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Panel III: Foreign and Trade Policies of the United States

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Panel 3: Foreign and Trade Policies of the U.S.

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MR. KOBAYASHI: Ladies and gentlemen, may we ask you to kindly take your seats? Thank you very much. It is time to commence our last panel. The theme is "Foreign and Trade Policies of the United States." The moderator is Mr. Carlos Pascual, Vice President and Director of Foreign Policy Studies of the Brookings Institution. Also from the Brookings Institution, Senior Fellow Mr. Michael O'Hanlon. Seated next to him is Tokyo University Professor Akihiko Tanaka. Then we have Dr. Lee Sook-Jong from Sungkyunkwan University in Seoul. Lastly, Dr. Ding Xinghao, CNAPS Advisory Council member and a Professor at the Shanghai Institute of American Studies. Mr. Pascual, please take the floor.

CARLOS PASCUAL: Thank you very much. It is a great pleasure to be here to join you in this discussion and to be part of this panel.

We have an opportunity in this closing session to talk about U.S. foreign and trade policies—how they affect the region, how the United States has engaged the region, and how the East Asia region is engaging the United States. We look forward to your insights and to your comments.

Here we can get into issues on the relationships between East Asia and the United States: Japan and the United States, Korea and the United States, China and the United States; we have experts on all those issues. We have expertise on China-Taiwan questions, as well as on American foreign policy.

I will just say a few introductory words about American foreign policy and some of the critical issues before the United States that are on the American international agenda, and then move forward with the other panelists beginning with Michael O'Hanlon. Mike and I have decided that we will split up a bit of the discussion on some of the major U.S. international foreign-policy issues.

Let me take a moment to build on a couple of points that were made by Strobe Talbott at lunchtime. In that discussion he indicated that the U.S. is preoccupied with five issues. The first three were Iraq, then Afghanistan, then Iran. Let me amplify that a little bit and mention a slightly different configuration of those five. One is certainly Iraq, a second is certainly Afghanistan, and a third is certainly Iran. A fourth might be the Middle East peace process. It is interesting that after six and one-half years this administration has come back to placing emphasis on the Middle East peace process and its importance to having any semblance of stability in the Middle East. It is a huge challenge and it is one that Condoleezza Rice has indicated she will take as a key point regarding the success of her tenure as the Secretary of State. Finally, the fifth issue that I would underscore as a current preoccupation for the United States is North Korea and its ambitions to develop further its nuclear technology.

Among these five issues, let me just say a couple of additional words about Iraq because it is such a huge question and it so affects and influences anything that can be done on both international and domestic policy in the United States right now.

The current debate in the United States is essentially focused on two military questions: whether to continue with the surge of forces that has been begun by President Bush and whether that can be successful; or whether there should be pressure to begin to withdraw forces. In some ways this debate is missing one of the critical elements that needs to be there in order to have a successful policy, which is the strategy on politics and diplomacy. Let me explain why. In effect, Iraq has become a civil war. It is a civil war in which you have a splintering of Sunni groups that are no longer unified but sometimes are in conflict among themselves. You have a splintering of Shia groups that have, in some cases, many different views and opinions. There is al-Qaeda in Iraq, which is seeking to undermine any kind of stability within the country and in many cases is against everybody else. In addition, you have the potential for all of these groups to be receiving support from parties outside of the country.

What we have learned from civil wars in other parts of the world, be it in Kosovo, Bosnia, Haiti, South Africa, or East Timor, has been that there needs to be a political solution to maintain any kind of sustainable peace. That does not mean that the use of force is irrelevant. Force can be a factor which influences the incentives for peace. If you have a peace agreement, we have seen that force can be a necessary factor in creating an environment to actually implement peace agreements. But force in and of itself, the presence of military forces, cannot be a sustainable form of sustaining peace in a country when there is a civil war.

The other reality of Iraq is that it is a failed state. It no longer is able to provide security or services or administer the rule of law for its own people. Right now the principal strategy that the United States has employed in order to be able to obtain a political solution in Iraq is to essentially press upon that failed state, that Iraqi body politic, to essentially fix itself. We have called on it to achieve certain benchmarks with changes in legislation on oil and political inclusion, reversing some of the de-Baathification legislation, moving forward with provincial-level elections. And in effect we're saying to the state—which is at war within itself, where sectarian militias have penetrated the government, the Parliament, the police forces, and to some extent even the military forces—that you should remedy your situation, and we have not seen this happen in any other part of the world. If we, from an American standpoint, had thought 20 years ago in the Northern Ireland context of going to the IRA and to the Protestants and saying you should in fact just get together and resolve your problems, everybody would have recognized that that was unrealistic.

So if you were to ask me what is my hope for where Iraq might go, it would be a recognition that there must be an intensive multilateral effort led by a special envoy of the United Nations, brokering a peace where it would be possible to involve and engage all of the critical Iraqi parties and have the capacity to move between Iraqis and the surrounding states to reach a political settlement that provides a truce on key issues such as federal-regional relations, oil, the reversal of the de-Baathification process, and the normalization of militias. A truce for, let's say, a 5-year period that would then allow for a more sustainable long-term solution would be, I think, the best option that we might be

able to see, and then around that we can begin to think about how to more effectively configure the presence of international troops.

What I think is more likely, unfortunately, is that we will continue to focus on the use of force as a solution to the Iraqi war, that there will be a lingering of the current policy and stance, that we will be indecisive about making changes in that policy, and then finally, in about mid-2008 under the pressures of an electoral process there will be tremendous pressures on President Bush from his own Republican Party to change the strategy, and as a result of that you will see precipitous changes that will result in outcomes, which will be less than ideal for either Iraq or the region or the international community. I hate to be so negative, but I think that that is a great likelihood of what we might see.

Let me just mention a couple of other things that are predominant from a U.S. perspective on the international agenda. As Strobe Talbott indicated earlier, we are already in the midst of an election season, and in that election season two things that will dominate are what happens to American lives and what happens to jobs. From that perspective, the first issue will be Iraq and how it plays into the electoral process. But on the topic of jobs, the issue that will keep coming up is U.S.-China relations because that has become the embodiment of the job question of the United States. I would guess that what you would see from the United States is some schizophrenia, because on the one hand Iraq has taught us that unilateralism doesn't work and the lesson that some will take from that is that isolation is the answer. Others will take the lesson that multilateralism is the appropriate approach, and you will hear both of those talked about.

