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Cross Currents
Regionalism and Nationalism in Northeast Asia

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P R O C E E D I N G S

DR. BUSH: Ladies and gentlemen, why don't we go ahead and get started. My name is Richard Bush. I'm the Director of the Center for Northeast Asian Policy Studies, and on behalf of the Brookings Institution it's my great pleasure to welcome you here today.

It's my great pleasure, also, to welcome our colleagues from the Walter H. Shorenstein Asia-Pacific Research Center of Stanford University. It's a great pleasure to welcome Walter H. Shorenstein himself. Thank you very much for coming.

(Applause)

It's a particular pleasure to welcome back to Brookings Mike Armacost, who did so much to build this institution. He also hired me, but he can't be responsible for everything that happens after that.

Today we are going to talk about a new book that was produced by the Shorenstein Center, Cross Currents: Regionalism and Nationalism in Northeast Asia. This is the second event put on to present a Shorenstein book. We did a very successful event last year in September for a book on North Korea, and so we decided, why not do it again? And so here we are, and the person who is not able to be here today for personal reasons is David Kang. I will represent him -- badly, I'm sure, but I will do my best.

So without further ado I would like to yield the microphone to Dr. Gi-Wook Shin, who's a professor at Stanford and Director of the Shorenstein Center. Gi-Wook?

DR. SHIN: Thank you very much. As we just said, last year we had a joint event here about North Korea, and at the time I was saying that we'd like to bring fresh Californian air to Washington, but this time I see the weather is lovely, so I don't think I need to bring that air anymore.

It's my great honor to be part of this program, and I would like to thank Mr. Bush and the Center for Northeast Asian Policy Studies. This event, as you said, is based on a book that we just published last week. And as you may know, we are publishing about three or four books each year in collaboration with the Brookings Institution Press, and the book we will discuss today is one of those.

As you know, the Shorenstein Asia-Pacific Research Center is focusing on contemporary Asian issues from Northeast Asia to Southeast Asia to South Asia, and our approach is very much a comparative and interdisciplinary, working from the perspectives of political science, sociology, economics, business, policy, and so on. Even though our center focuses on academic study, we are also active in policy.

So I hope that today's events will further strengthen ties between Stanford and Brookings, and especially it's a delight this day to have Mr. Walter Shorenstein at this meeting. He has been a longstanding supporter of our Center, and we are very grateful for his generous support. Last year we named our center after him, so now we call our center, as you know, the Walter H. Shorenstein Asia-Pacific Research Center. So, [to Mr. Shorenstein] thanks again for your support. I look forward to this event, and to more collaboration between the two institutions in the coming years. Thanks again, and I look forward to our panel. Thank you.

(Applause)

DR. BUSH: I would like to now turn the mic over to Dan Sneider, who will serve as our moderator. Dan?

MR. SNEIDER: Thank you. I'm the Associate Director for Research of the Shorenstein Asia-Pacific Research Center, so I'm happy to be here, and I'm not going to engage in long introductions. You have biographies of all of the speakers with you, and they're all, I think, fairly well known to you, and all these are authors of chapters in the book.

The book is based on a conference which we held last year gathering scholars from China, Japan, and Korea, and the United States to talk about the issue of regionalism and the intersection between regional integration and the process of regional integration and growing nationalism in Northeast Asia. And we've tried to give you a sprinkling of some of the things we addressed in the book.

And we'll start with Ambassador Armacost, as appropriately so, to talk about the U.S. response to regionalism in Northeast Asia. And then he'll be followed by Richard Bush, who's going to stand in for David Kang and in his own right talk about the Chinese -- Oh, I'm sorry. I apologize. We'll start with Dr. Shin, who is going to give the overview of regionalism in Northeast Asia.

And then last but not least, Randy Schriver to talk about the security aspects of regional integration in Northeast Asia. And then we'll have a question and answer session which I'll begin as the moderator by asking the panel some questions, and then we'll open it up to the floor. So, Dr. Shin.

DR. SHIN: Thank you. I will try to lay the groundwork for our other presenters and for later discussion.

Our book is the first of a multiyear project on regionalism in Asia. Last year we focused on Northeast Asia, and the main theme was the interplay of nationalism and regionalism. Then this past May, we held a conference on regionalism in Southeast Asia examining democracy and regionalism. And next year turn our attention to regionalism

and South Asia.

So what we're going to talk about today is part of an ongoing research project at the Center. The main theme for Northeast Asia is to understand the interplay or interaction between two seemingly contradictory forces. One is nationalism, the other is regionalism. Obviously, we know that there are many, and more and more, interactions among Northeast Asian nations -- among Japan, China, North Korea, for instance -- in terms of trade, investment, and cultural and social exchanges. Besides economic interactions, now you see increasing numbers of students studying across borders, like Koreans studying in China, Chinese studying in Japan, and a lot of scholar exchanges and so on.

On the one hand we see growing interactions among those countries in the region. At the same time, we see strengthening nationalism in Japan, China, and Korea, and we know that there are continuing disputes and controversy over history and territorial issues. We still see anti-Japanism in China and Korea, and anti-Chinese sentiment in Japan, and so on.

The question is how to make sense of this--the intensification of both forces, regionalism and nationalism. Now, some people might say that the growth of regionalism may weaken the power of nationalism, but that's not how it happened in Northeast Asia. This seemingly paradoxical duality is a main theme of the book as a whole.

And within that theme we wanted to look at, specifically, Japan and China. We use the term "double-rise" in Northeast Asia. It's not only the rise of China, but also the rise, or the return, of Japan. This is unlike in Southeast Asia, a region where there's no, real hegemonic power, or South Asia, which India as the dominant power. In Northeast Asia there are two competing hegemonic powers. So how will these powers approach this potential rivalry and how will this shape a new Northeast Asian order? That's a main question that we try to address.

And then, finally, there's a question about the U.S. role in Northeast Asian regionalism. We know that China and Japan are very active in regional frameworks and organizations. Sometimes the U.S. is left out of regional arrangements, such as the East Asia summit. So, a main question revolves around the presence of an American political will to engage in Asian regionalism—does this will exist and will it be strengthened, or will the U.S. stand on the sidelines of this growing trend in Asia? How will the U.S. engage on Asian regionalism? As you know, we still maintain alliance structures with Japan and South Korea, so how will the U.S. balance between bilateral alliances and regional engagement?

These are all cases that we are trying to address in this book. Now our panel will address these issues. Thank you.

MR. SNEIDER: Mike?

AMBASSADOR ARMACOST: I was asked to address the question of how the U.S. responds to the efforts of Asians to build a regional community. And against the dominant theme, I would note is that compared to our response in contribution to European community building, we have been relatively passive. Our posture is, I think, not unfairly described as watchful waiting over much of the past decade.

It's particularly striking against the backdrop of our posture toward Europe in the immediate postwar period, not least because the current Secretary of State has compared the challenges confronting United States at present in the post cold-war era and post-9/11 era as presenting the challenge of creating new architecture that could prove as durable as institutions built in the late 1940s.

It seems to me, if you think back to the 1940s, we made Marshall Plan aid contingent upon the dismantling of intra-European barriers to flows of trade and investment. We offered a strategic guarantee to Europe through a multilateral alliance, NATO, which encouraged a lot of joint planning and joint operations among Europeans as well as between Europeans and the U.S. We nurtured Franco-German reconciliation, and we endorsed virtually all of the proposals undertaken by Europeans to promote integration on the continent. Not least, we provided deployment of American troops, which provided security and, in turn, allowed Europeans to preoccupy themselves very heavily with these institution-building efforts. We can't claim the credit. The Europeans deserve the credit for the community they've built, but I think we can be quite proud of the contribution that we made.

As for the Europeans, it seems to me they made a number of strategic decisions which certainly accelerated the pace of regional community-building. In one they started relatively -- started with a relatively small core of countries and concentrated initially and for quite a period of time on deepening the interactions among them before broadening the membership.

The second, they focused on tangible projects like the coal and steel community and the common market, which produced very concrete benefits to people, and in the process created a constituency in Europe for further integration.

The third, they had the benefit of reconciliation between the two most powerful countries on the continent, the French and Germans. The deal was implicit in the common market where the French farmers and the German industrialists got their say. So these all were strategic decisions which they made which produced great benefit.

If one looks at Asia, one sees a different pattern both respect to the U.S. posture and role and with regard to Asian strategy. We've built our security arrangements around a hub-and-spokes model of alliances. We relied, principally, on the market to promote integration of the Asian-Pacific economy, didn't rely very heavily upon institutional arrangements among governments. And by and large, although we took the initiative on a

couple of regional institutions like SEATO, for the most part, looking back, they had only a superficial impact on a very -- it played a very evanescent role.

By and large, in recent years we've been in a defensive posture. I remember back in the late 1980s we got active with respect to promoting APEC when ideas floated around among the Asians, particularly the Australians and Japanese, to promote institutions in which we were not to be invited. And people didn't like that very well in Washington, so we energized ourselves to promote a Trans-Pacific institution rather than see a Pan-Asian institution develop in which we played no role.

