PANEL II

IMAPCT OF CHINA'S EMERGENCE ON THE ASIA PACIFIC REGION

MR. BUSH: Why don't we go ahead and get started? My name is Richard Bush. I am Brookings Senior Fellow and the Director of the Center for Northeast Asian Policy Studies, and it's my honor to be the moderator for this first session this afternoon on the "Impact of China's Emergence on the Asia Pacific Region." There should be no reason to explain why that's an important topic, so I'm not going to explain it. You don't want to hear from me either.

We are very pleased to have some very illustrious people talking about this subject, and in fact we have one more illustrious person on this panel than when planned. For reasons that are too boring to explain, we've imported Admiral Dennis Blair to this panel from the later one, and I owe Jeff Bader four draft choices to be named later.

[Laughter.]

MR. BUSH: We get a little bit more time, but we need to use our time wisely because he'll have to leave a little bit early. So I think we should get right down to business. I will not introduce the panelists aside from giving their current affiliation. You can find that information elsewhere.

We will begin first with Admiral Dennis Blair, who is President and CEO of the Institute for Defense Analyses here in the Washington area.

Admiral Blair.

ADMIRAL BLAIR: Thanks very much, Richard. There has been an awful lot of attention recently to the military aspects of China's rise in the

Asia Pacific Region. There was the incident earlier this year when the Chinese submarine was intruding in Japanese waters that led to a Chinese apology.

By the way, that's the first time in my memory that I can remember a country apologizing for the actions of its submarines. Do you remember the Whiskey on the rocks in Sweden that the Soviets attributed to navigation error, or it was something between force majeure and navigation error. I can't remember, but I think that's indicative. It was an incident, and then it was handled in a novel way.

There's a recent unprecedented exercise between Russia and China involving some 10,000 troops in Northeast China. There's been the whole prolonged debate about the European Union lifting its arms embargo on Chinese military exports, and of course, the recent Pentagon report on Chinese military developments. For those of you who follow the specialized press, there have been a large number of breathless articles about the implications of the Chinese acquisition mostly of 1980s vintage Russian technology.

There really is no doubt that China is improving its military capabilities after three decades of being held as the fourth of four modernization decreed by the Chinese Government. But as we view this increase in Chinese capability, I think it's important to keep in mind that the important military alignments in Asia are very stable. To change them in a fundamental way takes a sustained buildup of capability on the one side, and it takes a major sustained neglect of capabilities on other sides.

It's taken decades to build the military architecture of Asia, having to do with the results of wars, with major force redeployments, with basing and

long-term plans. Fundamentally, these big relationships are not fragile, they're not something that is changed by an event or two.

Military balances are not side-by-side comparisons of numbers or quality of ships, tanks and airplanes that we so often see. Rather, those who study this closely, measure military balances against the missions that the opposing sides have been charged to accomplish, and some missions take inherently more forces of certain kinds, and others take more forces of another kind in order to accomplish. They're not something that you put side by side.

So to estimate China's future capability and the effect of trends, you have to do it in the context of what the missions are and the key flashpoints or potential conflict areas within Asia, what the fundamental military realities are of the geography and the forces in that situation, and then again what the potential opponents to China would be doing in that case.

And if I put myself in the place of the PLA general staff and imagine myself giving an honest briefing to the Central Military Commission, I honestly cannot identify any decision military campaigns that the PLA would be able to conduct in the next decade that it cannot do now with the modernization program it's pursuing. Let me say that again. I cannot think of any major military decisive campaigns that the PLA would be able to conduct in the near or medium-term future with the modernization it has under way that it cannot do now.

It will not be able to build a high-confidence ability to take and hold Taiwan successfully. It will not be able to take and hold any inhabited Japanese island. It will not be able to take and hold pieces of territories from its

major land neighbors, India and Russia, with very large conventional ground forces and air forces themselves and nuclear weapons on top of it.

So what's all the fuss about? What are we excited about? I would say that when you look at it from a military point of view, in the future as results of its modernization programs, China will have three capabilities that will be better than it has now that might make a difference.

First it will have the ability to seize small disputed islands, whether these are the islands held by Taiwan right off the Chinese coast, like Jinmen(?) and the others, additional islands either in the South China Sea or in the East China Sea, but I would note that this is not a brand new capability for China. It of course took the Woody Islands in the Paracels. It had a medium confidence capability in this area now, but it will become greater.

Secondly, as China builds the way it seems to be building, it will have a greatly increased capability for punitive but not decisive actions, missile strikes throughout East Asia, attacks on Shipping throughout the region.

Third, it will have the capability to send a naval force with on-call missile support or air support throughout East Asia to crisis points should it choose to.

So with these capabilities, I would say that China's building military capability will sort of resemble that of Germany's in the late 19th and early 20th centuries. I don't want to push the comparison too far, certainly not up to World War I, but there are similarities in the way that you think about it.

To the extent that China decides to assert an interest in an issue in the region or more widely, it will have the military means to bring forces onto the

scene and other countries will have to take China's interests into accounts in these issues and in these potential crises. Because of its greatly increased punitive capability from its military buildup, if it chooses to assert an interest in an issue, it can cause damage to the forces or the territory of countries that oppose it, and the potential for that damage will give it leverage.