On China you will hear, from some, a stress on protectionism, yet ironically there will also be a pressure in the context of the election to think more creatively about how the U.S. plays into the global economy, and so you will also hear pressures for change. So on the one hand you will hear protectionism, and on the other hand you will hear that the U.S. needs to be more competitive and prepare itself for that kind of international environment.

Finally, the other point I want to mention is energy and climate change. As was indicated earlier, this will be a particularly important issue in an Asian and a G-8 context next year when Japan has the G-8 Presidency. Already you see in the United States a willingness to acknowledge for the first time during this presidency that there is global climate change. President Bush raised it in the State of the Union address for the first time this year. And there is movement on some legislation in the United States to take action on some form of environmental policies that will at least bring the U.S. into play on issues of global climate change.

Yet the actions the U.S. will take will likely fall far short of achieving any kind of changes in emissions that are consistent with the levels of reductions necessary to achieve any form of effective international regime. So I think a challenge we will face going forward is that there will be a greater recognition that climate change must be a central issue on the international agenda and the U.S. has to play as part of that agenda. Then

again, how to convince the United States that the actions it has taken to date, or even will take within the next year, are far, far inadequate from what we need for any effective international regime? I think this will be a huge challenge that we face in the future.

Let me stop there, turn to my fellow panelists, and allow them to take us further into the discussion. Let us start with Mike O'Hanlon.

MICHAEL O'HANLON: Thank you, Carlos. It is a great honor to be back in Japan. Most recently I was here shortly after you won the World Baseball Championship last year. I am delighted that you are still the reigning champs. I am delighted, as a Boston Red Sox fan, that currently the best Japanese players in the United States no longer play for the New York Yankees or the Seattle Mariners, but instead are up in Boston. And I appreciate the chance to be part of this important discussion with all of you.

Carlos kindly agreed to talk about Iraq and other parts of the world. I have found his presentation extremely succinct and provocative and I think he has framed the issue very well. I know we will both look forward to discussing these points in the Q&A period.

I want to talk a little bit about East Asia, an area where most of you are following American policy fairly closely. So I am going to be brief and just give a perspective on three or four countries, again with apologies to all of you, many of whom know the relationship better than I do. Also, my apologies to Richard Bush, who is going to have to hear me talk about U.S.-Taiwan relations for 60 seconds; he is the real expert, but I promise to be brief and hopefully he can find a chance for rebuttal later if need be.

The overall framework is, I want to talk about four specific relationships: U.S.-China, U.S.-Taiwan, U.S.-Japan, and U.S.-Korea, so sticking to Northeast Asia. The overall argument or theme that I would offer to you is in some contrast to Strobe Talbott's presentation at lunch, not out of any disagreement, but in reflection of the fact that U.S. relations in this part of the world, I think, have typically been in a sense more continuous with our previous traditions, more in the spirit of previous internationalism, and with the exception of the U.S.-Korea relationship, generally more successful in the last six years than has Mr. Bush's policy in the region where he has gotten more attention, especially in Iraq, but also in the Middle East peace process.

Carlos was right to say that North Korea is still one of our big issues and there, I think, Bush policy has not been successful. I'll come back to that, but overall we have seen a regional security policy in particular that I think has worked okay, and I just want to share a couple observations in regard to each of these four relationships on why or how that has been so. In broad terms, however, again my overall message would be that we have seen more of a continuation of some of the traditions in American foreign policy that Strobe had mentioned that had characterized much of our nation's foreign policy for a half-century, less of a disruptive quality, especially in U.S.-Japan, U.S.-China, and U.S.-Taiwan relations. Maybe it is just that the style of Bush administration leadership

worked better here, too, but of course there are more bilateral relationships that set the tone for how the region operates. There is not a NATO equivalent, there is a different sort of organizational chemistry, but I tend to think—and again, I would be curious as to how you would react—that overall it probably had more to do with the fact that President Bush could not afford to have more than one or two wars and he happened to choose Afghanistan and Iraq first. So as much as North Korea was an area of poor accomplishment, it did not become as disruptive to the overall regional architecture as his policies may have been in Iraq and Afghanistan. Also, the people in his administration making policy in Asia, I believe, came more out of the pragmatic wing of the Republican Party, and while there were certainly efforts by John Bolton, Dick Cheney, Donald Rumsfeld, and others, to intercede in Asian policy, most of that was focused again on Korea. To be blunt, I think that is where most of the problems have also arisen. While the Richard Armitages, the Michael Greens, our ambassadors, and various other players in this region have been again more of the traditional internationalist wing of the Republican Party. I will be curious to hear your reactions as to any elements in Asian policy— Japanese, Taiwanese, or Chinese—that may have also contributed. That is my overall framework.

Let me just say a couple words briefly about each of those four particular relationships and try to wrap up. On the U.S.-Japan alliance, again, something that you are all frequently thinking about, there have been a few notable developments, but I would say that the most important has probably been the Global Posture Review, the Pentagon plan, along with working in consultation with the Japanese and belatedly with our own State Department, although that was a sort of later addition to the policy to reconfigure bases. In Korea the way we did this was seen largely as either insulting or agenda-seeking in some way that was not helpful to the ROK, or just worrisome because it seemed to reflect Secretary Rumsfeld's overall negative feelings toward the alliance. In Japan I think the United States managed to project a much more positive relationship. Obviously the President and your Prime Minister had an excellent personal rapport, the Koizumi-Bush relationship being one of our president's single-best relationships in the whole world during most of his presidency. So I think there was just a natural chemistry, and the base issue, therefore, could actually contribute to a better relationship in contrast to Korea, making people worry what's really behind it —in other words, are those Americans up to something that's not so good? I will look forward to Sook-Jong's comments later, but that is the overall message we tended to send in Korea; here in Japan, I think it worked much better.

Obviously we have had a very businesslike relationship on a number of other issues. There is still a lot of work to be done, but in matters like missile defense I think that overall things have gone pretty well. Of course, the Japanese deployed forces to Iraq. It was not a large contribution, but it still reflected the constraints on the Japanese use of force that I think are anachronistic, and I am glad to see Japan debating them. Nonetheless, it was a symbolic gesture that was clearly appreciated, and so I think the U.S.-Japan alliance has done very, very well. By the way, as a footnote, I think frankly that most of our current candidates for president from either party would try to preserve most of what has been going on in the U.S.-Japan alliance and not to change it.