And when Mr. Mahathir promoted the East Asian Economic Caucus, we reacted very defensively to that, also, and sought to discourage our friends from joining. So we played a kind of rear guard action against that. It wasn't a proactive role; it was more of a defensive role.

And when you look at the strategy among Asians, they have, by and large, started with a larger core -- ASEAN, after all has 10 countries now, quite highly differentiated among themselves -- and they have been broadening that in more recent institutions like the East Asian Summit to 16. So broadening has preceded an effort at depth-building. They have had a lot of vision statements and have not created as many tangible projects -- I'm not saying there are none -- quite the contrary, there's the Chiang Mai co-op arrangements among banks, the incipient efforts to create an Asian bond market. Some of the trade liberalization arrangements constitute very practical arrangements, but the borders or the scope of those efforts really correspond to the same group of countries.

And, of course, Asia has been proceeding without the benefit of reconciliation between the two major powers, China and Japan. So one sees quite a different trajectory of development in Asia when one compares it with Europe.

Now, I would say that from an American standpoint a test came in 1997. We had put quite a little effort into creating APEC. President Clinton built on what he inherited by raising the representation to summit level. He declared an intent to create a Pacific community; he promoted a number of voluntary trade promotion schemes, and, I would say it enjoyed a certain priority in the early years of the administration. Though when the financial crisis struck in Asia 1997, I don't recall any effort by the United States to convene the members of APEC to get a joint diagnosis of the problem, let alone to fashion a coordinated solution for it.

And one sensed, during the latter years of the Clinton era, a much greater fascination with globalization than with regional schemes. I think with President Bush there was, in the initial phase, a certain ABC quality to policy, “Anything But Clinton,” on the one hand -- and then after 9/11 an obvious preoccupation with another region.

And in the years since 2001, I would say that the pan-Asian institutions have largely supplanted the trans-Pacific APEC as the center of gravity of community-building

in Asia. And we have never sought membership, Asians have not invited American membership, the East Asian Summit has appeared on the horizon.

We could appeal for membership, but for reasons I've never fully comprehended Washington has chosen not to meet the requirements for participation, above all signing a treaty of cooperation amity with the ASEAN. I don't know that there's any huge insurmountable barrier to that, but we've chosen simply not to do it. The result is we've seen a fair amount of activity among ASEAN+3 and at least an agenda for ASEAN+6 while the United States has remained largely on the sideline.

There could be two explanations for this, I suppose. One is we're just heavily preoccupied with the Middle East and have let some other things slide. That may be related to another calculation -- and here I'm an outsider, I live 3,000 miles away, I don't spend my waking hours trying to figure out what people in Washington are doing to each other -- but the other explanation may be a calculus that Asia, being such a vast heterogeneous area, it's not likely to integrate very rapidly. And if it begins to integrate in way that seems inimical to our interests, we'll have plenty of time to adapt. It's not in the urgent category of policy.

I believe, nonetheless, that it's a very serious venture for a variety of reasons. If I were Asian, I would look and notice how the European community has taken on real heft, and I would notice that even though there's not been a lot of recent movement, there are efforts underway in the western hemisphere to promote wider regional activity, so there's something to emulate.

The second intra-regional trade is growing so fast that it obviously serves the purpose to have institutions which can both encourage the further expansion of economic integration but also adjudicate the disputes which arise with increasing frequency.

Third, with China rising rapidly, it's quite natural, I think, for China to see leadership in a regional institution as being a manifestation of its growing power just as it's logical for other Asians to seek to domesticate a more and more powerful China to a set of rules which may help to create.

And, of course, finally, I think we ought to acknowledge that one of the motives behind Asian regional ventures is to provide a check on U.S. unilateralism and to be in a position to deal with us, if necessary.

So these are all substantial reasons, it seems to me, for the Europeans to be interested in promoting community effort and for us to take them seriously even though they don't present us any immediate threat or challenge.

Now, from an American standpoint, we could respond to this, I suppose, in several ways. We could try and bolster APEC, the trans-Pacific institution as a kind of place in

which we play a prominent role. We could devote ourselves to trying to assure that what the Asians build is compatible with global institutions in which we have a lot invested in an Asian monetary arrangement being consistent with the IMF and so forth. We could concentrate our efforts, I suppose, on dividing Asians. I would think that's a default option at best. It doesn't serve our purpose, I think, to be playing that kind of role since Asians, I think almost uniformly, regard the creation of a wider community to be a valuable and worthy venture.

We could concentrate our efforts in Northeast Asia. If you look at the landscape in Asia, the one region which doesn't possess any cushion against the potential conflicts which still beset that region is Northeast Asia. We don't have any counterpart of ASEAN. It is true, I think, that the Six-Party Talks represent an embryo, the possibility for a regional institution in which our membership is not an issue, and which we play and obvious and important role. So that's a place where we could do something without membership issue even becoming a problem.

So there are a variety of ways of responding to this. We could join EAS, the East Asian Summit, but I think it requires that we take the issue seriously, and I'm somewhat heartened by the fact that in the last year or so I think the administration has paid somewhat greater homage to the idea of an Asian regional community. They've increased the contribution to APEC; they have tabled an Asian-wide trade liberalization plan at the last APEC meeting; they have shifted the posture with regard to the Korean nuclear shoe to pump some new life into the Six-Party Talks.

They have certainly shown interest in institutionalizing somewhat the consultation among democratic countries in Asia, although how much of that is a values-based effort to create a rudimentary strategy, I couldn't say, but Australia, India, Japan, United States, if I were sitting in Beijing, I might wonder about that.

I guess my point to you is, we have been not on the sidelines entirely, relatively passive. This is a serious venture which is going to go on whether we like it or not. We ought to take it more seriously, and I will be heartened if the little efforts that are discernible in the last year or two take root in the United States and foreshadow a period of more active involvement to new years ahead.

Let me stop there.

MR. SNEIDER: Thank you.

DR. BUSH: Thank you very much. As indicated before, I'm substituting for David Kang, who is younger than I am, smarter than I am, and more handsome than I am. He's also written a very good chapter in a very good book, and what I'm merely going to do is report to you the main points that he makes in this chapter.

He makes two overarching arguments that -- the title of the chapter is “Chinese Impact on Regional Relations in Northeast Asia.” He makes two overarching arguments. First, Chinese emergence as a major economy has meant that economic relations in Northeast Asia are increasingly regional as opposed to Trans-Pacific.

Second, in contrast to increased economic interactions within the region, political relationships remain underdeveloped. David believes that this friction is not about history; instead it's a political problem arising because the states in the regions, Northeast Asia, have not developed stable, enduring relationships with one another. And stability depends on how well China, Japan, and the two Koreas manage their relations in the future.

With respect to China's impact on multilateral institutions, David remarks that East Asia has embarked on a path towards regional integration. Regional institutions have blossomed and integrated. Both regionalization and regionalism are occurring at a rapid rate to the point where arguments of 15 years ago about relative under-institutionalization are now obsolete. China's emerging economy has been an important factor in this very significant development. It joined the WTO. China and Northeast Asia have undertaken a series of steps designed to increase their cooperation. China's been active in creating financial coordination among East Asian states.

In addition to regionalism there is regionalization, increasing web of business and cultural relationships, and, finally, domestic political coalitions are also an important factor in explaining the development of regional integration. By all these measures, then, China has already had a major impact on East Asian regionalism.

With respect to China-South Korea relations, David believes that South Korea increasingly sees its economic fate tied up with the future of the Chinese economy, as do other countries in the region. The potential benefits are large, especially given geographic proximity and cultural similarity. But there is clearly a concern in Korea about the rapid rise of Chinese manufacturing and technological prowess if this is not stopped, the headlong rush of South Korean firms into China. Nor does the South Korean government regional moves mostly initiated by China to further economic integration and open borders.

As a result, the U.S.-ROK alliance, which was the main tiller of South Korean foreign and defense policy ever since the Korean War, is under greater strain than ever before. While South Korea has clearly not abandoned the United States for China's embrace, and while cooperation and interaction are 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. In the end, the U.S.-ROK alliance remains strong, and China has not yet become the regional leader in Northeast Asia.

However, compared to 15 years ago or even three years ago, U.S. influence has

diminished while that of China has clearly increased. South Korea is now at a critical decision point. Even the conservatives in Seoul recognized that the traditional cold war alliance with the U.S. will inevitably change, and they hope to find some way of dealing with China while retaining their U.S. relationship. This will not be an easy task, David writes.

With respect to Japan, although popular attention has focused on China's emergence, Japan is the country that remains the region's richest and most advanced nation. It is Japan that has the most potential to challenge China for regional influence, but there's little in Japan's domestic institutions, history, culture, or in the structure of the region to indicate that Japan will do so.

The U.S.-Japan alliance remains the sine qua non of Japanese foreign policy. The possibility that Japan might pursue a truly independent security policy outside the confines of the alliance remains remote. 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.

