

MEMORANDUM FOR THE PRESIDENT

FROM HUAN GAO

SUBJECT: Strategy for Northeast Asia

December 8, 2002

Overview of Current Situation:

A stable and prosperous Northeast Asia is in the interests of the United States. The following regional developments are to be considered in the making of U.S. strategies:

(1) On the Korean Peninsula, North Korea's economy is going bankrupt but it is still developing weapons of mass destruction in addition to its arsenal of ballistic missiles. On the other hand, with South Korea's Sunshine Policy, there is dialogue between the two Koreas and the North is gradually opening up its economy. Although the timetable of reunification is not on the agenda, and the cost of reunification is too high for the South Korea especially after the financial crisis, there are prospects of Korean reunification.

(2) Japan has been undergoing economic recession for years but it lacks in resolve and effective measures for economic reform to solve its bad loan, huge debt problems which are confounded by deflation. However, it is still the world's second largest economy.

(3) China has sustained rapid economic growth over the past 20 years. In order to keep up the economic development, its top priority is stability, which is contingent upon how well its major problems are tackled in its transition to market economy: unemployment, rural poverty, corruption, political and legal reforms. U.S. and China are often under tensions because of disagreement in human rights and Taiwan issues.

U.S. Aim and Strategic Direction

Stability in this region would serve U.S. interests best both in terms of economy and security. Abrupt disruption of the equilibrium will cause damage to the region as a whole as well as to U.S. Therefore, U.S.'s continued engagement with the regional players will be essential in maintaining the stability. At the same time, U.S. should recognize and understand the changes taking place in this region and its engagement policy should also be adapted to these changes, and where appropriate, affect the direction of the changes. One

special characteristic of Northeast Asia is the complexity of the relationships among the countries. Conflict of interests and historic animosity continue to play out. In the foreseeable future, it is unlikely that stability will result from genuinely improved relationships among these countries or a consolidation of stable allies. This means U.S.'s engagement with these countries will continue to be basically bilateral rather than multilateral. On certain issues, there will be some natural allies with U.S. with commonly shared interests but on some other issues, these "allies" simply have direct conflicts. U.S. needs to deal with different countries on different issues on a case-by-case basis yet from strategic point of view that keeps everything in perspective. This surely adds to the challenge to U.S. policy-making but if the policies are designed and implemented well, this is actually to the advantage of the U.S. since U.S. can mobilize smaller amount of resources to keep these states further entangled; they have enough to play against one another and attend to already. Collective stability and security will result from this complicated and dynamic equilibrium. In consequence, U.S. will not face a credible threat in any aspect.

Major issues in Northeast Asia and Appropriate Strategies

Viewed independently, the issues currently hot in Northeast Asia might all disrupt the power balance and cause threat to security: North Korea's development of weapons of mass destruction is surely a destabilizing factor. The Korean reunification, no matter how remote it is, might lead to decreased American military presence. This will change the power balance between U.S., China and Japan. Japan's prolonged economic recession makes this ally of America less powerful while China is on the rise. However, with a closer inspection, since these issues are all interrelated, sometimes they can offset each other's impact and sometimes even bring aggregate benefit for the U.S.

(1) North Korea's mass destruction weapon development is the most immediate problem. Measures of proactive counterproliferation must be taken. But since all other countries are opposed to the North Korea's position, U.S. could have its burden shared and cost lowered such as in the use of military forces, modern technologies, intelligence collection and analysis. On the other hand, U.S. should still engage North Korea with

diplomatic dialogues and carrots of economic assistance but the engagement must also be backed up by serious threats of military exertion. Moreover, in the concerted effort to give carrots and/or sticks to North Korea, countries get more aligned, which makes it easier for U.S. to deal with them simultaneously.

If the rationale that the Koreans want to be independent ultimately is valid, Korean reunification process might cause U.S. to lose some ground on the peninsula. But it should also be noted that reunification means the diminishment of a very hostile North Korea since the likelihood of the South being absorbed by the North is almost nil. This is apparently a great stabilizing factor. Furthermore, a unified Korea does not necessarily mean the pull-out of U.S. troops. This issue needs to be viewed in relation with the positions of China and Japan. If Japan and/or China appear interested in having Korea under their influence, Korea might actually seek more support from the U.S. despite its antipathy. But since having Korea under their umbrella does not directly solve Japan's economic problem or China's development problems, Korea is not really their top priority. (Also it is unlikely Japan and China will fight with each other over Korea.) But even in the case where Japan and/or China do not manifest ambition over Korea, just by playing safe, Korea might still want American military presence, though the extent depends on how much Northern residue will remain in the unified Korea. If necessary, U.S. can use clever propaganda to make the Koreans feel they are threatened by its neighbors without seeing U.S. as an overly hegemonic figure. U.S. should not actively prevent the Korean reunification process but it can surely employ engagement policies to ensure that the reunification goes in the direction beneficial to U.S. In order to maintain military presence in the Korean Peninsula as deterrence to Russia and China as well as a base to deal with emergencies, U.S. should be careful not to cause more antipathy from the Koreans by having its army better-behaved. U.S. should cooperate with the Koreans in financial and other aspects where appropriate for better relationship and mutual prosperity.