Let me move on quickly to Taiwan, again with apologies to Richard. This is largely a compliment to him and others of both parties who have worked on this issue, as well as to our friends in Taiwan, Japan, and elsewhere in the region. For I think that over the years we have found a policy that works pretty well, which is to make it very clear how committed we are to Taiwan, to its security, to its well-being, to its emergence as a democracy, and how much we want to support all those things. At the same time, we also send a clear message to Taiwan and China that this does not extend to any movement on Taiwan's part toward unilateral movements of independence, and I think President Bush did a pretty good job of sending that message. In the first six months of his administration he may have been a little bit out of balance because the message was overwhelmingly pro-Taiwan. He made those statements clear with his arms sale package and his famous line "Whatever it takes we'll do to defend Taiwan," but he then spent most of the last six years making sure that Taiwan also realized that we were standing by previous commitments to only accept the possibility of a change in political status in Taiwan if it happened out of a negotiated framework with the PRC.

So I think he managed to send this message. I think it built very much on the tradition of American foreign policy and of the Clinton administration. The Clinton administration does not get enough credit. It also did a good job on Taiwan policy, but I think you have seen a lot of continuity and I would not expect radical departure in the next administration. I am already getting close to my time limit, so a couple of brief words on China and then on Korea.

On China, of course, we again had sort of a bad first six to eight months, including two major developments: the EP-3 spy plane episode, a reconnaissance plane episode, and also the fact that the Pentagon seemed to be preparing for future competition with China as the main organizing principle of the Rumsfeld way of thinking. But all of that has changed since 9/11. Since that time, the U.S.-China relationship has generally been seen by this administration in a fairly pragmatic light. Even when there was disagreement, for example, on the proposed second resolution to authorize the use of force against Iraq, it was not allowed to escalate into a major problem in the relationship. So in a way, Beijing and Washington handled that issue much better than did Washington and Germany or Washington and France, and in a very pragmatic, workmanlike relationship. I am not going to call the cooperation on North Korean nuclear matters a success, but at least there was some level of mutual appreciation that each side viewed this issue as a problem, and where we are today, it appears, is that Beijing has been willing to put a little more pressure on North Korea, and we will see if that plays out at all successfully in the future. So overall the U.S.-China relationship seems to be actually in fairly good shape, with the big caveat Carlos mentioned earlier of how we handle the trade relationship. Then there is the other caveat that Richard Bush and I have just written about, that of course the Taiwan issue always has the potential to become something that we don't contain or that blows up into a major crisis, and that is obviously unsettling. Richard and I have written about some steps we hope could be taken to reduce the changes, but overall I think the U.S.-China relationship is in pretty good shape.

Regarding the U.S.-ROK alliance, since I have my good friend here on the panel, I'm not going to have to say a whole lot more. But she is so polite, I don't think she will be as critical of President Bush or, frankly, of President Roh as I would be. Maybe on the second point she would, I don't know, but in any event I think this has been an exercise and an example, a case study, in how not to manage an alliance. Having said nice things about the Bush administration policy on the other three relationships, I hope you will forgive me for being quite blunt and quite critical on this one. Even on issues where we should have been able to do something positively; for example, reducing forces in Korea and moving them out of the capital of Seoul, we have managed to create more tension, not less. The North Korean nuclear arsenal is probably now 10 or 12 weapons. I wish everyone success in working on its future, but North Korea has managed to divide Japan and the U.S. from China, from South Korea, and from Russia with regard to diplomacy. I am not hopeful about the long-term prospect of denuclearizing North Korea, and on most of the matters where I could see the potential for having made some progress, we have failed to do so. Even the South Korean presence in Iraq is something that most people in the two countries barely even remember. Certainly in the United States we should be more grateful than we are, but we don't talk about something for which we should be grateful because the relationship is in such poor shape. This is one case where I would expect Democrats in particular but probably also Republicans to acknowledge the problem and try to make amends.

I will leave you with one final word. The proposed change in command structure in Korea in my opinion is a terrible idea, militarily. Why would you ever take two militaries that might have to fight in one small space and say we're going to each manage our own operations separately? This makes no sense and it's one of the things that I hope, in addition to the North Korean nuclear crisis, the new administrations in Seoul and Washington can figure out a better way to approach within a short time period. Thank you.

MR. PASCUAL: Mike, thanks very much. The message you leave us with is pragmatism, for the most part, except in the case of Korea, where we have in fact managed to do the reverse whenever given the opportunity to do so. Professor Tanaka, we'll turn to you and I will be interested to see if you share a common perspective on the kind of pragmatism that Mike laid out.

AKIHIKO TANAKA: Thank you very much. Allow me to speak in Japanese. The topic here is foreign and trade policies of the United States. As far as the general issues are concerned, I totally agree with what Mr. Pascual summarized at the outset. In particular, one of the most important things is that foreign trade policies of the United States are now at a phase where the administration is in a period of transition. So we are at a critical juncture. As for nonessential issues for the United States, it seems that there is no long-term planning or long-term policies. We cannot expect, at least for the next year and a half, implementation of policies in that regard and that stage might last perhaps as long as two years from now.

Let me be more concrete. You talked about the emphasis on Iraq and the Middle East over the next year and a half, and I believe that indeed is the case. In terms of trade, what will happen? As far as the multilateral negotiation of the WTO is concerned, people who are enthusiastic about it in the United States will continue to be enthusiastic. However, that this will be a top priority for the administration itself is very unlikely.

What I would like to share with you relates to U.S. foreign and trade policies in relation to East Asian countries and the futures thereof. The first thing I want to talk about is foreign policy. When it comes to foreign policies of the United States in East Asia, in basic terms I think they have remained sound. As Mr. O'Hanlon mentioned, the management of U.S.-Japanese ties and the management of U.S.-China ties represents that soundness. I think the foundation of U.S. foreign policy in East Asia is to maintain its alliances. In particular, the positive relationship between Japan and the United States represents the very soundness of U.S. foreign policy in East Asia. I, too, find the situation in Korea very regretful, and I do hope that something can be made out of that.