So like Germany, some odd years ago, there's limited military capability. When coupled with the economic growth and the expectations of greater economic growth that China has, will in fact give China influence and leverage in regional and even worldwide issues as it chooses to become involved in them and as it chooses to define its interests in the future. It will be able to elbow its way onto the table of issues in the region with military force behind it.

There is really little that any country in the region can do about this capability because of the way that military technology is developing. There's little that the United States can do, that Japan can do, that other countries can do about changing this capability that China will achieve.

However, by continuing to modernize their own armed forces, Taiwan, Japan, Republic of Korea, the United States--and none of these shows any sign of completely neglecting its defenses and Taiwan seems to be turning things around recently--by continuing to modernize their own forces, these states can ensure that none of these crucial military balances defining the major muscle movements in East Asia change in a fundamental way. It's really only a prolonged period of inward-looking neglect or ostrich-like behavior by the other countries in the region, and that we would tip these fundamental balances and that China's current military buildup would have that kind of an effect.

MR. BUSH: Thank you very much, Admiral Blair.

I would now like to call to the podium Ambassador Kishore Mahbubani, who is the Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore.

MR. MAHBUBANI: Thank you, Richard. Just a small correction. It's Mr. Kishore Mahbubani now. I used to be an ambassador.

I'm going to begin by quoting an old Sri Lankan proverb, which says when the elephants fight, the grass suffers, but when elephants make love, the grass also suffers.

[Laughter.]

MR. MAHBUBANI: And I tell you why I tell that story, because this time the two elephants I'm referring to, of course, are United States and China. It's very obvious that if the United States and China fight each other, clearly, it's going to be bad for the world, bad for the region too. But you would think logically if the United States and China make love with each other, won't it be wonderful for Southeast Asia?

I will tell you one simple true story to illustrate how it could be very bad. In 1981 I think, a couple of years after Vietnam invaded Cambodia, there was something called International Conference that Cambodia held in the United Nations. The Vietnamese and Soviet bloc boycotted it. And at that conference we discussed what would happen to Cambodia after the Vietnamese troops withdrew, if they did as a result of UN pressures. And China took actually the correct international law position, which is that, hey, if the Vietnamese troops

withdraw, the predecessor, Khmer Rouge Government of Pol Pot takes over. That's what international law says.

And the ASEAN countries of Southeast Asia said, "Hey, hang on a second. If you put in the resolution that you're calling for the restoration of the Khmer Rouge Pol Pot Government, nobody's going to support it, right?"

So there was a big fight within the ASEAN countries and China. The fight became so ferocious that the United States had to intervene, and we all in ASEAN felt so great that United States is going to intervene, the United States is going to stand in favor of human rights, democracy, and say that United States will oppose the return of the Khmer Rouge Pol Pot Government.

The United States walk into the room where we are having this argument between ASEAN and China, and the U.S. said, "Our relations with China are so important now, so we, United States, believe that you, ASEAN, should accept the Chinese position and not give China a hard time."

I can tell you for the ASEAN countries it came as a huge shock that the United States, the city on the Hill, the beacon of freedom, was taking a position supporting the return of the Khmer Rouge and was doing so primarily because of its good relations with China. And that to me is a vivid example of what happens if the United States and China get close to each other.

So from the point of view of Southeast Asia, what we have today, a situation of controlled tension between United States and China, is possibly the best environment that we can have, because in this situation of controlled tension, it increases options for the countries of Southeast Asia.

I will give you one simple example. The Chinese, because they are uncertain what the future directions of U.S. policy towards China are going to be, because they have to prepare maybe for the remote possibility that the United States might carry out a containment policy of China, to preempt such a containment policy, what China is doing, very wisely--and frankly it's also in their long-term interest--what China is doing is sharing its prosperity with all its neighbors, and especially with Southeast Asia, and that's why the Communist rule government of China has proposed a free trade agreement to the 500 million people of Southeast Asia, primarily to preempt any kind of containment strategy.

So if you have in a sense a certain degree of tension between the United States and China, it creates opportunities for the countries of Southeast Asia.

And we get other benefits, because the minute China propose a free trade agreement to Southeast Asia--and by the way, the Chinese made a point to say, you may not think we're serious, let me tell you we are serious, and they even gave a early harvest of allowing some duty-free access to Chinese markets of agricultural products and so on and so forth, to demonstrate that they are serious about this free trade agreement.

The good thing is, at the minute China proposed a free trade agreement to Southeast Asia, Japan said, "Hang on a second. We cannot allow China to have the strategy advantage in Southeast Asia," so Japan came forth and also proposed an economic partnership agreement with Southeast Asia. And when Japan did so, India said, "Hang on a second. I have a 2,000-year

relationship with Southeast Asia. We too have to propose an economic partnership agreement in Southeast Asia."

So you can see how as a result of the controlled tension with the United States and China, Southeast Asia is benefiting a great deal, and in that sense, frankly, it is a very good moment for us.