Within this larger context, China-Japan relations show elements of both cooperation and competition often referred to in Japan as cold politics and hot economics, and maybe the politics is getting a little warmer with the Fukuda government, but we'll see.

Moreover, while Japan is not abrogating the alliance, it's increasingly thinking about broad measures through which it can interact with both China and the rests of Asia that move beyond the traditional hub-and-spokes system of U.S. alliances. Free trade agreements are the most obvious. The weight of the evidence, David concludes, suggests that while Japan may still build its military beyond its present levels, perhaps modify Article 9 of the Constitution and take a more assertive role in the region, Japan has not challenged China for 30 years; balancing China outside the alliance is the least likely strategy for it to pursue in the future.

Thank you.

MR. SNEIDER: Thank you. Randy?

MR. SCHRIVER: Thank you very much, and thank you for letting me participate in this project. It's a great honor to contribute a chapter. I can now say all the people I admire in Washington stride behind podiums and behind microphones, and they say, "As I say in my recent book," I've never been able to say that. Now I can go around Washington and say, "As I said in my recent chapter of a book." So that's a source of great price for me.

I want to talk a little bit about next steps and where things may go in terms of regional security architecture, particularly related to Northeast Asia. But I think it's

important to sort of set the context as to why there hasn't been any serious effort to this point, or why there has been no successful effort to this point.

Now, it kind of reminds me -- you know, I'm fortunate to count many people in the audience as friends, and, you know, recently married and have young kids -- but it kind of reminds me of when I was 39 years old and single, and if I ever was fortunate enough to get a date, I could see that look come across their face which was always, you know, you're 39 and single, what is the problem with you? What is the matter with you?

And it wasn't, you know, "What a great catch," it was, you know, "What's wrong here?" And there's something wrong here after 60 years from the founding of NATO and, you know, 30 plus years since China's opening up, and there's certainly no shortage of issues that could potentially stand to be addressed in multilateral regional settings. So what is wrong here? So I just wanted to kick off a few things before touching the six-party talks and where we might go from here forward.

And I have just six points. There's probably more – there are people who know these issues quite well in the audience -- but let me just tick off a few, and some of these have been addressed a little bit by the speakers.

Well, first is the existing alliance structure, and, in fact, I think it's a pretty good record. So it's not just this is a problem that has to be dealt with before we can do serious multilateral, serious regional work. So it's not just a problem, it's a record of success, particularly from a standpoint of the United States and, I would argue, it's allies, too, a pretty good record of maintaining and security peace and stability in Northeast Asia. So that's an issue.

Number two is China's traditional reluctance to engage in serious multilateral activity. Now, this is changing, and it's changing, I think, in pretty rapid course over the last few years. But this has been a traditional problem, China's unwillingness to engage in a serious way, and being a country of such weight and gravity this has been a serious issue.

Number three has been the general unwillingness of countries to turn problems over to a multilateral setting, a regional meeting of any kind. And think about if you take through what are the serious security issues, is China going to allow Taiwan to be addressed by parties in a multilateral setting? Is the United States going to allow others to talk about U.S. forward presence in Japan and South Korea in a multilateral setting? Territorial disputes, historical disputes between China and Japan, are those going to be turned over to a multilateral organization? There's been general unwillingness to do that.

Number four, it's, I think, something that has lacked a champion. I mean, who really is in favor of strong multilateral regional organizations in Northeast Asia to this point? And this might be changing as well, but for you to deal with sort of the most reluctant parties and, let's say for sake of argument, China has traditionally been the most

reluctant, where's your source of momentum? Who's pulling them in? Who's the champion that is going to say, this is to all our benefit? Well, there hasn't been a champion.

Number five, I think as has been addressed so far, the experience of multilateral regional organizations in Asia to date have not been experiences that have instilled confidence that these are consequential, meaningful efforts at addressing security challenges. APEC was mentioned, ASEAN regional forum, it is what it is, but it was designed to be a fairly weak consensus-based organization. That's what -- that was by intent after all. So this is, I think, been another source of reluctance.

And, finally -- and this is in the book, I think, more than anybody has discussed so far -- there is the issue of nationalism. And I mean that in not just in the sense that people dislike one another; I mean it in the sense that, you know, for some folks having these problems linger is actually to their benefit, to their political benefit. And China doesn't have an exclusive claim to this. Japan -- I mean this is something that is quite common in Asia that lingering sustained problems are turned into sort of patriotic nationalistic support for regimes at home.

So this is why part of the reason why 60 years after NATO, 30 years after the opening of China, et cetera, we still haven't found a way to get together in a consequential way.

Well, along comes the Six-Party Talks, and this could be the subject of a very long discussion, a day-long discussion, a day-long panel in and of itself. So I don't want to get into good thing/bad thing, good outcome/bad outcome, but in this context of how we got into a multilateral process, regional process for addressing a security challenge and what it may mean for going forward.

Now, remember the list I just articulated is my list -- you might have a different one -- but I would argue that many of those things were left unaddressed and are not sort of explanatory as to how we got into the six-party process. I think we got into the six-party process for a number of reasons, but one was the U.S. reluctance to engage bilaterally. If this is primarily a dispute the United States is driving because of our reluctance to see North Korea with nuclear weapons, and you refuse a bilateral discussion, well, you've really got few other options.

I think 2002-2003 was a period of tremendous preoccupation in a sense that other unilateral options were probably off the table, although no political leader would take it off the table. But the sense that we weren't in fact in bilaterally, military or other unilateral measures, could be extremely risky at a time of preoccupation. So this was a driving force in the United States at least, our willingness to participate in a regional multilateral process for addressing this.

And, finally, remember not all issues were turned over to the six-party process, right? It was about one very narrow issue, the question of North Korea's nuclear weapons program. Abductees were kept out, as much as some tried to bring it in – kept out. North/South issue, resolution of longstanding political disagreement, military disagreement – kept out. A lot of issues were kept out in order to focus on one very narrow issue. So again, context - is this going to be the momentum driver for future multilateral work in Northeast Asia?

While conventionalism has come in Washington, I think, although it's challenged, but I think the center of gravity would suggest if the six-party process is successful, then there will be momentum for a more permanent, sustained regional security organization or architecture of some sort. I think Ambassador Armacost used the term "embryo" for future security work.

I guess I kind of hope that's not the case, because I think success is going to be pretty difficult. There's a lot of ways, in fact, for this to be unsuccessful, and I don't mean -- I'm not speaking specifically about the agreement that comes out of it, you know. You might think good thing/bad thing problem, whatever, but there are other ways for this to be unsuccessful as well.

For example, what if we come out of a process with an agreement, North Korea seems to be honoring it for some period of time, but the Japanese feel as though they got the shiv in the back, or the South Koreans come out of it thinking those Americans are absolutely crazy. And I think there are some signs that we entered a process based on the hope that we would not only address the North Korean nuclear challenge, but we would come out the other end with stronger alliances, right, because that was one of the criticisms in '94, our alliance didn't emerge stronger, there were some hard feelings about exclusion. But, in fact, we're emerging from the six-party process with some growing suspicion between United States and its key allies in Northeast Asia.

So there are other ways for this to be, quote, "unsuccessful," other than just North Korea not honoring its agreement or the United States not honoring its part. So that's point number one.

Point number two, I think the pivot point matters a great deal. You know, this is a sort of concept in search of an agenda. What is the next issue? Okay, everybody says, sequentially, after the North Korea nuclear problem, well, what do you pivot to? Because all those same problems that I articulated up front and others that folks could come up with are still going to be present. So what do you do energy security next? Well, that brings in territorial disputes that bring in certain military elements that could be quite difficult.

Do you talk about broader political issues related to North Korea, not just the nuclear issue? Well, the North and South tend to think they're handling that just fine, thank you very much. Stay out of that. So I think the pivot point is going to be very key,

and I guess I'm a little bit skeptical that it's going to be easily found.

And then there is the question of leadership back to who is championing this, I would say that the advocates for this -- and I mean this in the most endearing way -- they're sort of the nerdy, you know, they got the sort of philosophical notion of: We can finally get our multilateral organization in Northeast Asia, but the cool kids are still saying no, this is about democracy and shared values and as soon as the North Koreans cheat on this agreement, we're going to put these guys right back where they belong.

So I'm not sure leadership is going to come from the United States; leadership from China will be very much dependent upon if they see the organization forming in a way that will work towards their interests. I give them a tremendous credit for how they've worked to form the Shanghai Cooperation Organization, the East Asia Summit, along with other countries. But they're entering these very carefully and, I think, in a savvy way that suggests that Northeast Asia, a permanent security structure would be a little bit more problematic for them.

I guess I always like to end on an optimistic note. After all, I was 39 years old and single, and I did get married, and now I have kids. The good news is there's no shortage of issues in East Asia. And if you're so persuaded by the fact we were compelled or very deeply persuaded to go the route of multilateral security talks on North Korea because of the seriousness of the problem, well, I guarantee we're going to be compelled again whether it is energy security or whether it is some more serious territorial dispute or Sino-Japanese tensions that are unmanageable by the two parties, of course.