Having said that, in terms of U.S. foreign policies and trade policies in East Asia, I do have certain concerns. Let me explain what those concerns are. The topic of this panel is foreign and trade policies of the United States, but to take this to the extreme, does the United States really have policies that go beyond the very basics? I think that is the issue here. Or it could be that the U.S. simply has too many policies, too many people manning the boat, and it is very difficult to identify exactly what the U.S. policy is because there are so many people handling the policies.

Let me talk about two issues. These were mentioned earlier by Mr. Pascual. U.S. policy toward North Korea was cited as the fifth priority. In other words, among the issues the United States has identified, North Korea is the fifth most important issue. If we reflect on the past year, the approach of the United States to North Korea shifted during the winter. Its position changed, and we can see the consequential events since this change. We have a sense of uncertainty, if you will. I know this is not the major objective of this panel, but I will mention that after the agreement was reached between the United States and North Korea on February 13, the discussions that took place between these two countries were totally incongruous and very difficult for a third party to understand: to be more specific, how to treat the BDA bank account in Macau. The United States has tried to use this as a bargaining tool, but the fact that this really could not be fully utilized as a bargaining tool, even three months after the agreement, has become very clear. So we have to wonder what exactly is taking place. I do, at times, find some strangeness in U.S. foreign policy, and as far as I’m concerned, the treatment of the BDA account is one of the seven wonders of the United States. It is very clear that the money was not being transferred to North Korea, but if that was very clear at the outset of the negotiations, then it could be construed that the United States tried to cheat the North Koreans, and the U.S. Department of the Treasury probably would have known that the transfer of money from this account would have been very difficult. Did the State Department personnel really believe that funds could be transferred from that account? This means that perhaps there was some sort of trick going on internally within the U.S. government. What exactly took place is very difficult to understand.

I do believe the United States is becoming more proactive in its foreign policy toward North Korea, but this has caused a sense of dismay and concern to the peripheral countries, which is what I wanted to point out in the beginning.

Although it is not as serious or as strange as the BDA question, let us observe U.S. policy toward China. I wonder whether the United States is trying to strike a balance between its trade and foreign policies toward China. In the past there have been inconsistencies between foreign policies and trade policies of the United State. In terms of foreign policy, the U.S. has focused very much on China, but when it comes to trade policy, the recipient of bashing by the United States happens to be China as well. So how can we reconcile this situation?

When we talk about East Asia, it is very difficult to take an integrated approach. Maybe that is the current situation. As was mentioned at the outset, perhaps this is inevitable due to the current state of political evolution in the United States. Considering that East Asia is not among the top priorities, it might be very difficult for us to expect a coherent, consistent policy from the United States; I think that is the view that East Asian countries should have when dealing with the United States at this juncture.

Here is something else I do not understand about U.S. trade policies. In the morning, Professor Shiraishi said that we should focus on APEC. Internally in the United States, some people call for putting greater emphasis on APEC. Some government officials also talk about it, and this is what President Bush mentioned in the meeting in Vietnam. But subsequently, it is very difficult to see whether the U.S. government is really trying to act upon its refocus on APEC. In any event, as far as the upcoming one-and-a-half to two years are concerned, we might see some directions taken by the United States that are not clear, but we have to live with that.

Just one more thing. As far as the basics are concerned, they remain very sound—and that, I believe, is a relief. Although I did cite some concerns about North Korea, for now we do not see any signs that North Korea is about to embark on missile tests or nuclear testing. At least that does not seem to be imminent right now. As far as Japan is concerned, for some time now we have able to make efforts to enhance our ties with the United States; such effort is necessary. It just so happens that I am part of the Advisory Council on the Legal Framework to Enhance National Security for Japan under the instructions of Prime Minister Abe. We have been discussing legal analyses, legal interpretations, and the amendment of the Constitution and so forth. As far as the legal framework to facilitate U.S.-Japan relations is concerned, I think it is very timely that we study this. That concludes my remarks. Thank you.

MR. PASCUAL: Professor Tanaka, thank you very much. You gave us a good basis to continue the discussion on inconsistencies in U.S. policy—particularly on North Korea, China, APEC—and what kinds of signals to take from that. We will turn now to Professor Sook-Jong Lee. In some ways you probably have the hardest job on the panel because it's the toughest relationship. It is ironic because if any of the relationships

should be strong, this should be, for Korea and the United States have a mutual need for one another. So we are very interested in your remarks.

SOOK-JONG LEE: I am Sook-Jong Lee from South Korea. I was a CNAPS Visiting Fellow in 2003-2004, and it is my great pleasure to see many former Visiting Fellows and scholars from the Brookings Institution. At the same time, as my friend Michael has said, the U.S. has good relations with countries in Northeast Asia except with South Korea. Also, as Professor Tanaka has said, Japan-Korean relations have been very bad. So it sounds as though Korea is being isolated in Northeast Asia. I don't mean to be rude, but it is very burdensome to present the U.S.-ROK alliance to foreigners because attitudes toward the alliance are very politically divisive within Korea. So my job is to portray the alliance in a neutral, objective way, rather than to be polite. But if you're ever in Seoul, I may offer my very personal criticism individually.

For better or worse, the U.S.-ROK alliance has been modified over the past several years. Michael has already mentioned and I reiterate that the number-one issue has been the relocation of USFK, the United States Forces in Korea, farther south. The second issue has been the reduction by one-third of U.S. Forces in Korea as early as 2009. The third issue has been the transfer of wartime operational command of Korean forces to Korea from the Combined Forces Command between the two countries from the year 2012. These three decisions have been very important in redefining and modifying the U.S.-ROK alliance.

Of course, these decisions were made from the U.S. need to realign its overseas troops, as well as the Korean wish and interest in seeking more independence from the U.S. However, if you look at the negotiation process, there is a kind of negative cycle. If the Koreans say we want this issue and we want to be more independent, then the U.S. responds quite unilaterally—we're going to reduce the USFK, and we're going to relocate with a certain schedule. Then the South Korean government will respond again that no, we don't want to hurry the process of redefining or relocating or reducing the USFK. So therefore the final negotiation is suited to U.S. interests while adjusting the Korean demand for postponing the schedule.

Therefore, these issues are military issues and are very important for Korea's national security. But there were flaws in the Korean approach to these decisions. They were based in part on nationalistic sentiments toward security policy. And also the U.S. was considering its global project of realigning overseas troops. This is dangerous, and we wish the decisions could just be made on the basis of cold calculation, of calculating military preparedness on the peninsula. Nevertheless, decisions were made and of course opposition candidates suggested that he or she might renegotiate the transfer of wartime command because we have an election on December 19 of this year, so we will see.