But we have seen the flow of history long enough to know that these things come and go, these geopolitical moments of opportunity don't last. So what can we do in a sense to seize this opportunity to ensure that the benefits we're getting from this moment will stay for longer time in Southeast Asia? And this is why the forthcoming summit meeting in Kuala Lumpur in December this year, which will bring together the 10 ASEAN countries and the three countries of Northeast Asia, China, Japan and Korea, as well as Australia, New Zealand and India, in the first ever, in a sense, you might call an all-Asian summit, this is where in a sense you will see an effort made to lay in place a broader Asian order that brings together all the major powers of Asia into a cooperative arrangement. And the reason why you can do it now is because of this geopolitical moment that has been given to Southeast Asia.

One point I want to emphasize, especially to an audience in Washington, D.C., is that the key player in all this is an organization that probably many of you already--I suspect many of you in this room would have heard of, but most of you would dismiss as an inconsequential organization, and that organization of course is ASEAN, the Association of Southeast Asian Nations, which will soon be celebrating its 40th anniversary in two years from now.

And even though every book you read, every essay you read on ASEAN will tell you why it's such a failure compared to the EU, it doesn't have the deep kind of integration that the European Union has and so on and so forth, ASEAN, as an organization, has made a remarkable contribution to Southeast Asia by ensuring that no two ASEAN nations have gone to war in a region which is known as the Balkans of Asia, with indeed greater variety of race, language, religion than even the Balkans of Europe, that alone make this a significant enough status.

But more than that, the years of diplomatic initiatives that ASEAN as an organization has taken, has given it the capability to launch a summit of the kind that you see in KL, and at the same time the years of diplomatic activity within ASEAN countries has also given them equally, importantly, a sense of confidence about how to handle the new environment that we are moving into, because we all know that no one can predict what's going to happen to the world when China emerges as a major power. It is going to emerge, that's very clear, but the question is, how will the world change? How do we adjust? And the ASEAN countries have begun thinking about that.

Here, if I may add another point here, especially to an American audience, for those thinking, even thinking of a containment policy of China, think twice because don't put any country which has been a neighbor of China for 2,000 years or more and will have to be a neighbor of China for the next 2,000 years, don't force them to choose between America and China, because you put them in an invidious position because they know that America may leave the

region, but China will stay, and that's why no country wants to be caught in a hostile relationship with China.

And frankly, from the point of view of the Southeast Asian countries, by the way, because given the rise of China, at the same time we also want America to maintain a strong and sizable presence in the region because it is a balance of power that creates the sort of opportunities that the countries of the region need. So even though the relationships between the Southeast Asian countries and China are getting better, they do not want to see this in any way happening at the expense of their relationships with America. Indeed, they want America to maintain a strong and sizable presence there.

I do, by the way, mention also that in trying to figure out China's relationship with Southeast Asia, I can tell you that even the Southeast Asian countries are going through a phase of thinking, "How will we relate to China in this new world?" Because there is on the one hand, as you know, the 2,000-year relationship, and most of it by the way--I mean you can't 2,000 years in two minutes--most of it has been a relatively happy relationship, by the way. I think with the exception of Vietnam, which has fought major wars with China, the rest of Southeast Asia had not experiences great invasions from China. So there is in a sense a foreboding about China.

By the same time, in recent history, as you know, the Southeast Asian countries have had a bad patch with China, certainly in the '50s and '60s when China was still, as you know, an ardently communist country, China was heavily exporting revolution to Southeast Asia, and the communist parties of Thailand, Malaysia, Indonesia and all was supported by China. That too is in the

living memory. So that is a legacy too that China has to clear if it wants to reach a new accommodation with the region.

All I can tell you is that by and large a new chapter has turned between each country of Southeast Asia and China. I won't cover all 10 countries now, but if you look, for example, at Thailand's relationship with China, it probably has never been closer.

If you look, for example, at the relationship within Malaysia and Indonesia, again, the relations between them and China have never been closer. I think they have signed some strategic partnership agreements even. This is significant because for those of you who know the ethnic makeup of Malaysia and Indonesia, as you know, they have a sizable domestic Chinese population and there have been in the past problems within these societies, in the relations between the Chinese communities and the non-Chinese communities. Despite this fact, China has been able to win over the confidence of this Malaysian Governments as an indication of the new, in a sense, spirit that you see in China's relations with Southeast Asia.

And of course, they have good relations with other countries too, but I'm going to mention quickly in passing, Myanmar, because I know that's a major obsession of some planners in this city. Myanmar clearly is a country that is not progressing, or is doing as well as the rest of ASEAN. Indeed, the rest of ASEAN wish they would transform itself and change itself faster. But the worst thing we could do, by the way, is to expel Myanmar from ASEAN, because if you do that, you immediately turn Myanmar, as a country, and make into cockpit of rivalry within China and India, which traditionally have vied for influence in

Myanmar. So by keeping Myanmar within ASEAN, that's one way of restraining rivalries involving China in the region too.

So that, in short, is how we perceive the relationships at present between Southeast Asia and China. Essentially we see a great new opportunity arising for all of us, but at the same time I do want to emphasize, especially to an American audience, we also want America to maintain a strong and sizable presence in the region as long as possible.