So I think a future administration will find compelling cause -- and I'm speaking from the United States perspective -- will find compelling cause to do this again. Every experience is sort of experience gained and confidence-building. The six-party process is probably going to contribute to people's confidence in terms of doing this in the future, at least in the United States. So I think this combination of compelling issues in Northeast Asia, the seriousness of the problems and the building experience base of these efforts probably suggest we'll have another go at it after North Korean nuclear issue.

But I'm not 100 percent sure all those impediments and challenges I mentioned at the onset are going to be addressed in a way that guarantees this is the route we're going over the long haul.

Thank you.

MR. SNEIDER: Thank you. Many issues have been raised, but some also haven't been explored as fully as I think we could. So let me pose, start with a few of them.

And the first one is the question of the institutionalization of regionalism. We've seen over a period of time various different attempts to create an architecture, a sort of

proto-architecture for regional integration. There was a discussion that the Japanese led to create some type of Asian free trade area that led in part, as Ambassador Armacost indicated, to a response in the form of APEC, a Pan-Pacific rather than a Pan-Asian architecture.

Then we had more recently the ASEAN process where ASEAN as the only existent regional organization formed a kind of core, a kind of neutral ground everybody could agree on, and we had the ASEAN-plus process, ASEAN+3, and then now ASEAN-plus others as a means of beginning to discuss regional integration, including the beginnings of trade and financial integration.

And then we have more recently the East Asian Summit, which was an attempt to create again a more Pan-Asian architecture, this one more at the behest of the Chinese. And then there was a response to that in the form of the Japanese pushing for the inclusion of others such as India, Australia, and New Zealand to kind of balance out the Chinese influence.

The momentum for all of these has slowed relatively rapidly, and I include in that the last East Asian Summit, which after its first meeting seemed -- it did have a second meeting, but already we can see that their interest in this is waning, particularly on the part, I notice, of the -- seems to be on the part of the Chinese.

What does that tell us? Does it tell us that it's really ultimately pretty difficult if not impossible to create a regional architecture that everybody can agree on; that there are obstacles to this which are pretty insurmountable? Or that it just takes a long process of evolution to begin to find a way towards regional integration that everybody can agree on? And I pose that question to everybody or anybody.

AMBASSADOR ARMACOST: I don't think you're probably going to find one that everybody can agree on. I guess my view would be very simply a regional community is aspirational at this point. But it's interesting to reflect that 50 years ago that was true in Europe, too. I think there are a number of things that will drive Asians to explore these things, and it will be very difficult. I wouldn't expect to see rampant progress. I certainly wouldn't assert that this is the highest item on our priority list.

I think one of our problems in Asia and elsewhere recently is, we haven't invested enough effort in what my old mentor George Shultz used to call "gardening." If we would expect to have other countries line up with you when you run into trouble, then you better to have invested some time consulting with them listening to them looking for common projects when you don't face a crisis. And it seems to be one of the benefits of these organizations is that it gives you a regular occasion where you are forced to sit there and listen to people. And Washington is one of those self-absorbed places where it is very important to listen to other people.

And so one of the values is it's a pretty low-cost venture for senior leaders of America to go out one or several times a year and in a structured setting address an agenda with other Asians. And we are an Asian nation, too.

So I think it's not a highest priority. It doesn't require enormous investments, but it's in this area of so-called gardening that I think you get a big payoff even as you watch and observe that others may be seeking to create themselves. And, as I said, I think it's almost inevitable that Asians will invest quite a little into this for very practical reasons.

So we have our reasons because we have such huge stakes in Asia to watch that carefully and to be sure that our stakes in trade and investment and security and nonproliferation, those issues are not neglected, and one of the ways we can do that is to be engaged in a regular process of consultation. It doesn't require a huge architecture, I don't think; it requires a readiness on the part of senior people in Washington to get this regularly on their schedule.

DR. BUSH: I agree with all of that. I worry, however, that our Iraq adventure and whatever other adventures we're going to be involved in are going to be distracting for some period of time. One can see how even the next administration is going to have to be very focused on just how to deal with that, however they choose to deal with that.

Coming back to Dan's question, I would also raise the question of whether the institutions that have been created particularly in the economic area are that affected in addressing the problems that they were designed to address. I mean if you look at free trade areas carefully, on a regional basis they are not necessarily regional free trade areas; they are a collection of bilateral free trade areas, and they do not necessarily make life simpler for business. They may actually make it more complicated.

And so the primary constituency for these arrangements may end up saying, what good are they? Why the fuss? And so you may get this sort of slow down in institution-building because it doesn't serve the constituency it is designed to serve.

DR. SHIN: If I may add one thing, in my view, there are multiple dimensions of regionalism—it's not simply a one-dimensional process. On the one hand, there are certainly political or institutional dimensions, which we mentioned; on the other, it's more economic. I mean, amidst all the talk of economic integration, we have to remember that there remain major markets for Chinese and Japanese products, and not all of them are in Asia. Chinese exports to the U.S. have skyrocketed.

Another dimension involves social and cultural factors. As I mentioned, more Asian people are now studying in other Asian countries, and Korean pop culture is becoming very popular in Japan and China.

I would also posit that there is something of an identity issue, or an ideological dimension, that includes very strong anti-Japanese, anti-Chinese sentiments, etc. Thus, if you look at regionalism from more of an analytical perspective, there are multiple dimensions involved. In my view, right now there is a certain disjuncture among these different dimensions. There is not a coherent process of one dimension clearly leading the others.

I think this disjuncture among dimensions is a main characteristic of the regionalism process in Northeast Asia right now. So a key question is what's going to happen, whether one dimension will lead another dimension, whether economic regionalism will facilitate regionalization in other dimensions. And I think we just have to wait and see. But at this moment there seems to be a disjuncture among different dimensions in the process.

MR. SNEIDER: When we put this book together and put the conference together, we included one panel devoted entirely to the Sino-Japanese rivalry which we didn't really represent, I think, here. And David's not here to defend himself, but I would say that David's rather sanguine view of -- an optimistic view of the Sino-Japanese relationship was not shared by any of the other participants.

And we did that because we felt that if you -- when you look at the process of regional integration in East Asia, the one key exogenous factor is the Sino-Japanese rivalry. I mean, that's the thing that determines one way or another whether you could actually have a reasonable prospect of creating some kind of regional organization. And even in the attempts to create different architectures, you could see this rivalry at work. I mean, Japanese-led versus Chinese-led visions of how these countries might be integrated.

And so I wanted to raise again for all the panelists this question about the Sino-Japanese rivalry. Is this an insurmountable obstacle to regional integration? Or is there -- the other argument is that David sort of makes that the process of economic integration between Japan and China and also with Korea as well that provides the basis, ultimately, for overcoming history and in some sense the identity issues which seem to dominate now. And that, ultimately, we will have, if you will, a kind of Franco-German reconciliation moment that will allow this to take place. So --

MR. SCHRIVER: I think it's not insurmountable but it's certainly very difficult for one of the reasons I think I alluded to, you know, naturalism works. And they've proven they can do hot economics called politics pretty well, and naturalism works at home.

I think that it's going to take a jolt. I think some -- and it's not a question either that there could be some incident or some problem on the high seas or some other political problem that escalates. You know, you have soccer rights that get above and beyond that, or you get some problem in Japan. So I think there's a way to sort of jolt them forward, but I think for the time being it's going to be pretty difficult.

AMBASSADOR ARMACOST: I don't disagree with that at all. I think both recognize the importance of managing issues. I mean it's central to China's need to cope with the modernization of its own country to have peaceful relations with other big countries, and Japan particularly because of its provision of capital goods and capital flows and so forth.

And Japan likewise has very solid interests in avoiding conflict with China, managing problems. We've got on the one hand a lot of incentives for expanded economic relations, and then you've got, as Randy says quite correctly here, national sentiment in each country which can be easily fueled by the recollection of antagonistic relationships in the past.

But I think both the leadership in China focused on this issue, and it seems to me Mr. Abe was a known nationalist, took steps to ameliorate the problem through his early trip to Beijing and Seoul, another neighbor. So it seems to me it's at the high level of consciousness among the leaders to not let these problems get out of control. And so I would expect to find no nirvana in the short term, but I think probably the intelligent leaders on both sides will keep things from slipping out of control.

DR. BUSH: I don't disagree with either of those points, but I think there are a couple of potential drivers that could overwhelm wise leadership and exacerbate nationalism.

One is what happens with North Korea in the six-party talks, and despite the progress that has occurred, the game's not over. And we -- North Korea has not made the fundamental strategic decision to give up nuclear weapons as the basis of its security. And if for good or bad reasons it decides to keep them, that increases Japan's vulnerability, and there's a China dimension to that.

