other in suspicion. Military expenditures continue to increase in both countries and an arms race of sorts prevails.

In light of this significant progress on one hand and the emergence of new challenges for an uncertain future on the other, is the ongoing transformation in U.S. security strategy prudent? If not, what other strategies should be pursued? The following sections provide some more detail about these changing dynamics and offer suggested readings.

B. North Korean Uncertainty and Unpredictability

Nowhere in East Asia is the future more uncertain than North Korea. Kim Jong Il's fledgling nuclear program continues to pose significant challenges to the traditional alliance system. 2006 was a significant year of U.S.-North Korean relations. First, Pyongyang provocatively launched ballistic missile tests on July 4th and then, on October 9th, it tested a small-level plutonium nuclear device. Nevertheless, when faced with international condemnation and more enforceable UN sanctions, North Korea showed signs of cooperation throughout 2007 and 2008. However, concerns about nuclear proliferation remain strong. What else can be done to reduce the security dilemma in East Asia?

On the economic and social front, the effects of globalization have spread throughout most of East Asia. However, North Korea's self-sufficiency doctrine of *juche* has further isolated the "hermit nation" and widened its distance from its neighbors in economic and social terms. Will globalization be able to penetrate North Korea? If so, will these external forces on balance bring positive change to the region or will they bring political instability and perhaps increase the threat of WMD and ballistic missile proliferation?

C. Changing Dynamics in South Korea

South Korea has continued to move away from a strict dependence on American power. Indeed, the South Korean economic "miracle" of the past few decades has led much of South Korean society to demand "equal status treatment" with the United States. Despite the return to power of the more conservative Grand National Party, highlighted by Lee Myung-bak's landslide presidential victory last December, incentive-based diplomacy and increased interaction between the two Koreas continues. Tellingly, the latest South Korean defense ministry white paper dropped the label of "main enemy" for North Korea. This shift in the political climate reflects the changing demographics of South Korea as a younger generation of Koreans, who did not experience the Korean War, assumes leadership positions in government. The enormous economic disparity between the North and the South has also reduced South Korea's perception of its vulnerability *vis a vis* the North. However, the current economic downturn poses challenges to both countries that could easily spill across the DMZ and into China and Japan.

D. Japan: Economic Powerhouse or Declining Giant?

After decades of having the world's second most powerful economy, Japan has now slipped to third place, behind the United States and China. Japan is a resource poor nation that must import wood, oil and foodstuffs to fuel its economic engine. The United States and China are the primary suppliers of resources to Japan. While Japan may be resource poor it makes the most of what resources it has. Japan's economy continues to rely heavily on exports such as automobiles, consumer electronics and computers. The United States accounts for nearly one quarter of all Japanese exports. The current trade imbalance between the United States and Japan, as of June 2008, is nearly \$40 billion. In 2007, Japan exported nearly \$83 billion more in goods to the United States than it imported.

In the wake of the Asian financial crisis, the Japanese economy has slowed in recent years. Down from rates of nearly 10% per annum in the 1960s, current growth tops out near 2% annually. Despite this economic downturn, Japan continues to rank as the world's second largest

donor of foreign aid. Over the past 30 years, Japan has provided nearly \$200 billion in aid to the developing world. Much of this aid has gone to the countries of East and Southeast Asia, as well as to the poorest countries in Africa.

The historical tensions between Japan and China remain an international concern. With the continued upheavals in Japanese domestic politics, Japan's relations with China and other neighbors are not as predictable as they have been in the past. Will Japan continue to push for UN reform that would provide it with a permanent seat on the Security Council? Will the Japanese constitution be amended to allow for more humanitarian and peace operations? How will China and its neighbors react to the changing character of Japanese foreign policy? Given that both Japan and China depend on many of the same shipping lanes for their fuel deliveries, increased tensions between the two states could be dangerous. Will China and Japan be able to find more common ground in the future, or are they more likely to suffer from further estrangement?

E. China: The World's Next Economic Superpower?

The Chinese economy plays an important role in the world market. Admission to the World Trade Organization in 2001 significantly increased China's access to global markets, and currently it accounts for over 5 percent of world trade. U.S. and foreign companies invest heavily in China, owning nearly one half of all Chinese companies. Last year U.S. companies exported over \$65 billion in goods to China. In 1996, Wal-Mart entered the Chinese market and now operates 86 stores in 46 cities employing more than 38,000 Chinese workers. In addition to operating stores in China, Wal-Mart imports a substantial amount of Chinese products. In 2004 alone, Wal-Mart purchased \$18 billion in goods from Chinese companies to export to the rest of the world. While increased imports of inexpensive Chinese goods caused record deficits in the U.S. in recent years, U.S. exports to China rose 114% from 2000 to 2004, making China the fifth largest U.S. export market. During the same time period three of America's top trading partners (Germany, Canada and Britain), saw only modest gains in imports from the United States while Japan actually had a decrease of 17%. China is the largest importer of U.S. grown soybeans and is predicted to surpass Japan as the world's largest producer of steel within the next 10 years. In 2004 power generation equipment, electrical machinery, soybeans and medical equipment were China's largest imports from the United States.

Much of China's growth results from its export-oriented economic policy. U.S. companies export raw materials and electronic components to China, and in turn, import finished products, ranging from shirts to computers. The U.S. trade deficit with China was over \$232 billion for 2006, the largest of any U.S. trading partner. The data for 2007 are similar. As of July, the trade deficit between China and the United States was over \$141 billion. Will decoupling the yuan from the dollar, something that China has been under pressure to do for years, drive up the cost of Chinese exports to the United States and Europe? If so, will this step increase or shrink the current U.S. trade deficit with China?

Potentially more problematic is the fact that Chinese firms will increasingly enter the high-tech market. According to a study by Robert Scott at the Economic Policy Institute, from 1989 to 2003 the United States lost more than 1.5 million jobs to China. The U.S. may continue to lose jobs to China as companies continue to locate their production facilities in countries where production costs are cheaper. China's dominance in the marketplace during its economic ascendancy, where it focused on cheaply made goods, significantly impacted U.S.

unemployment rates. The loss of high-tech jobs to China could be even more devastating. A further complication is that China is a major holder of U.S. debt, with an estimated 9 percent, or \$150 billion, of all U.S. debt owned by foreign creditors. China is second only to Japan in the amount of its overall foreign holdings, with nearly \$346 billion.

F. Conclusion: China Ascending – “Opportunity Riding the Dangerous Wind?”

How will China’s newfound wealth influence its international and regional behavior? Throughout history, one of the primary causes of interstate war has been the friction, suspicion, and fear created by the rapid rise of new great powers. Will the United States and its East Asian allies like Japan and South Korea be able to manage China’s rise and its integration into global security, economic, and political institutions? Given the changing security and economic landscape in East Asia, will China as a regional hegemon and rising world power prove itself capable of treating future crises as an “opportunity riding the dangerous wind” consistent with this Chinese proverb? Internally, will China’s burgeoning middle class play the historical role of newly affluent groups in other countries, and serve as the bearer and advocate of liberal democratic values? Or will the Chinese Communist Party continue to effectively control the political system, brooking no significant dissent or opposition? Is political and socio-economic instability, rather than authoritarianism, a more likely scenario? Will gradual democratization escape the control of the Communist Party, and bring with it deeply centrifugal political tendencies, including xenophobia, extreme nationalism, and perhaps regional separatism? How can the United States help China best avoid these dangerous alternative futures or crises as of yet unforeseen? The security and the prosperity of the United States and much of the world depend on getting the answer to this question right.

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