Thank you.

[Applause.]

MR. BUSH: Thank you very much, Kishore.

We now move to the Northwest and the subcontinent, and I would like to invite Dr. C. Raja Mohan, who is the editor for Strategic Affairs and Indian Express, to the podium. Dr. Mohan.

DR. MOHAN: Thank you. I'll focus my presentation on four sets of issues in relation to China and South Asia. Normally in debates on China and the U.S., it's rarely that anybody from South Asia gets called, but I congratulate Brookings for making this different.

I think if you look at China beyond the traditional prism of Northeast Asia, that you'll come up with some very interesting strategic prospects out there because South Asia abuts those parts of China which are occupied by non-Han people. They are large and they're also the areas of maximum vulnerability for China.

The history of the relationships between the subcontinent and these non-Han areas of China is a long one, and the tradition of interaction

culture that I think provides a very interesting dynamic. What we've seen in the last few years is really--if the last 40, 50 years were dominated by the strategic dynamics of Sino-Indian confrontation in Tibet, today what we are seeing is really the beginning of a new set of factors that are bringing India and China closer, and it could have a different set of possibilities that are emerging.

So what I will do is to look at, one, the expanding trade and economic cooperation between China and South Asia; two, move on to what does some of the strategic consequences of this mean for the region; three, look at the Sino-Indian dynamics in the wake of the changes that are taking place; and finally, look at how the changing Sino-South Asian relations, what do they mean for the United States?

On the first set of issues, that after ignoring economics as a factor in the China-India relationship for so long, today what we have is really India-China trade relationship and economic cooperation is probably one of the fastest growing trade relationships anywhere in the world, growing at nearly 40 to 50 percent in the last few years. The Sino-Indian trade has reached $14 billion last year. This year it will be 20, and in all probability, China will overtake the U.S. as the single largest trading partner of India by 2010, if not even earlier.

So you have the impact of China. China's economic presence in the rest of Asia has been slow in coming to South Asia, but there it is, and today, as both India and China open up, what you're going to see is a dramatic, rapid expansion of economic relations between China and South Asia.

The trade that takes place between, and the cooperation that takes place between India and China need not necessarily be at the national level, that

is, India, core India, China, core China, cooperating with each of them. One of the interesting outcomes that could be, that this trade could be between the bordering areas of India and China. If you look at the map you'll see a 4,000 kilometer border between China and South Asia. Now, these borders got closed, not just because the Himalayas were inaccessible, but because of the nature of the politics between India and China. As those politics begin to change and China and India begin to address the boundary question, what you're going to see is the opening up of historic trade routes, linkages that existed between Hunan, if you move from the east to the west, Hunan, Tibet, Xinjiang, and Central Asia, that the historic connections overland that existed between South Asia and these parts of China, are going to be opened up, and what you see--and if India and China, two of the world's largest economies, begin to open up their trade routes, what you're going to see is the bringing into the world market some of the last regions of inner Asia into the global economic integration, you start from Hunan towards Xinjiang.

As a consequence of this, what you're going to see is a dramatic change in terms of how we think about the economic geography in South Asia which has traditionally been westward looking, but now in the last few years the trade with the east has begun to overtake the trade with the west, and once China's full potential begins to come down the region, then you're going to see the complete change.

The second aspect, I think, there are going to be strategic consequences for greater economic integration between China and South Asia. Now, what we have seen in the last few years is really the single biggest marker

in this--in the morning Don Evans was talking about Wen Jiabao telling him to go west. In fact, it is the strategy of going west--the west region development strategy of China that was announced in 1997 that has begun to connect China and South Asia in ways it has not been connected before. I've been to Tibet and Xinjiang in recent--last two years. The dramatic expansion of the Chinese infrastructure is going to roll down into South Asia through the Himalayas, wherever the historic trade routes exist.

What you're going to see, the expansion of the Chinese infrastructure having brought a railway line that comes all the way to Lhasa, it's not going to take much to bring it down into Nepal, into India, and what you're going to see is the connections, the physical geographic connections between China and India are going to be now possible thanks to China's west region development strategy.

Now, as a result of which of course, there is the fear that as China comes down, what would be the impact in terms of politics? For now, India and China have good relations. They are engaging each other. They are talking about resolving the boundary dispute. There's been some interesting progress. But what we do see is the potential shift of the rivalry between India and China from the Himalayan land boundaries to the sea.

Now, much has been said this morning about China's quest for energy security. What we've also seen in the last few years is the growing profile of the Chinese in the Indian Ocean region. There is this talk about string of pearls strategy that many of you are familiar with. That debate goes on here. But what's interesting, that without attributing any motives to the Chinese, purely

from the logic of pursuit of energy security, China will need access to maritime infrastructure in the subcontinent because subcontinent is before the choke-points of Malacca Straits, and what we've seen the Chinese do in the last few years is dramatically raise their maritime profile. They're building a port in Pakistan in Gwadar. They're building a port in Chittagong in Bangladesh. Their maritime presence in Burma is well known. And then you have Chinese are looking at gaining a presence in Sri Lanka.