Moreover, China's military modernization is going to continue because of the Taiwan factor or maybe in spite of the Taiwan factor. Those two combined will shape how Japan views its sense of security, and you could have the makings of a downward spiral in spite of the efforts of leaders, in spite of the power of economic interdependence, and objective force that would make it very difficult to manage.

DR. SHIN: Well, I'd like to pay a little bit more attention to historical legacy because it plays an important role in Asian regionalism, just as it has in the past. If you go back to the late 19th century, there's a lot of discussion about Pan-Asian culture, Pan-Asian identity, Pan-Asian collaboration and so on.

Also, if you look at the late 19th and early 20th century, with the decline of China and the rise of Japan, there were two major wars on the Korean peninsula; one between China and Japan in 1894-and-5, and 10 years later between Russia and Japan.

Obviously, Japan won both wars, and then they attempted to create a Pan-Asian entity; what they called the Greater East Asia Co-Prosperity Sphere in East Asia. Now, highlighting this historical legacy is very important, in my view, because I think still among Asian leaders and people, there's a suspicion whenever people are talking about Pan-Asian regionalism. And still I haven't seen any clear vision by any Chinese, Japanese, or Korean leader about an East Asian regional entity. Sometimes they may promote regionalism for their own national interest, but they are not really trying to foster any common regional goals or interests.

So we have to see strong political leadership from China, Japan, Korea to create a mutually beneficial regional order, and I haven't seen that yet. Until we have such a vision shared by leaders in those countries, it will be very challenging to overcome this rivalry between Japan and China.

MR. SNEIDER: I wonder if you could specifically address, just to follow that up, the Korean attitude toward regional integration. Korea is sort of the middle power in between the two rivals. Is there -- at times Koreans have talked about their role as a bridge or as a kind of hub, if you will of regionalism.

How do Koreans perceive their position in relationship to regionalism?

DR. SHIN: I think that's a very important question, for Korea especially, because Korea has a very important strategic value, as you know. Korea's neighbors are all big--China, Russia, Japan. When I teach my class, I say that if you move the Korean peninsula out of Northeast Asia and move it to Europe, Korea is not that small of a country. But by Northeast Asian standards, Korea looks very small because its neighbors are larger. Yet it can't be moved; it stays in Northeast Asia, so it becomes very important for Korea to think about to how to position itself, vis-à-vis significant others, including the United States. And if you look at the Roh government, I mean it looked quite clear that South Korea was moving away from the U.S. and toward China. I think that was quite true, at least for three years of the Roh Moo-Hyun government.

About two years ago, in my view, this began to change. I think slowly, gradually, and very delicately the Roh government tended back toward the United States. Now, many Korean policymakers have come to realize that China may not be a friendly neighbor, and, after all, the U.S. may not be an evil country, so that is what has motivated the pushing of an FTA with the United States.

But overall, in my own view, South Koreans are going through an identity crisis. They are now confused about how to position South Korea vis-à-vis North Korea, China and the United States. A new regional and global order is emerging, and I think South Koreans are really struggling to reposition their country vis-à-vis those countries.

The next administration will face a very important challenge, once again, repositioning Korea vis-à-vis those other significant countries.

MR. SNEIDER: Let me ask one last question before I open up the audience, and I have to come back to the question of the U.S. role. To be slightly provocative, Ambassador Armacost argued that the U.S. response has been largely one of passivity. But I think you could interpret it another way, that in some ways our response in a specific sense has been not one of passivity but one of hostility. That is, that we don't want to see emergence a form of regional integration in Asia, specifically a Pan-Asian form of regional integration, that excludes us.

And I recall the American response to the initial Japanese forays into this effort when there was talk of a yen zone and that type of thing. American policymakers were not happy to see that.

I think you mentioned the response to the Asian financial crisis of 1997 when Japan proposed the creation of an Asian monetary fund. Some people here in Washington saw that as again an attempt to create Pan-Asian institutions which, in our view, undermined the viability of an international order which we had created.

And again, we saw a little bit of that in the response to the Chinese attempt to create their version of a Pan-Asian structure, and yet you suggested earlier that -- and I don't just address this question to you -- but that after all, we're not members of the European Union. We don't view the creation of a regional organization in Europe that doesn't include us as intrinsically inimical to our interests. Why do we seem to have that response in Asia?

AMBASSADOR ARMACOST: I would reiterate that we did react quite defensively in the late '80s and early '90s, but in the mid-'90s it seemed to be that the Clinton administration was rather relaxed about us adding regular consultations with Japan, Korea, and China. And it hasn't reacted to the further efforts to consolidate that grouping, haven't sought membership but haven't seemed offended by the practical steps those countries are taking, hasn't reacted particularly to the East Asian Summit, either trying to get in or to block its headway.

I think probably there are the reasons I cited earlier. We've got enough trouble on our hands elsewhere, and in Washington the scarcest commodity, my experience here with the time and attention of top people, and they're a little like kids in a soccer game: Everybody rushes for the ball, and the ball's in the Middle East. And, therefore, one is relaxed in part because we don't have the time to address it and in part because there isn't acknowledgement implicit that we do have fora in which we don't invite Asians in. And for them to do the same is not that earthshaking.

And because progress will inevitably be slow, we'll have, as I said, time to react if it begins to take shape that's inimical to her interests. So I don't sense hostility, I sense an observer stance, try and see where it's going on the supposition that you'll have enough time to get in.

My problem with all this is quite simple: It is that Asia remains, however urgent the problems in the Middle East, a region in which the interests of the great powers intersect most directly. This is particularly true of Northeast Asia where we have our biggest and most rapidly growing trade, where we've run our biggest deficits, where we've tapped the savings pool in the most energetic and constant way, where things can easily slip away which affect our interests profoundly.

It's the area where the residual problems in Korea and the Taiwan states still pose real problems for us. So it's not a region to which one can react indifferently. And that's why, it seems to me, we've got the stake in at least keeping yourself engaged. Maybe there are opportunities to create institutions or to augment them and to engage ourselves more deeply.

I don't disagree with Randy's observations on the Six-Party Talks. I don't think they're likely to prove to be a regional institution in the making if they can't solve the problems for which they were created. But I think there is a real problem there, and a multilateral institution has some utility. It doesn't function very well without the bilateral dimension. We discovered that after four years.

But it is very important, it seems to me, that the accountability for any progress in denuclearizing North Korea be shared by others. And that, it seems to me, is one of the purposes of getting others engaged. It is a regional security problem, and everybody has to take a share of the responsibility for managing.

So I don't quite share your sense of hostility there, and doubtless, people here who would like to be managing, micromanaging, these arrangements, but I think, by and large, we have reacted with a certain degree of restraint and equanimity, but too often it's been a by-product of absorption in other problems or indifference to developments there, and that's what I'd like to see changed.

I would hope that if there's a change of administration, as there will be, there normally is a gap of six to eight to twelve months because the new group has to get themselves organized and a team in place and get priorities straightened out. So that will be a hiatus, I expect, on an issue like this. And the driving force behind many of the regional ventures in Asia has been economic, and one senses among Democrats a greater hostility to some of these trade agreements, whether bilateral or regional or global, and therefore that is a set of issues that will have to be worked through in the coming year, too.

So I don't sense either tremendous momentum or anything that's immediately in prospect that would motor these regional ventures, at least American participation in those ventures, in the year, two years, immediately ahead.

DR. BUSH: I'll go out.

MR. SNEIDER: Yes. If you want to ask a question, wait for the mic, and then identify yourself.

QUESTION: Thank you. Alan Romberg, Stimson Center. It's been a fascinating discussion and I want to thank all of you for doing it.

As I listen to the discussion, I hear words such as "integration, order, architecture" and "structure." And I wonder if the conversation might be a little different if you moved back from those kinds of concepts to something that would be more akin to what Mike Armacost was talking about in terms of gardening. I mean there are a whole lot of things, relationships that are going on, and those are very useful. But I share the skepticism of, apparently, all of you about creating something that's more formal and comprehensive.

I agreed also with what Randy Schriver said earlier in his talk about all these things, the hard issues, can't really be resolved in this kind of structure. Although at the end you seemed to suggest that, well, they may precipitate something.

I would argue that, in fact, regional organization such as the Northeast Asia Peace and Security mechanism envisaged in the September 2005 six-party agreement would be best focused on nontraditional security issues, and that it need not, in fact, wait for success on the nuclear front. It doesn't -- it may well indeed wait, but it seems to me to address non-traditional security issues would be a useful thing to do. It takes care of the habits of cooperation and so on that Michael was talking about, and I think it's worth thinking about that.

Finally, I guess I do disagree a bit, Mike, on the issue of hostility. I think that the U.S. -- and you mentioned this, the EAUC proposal, the U.S. certainly was hostile to that -- and somebody mentioned the Japanese proposals for various Asian-only financial groupings. The East Asia Summit, the U.S. attitude certainly at the beginning was unfriendly.