(2) Japan's power mainly lies in its economy. In a sense, Japan is U.S.'s most important ally in the Asia-Pacific region. The weak status quo of Japanese economy will

leave U.S. less influential in the region. Since Japan cannot send troops overseas because of its constitutional constraint, what might change is primarily the power balance picture. As Japanese economy is pivotal in Asia and is also profoundly interdependent with the U.S. economy, it is in the interests of America to see Japanese economy pick up to the extent it does not overtake U.S. In the globalization game, U.S. should induce Japan to carry out more economic reform. For historic reasons, Japan is not a nation loved by its neighbors. This might mean a good thing to U.S. since this precludes the possibility that Japan, Korea and China would form a coalition to drive out the Americans when they think they are strong enough to guard themselves against Russia.

(3) China's rise is very important. It is believed that China's accession to the WTO will further its economic growth as well as the progress in transparency and accountability on various dimensions. However, in terms of GDP per capita, China still lags behind with \$4300. Given its domestic problems, it is unlikely that China's economic development will transform it into a power that can compete with U.S. or even Japan in the foreseeable future. However, China has enough power to exert its influence in Northeast Asia and beyond, merely for its size and growth rate. China is modernizing its military forces as a big player in the region, but it is still backward both in terms of equipment and deployment. Since China's priority is economic development through market economy in a stable environment rather than military expansion, U.S. should continue to use its economic edge to engage China by having it act according to international standards such as WTO regulations. When China is locked in the interdependence web of globalization, China's cost of not conforming should be made higher than conforming. U.S. would like to have a stable and benign China so while U.S. is pushing China for further political and legal reform, it should not push more than it can possibly handle. U.S. should allow China latitude and time to solve other more urgent problems such as unemployment and poverty. Taiwan is seemingly a heart issue of Sino-American relationship but as long as Taiwan does not declare independence, which is an important matter of sovereignty and national pride to the Chinese, Taiwan's value still lies in being a tool that U.S. can wield instead of a goal that

U.S. must achieve. On the other hand, Beijing does not have enough military power or economic incentive to bring Taiwan under its own control in the short run. At present, it is best that U.S. can use Taiwan dispute to distract Beijing's attention and achieve some specific goals on proper occasions, but U.S. should not go so far as to be taken advantage of by the Taiwanese. U.S. can also use human rights as a tool to pressure Beijing but should by no means allow America's own interests undermined since U.S. and China have shared interests such as in trade and business as well as counterterrorism.

U.S. military forces in Northeast Asia

U.S. has 37,000 troops in South Korea, 45,000 in Japan and several thousand in the Pacific Ocean, including air, land and naval forces. This amounts to about 9% of U.S. total armed forces. Since U.S.'s aim is stability and individually-tailored engagement policies with an emphasis on diplomatic and economic measures are recommended, the presence of the military forces plays the role of reinforcing the credibility of U.S.'s positions and effectiveness of policies. As a dramatic shift of the situation in the region is unlikely at least in the short term, U.S. can keep its military forces as status quo. U.S. does not need to incur higher cost for more military presence since at present it is adequate for deterrence and initial emergency preparation purposes.

Summary

Given the complicated relationships and dynamic equilibrium in Northeast Asia and the fact that the relationships that U.S. has with these countries are mostly bilateral, U.S. should employ engagement policies tailored for each player. The policies generally have an emphasis on economic and diplomatic measures with the backup of military forces. Ironically, stability and security will be the outcome of the very complexity of this region where the players play against one another on the one hand and cooperate on the other hand. U.S.'s strategy shall support the economic growth of these countries. But in terms of security, these countries shall be made even more entangled to such an extent that they could not afford to lose grip of one another. As a result, they would not have the latitude to fight one another or get allied to fight the United States.