So what seemed very remote areas, which are not in contrast between anyone, you're beginning to see the Chinese presence being felt in ways that are very, very different than in the past. So while you have a situation where the growing Chinese need for energy security and to use the outdated phrase called "the search for the warm waters of Indian Ocean." That was said in a different context.

But if you look at the Chinese, much of Western China, Indian Ocean is much closer than South China Sea or the East China Sea, and for these regions to get access to ports, I think it makes eminent sense for the Chinese to come down to these parts through South Asia. And I think how this would play out is something will depend entirely on the Indian attitude, and which brings me to the third set of issues, where does China and India go in the current situation?

The fact is at this point, Sino-Indian relations are so good, they have never been as good as they are today. After 40 years of actually ignoring each other, of not even maintaining elementary neighborly relationship, in the last 15 years the normalization of the Sino-Indian relationship has taken place, and as a consequence we have a dramatic expression of cooperation, trade, et

cetera. Does this mean that India and China are going to be absolutely buddies, and that there's going to be no confrontation or conflict between them?

You have two essential sets of views on where that relationship will go. I think one, the realists will say, look, as two rising powers in Asia, India and China are destined for a confrontation, and that Asia is too small to have both India and China rising at the same time.

The other view of course is that in the globalizing world, that in expanding markets all around, India and China have enough room and space to engage in a significant and substantive cooperation. My own sense is the truth will be somewhere in between and that we will see all three elements in the Sino-Indian relationship, cooperation, should see significantly expand, and this cooperation could also include, for example--if you look at the map again, the closest port to Lhasa is Calcutta. Now India could prevent and resist the Chinese from coming down into South Asia, or India could one day say, look, we'll give you the Calcutta port. Let's do transit trade to Western China through our territory. Of course, how this would play out of course would depend on the kind of political tension that exists. But the fact is, the nature of cooperation between India and China is going to be significantly expanded in the coming years.

Competition. Yes, there will be competition. We've seen the competition referred to in Burma, with India and China, two neighbors. We don't much think about democracy there at this point because we don't want to cede China--Burma to the other, but there is enormous pressure on India to match everything that the Chinese do. The Chinese build one road, 100 kilometers, we build another road, 150 kilometers. Chinese are going to build a corridor running

south from the north. India plans to build a corridor running horizontally from west to the east.

So the competition is there. It is a natural one, and that competition, whether it is for hydrocarbon resources or for something else, India and China will continue to compete for a whole range of eight areas.

Conflict. There will be elements of conflict, and I think so far we have successfully managed to avoid them in the last few years. The question of the--the central conflict--the idea for the conflict is centered around the basic notion, historically in their beliefs--we have our own little Monroe doctrine. We think South Asia is part of our Monroe doctrine. The Chinese of course never accepted this Monroe doctrine, and they say, "Look, we want to have equal standing as India in the subcontinent," and the question of how do we find ways to manage this fundamental tension that India does not like Chinese coming down south of the Himalayas and playing a role in South Asia, and strengthening our neighbors in order to contain India.

And the other reality that operates today, that in a globalizing world there will be no exclusive spheres of influence, and that India, China--India is going to enter Southeast Asia to compete with China, and China is going to be entering South Asia and competing with us. So there will be potential elements of conflict in terms of what China does with India's neighbors.

That brings me to the last set of issues in terms of what does all this mean for the U.S. policy and where does the Sino-Indian relationship and the China-South Asian relationship mean for the U.S.? I think as much as the U.S.--Kishore talked about it--that the prospect of the U.S. being marginalized from

Southeast Asia, if that is the reality today, there is also the danger that in terms of economic presence at least, it is the Chinese economic presence in South Asia that is going to dramatically grow in contrast to the historic links that the region had with the United States.

That in a relative scale it is Chinese trade, Chinese investments, Chinese contacts, which are dramatically going to grow in South Asia. This is something I think the U.S. will have to be concerned about, given the strategic nature of the area.

The second set of issues I think is in relation to how the U.S. thinks about balancing China. And I don't want to use the word containment. I don't think India is interested in containment. No Asian country at this point is interested in containment. And certainly does not want to invite itself to a party to which invitations have not been issued yet. So there's no question of India joining the containment party at this point of time. But the fact is, the U.S. believes that it could historically deal with China through its own power. I think if you look at the military, I think that point would still remain, but I think the U.S. interests should be to provide for a local equilibrium, rather than believing that it could set up a containment, and as I said, given the economic integration that is taking place, there's going to be a lot more preemptive appeasement than those who are going to accept RSVP the American containment party.

Therefore, the challenge for the U.S., I think, is to build an institute equilibrium within Asia that would involve strengthening India, and I think that should be the objective for the U.S., and not deciding whether U.S.

should contain China or not, creating an equilibrium in Asia itself should be in the interest of the United States.