I would agree with you we should sign the pact and go ahead and participate. But it seems to me that it's more than that we are absorbed as we are elsewhere. But there is a certain sense that, yes, on the one hand we don't need to be in every organization or every meeting that takes place, but on the other, if it's going to do anything important, yeah, we probably ought to be there.

MR. SNEIDER: Anybody field this response?

QUESTION: My name is Doug Paal. Listening to Michael Armacost I was reminded of my own professor in grad school, John Fairbank, who always said, "To dig deep you have to dig narrow." And you start with something like the steel and coal community in Europe, and thinking through possibilities in Asia.

It seems to me you want to establish a pattern of success with a nation that's going to be of a regional nature. And if the U.S. is going to take a lead, one possible area -- and, remember, I come from Washington which is a diplomacy-free region -- but one possible area would be, for example, that East China sees dispute between Japan and China over gas and oil resources. It's a very difficult, sensitive problem but it's not in theory intractable. Were it resolved with some U.S. help along the way, it would do a lot of good. It could be reified by the six-party mechanism or whatever, Northeast Asia security mechanism. I'd like to get any reactions you'd have to that kind of idea.

AMBASSADOR ARMACOST: I agree with that. I also think we shouldn't get so focused on the regional issue as the driving force for institutionalizing or organizing something. Some problems may be best solved on a regional basis, some may not. You think of energy, for example. Broadly speaking, the International Energy Agency which was created back in 1975 was created in a way in which the prerequisite for membership is OECD membership. You can't get in unless you're a member of OECD.

Well, now you have Korea and Japan and OECD -- actually Japan was a charter member -- but two huge gigantic sources of new demands for energy, China and India, aren't involved, and they're not likely to be OECD members any time soon. So the question is why, why do we retain that kind of prerequisite for membership? If you want an organization to reflect consumer interests on the energy issues, then you ought to get all the big consumers in. But since that's a global problem, you can't really resolve it exclusively on a regional basis. There's a global basis for dealing with that problem that's more effective.

So I think some issues will provide kind of magnets around which certain Asians will naturally kind coagulate, and some issues will find a different set of participants, more logical. So I would be driven by the issue, and the one you raised, it seems to me, is logically one that the core of that has to be Japan and China, but it may be helpful to have others in the room.

And so I can well imagine that could be an item on an agenda if Northeast Asian ASEAN took shape. That would be one of the issues I would think someone might want to put on the agenda.

MR. SNEIDER: In the back row. I don't forget.

QUESTION: Thank you, Chairman. Akihiro Iwashita. I am currently with CNAPS at the Brookings Institution, but my home institution is the Slavic Research Center

of Hokkaido University, Japan.

As a Japanese, today's presentation is very comfortable. I feel that in D.C. Japan's presence is down, down, down, and China's presence is up, up, up, so at least today is a good day.

(Laughter)

But after researching about Russian foreign policy, I'm very curious. Your book title is based on Northeast Asia but very little Russian presence, except a little flag referring to the Six-Party Talks. I also do not find any Russian names in this participant list. So could you explain the difference of concept between Northeast Asia and East Asia?

With regards to Russia, I think East Asia is enough, but this presentation reminds us to -- the -- me that a recent book written by Dmitri Trenin, "Getting Russia Right." So he wrote about in the book, he invoked China -- this is because United States treats China fair but they ignore Russia.

So do you evaluate a concept of Northeast Asia excluding Russia? Thank you.

AMBASSADOR ARMACOST: I don't. I think of Northeast Asia as being Japan, China, Russia, the United States, two Koreas. And East Asia, of course, embraces countries to the south. But I think Russia is a natural member of that region. It's not always very helpful, but I suppose that's not a disqualifier.

MR. SNEIDER: Well, you know, as a former Moscow correspondent I would have happily included Russia in this process. To some degree it's a little bit arbitrary. I mean we limited ourselves for a variety of reasons, not least financial. So I think if we take another run at this, we definitely should fold the Russians into it. And I think that the Russians are going to be larger players, particularly when we're talking about energy issues in Northeast Asia these days, and I don't tend to treat them as simply as interlopers, as I know sometimes is the case.

Let me come back over here on the left side.

MR. SCHRIVER: We need Mongolia in there, too, Dan.

QUESTION: Well, my name is Al La Porta and with the U.S.-Indonesia Society. It's good to hear this discussion. I want to, just want to associate myself with Alan's remarks earlier about moving in an evolutionary way. This sort of mechanism I find it very difficult, in view of everything that's been said, to think that we can move toward or leap toward a multilateral structure covering political security and economic functions. I would suggest that there is room for evolving the six-party mechanisms into some kind of

consultative structure, initially, with security in brackets based on selective issues, such as both Doug and Al suggested.

Likewise, on the economic side if trade's going to be too hard, I think there's a very fertile group of central bankers and finance ministers in Northeast Asia, and you may find a great deal more commonality with the U.S. interests and to begin from that angle rather than to try to tackle trade.

Lastly, just on the North Korea element, it seems to me it's going to be infinitely harder to negotiate a multilateral structure with the North Koreans at the table when it comes time for them to be at the table than for them to fall into a structure or structures that are already in place. And I think that there is, I think, also a sense -- and here's my Southeast Asian take on this -- you also have to start thinking about bridging structures between Southeast Asia and Northeast Asia, and it may not be what we're looking at.

AMBASSADOR ARMACOST: I would make only one comment, and that is I fully endorse your notion of getting central bankers together and given the foreign exchange reserves of Asian countries, it seems to be even more indispensable.

Alan Greenspan came out one year when I was in Tokyo for regular consultation, and he found it extraordinarily interesting and valuable. And he said to me, "You know, I should do this more often."

I said, "Yeah, why don't you?"

And he said, "Well, it's actually quite simple. I can get on a plane in the evening and go to Germany and have consultations a full day, be back at the office one day later. This is a week's trip." And geography, unfortunately, still raises that obstacle to closer consultations. Bankers have ways of communicating without actually traversing the Pacific, but there's something extremely valuable about that face-to-face time, and I think the bankers are seeing more of each other through one forum or another. But I think those issues, we have a real stake in managing those well, and a lot of the money that we tap to finance our trade deficit comes from Asia. So we better pay attention.

MR. SNEIDER: Chris?

QUESTION: Well, thanks. Chris Nelson of The Nelson Report. I think, Randy, isn't this your third conference in three days? I hope you get overtime.

MR. SCHRIVER: I slept through one, it's only my second.

MR. NELSON: Oh, okay. It's fascinating for me and I think for all of us, collectively, on the Six-Party Talks, because we're all so worried about and so conscious of where they could go wrong, you know, ranging from Chris Hill overselling stuff, or

Congress refusing to fund things, or the North Koreans breaking every deal they make, or, you know, we could all make our long lists.

But the more I've watched the process the more I'm sort of coming around to a version of the bicycle theory of trade -- maybe this is the horse race theory: You don't always get to pick the horse that you got to put your money on. And the only potential institution-building thing that I see going on in Northeast Asia that matters a damn is something that really matters, and it's the six-party talks.

Maybe I'm overreacting to Hill's salesmanship -- you know, he can sell almost anything to anybody –-but when I hear him discussing the working groups and all the different things that are in the working groups that covers just about every damn thing any of us would ever be interested in, including abductees and including all the things that are essentially peripheral.

So my sense of it is that maybe we need to be a little more dedicated to trying to make these things work at every level that we can because it's the only horse we've got. If you think Northeast Asian security is important and regional integration is important, and building confidence with the Chinese so they can talk to us, and the PLA guys maybe don't spend all their days listening to their crazy equivalents here, this is it.

I'm making a speech rather than asking for comments, but it's just fascinating that the theme so consistently has been implicitly to hedge on the six-party. That means that when it really comes to crunch time, maybe we won't put the effort into it that we really should to try to make it work. So thanks.

MR. SNEIDER: Comment? Walter?

MR. NELSON: I want to thank Mr. Shorenstein for sponsoring all this, and the very splendid conference that we had in June and the dinner at his house. So thank you, sir. Get all those things on the record right there.

MR. SHORENSTEIN: Walter Shorenstein, and give me an opportunity to talk. As a financial person I always believe in following the money. At what point do we think we will get an intersection of a financial crisis in a sense that 70 percent of our debt is being bought between China and Japan, and the whole question of credit-worthiness about financial means to pay for all this is the ability to join the others on these issues. And at what point will they stop paying our debt, because the biggest export of the United States right now is debt.

(Laughter)

MR. SHORENSTEIN: I personally feel it's imprudent to be as deeply in debt as we are, and therefore I think we have our own reasons, whomever we're getting to finance

our deficit. I think in this case there is a mutual indispensability in the sense that our market is as critical to our partners in Asia as they are to us, as the financiers of our -- on our shortfalls in trade and budgets.

So I think this will work, but I don't think it can work indefinitely. It can probably work a few more years, but I think it would be prudent for us to be making some of those adjustments which leave us less dependent on others in this field.

MR. SNEIDER: Yes?

