PANEL 1: CHINA AND RUSSIA

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MR. IWASHITA: Okay, shall we start first session? Our first session aimed to the breaking down of dividing line between Europe and Northeast Asia. You know, in the DC thinking Russia belongs to the European studies so that China belongs to Northeast Asian studies, so today let us overcome these challenges.

I, to save the time, I do not introduce details of the speakers. The Brookings team, Ambassador Pifer and Richard Bush, my former boss. Our side is Hyodo-san and Nakai-san, so I pass to Nakai-san first on China.

MR. NAKAI: Oh, okay. Nice meeting you. Hitting first at bat, I feel like Ichiro, so maybe I should produce something like an in-field hit at least, maybe take a walk.

Let me go back, a little history, because this is, this year 2009, is so special for China. Twenty years ago, 1989, I was in Michigan, and I was at the last stage of the writing my dissertation, and that last stage seems to go on for good. Part of the

reason is my advisor was Michel Oksenberg, and those who know him, you know, probably you understand it, how intimidating he was.

And I was working as a T.A. of Ken Lieberthal, and then Tiananmen Incident happened, and I still remember all those, you know, group of China scholars at Michigan sit in front of the TV camera, like this, and then made kind of very critical remark, you know, how long they were regarding the, you know, China's prospect. Obviously, all those guys were too optimistic about the future direction of China. The majority, you know, of scholars, including Japanese scholars, were so optimistic about if the China's economy growth kept on going, probably sooner or later you're going to have a very democratic nation there.

Ten years later in 1999 I was here at Brookings, and I was visiting like, you know, this time as a member of the group. The topic of the talk at that time, 10 years ago, was the revision or maybe reinterpretation of the U.S.-Japan security pact, back in 1996, because we had the Taiwan, so- called, Taiwan Strait crisis, which Richard knows pretty well, and then we revised our security pact so that Japanese can support U.S. forces in the areas surrounding Japan.

But when I came here to Washington, D.C., 10 years ago, our prime minister, late Prime Minister Obuchi was here in town, so there was huge Japanese flag, and, you know, American flag hanging on the Pennsylvania Avenue. But the talk of the town in Washington was not about U.S.-Japan relation, that is U.S.-China relations. Why? Because, you know, Premier Zhu Rongji happened to be here a month before in April, and Mr. Zhu Rongji gave such a strong impact to the, you know, the Washington audience. So, you know, our prime minister's visit was not on the top page of *The New*

York Times, it was somewhere like on the fourth page of *The New York Times*. So some symptom of the so-called Japan passing, you know, is taking place already 10 years ago.

Now, 10 years after, you know, that event, I'm real happy to be back here and say, you know, lots of things happened during those 10 years. We had like five and a half years of Prime Minister Koizumi's rule, and here in the United States you have like eight years of George W. Bush administration. And now let me ask the question: Do we know much about China? Do we have a better understanding about China's whereabouts, where China's heading compared to, say, 20 years ago, or maybe even 10 years ago? Well, it's -- that would be my question.

In intellectual level, that means among the, you know, intellectuals, among the, you know, university graduates. I think the intellectual community, communication between China and the United States, and China and Japan increased remarkably. I heard that this year Harvard has more than 100-some Chinese students, right, and that the problem is we have only 17 or 18 Japanese students in Harvard, but that, as you know, speaking of the population proportions it is about the right size. But still back in '99 there aren't many Chinese.

And I started my Chinese studies, say, pretty early, 1981, and I went to the Beijing University in 1981. And at the time there are not many Japanese students in the Beijing University, and not many Chinese students in the University of Michigan or at Harvard or anywhere. Right? So, in terms of those intellectual communications, now we are much better positioned. We know, you know, China is sending the best and brightest students to the United States, and those who cannot make it to the United States maybe come to Japan. That is okay. That is okay. I mean Japan get used to be stepping stone to

the more, you know, outer worlds. That is our traditional, you know, geopolitical standpoint -- so, that's okay.

The problem is the Chinese leaders, Chinese leadership seems to have immense problem compared to '99 and compared to '89. Obviously, between '99 and 2009, we have a new leadership in China, Mr. Hu Jintao and Wen Jiabao, and we hope, you know, they keep at least the local governance, you know, a huge population of China heading to more, you know, prosperity and stability. And, you know, those people sharing the clean air, all those basic necessities, at least, you know, having enough food. And then China's really heading to that direction, to my idea. That is okay, but the problem associated with keeping China going to that direction is getting harder and harder because the local governance of the 1.3 billion population is hard enough, and Chinese leadership are facing additional problems.

One of the problems I mentioned in my paper. I mean, you know, in my short abstract, the Chinese economy is facing serious problems. Secondly, the idea, the assumption that China is already a responsible stakeholder in the international politics, I have some doubt about it. You know, China is definitely heading to, you know, taking more responsibility in the international roles, but China's neighbors, including Japan, South Korea, and, you know, other countries, are not really convinced yet.

Third problem. The assumption that Chinese society is basically stable can go wrong, and we know, you know, all those, like '89, '99, we had all those, you know, predictions. I still remember, you know, I was in Hong Kong, I took the job as like cultural attaché at the Japanese Consulate-General in Hong Kong in '91 to '94. At that time, the talk of the Hong Kong was when Deng Xiaoping will die. And Deng

Xiaoping finally died in '97, February, and some people, the Hong Kong observers, the Hong Kong-China watchers, you know, they predicted, you know, (Chinese), you know, all those Chinese stabilities are going to collapse. It didn't happen, but a series of problems took place.