I mean I think there's one very interesting possibility I will clear up, that in the past, when I think when the U.S. came to us and talked about the Chinese threat, it was India which demurred, but we see that it is India, and many other countries in the region feel that while China talks about the multi-polar world, it certainly doesn't talk about the multi-polar Asia. The U.S., of course, which doesn't like the multi-polar world, doesn't really talk about a multi-polar Asia either. Therefore, I think the interest of India and the region, as well as the United States, would be in the creation and development of a multi-polar Asia, where the conflict between the different powers is avoided and the U.S. can limit both its burden, in terms of how it deals with the region, rather than trying to take either the whole responsibility or abandon it, given the difficulties of actually doing the containment in the region.

Ultimately, India and South Asia, as we said, look at China from a different point of view. It's a region that is not normally in fashion except in political boutiques here and there, whether it is Tibet, whether it is Burma, whether it is Xinjiang, it's got a very limited sex appeal in general terms, but I think today ultimately as China moves towards democracy or China deals with the question of terrorism, these areas are going to come back to the center stage in terms of how we think about stability in Asia.

Thank you.

[Applause.]

MR. BUSH: Thank you very much, Dr. Mohan.

I would now like to call on Dr. Kim Kyung-Won, who is the Senior Advisor to Kim and Chang, for his remarks.

DR. KIM: Thank you.

I was asked to speak about how the rise of China looks to Asian countries. For this reason I was not going to say anything about what I believe. What my countrymen believe was going to be the focus of my discussion. But then later I was told that we are free to speak about our own beliefs, so I'm going to be mixing them up, and you will have to figure out which statement represents my view and which statement represents my countrymen's view.

Incidentally, I read there that a sociologist indicated the average maximum length of time that a person can concentrate on someone's speech is about 7 minutes. By the time 7 minutes is over, one's attention is not as sharp and focused as it should be. So I assume that you are all feeling very tired, and this is--particularly after lunchtime is a bad time for public talk.

Korea is in a unique position in regard to the rise of China. Korea has its security structure built upon the U.S.-Korea Defense Alliance, and the rise of China directly threatens that alliance. This may be a good thing, may not be a good thing. I don't know. But the fact of the matter is that as the Chinese rise, and are perceived as doing so, Koreans will be compelled to consider the other option, the Chinese option against the American alliance that we have enjoyed until now.

For this reason the impact of the rise of China on Korea is direct, complex and decisive. I hope to be able to give you a sense of what goes on in a

Korean person's mind as he contemplates these issues. But let me first of all say something about how the rise of--the economic rise of China is seen by Koreans.

Basically, Koreans, the majority of them, according to the surveys, takes a positive view of China's economic growth, and this is not only because China provides a market for Korean products, but also ideological meaning is also important. The China that concentrates on economic growth and does it so within the framework of the market economy, is welcome addition. And one shudders to think what the world would have been like if it went the other way, if the Chinese did not make the turn to the right to the market economy, but continued along the line that Mao Tse Tung had pursued. We would have been in great difficulty. For these reasons, Koreans, when asked, do give a positive answer to China's economy.

But nevertheless, the same Korean will be answering, will be pointing out the following problems that we see in terms of our relationship with Chinese economy. Number 1, the low cost production capacity of the Chinese has a deadly impact on our manufacturing industry. Our factories with chimneys had to all close down, and Korean companies had to pack, many of them had to pack things and go into China and establish plants there.

Number 2, yes, we are--despite the disadvantage of having to compete with China which has low wage advantage, we do have technological gap, about say 5 to 10 years ahead of the Chinese level of current technology, particularly information technology and so on. But here too Koreans know and say so, that it's going to take not a great deal of time for the Chinese to catch up with us and move ahead of us in terms of technology. Koreans have the feeling

that there are so many Chinese. Among them there are bound to be enough smart Chinese, and they will make sure that the Chinese technology is not inferior to anybody else's.

In fact, we say among ourselves that the only thing in which we seem to be invincible to the Chinese challenge is our football team.

[Laughter.]

DR. KIM: And finally, the problem, the one problem that we see with the Chinese economy is that there is a symmetry in terms of vulnerability. Korean economy is so small compared to the Chinese economy, that in any confrontation or conflict between the two countries, if Chinese decide to use economic instruments as a instrument of putting pressure on South Korea, and to create the, let us say, the embargo against the Korean imports, we would be squeezed to death right away. We are that small, whereas the Chinese economy is on such a large scale that in a confrontation, in a conflict with South Korea, China would have no problem continuing it.

So for all these reasons, our view of Chinese economic roles is, although generally it is positive, it's not without problems.

What about the military? Incidentally, the Chinese rise, the rise of China, I think it's the first time in all the history in which a nation is able to rise to such a high level so rapidly without inducing a negative reaction from other countries. What I mean is that according to recent surveys, most countries have majorities--in most countries majorities to look upon the Chinese economic growth in positive terms, favorably, and this is the first time this is the case, because in any previous periods when balance of power was changing as a result

of uneven economic growth along the countries, the countries moved ahead would be looked upon with resentment and negative feelings. But now the Chinese have managed to grow and remain popular.

In fact, surveys show that Chinese--China is looked upon more favorably than either United States or Russia in terms of the role that they are playing in international community. When asked, "What do you think--do you approve of the way that Country X conducts itself internationally?" More countries had more majorities who had positive view of China's influence, China's role, international role, rather than the U.S. or even Russia. It's something for the United States to think about seriously, it seems to me.