QUESTION: Eric McVadon from the Institute for Foreign Policy Analysis. First on easing tensions between Japan and China, I'd like to take a step beyond Ambassador Armacost. I certainly don't have a big sample size, and I'm not talking to Hu Jintao, but I'm hearing from both sides that serious people are making serious efforts. And I have even heard that I think war raised the question of trilateral cooperation. So it seems to me that there's a prospect there.

Randy, a couple of questions, if I might on the matter of the U.S.-Japan alliance. I thought I was hearing the same lecture about how misguided we are in being so close to Japan and all that, and instead it ended up: look, you can stay married to the Japanese, but turn around and give us Chinese a hug every once in awhile. We deserve it now. I guess I'm kind of wondering if we're balancing the situation with China and Japan and what you think about that -- and I really mean that as a question, not an opinion.

On the Six-Party Talks, even if they're unsuccessful, can you imagine that it's all just going to die? It seems like it's almost a habit now. Maybe it's just become a habit with me, but it seems to me that that process has a good chance of continuing in some form or another just because we won't want to abandon it.

MR. SNEIDER: Randy?

MR. SCHRIVER: On the first question, I'm an alliance guy. I think there should be some primacy in a relationship with Japan, but certainly you can develop a relation with China, engage China, and as an alliance engage China in meaningful ways without making too much of a sacrifice in the relation with Japan.

I personally do think we've fallen a little bit of out of balance, mostly because of the Six-Party Talks. And it's probably unfair if you take sort of a more comprehensive objective view, we're not out of balance, we're right where we should be with Japan and China, but the perception now is that we're (inaudible) Tokyo, and the Japanese have often been treated as an impediment to progress in the Six-Party Talks, not as a supporter and ally.

And I think that, combined with some other, you know, smaller issues, you know, have -- and some other misperceptions -- F-22, for example -- things of that nature, I think

we're a little bit in a place where I'm not comfortable with. And I think it would take some repairing, but certainly not insurmountable.

What was -- there was a second question to me? What is the Six-Party Talks don't --

MR. McVADON: If unsuccessful, what -- (off mic).

MR. SCHRIVER: Well, I think it could. I mean I don't think it's a habit that the next administration -- I think Ambassador Armacost is exactly right. I mean, is there a possibility we could see “ABB” in the next administration, and straight Democrats or Republican, somebody could say these guys are fouled up everywhere, and we're going to go our own route.

Now, they may come back to it, but I think there could be a period of adjustment, depending where it's left off. You know, if you're sort of in the middle of something, it would be natural to pick up. But remember, Secretary Powell said, "We're going to continue what the Clinton administration was doing," and he got slapped down. He said publicly, "I got too far forward on my skis."

We went back where the Clinton administration basically left off. It took us a while. I can see the same thing happening in a new administration. I can see this thing coming to a dead halt.

AMBASSADOR ARMACOST: I would find that a little harder to imagine because the Democrat -- the Republicans had been trashing the Agreed Framework, so the people who wound up taking power had their own substantive motivation, and Powell didn't share them. But they turned out to be more powerful in the administration, it appeared.

I think the Democrats, having charted the path toward the agreed framework, and Bill Perry having charted the path to our very close consultations as the basis for negotiation with the North, I wouldn't see any motivation if they gained power to turn on a process which in effect ratifies the way in which they did business themselves.

MR. SNEIDER: Gil? It's good to say, quickly, that we're very pleased to have our colleague from Princeton here who has written, I think, one of the best books on regionalism in Northeast Asia, so we probably should --

QUESTION: Including Russia.

MR. SNEIDER: He included Russia, so --

QUESTION: Thank you. Gil Rozman. I wonder if some of these pieces in this discussion could go together. In particular, we do have, as one of the working groups a

discussion led by Russia of a regional security mechanism, and we are trying to get some coordination in that discussion. But what it seems to me, if we look at these few meetings that have already taken place, we're finding that the U.S. and Japan are far apart. If the U.S. and Japan can't agree on a regional security mechanism, not just the problems that have been discussed this year but the bigger issue of how together we can work for a regional multilateral approach, how is it possible for others to come to that agreement?

The U.S. can't bypass Japan in this region, and meanwhile the downturn in U.S.-Japanese relations this year may be more serious than others have suggested. This is a downturn in Japanese-South Korean relations in 2005, has proven much more serious than any previous downturn between these countries in recent times.

So I'm wondering if the U.S. is in a position, with the way we manage foreign policy, to prepare for that kind of regional multi-security approach, including dealing with Japan in a framework where we include Russia, talk seriously about regional multilateral security, and have a trilateral approach which involves China. Is this within the scope of how U.S. foreign policy proceeds?

AMBASSADOR ARMACOST: Well, I wasn't quite sure where you saw the U.S. and Japan at odds over -- I wasn't sure whether you were talking about the Northeast Asian Six-Power Talks, or the EAS and --

MR. ROZMAN: Yes, well, I think it's in the Six-Party Talks very clearly, and it's not just about the abductions issue; it's about what mechanism. But I also have the impression from discussions of what's happened at the meetings with Moscow that Japan is the most suspicious of the regional multilateral discussions right now. And the U.S. has come forward under Negroponte to say we want norms and principles for a regional charter and that there's not a sense that the U.S. and Japan have a coordinated approach.

AMBASSADOR ARMACOST: I think the most immediate problem in the six-power context is an anxiety in Tokyo that the U.S. might gradually accept, tacitly at least, a nuclear North Korea. And capping the plutonium program is clearly much better than an unregulated situation. But I think they are very attentive to whether or not we are going to stick with the complete denuclearization agenda. And I think it's very important for the United States, given our stakes in the relationship with Japan, to pay close attention to that.

And so it seems to me that the key is the consultative process before going to Pyongyang and making sure that we keep our eye on the ball here and that the relationships that really count were taking into account in what we do with the North Koreans. That's going to force some tough choices, but Japan also has a huge - one could say an equivalent - stake in denuclearizing North Korea as we do. They're more immediately threatened than we are.

So I think we have no reason to settle for just recapping plutonium. I think it would be very unfortunate if we confirmed the hope that Pyongyang clearly nurtures that

we will eventually go the same route with them that we went with Pakistan, for lack of other options perhaps.

So it's a moment when I believe attentiveness to that Japanese concern is very important to American security. I don't know about the detailed talks to comment on whether or not we have been appropriately attentive or not.

DR. SHIN: Well, let me say one thing. I'm quite skeptical that the six-party talks will lead to any significant multilateral framework in East Asia. Major progress was made only when the U.S. and the DPRK talked to each other directly. And if you're looking at the major issues in the six-party talks, they're fairly specific and involve specific parties.

There has been a lot of discussion about potential larger regional economic and security issues, but in my view these are secondary. The main thing for North Korea is establishing strategic relations with the United States, not with other neighboring countries. The six-party process looks good from the outside, but if we look closer there are very specific issues on the table that necessarily involve only specific parties. Regional issues are far from being at the heart of this process. Thus, I'm quite skeptical that the six-party process will easily translate into a regularized multilateral entity.

DR. BUSH: Well, if I can just supplement, you can get to a regional security mechanism in a couple of ways: One, you can adopt Alan's idea that there are a number of nontraditional security issues that need to be addressed, and you create a mechanism to address them. That includes all the powers.

The second is that this is a very complicated set of objectives, and you will need a mechanism, multilateral mechanism to be in charge of the implementation. And that you can grow a multilateral security mechanism from the implementation mechanism And the six powers together, working together, can create the mechanism through their cooperative efforts in implementation of the agreement.

MR. SNEIDER: Yes, right there?

QUESTION: Thank you. Donghui Yu with The China Press. Defense Secretary Gates will visit Japan, South Korea, and China next week, and we know that Secretary Gates visits China pretty soon after he took office less than one year, while former Secretary Rumsfeld was so reluctant to go to Beijing that he only visited China in his second term.

So my question, is that ending the United States adjusting its strategic with China to engage China militarily? And my second question is, how significant is this visit for the United States to keep the balance, power balance and regional security at this moment in Northeast Asia? Thank you.

MR. SCHRIVER: If I can just provide a brief answer, I think Mr. Gates understands very clearly the strategic importance of China. I think that he is very much in the mainstream of U.S. policy towards China. The problem was that Mr. Rumsfeld was for many years outside the mainstream of U.S. policy towards China.

MR. SNEIDER: If I could also point out that Secretary Rumsfeld also visited Japan only once, I believe, and Korea only once. So I don't know that the significance is quite as great as you suggest.

MR. SCHRIVER: Well, I might also add there was for Secretary Rumsfeld, who was probably otherwise reluctant, there was the EP-3 incident which for that agency was a huge, a huge deal. And that took a lot of time to repair. I think the rest of the government moved more rapidly toward restoring relations with China. But for DoD that was a very significant event.

I just -- one thing you said, it didn't quite sit right with me. You said Secretary Gates going to China to balance between the powers, and I don't think that's his objective whatsoever. The military defense relationship with China is still at a very modest point, and the objectives are entirely different than what would be his objectives for visiting treaty allies. So I think it's just an important point to throw in there.