In a way, Korea's foreign policy and its relationship with Japan, not to mention the U.S.-ROK alliance, are linked to very divisive politics within South Korea. Because of its domestic policy linkages, the foreign policy of Korea is pursued not through

partisan national interests; instead, it depends more on the leadership – on who is in charge in the government.

Korea's current government basically wants to preserve its autonomy in two areas. First is its policy toward North Korea. Since Kim Dae Jung came to power, our government has valued expanding cooperation with North Korea. They strongly believe that this is the only way to reform North Korea and ease the tension on the Korean peninsula. Therefore, this expanding inter-Korean rapprochement, cooperation, and adjustment that aim to speed up international cooperation in dealing with North Korea's nuclear issue have been the issue all the time. There is also, for example, the U.S.–led Proliferation Security Initiative (PSI). The Korean government agrees to the codes of PSI in principle, but we do not want to provoke North Korea.

At the same time, the Korean government may not want to be forced to select certain ties between the U.S. and China. Of course, we don't have any alliance with China, but considering the political and economic ties with China, South Korea does not want to get involved in potential conflict between China and Taiwan; Korea does not want to be dragged into that conflict due to its alliance with the U.S. Therefore, when there has been discussion on how the U.S. Forces in Korea can be utilized for regional peace in terms of regional contingencies, the Korean government has tried to limit the USFK and its alliance to be more exclusive to activities on the Korean peninsula. Consequently, how to utilize the alliance for regional contingencies is the problem for which the South Korean government has not come up with a clear solution; in any case, they definitely do not want to provoke China militarily in certain contingency situations.

The U.S. is saying that the South Korean government no longer considers North Korea a threat and is not optimistic about utilizing the alliance for regional contingency activities; consequently, the U.S. is questioning the validity and purpose of the alliance, At the same time, the Koreans want to be respected as a partner in the alliance and are willing to share the burden. It is obvious that even the progressive leadership in Korea does not want to be abandoned by the U.S. So keeping and maintaining the alliance with the United States is very important to the Korean leadership.

Given this transitional period in the alliance, the settlement of the KORUS FTA on April 2 is good news because it provides greater stability to the alliance. There are many rumors and interpretations as to the motives of the two governments and why they decided to go for the FTA between the two countries. When our government announced in February of 2006 that South Korea was going to enter official negotiations with the U.S. to pursue an FTA, many Koreans were surprised because they didn't expect that kind of initiative to come from a leadership that had emphasized South Korean independence from U.S. influence.

However, I think progressives and conservatives in South Korea have converged in reevaluating the importance of the U.S. to South Korea. Conventionally conservatives in Korea have long advocated the importance of the alliance with the U.S. because the United States is obviously [inaudible]; also, maintaining the alliance with the U.S. is

good for South Korea to balance strong countries such as China and Japan. I think the progressives in Korea have begun to see this need, too, as they deal with China's increasing influence in North Korea, and their economic significance to Korean trade overall.

I suppose the talk about the KORUS FTA began in 2005. Many Koreans believe the U.S. is interested in stabilizing the alliance with South Korea. So naturally the FTA with Korea had security and political implications and not just economic trading considerations. Obviously the U.S. would protect their interests by balancing Chinese influence in Korea. As you know, the U.S. used to be our biggest trading partner. From 2004 on, however, China became the biggest export market to South Korea and has the largest amount of Korea's foreign direct investment. Right now, Korea's trade with the U.S. is only two-thirds of our trade with China. This is good news economically and politically. I guess the creation of the KORUS FTA will stimulate the Chinese to start negotiations with the Korean government. As for the Korea-Japan FTA, I'm not sure when that will happen. There were official negotiations for a Korea-Japan FTA from 1998 to 2004, but Japan was in a great depression and Korea was in a hangover from the financial crisis.

The industrial structures of Korea and Japan are very similar so one of the major interests in striking an FTA between the two countries is the restructuring of redundant industries. Therefore, perhaps it is more likely that Korea can enter into an FTA with China if there are more safeguards protecting Korean agriculture.

I will take questions during the Q and A session. Thank you.

MR. PASCUAL: I promise that we will come back to you with questions. Professor Ding, we turn to you for the perspective from China.

XINGHAO DING: Thank you very much. I am very honored to be invited by Brookings and KKC to serve as one of the panelists in this very important symposium. However, I still feel unqualified to speak on American foreign policy problems, although I studied U.S. foreign policy at Brookings some 26 years ago. I am not saying that the quality of my education was not high; only that I am a slow learner.

Anyway, I would like to share with you several points of discussion that took place over a month ago in Beijing, China about changes in U.S. foreign policy. The first is that once Bush had difficulties in Iraq, his foreign policy in the second term showed signs of regression from a new conservative ideology to a more pragmatic realism. Examples are the North Korean issue; bilateral contact talks within the Middle East; contact among the United States, Syria, and Iran; Sudan issues; a willingness to let the U.N. play a major role; but still with the Taiwan and Darfur issues it does not forget to exert pressure upon China. The U.S. is more attentive to Beijing's concerns on the Taiwan issue, and has been sending signals to Chen Shui-bian and taking Taiwan out from the U.S.-Japan joint strategic objectives in East Asia.

This shift in U.S. foreign policy is obvious, but we are still not sure whether the Bush administration will return to major diplomacy with China, Russia, France, and the new British government, or to a more multilateral approach. We still have worries about next year's presidential campaign, where anything could happen. Hopefully China will not be an issue.

The second point is, in my personal opinion, the nature of Bush's foreign policy adjustment. First, this was an adjustment made during a time of setbacks around the world and at home. Second, there was no change in strategic thinking. Third, to a large extent it was a tactical adjustment, an adjustment to find a way to handle other powers that the United States must face.

The third point was that Chinese scholars have a very positive view of American foreign policy in general. First, we think the U.S. is faced with difficulty but many of us still feel it is important to have an objective analysis of American foreign policy. The U.S. is still the sole superpower in the world and for the foreseeable future will still be in a position of leadership in world affairs. Second, the mechanism of innovation and the capability of self-correction of the U.S. should not be ignored. Bush grudgingly returned to realism and it was largely the function of a domestic self-correction mechanism rather than the situation on the battleground. There is not any power at the present who can challenge the U.S. No anti-American alliance will be emerging, so the U.S. doesn't have to worry about any rising powers.