But despite this, another twist in this public opinion study is that the world looks upon Chinese economic growth in positive light, but looks at growth of China's military power quite negatively. This is absolutely clear in the statistics that we have.

But despite this thought, the neighboring countries in East Asia look upon China's military power in positive terms. I spoke of the attitude about China's growth of military power, but if you ask the people in India, Indonesia, Philippines, et cetera, then most people seem to approve of the level of military power that the Chinese have. In the Philippines the approval rating is about 70 percent; Indonesia, 68 percent; India, 66 percent.

But in Korea public opinion on this--on China, China's military power is almost evenly divided. Those who approve, who say, yes, it's okay, 49 percent, whereas 47 percent are opposed to China's military power. Japan is also, is divided, 22 percent yes, 25 percent no. But Korea is uniquely--public opinion

is divided, and that can have two consequences, or causes. On the one hand I think it reflects the fact that in Korea in the name of democracy, we are now divided among ourselves, and we think that's normal. And when we go into the security policy matters, when asked which country should be given the greatest weight for--in terms of South Korea as a security, 58 percent said U.S. should be the country that we should concentrate on, whereas, China, they said only 28 percent.

So despite the fact that the rise of China threatens the U.S. connection, nevertheless at the moment it remains the strongest among the alliances that we have or contemplate.

But if we look at the support level for ROK-U.S. security in terms of generational breakdown, it's somewhat more interesting. Those in their 20s, only 54.8 percent support the U.S. connection, alliance. And those in 30s, similar, 54.8 percent. And then those in their 40s, it goes up to 52.9 percent, and those in their 60s, the support level is 73 percent. But what is truly interesting is that those in their 30s and 40s show more anti-American attitude than those in their 20s.

I'm sure you have heard about anti-Americanism in Korea, but anti-Americanism is a trend. It's becoming diminished it seems to me, and the reason why those in their 30s and 40s show the greatest antipathy to the United States is because of the experience they had about 20 years ago in Kwangju uprising, and in the role that the United States is supposed to have played in the atrocities inflicted on Kwangju citizens. But that memory is now receding, and

those in their 20s show a little more conservative, more realistic attitude than those who are older than.

So Korean people's objection to the rise of China is complex and uneasy, particularly our historical memories of our relationship with China are a very complicated one. We consider ourselves in Korea as a country that miraculously was able to maintain independence and cultural identity, despite the geography of being a small peninsula attached to a larger continent, despite the pressure, Japanese pressure, we have been able to maintain our own identity. That is why nationalism runs very strong in Korea, excessively so, in my view.

But one thing that we remember is that our relationship, historical relationship with the Chinese regime has not been always smooth, and at times it had very difficult moments, and or survival strategy taught Koreans to distrust its neighbors to begin with, and therefore, there is a saying among ourselves I Korea, that what makes us Korean, well, if you distrust -- [Tape change] -- distrust Russia, and if you distrust China, then you are truly a Korean.

[Laughter.]

DR. KIM: So the rise of China as one more party to distrust, and our U.S. alliance, even though it will be a challenged by the rising China, I don't see in the statistics of the surveys that have been conducted recently, I do not see any sign that there is going to be realignment in Korea's international security system. You will hear and read about Korea's anti-American sentiment, and so on, and our political leaders may speak the language of anti-Americanism, believing that will get them elected, but deep down Koreans know that why they

better stay allied to the United States, and I predict that is going to remain for some time.

Thank you.

[Applause.]

MR. BUSH: Thank you very much, Ambassador Kim.

For our last speaker we turn to Yoichi Funabashi. Normally he is the Chief Diplomatic Correspondent for the Asahi Shimbun. This year, happily, he's a Visiting Fellow here at the Brookings Institution. Yoichi?

MR. FUNABASHI: Thank you, Richard, very much. Delighted to be a part of this. I commend Brookings Institution initiate this China initiative. I particularly commend Jeff and Jing and the others for this endeavor, including U.S.-China-Japan Trilateral Cooperation Project. I think it's very visionary.

But today, vision aside, let me confine my remarks to a more reality check aspect, or how the rise of China is seen and felt in East Asia, particularly in Japan.

I think it already has had a great impact and most recent landslide victory of Prime Minister Koizumi, and LDP, I think may be viewed, seen as this symptom of China's impact on the Japanese politics and even political culture. Certainly, this was heralded as the victory for Koizumi's reform issue agenda, foreign policy was totally almost absent from the pre-action debate. But I would contend that actually this was a national referendum on not policy, but on Koizumi, his style, as his leadership style, and appeal, what many perceive his

strength and decisiveness and defiance, particularly related to China. Actually, really, I think has struck a chord among the Japanese psyche.

Professor Kim, Ambassador Kim mentioned that China's rise and its impact on Korea is direct, complex and decisive, but I think perhaps except for South Korea that impact is most profoundly felt in Japan. It not only forces Japan to revise its strategic calculus but it forces Japan to redefine its political culture, national identify, and Japan's place in the world.