MR. SNEIDER: Thank you, Joe Winder. I'd like to come back to the point that you have made about nationalism and history. With all due respect, I understand that efforts have been made over the years to improve relationships that govern -- at the governing level. We had Kim Dae Jung going around and everybody going, oh, he's doing a great job. And then relations went bad, and Abe, of course, has gone, made trips to China. On the other hand all these comments-and-comfort women are certainly not in the same direction.

And I get a sense that in no country in Northeast Asia -- Japan, China, or Korea -- is there a strong domestic political constituency for putting the history issue to rest. In Japan, I get a sense that they're just going to outwait. They're going to outwait the issue. So if we're not going to deal with the agricultural issue, all the farmers are going to die. The same thing with dealing with the history issue, they're just going to wait till the next generation comes around and maybe they'll (inaudible).

And I think that's the same in Korea, and I don't know about China, but the sense -- I'm not a China expert at all, but I've been to enough lectures when people have talked about nationalism replacing communism as the ideological basis for the regime and its legitimacy, my question is, isn't this nationalism issue the 800-pound gorilla that's overriding all these efforts that's coming up to some sort of regional harmony?

DR. SHIN: I think that a main issue, once again, in our view of Northeast Asian

regionalism involves the tension between regionalism and nationalism -- one might expect that with the rise of regionalism, nationalism would be weakened. But this is not the case in Northeast Asia. And despite all the increasing intra-regional trade and social-cultural exchanges, nationalism still remains powerful.

In order to overcome any negative impacts of nationalism, as I said earlier, I think it's really up to Asian leaders. They really have to come to a certain common understanding and vision for the region, but until now, it's been very convenient to use history and territorial issues for political gain. If you look at Japan, Korea, I think even China, they've been using this as their political cog to gain popularity from the people.

So that's why I say that we haven't seen any leader in the region who has successfully promoted a sense of common interests and a common identity. Instead, they've been using nationalism in a political fashion, even abusing it. That's why that's a major challenge, I think, for the region as a whole.

So, actually, at the Center now we are doing a project on this issue, which we call Divided Memories. This is a comparative study of five nations -- China, Taiwan, Korea, Japan and United States -- how they create their distinctive memory from history, because I think until now the countries have blamed the other. Koreans start criticizing Japanese, and Japanese criticize Chinese, and so on, but now my Center is systematically approaching these issues and trying to understand, for example, how the Japanese came to establish distinctive and formal memory and identity. We aim to understand this process in each country, including the United States.

We hope the parties can better understand each other's memory and perceptions of history and identity. But that's a small step.

MR. SNEIDER: Right here?

QUESTION: Richard Hu from the Brookings Institution. I worked on a similar project about East Asian community building, and I'd like to go back to the main theme of today, which community is building here in East Asia, especially the U.S.'s role in this building.

Now, you know, I agree with the panelists that the East Asian regionalism now is still very fluid. There's a lot of projects and lot of directions. People are struggling with where to go. And the U.S. now, I agree with the panelists, is pretty much passive and watching from the sidelines, even though it has opportunities to participate.

So I wonder, how long is the U.S. going to wait, and what will be the opportunity or the threshold that prompts the U.S. to be step in to either really shape, participate in or promote this community building? But, obviously, there's a problem for everybody, which is, what do you mean by community building? There are so many projects, and if you

want to build an overarching regional architecture, what that will be.

For a European case in the -- back to the '50s, Ambassador Armacost described that as being relatively clear. But the East Asian situation was not that clear. So I want to push a little bit further on this, that is, what is the U.S.'s fundamental interest in the future of East Asian community building? And the U.S. can obviously, can spoil it and divide East Asia. The U.S. can also get in to facilitate this community building. Also the U.S. is, from the East Asian perspective, the U.S. has the role to play the organizing and leading role. Without the U.S.'s participation, there will probably not be an overarching regional structure that will be built.

So what is the U.S.'s fundamental interest in the future of East Asian community? And how long is the U.S. going to wait?

MR. SNEIDER: I think we'll make that the last question, seeing as how it's a fairly large one as well. Gentlemen, like maybe all of you, if you want to make some concluding remarks?

DR. BUSH: Let me make a wild speculation that maybe in 2009, 2010, the United States would sign the Treaty of Amity and Cooperation of ASEAN, and then, hopefully, the people who run the East Asian Summit would schedule their summit in conjunction with the APEC leaders meeting, which would allow the U.S. president to attend both, back to back. I don't think we would want to control that effort, but I think there's a growing openness to our being a part of that effort.

To answer your broader question, I guess the question I would have -- and it's only my very idiosyncratic personal view -- is, why do we need free trade areas that are geographically defined? The Asia-Pacific is one big economic system. The supply chains go all the way across the Pacific, and should we not be thinking about a high quality free trade area that includes us all?

AMBASSADOR ARMACOST: I don't disagree with that at all. In fact, tabling of a broad regional free trade agreement was a useful initiative. It kind of got lost in the ether someplace, because it kind of dropped on the table with no briefing and no preparation, and it's there that someone else can pick up.

I think my view is that our interests in Asia are legion. Resources are scarce so people have to make tough tradeoffs, and we've got very -- very concrete security interests and trading interests, investment interests, political interests. The desire to move through regional institutions depends on whether they can help us accomplish those objectives. And that's a kind of natural reaction I think applies to everybody.

I wanted to make one comment that has been left unmentioned here, and that is one feature of Japan and China's competition is that China tends to take the lead regionally on trade issues, because they've got a huge internal market, and they've got something that's

comfortable for them to allow big import flow.

Japan tends to take the lead on monetary arrangements because they're very strong and have had a lot of experience. Now, on one hand the competition between them can inhibit the growth of regional institution because of that -- if they drift toward intense strategic rivalry, neither will have an interest in inhabiting these larger institutions.

On the other hand, if there is a generally tranquil regional environment, having Japan on the one hand promote practical ventures on the monetary side and China promoting ventures on the trade side can actually, at least logically, could accelerate the movement towards institutional arrangements in Asia. I don't know whether that's in fact the way it will work, but since nobody's mentioned it, it seems to me it's worthy of noting at least that in that one respect the competition between Beijing and Tokyo might fuel regional cooperation rather than be an impediment to it.

MR. SCHRIVER: Let me just make one brief comment on the Treaty of Amity and Cooperation, since I think it's about the fourth or fifth time it was mentioned. There is a problem with it for the United States and from my perspective, and it's our Burma problem. If you actually sign it and intend to honor it, our policy would be inconsistent and that's been the main -- that's been the main impediment. And that problem might actually be getting harder not easier with events in Burma.

So I'm -- maybe you know something I don't -- I think it could be getting harder. You know, no less than ASEAN ambassadors -- I won't name names -- but no less than top representatives in Washington have said, "Just sign the thing. It doesn't mean anything. Just do what John Howard did, sign it, and then go to the mikes and say you don't mean it," which is basically what the Australians did.

But we don't do that. You know, we submit treaties to the Senate, and it would actually be --

RICHARD BUSH: No, we don't.

RANDY SCHRIVER: Well, we -- okay, you could be cynical and sign things and not -- okay, fair enough. But I think there may be a problem with this, and I don't know that it's going to be solved right away.

I guess the only thing, just in closing; we were sort of forced in a direction by virtue of the topic and the panel assignments. I'm not sure this is the right aspiration for us, and I think you, Ambassador Armacost, in your closing comments said, you know, if it's serving our interests, if it's going in a direction where the U.S. sees advantage and sees our interests are well supported by going in this direction, then we should do it. But I'm not necessarily convinced of that, despite everything I just said and despite the tone which I think the tone is very much that this should be the aspiration, we should play some role in encouraging this. But I'm not necessarily persuaded. So I'll just sort of close with that

pessimistic comment.

DR. SHIN: I can only provide an indirect answer to your question about the U.S. role. I work as an academic at an American University; I don't work for the government. And I think there's got to be multiple areas in which the U.S. can play a role – not only through official means, through the government, but through people, universities and other organizations—these groups can play a certain role. So for us at the Center, we'd like to do more programming in Asia, with the Asians scholars and policymakers.

So that's one direction now we are pushing so that we can go to Asia and engage more and better with Asian colleagues in Asia. I think that's one thing we can do, of course, it's a small step, but something we'd like to do as academics.

So I guess it's time to close, and on behalf of our staff I'd like to thank our host and especially Richard Bush. And it has been such a pleasure, and we hope to come back next year --

MR. SNEIDER: Okay.

DR. SHIN: -- with a different topic. And thanks to our panelists and also to Walter for coming all the way to attend this event. Thanks again for coming to this event. I hope to see you again next year if not earlier. Thank you.

DR. BUSH: Thank you all. I don't know if the bookstore is still open, but if it is, you can buy your own, very own copy of Cross Currents.

Thank you again for coming today and for your great questions. And happy Halloween.

(Applause)

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