We think U.S. foreign policy will be consistent no matter if Republicans or Democrats take over the White House. Its fundamental guidelines and strategic goals remain unchanged such as to maintain its status of world leadership or, as some Chinese people think, its hegemony in the current international system. Second, the greatest security interest of the United States—and it may be an absolute one—includes nonproliferation, antiterrorism, et cetera. Third, the U.S must prepare to be able to prevent rising powers from challenging the U.S. and the existing world system. Fourth, the U.S must reform the world by way of promoting freedom, democracy, and human rights.

Lastly, I have several thoughts to share with my American colleagues and friends here. One is that a mentality adjustment is also needed for the United States. For instance, whenever China has some progress, economically, for example, Washington pays particular attention, and discussion of a “China threat” come up. When the United States has a trade deficit, it exerts pressure on China and advocates that renminbi exchange rates are suppressed by the government. Secondly, we don't think democracy is a good idea. Of course, democracy we don't mind, but to form alliances of democracies against others is not a good idea. A strong, prosperous, stable, and continually reforming China is in the interest of the United States. This has been the case since the Carter administration or even the Nixon administration, all the way down to the Bush administration. Anyway, a prosperous, stable, and open China is in the United States’ interests.

Meanwhile, a declining America is not in the interests of China. American friends don't have to worry; China does not actually want to see a declining U.S. Thirdly, as a major world power, the U.S wants China to be responsible. First, what are the criteria for responsibility? And if China is not responsible, or other powers are not responsible enough, I think the United States has a responsibility to have others to be responsible. What I mean by that is that America should encourage other states to have discussions and bilateral talks, including strategic talks.

My last point is about trade policies. I think in today's world no problem can be solved without taking into consideration the trends of globalization Everyone knows that if international trade and investment are the driving forces of globalization, then multinational cooperations are its vehicle. The United States has benefited a great deal from this trend, especially in the past four to five decades. Of course, China also benefits from globalization, and from its relationship with the United States.

Secondly, I think that globalization is a double-edged sword. The U.S. and China should cooperate to create more positive gains from globalization and to reduce as much as possible the downside of globalization. Everybody knows that because of globalization there is now greater disparity between the rich and the poor, greater degradation of the environment, and many other problems.

Lastly, I think the United States also should pay attention to structural problems in the U.S. economy. For instance, the savings rate is so low and the dependence on large inflows of foreign capital is so great, which may actually make the U.S. into a substantial debtor nation. In short, we should take globalization into consideration when we manage our bilateral relations, and when we handle the U.S. foreign policy. Thank you.

MR. PASCUAL: Thank you very much, Professor Ding, and to all of the people on the panel for presentations that were incredibly rich and challenging; each one of the discussions could have gone on much longer.

Let me just raise a couple of individual questions, and Dr. Lee, I would like to come back to you first. One of the ironies in the U.S.-Korea relationship is that it seems much of the tension revolves around security issues, which, if that is the case, is ironic. For in many cases when there is, for example, a security deficit, a relationship that fills that security deficit should be something that both parties should want. But here it seems that, one, the military relationship in itself has become a source of tension and on security issues related to North Korea, rather than the United States being a reassurance to South Korea, that issue has also become a source of tension. Is that correct? Do I understand the issue correctly? Second, if the military issues, the security issues, are at the heart of the tensions, what can constructively be done to change the dynamic at play?

MS. LEE: I think a major tension in the U.S.-ROK alliance is the difference in perception of the threat from North Korea. North Korea having nuclear capability is a serious challenge to the U.S. and its global interests in managing the NPT regime. However, for Koreans, the threat perception of North Korea has been diminishing very

rapidly. The summit in June 2000 showed that the majority of Koreans didn't feel comfortable about the North Korean regime, although they were very sympathetic to them because of their similarity in ethnic background. But as the government leadership has emphasized a peaceful coexistence, I think the Koreans have begun to see that they really need to take this regime as a legitimate partner regardless of the difference in their political systems. Also the Koreans have begun to see the United States as a very strong country versus a very weak one: North Korea. So there is a widening perception gap and that is creating the tension in the alliance. This is a task for both security experts in Korea and the U.S.: how do you define the U.S.-ROK alliance? I guess in the future we need to manage the alliance better because North Korea is still dangerous, whether they can manage their problems—they may collapse internally, who knows? There are a lot of things we have to work on to maintain security within the peninsula. Also it's time to think about the alliance in a broader manner. Many scholars are saying that this alliance is a solely political alliance committed to common values between the two countries. So now with finalization of the KORUS FTA, we're seeing this kind of broadening in the relationship between the two countries.

MR. PASCUAL: Thank you. I could continue here with the panel, but I think many people are anxious to ask questions, so let me first turn to the audience and see if there are questions that you want to raise. We'll begin over here.

JAMES TANG: Thank you. I'm James Tang from the University of Hong Kong; a former CNAPS fellow. I have two questions. The first one is about U.S. policy toward East Asia in general. I think the panelists have more or less suggested that partly because political tension about the region is relatively low, pragmatism has prevailed. But it also seemed to mean that the bureaucratic imperatives become far more prominent, which I think was Professor Tanaka's point. We see all sorts of differences in bureaucratic interests between State and Treasury, for example, over North Korea. So to what extent will we expect that to continue, that is, more bureaucratic competition among various departments when we look at how American policy toward East Asia will evolve?

The second question is on China. The question has been framed by Michael O'Hanlon in a bilateral dimension and in a multilateral context that still focuses on the region. I think increasingly people are referring less to China's threat and more to China's global activism. I think that has been mentioned with regard to Sudan and all these other areas. To what extent will these issues, now at the periphery, move closer to—not quite the core, but to greater importance in terms of America's perception about China's role in international affairs?

MR. PASCUAL: Mike, do you want to begin?

MR. O'HANLON: I'll take the first one and see if anybody else wants the second. It's a good point about bureaucratic competition, Professor Tanaka, and that you have raised, James. I think you're right in regard to North Korea policy because President Bush couldn't make up his own mind, and secondly, he never gave the issue enough attention to force himself to make up his own mind so you could have competing agendas

that would need to be reconciled. I do think that explains part of the problem on North Korea policy.