The rise of China perhaps may have that very long-term impact on Japan, perhaps just to take steps, look back on that long term, say 150 years range from Japanese--in Japanese history context. The first watershed was Commodore Perry's flagship major restoration, 1853 to 1868, which really ended Japan's 250 years isolation, and the birth of Japan's modern state. And then 1894 to 1904 Japan's two victories of Sino-Japan War and Russo-Japan War, which led to Japan's predominant power status in East Asia, and then Japan's defeat and American occupation from 1945 to 1952, and then which really changed the whole--Japan radically, and reverse of a new Japan.

And then perhaps after that I think the rise of China, which perhaps started, from a Japanese perspective, 1995, and it continues and will continue. The rise of China is particularly difficult for Japan to cope with for various reasons, but none the least, the how to solve issues between Japan's relationship with the neighboring countries.

I find that Prime Minister Koizumi's continuous and contentious visit to Yasukuni Shrine to be deplorable, and I think Japan can and should do more to come to terms with past atrocities. It's long overdue in some respects.

Having said that, it takes two to tango, and it requires both leadership on both sides to really put the past behind, which we have yet to see.

But the very difficult of the history issues is in my view that Japan and China have yet to share that vision of the future East Asia. Without sharing that, some future order vision in East Asia, it's very difficult for you to share the history.

More fundamentally, I think that perhaps the history issue, despite its critical importance to Japan, to China, East Asia, I think it's--I would say, argue with that, this is more symptom than real cause. The real cause is I think has more to do with the realpolitik and the changing nature of the realpolitik in East Asia.

First and foremost our two nations are emerging simultaneously, and this is unprecedented in the modern history of East Asia. Where Japan certainly has seen stagnation, stagnating economy of 1990s, yet I think Japan still is emerging in the sense that particularly that Japan is trying to translate its accumulated economic might into political power. Perhaps that the rising India, and rising Korea I would say, complicated this whole picture. Very difficult to manage two, or three or four rising powers simultaneously. And particularly, I think it is psychologically difficult for Japan to digest and to really come to terms with this new evolving evolution, new and evolving reality.

Second, I think the U.S.-Japan alliance has been a bone of contention between Japan and China, but as China becomes to be more rising and confident, they seem to tend to challenge that U.S.-Japan alliance. They see--there is intense debating within Chinese leadership as to how they see the merits

of that U.S.-Japan alliance. Yet I think that basically China feels that U.S.-Japan alliance, close alliance, particularly since the Bush administration and Koizumi Government will likely contain, if not contain, compromise, China's influence in the region, rather than promote it. This poses serious problems to Japan.

Nationalism on both sides actually has been also rising. And unfortunately, it has been expedient for political leaders on both sides to exploit that, to deflect their domestic problems at other forces and each has regarded respectively the other for easy target to reflect that internal discontent.

And this I think also has strained Japan-China relationship.

Finally, I think on the realpolitik side, the two countries are really increasingly dependent on oil and gas, imported oil and gas, and dependent on sea lanes for this economic lifeblood. So we have witnessed most recently that the tensions between Japan and China over that waters, maritime issues, particularly in East China Sea. Admiral Blair talked about that, Chinese submarine intrusion into Japanese territorial waters, which took place last November. But Chinese authority, Chinese Government actually expressed regret, not apology. They meticulously make a difference between apology and regret.

[Laughter.]

MR. FUNABASHI: And the Japanese was explained that's due to technicality, but without further explanation. Most recently, just days before the election, China sent five naval warships to those contentious waters, which contains oil and gas reserves.

So these are the pictures which Japan and China now confront. Many Japanese still believe that China and Japan's relationship is, and should develop into win-win. Certainly a trade investment has been booming, and I think Japan has greatly benefited with its booming trade with China, when Japan has finally got out of that long stagnation. And business community leaders are very much pro-China. They have put tremendous pressure on Koizumi to reorient its policy. There will remain to be very formidable political forces to be reckoned with in the coming years.

North Korean nuclear issue. I think China and Japan has almost identical studied interests, certainly overarching strategy interests. Six-party talks have made a great strike, as illustrated in the most recent first step.

So East Asian regional cooperation is another potentially very much productive arena in which both countries can cooperate. But those chances and opportunities so far have not been harnessed rightly and effectively.

Finally, just one word, the peaceful rise theory and strategy. And peaceful rise strategy has been very much welcomed by many political leaders, and I certainly, for one, have been very much impressed to hear this. This is very good strategy, and I think perhaps Japan's post World War II growth and development can be also seen as a sort of peaceful rise strategy.

However, there are some skeptics in Japan who view that China as a peaceful rise strategy has an exception, and Japan seems to be a notable exception to this strategy. So those skeptics would like the rest of the world to pay less attention to China's rhetoric than to China's deeds and they would like

the world to see how China has treated Japan, particularly over the maritime issues and oil and gas issues, and challenging the Japanese territorial rights.

So I do not want to conclude my remarks with such a sobering note, but I think U.S.-Japan-China cooperation, and particularly which Brookings Institution will initiate, will be not only visionary but also will be very much strategic.

Thank you.

[Applause.]