On other issues in Asia policy there was also less attention, at least compared to Iraq and Afghanistan, and yet more success, so I'm reluctant to fall too far back on that interpretation. It is certainly always better when a president and a national security adviser and maybe one lead player do spend a lot of time on an issue, that's typically a good thing, but I think we also had bureaucratic fragmentation in regard to other East Asia problems and yet have not had as bad a consequence.

I was going to quickly mention one other thing, which is an example that perhaps is consistent with my argument. Sook-Jong alluded to the idea of strategic flexibility for the United States in regard to Korea. To my mind, this is the sort of thing you should never ever ask for in the abstract. You're looking to pick a fight over a theoretical question. Of course Korea would need to have choice in the question of whether we would ever use U.S. bases in Korea for any regional contingency. That was an obvious fact that the United States should have recognized, and we shouldn't have questioned. We made a mistake in asking for strategic flexibility in the abstract, as if Seoul was going to give us pre-authorization to do whatever we wanted to with forces on its territory. That was not a mistake of bureaucracy; that was a mistake of our reasoning. So while I'm sure you're right to an extent, it would not be my primary explanation for that or most other problems, but it does partly explain the North Korea nuclear response, so I think on that one you're right for sure.

MR. PASCUAL: I'm going to turn over to this side.

MR. UENO: My name is Ueno. I'm a foreign policy critic. I would like to ask Mr. O'Hanlon two questions on Middle East policy. Secretary Rice has visited the Middle East very frequently since the beginning of this year. It is very difficult to know exactly what she is doing there. Even the *New York Times* has said there is no news coming from her visits, and I agree with that. What is her purpose in her frequent visits to the Middle East or does she go without any plans? Is she just simply visiting the Middle East for the sole purpose of visiting? Does she have a strategy? That's my first question.

The second question relates to the Republicans. The Democrats have stated that starting from next year they want the withdrawal of troops from Iraq. What about the Republicans? According to reports from the United States, the Republicans are going to be waiting until September. After September, what will the Republicans do when it comes to Iraq? Will the Republicans begin to seek withdrawal of U.S. troops from Iraq; can Congress actually overturn any veto by President Bush? So can you share with us your thoughts on the likely positions that the Republicans will take after September? Thank you.

MR. O'HANLON: I'll try to be brief. You're giving me the questions, but I don't want to dominate too much. On the Middle East, what I will do is quote Martin Indyk, our colleague at Brookings who is, as you know, a former Ambassador, a former

Assistant Secretary, and a real expert on the region. I have heard Martin make two recent arguments, one of which is very supportive of what Secretary Rice is trying to do now overall and he encourages people who have been critical of the Bush administration's Middle East policy to be more supportive because she really has changed things. On the other hand, he is also very gloomy about her prospects. I could go into more detail, but let me just leave with that message. Carlos may want to comment on that, too; I think he knows the region better than I do. Overall I think that pessimism is still appropriate, but for the United States we have to try. One thing we learned from the first five years of the Bush administration is you cannot ignore this part of the world.

On the question of September and how the Republicans in Congress may react, I think if there is modest improvement in the security situation and at least some improvement in the issue Carlos that very appropriately highlights, the political reconciliation process, then Republicans generally will still support the president even though they will be very nervous about doing so for their own political well-being. However, if there is no Iraqi progress and no resolution of the oil revenue issue, for example, and only a very, very modest improvement in the security situation, then I believe it's anybody's guess. Without speculating too much, let me simply finish by saying you asked the right question focusing in September. That is the big moment of truth, or at least the first big moment of truth that we are going to have in the United States and I do not know how to predict what will happen. It's going to depend again on at least whether we see a little bit of progress in Iraq. A little bit of progress makes for a very complicated debate. With no progress at all, Congress may cut off money and tell Mr. Bush, we'll give you enough money to bring the troops home and that's it. With a lot of progress the surge will continue, although I don't think that's very likely.

MR. PASCUAL: What I'm going to do is take two questions together and then come back to the panelists to give final comments.

MR. LIM: Wonhyuk Lim from the Korea Development Institute. I have a question for Carlos and also for Mike. I agree with you that a political solution is needed to sustain peace in Iraq and conceptually there seem to be three configurations. The first configuration is the United States' acceptance of another strongman to hold the artificial State of Iraq together. A second possibility is a sort of loose federation and hope for the best. Third is an orderly partition of Iraq. Mike talked about a "Bosnian approach" to Iraq. Carlos, what is likely to be the political solution that will attract the most support in the United States after September? That's my first question.

My question to Mike is, could you give a more holistic picture of the bilateral relationships you mentioned, U.S.-China, U.S.-Japan, U.S.-Korea, U.S.-Taiwan, and how they fit into the policy toward East Asia? You just gave bilateral assessments, but for instance, how would the United States change its policy toward East Asia in terms of placing relative weights on Japan as opposed to China and so on?

MR. PASCUAL: I'm afraid this is another question for Mike O'Hanlon. Actually, it was first raised by Professor Tanaka. What happened on the Banco Delta Asia issue? Why was Treasury doing one thing and State doing another thing? What is going on?

Let me do this. What I would suggest is that each of the panelists, beginning with you, Professor Ding, if there are any final points that you want to make about U.S. foreign policy, the China relationship, or any other issues. Professor Ding, I was wondering if you might address whether China sees the United States and its involvement in East Asia as a force for stability and prosperity or as a rival that needs to be contained.

MR. DING: This is important, but it's a pretty traditional question. We have always been asked, actually as early as Jiang Zemin's era, and we've already made it clear that as long as the United States plays a constructive role in East Asia, China welcomes the United States's presence. So there is no problem of China wishing to kick out the United States. As a matter of fact, in our discussions and from my personal point of view, if you want the United States to leave East Asia at this moment, it would be the equivalent of asking the United States to leave this planet. So we need cooperation in a constructive way, more dialogue, strategic cooperation, and working together to solve the biggest problem we are facing, globalization.

MR. PASCUAL: Thank you.

MS. LEE: I guess South Korea has undergone a national identity crisis that, consequently, has affected its attitude toward the U.S. and reemphasized its historic wrangles with Japan.

However, I think there will come a certain moment when Koreans and the government and ordinary people reflect on themselves and determine what will be the future national interests of South Korea. If you look at the late and early 1990s of Japan, you will see that Japan went through a debate over multinational security versus ROK international security policy and its alliance relationship with the U.S. Of course, this is not a proper comparison, but who knows? We may come up with a new security doctrine between the U.S. and South Korea, as the U.S. and Japan did a decade ago. South Korea has elections this December and the U.S. has an election next year. With new governments in both countries, the U.S.-ROK alliance cannot get worse, so I am optimistic. Thank you.

MR. PASCUAL: Professor Tanaka?

MR. TANAKA: Yes, thank you. As far as the U.S. policy toward East Asia is concerned, what are some potential difficulties? There is one thing that I did not mention before, so let me share one potential difficulty. If we hypothetically assume that the nuclear issue of North Korea will improve, how can we change the wind of the public opinion here in Japan? Without the resolution of the North Korean issue, that particular would not arise. However, if respective countries were to begin dealing with North Korea in the future and at the end of the day there are to be a normalization of diplomatic ties

between the U.S., North Korea, and Japan, how we can change the Japanese public opinion would be a very difficult issue.

The Japanese tend to be very vague when it comes to responding to public opinion polls. However, when it comes to the North Korean issue, 95 percent of the Japanese say that North Korea is an immoral nation. They are very confident about this response. There is no ambiguity whatsoever when they respond to public opinion polls on this particular question. As mentioned by Dr. Sook-Jong Lee, it is said that Koreans are now legitimate partners, but 95 percent of the Japanese believe that North Koreans are immoral and they don't want to deal in any way with the North Koreans. How do you manage this relationship? If relations with the North Koreans were to improve, this would be a major challenge.

MR. PASCUAL: Thank you. The United States has its own problems with Cuba. We seem to have a similar dilemma as well. We are not the best ones to give advice on this issue. Mike?

MR. O'HANLON: In regard to the two questions, thank you for them. On Banco Delta Asia, the only answer I can give you is that having heard Chris Hill speak on this recently, I can tell you that he is obsessed with trying to solve it. What he is running into, of course, are all the practical problems about which sanction provisions have to be waived, or more importantly, which banks are willing to handle this money. So there is some bureaucratic problem with Treasury, but there is also the problem of finding the bank that's willing to process this money that, as Mike Green recently argued in the *Financial Times*, is probably illicit money to begin with. In other words, Mike Green recently argued, as I think you mostly have read, that this is a bad policy by the Bush administration to even support the transfer of this money. To my mind, although Richard may know otherwise, this is the first time Mike Green has publicly criticized the Bush administration on a major issue since he left and so that does suggest there are still some grounds for debate. I think it's a procedural problem more than anything else right now because they've decided they want to do it. So even if Mike Green is complaining, they're going to do it if they can figure out how, but Treasury and the world's banks don't seem to know how to make it work right at the moment. That's my impression. But Treasury is trying to follow the rules. Richard may want to say something because he was just in Korea perhaps talking about this a little bit, but my understanding is that Treasury is trying to play by the rules and the rules are somewhat binding. Chris Hill is trying to find a way around the rules, and whenever he has an idea of how to do it, some bank says, no, thank you, we don't want to take advantage of this exception because we don't want to be tainted by association with that money. Is that about right?

On the even harder question of whether there is any broader thematic way, I'm going to basically say I don't know how to construct that paradigm except I know that overall Richard gave a good set of remarks this morning about the economic efforts used—the free trade agreement, for example, for the region. The United States is not, I don't think, enthusiastic about a broader democracy community partly for the reasons that Professor Ding talked about, that it wouldn't really help you with problems in Asia. In

terms of the three or four relationships I mentioned, each one is so incredibly important that to try to prioritize gets you into trouble. I know that in this country, Japan, there are still some people a little upset that President Clinton dared to go to China without landing at Narita Airport. So I think the important thing to underscore is that all four of these relationships I've mentioned are incredibly important. If I were in a government position, and even here in an academic position, I wouldn't want to prioritize. I don't think there's a need to.

MR. PASCUAL: Finally, on the question you asked about Iraq and a political solution, if there is any form of political solution in Iraq, it will involve in some way five core issues. One is federal regional relations. The second is the management of oil revenues. A third is some form of political inclusion, which means a reversal of the de-Baathification questions. The fourth is some kind of guarantee on minority rights, which must be given in any future scenario. The fifth is some degree of normalization of the role of militias.

Under those five different options there are a number of ways that they could be configured. I can assure you that a strongman will not be one of them because there is no way that the Shia will tolerate another Sunni strongman. They had that with Saddam Hussein, and the Sunnis will continue to fight against any form of Shia strongman. That will not be the answer.

Whether it is a loose federation, whether it is some form of soft partition, those are issues that have to be negotiated and I think that they are part of possible political solutions that could address some of those five points I mentioned, but which one will come out, that very much would depend on Iraqis. I don't think it's so much a question of what the United States prefers; I think it's what the Iraqis would find tolerable, because if they don't find it tolerable, they will simply keep on fighting.

I would like to thank all of the panelists for their excellent presentations and for the discussions. This has been a tremendous session. Let me say more broadly that this has been a terrific day and a great conference for us—a most enlightening discussion on a whole range of issues, on economic cooperation and engagement throughout East Asia, the role of China, the role of American foreign policy in the region, and we want to give a special thanks to KKC for hosting us and being a partner in these discussions, with particular thanks to Mr. Hideaki Tanaka, to Ms. Akemi Handa , to Mr. Katsunori Kobayashi , and all of the other hardworking staff at KKC for their work today.

I want to give a special thanks to the interpreters for their role, and thank you very much keeping us communicating throughout this process.

I also want to thank the CNAPS Advisory Council and all of the former Visiting Fellows who were willing to come back to engage in this discussion and to continue the tradition of scholarship and open exchange that we have begun.

I give particular thanks to Kevin Scott, Sarah Thompson, and to Richard Bush for his leadership of the CNAPS Program. Thank you very much.

Finally, thank you to all of you in the audience for your excellent participation throughout the day. We really are appreciative of having this opportunity.

MR. KOBAYASHI: Thank you very much, Mr. Pascual. We also would like to thank all the panelists and also members of the audience. Thank you so much for staying with us for such long hours. We appreciate your attendance for the whole day. With this we would like to conclude today's symposium entitled "Economic Integration in East Asia and Its Implications for Japan and the United States."

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