We know the, you know, Taiwan faced serious problems. And also the, you know, the 2000, when I get to, yeah, after the trip I made to, you know, this institute, Brookings in '99, we flew to California, to Stanford because Mike Oksenberg was teaching there at the time, and Ken Lieberthal was at the NSC. And then all of a sudden, you know, during the trip, flight, the, you know, NATO bomber struck the Chinese Embassy in Yugoslavia, and then the United States and China was kind of really facing up to the serious crisis, maybe 200,000 demonstrators were, you know, struck the streets of Beijing. And then 2005, you know, about, say, a few years later we had a series of anti-Japan demonstration in Beijing and Shanghai.

Okay, let me skip all those, you know, complexity things about Stephen Kransner and, you know, Robert Cooper things because, you know, those people are familiar to you, so I skip to the third point.

What can Japan do, then? I think Japan can distance itself, distance itself from the war games in and around Asia because Japan is one of the few countries that really actually decreasing its defense budget. All the other countries -- South Korea, North Korea, China, India, Pakistan -- is increasing their defense budget, but despite that North Korean, you know, threat to Japan, Japan has kept on slicing its defense budget and defense, you know, increase of our defense budget is not on our agenda.

Second, Japan can lead the antinuclear movement in and around Asia, definitely. Definitely. You know, we are being against any nuclear weapons program, against India, against Pakistan. Of course we are against North Korea.

Third, Japan can offer moral support to Taiwan and economic support to other nations perhaps like Pakistan and Afghanistan. I saw yesterday, you know, I was, you know, walking along the Pennsylvania Avenue, and there was two big motorcades came from the Capitol area, that was Afghanistan's President Karzai and Pakistani President. So they had probably a very important talk at Washington but when that business came down to, you know, who's going to support the Afghanistan's, you know, kind of local governance, or maybe Pakistan's, who's going to supply clear water to the, you know, the residents of Karachi, I think Japan has a very important job to do.

Third -- maybe fourth -- I think Japan can really persuade China, both China and the United States, to set up a system for a common Asian currency. I think this is about the time, this is about time. China's economy -- I mean Chinese renminbi is not convertible. I mean they have -- better off because they have like Hong Kong dollars that is convertible, and now they have a huge access to Taiwan market. Well, that is a good sign, but still renminbi is holding, you know, the huge stake in the U.S. financial market, but still that currency is not convertible. That is -- that's too bad.

And Japan can contribute to most of the kind of so-called postmodern -- postmodern commitment that is not what we are talking about, the sovereignty, for example. Japan is really bad at, you know -- really, we are bad at, you know, talking about sovereignty issue, because Japan's sovereignty is very unique, you know. So we

don't really seriously engage in that, you know, sovereignty thing. But we can do something about non-sovereignty issues.

That, I meant, like, you know, postmodern features that is, say, that is the really modest things. For example, like, you know, maybe we can contribute something for the initiation of a visa-free regime. Now, Chinese, you know, say, tourists can come to Japan visa-free, and Taiwanese civilians can come to Japan visa-free. And that really boosts up our, you know, communication. Last year we had about two million visitors from South Korea, one million from Taiwan, but Chinese visitors is about 500,000, and I think that could be increased.

But there are some things that Japan cannot really do. I mentioned like, you know, five, but I just will mention only two. I think Japan cannot restart the government. That's too bad, but simply do not expect, like, Mr. Obama-like leader in Japanese politics. Our politics are so different from China. And now I am realizing because I am teaching at the Gakushuin University, and Prime Minister Aso happened to be our graduate, and then we try to use that, you know, his reputation as like, you know, for a boost for the new students. But we stopped doing that.

(Laughter)

So, you know, but Japanese politics is, I think is, it's basically very stable, because, you know, people don't care about, you know, the post-Aso. I asked one of those, you know, LDP, you know, campaign managers, "What's happened after post-Aso?" I mean because that's going to be coming because LDP is going to surely lose the next election, and he said, "Post-Aso is Aso." So we might expect, you know, that sort of -- that sort of leader quite for awhile.

Second, Japan cannot make a wholesale -- wholesale commitment to the United States, you know, just like what happened right after the 9/11. At the time, Japan, maybe 20-some people, 25 people, Japanese killed in New York. And we had such a strong, you know, passion, and we have to really, you know, go with the United States, we have to really support that. And then we gave a wholesale commitment we are with you, no matter what. But that kind of things may hard to come for, you know, for foreseeable future.

Let me mention the last point. Japan cannot fix the alliance structure in Asia; only the United States can do it. I will stop at this point, because, you know, my sole purpose of this talk is inviting your comments and questions and arguments. So I stop here. Thank you very much.

(Applause)

MR. IWASHITA: Thank you for that, Nakai-san. I forgot to mention the regulation time for 10, 12 minutes, please, each. Richard.

MR. BUSH: Okay, I think I can maintain my discipline. I appreciate Professor Nakai's valuable remarks. It seems to me that how the U.S.-Japan alliance addresses China is a special case in today's program for two reasons:

First of all, China is a close neighbor of Japan's, and so it's a factor in Japan's policies in ways that other countries or groups of countries are not. Japanese companies depend increasingly on China as a manufacturing platform. China and Japan do have a territorial dispute, the Senkaku/Diaoyu Islands, and that brings in the U.S. Security Treaty. China and Japan have disputes over the scope of their respective exclusive economic zones and the oil and gas resources on the continental shelf in those

zones. And then there's the special history between the two countries. That's the first reason.

The second reason why this is a special case is that China is a rising power, and whenever you have a rising power, it creates particular complications for regional and international systems. China's revival is obvious despite the problems that Professor Nakai mentions. A rising power -- it really is a revival of Chinese power, but let's call it a rising power, it poses two kinds of challenges:

First of all, the status quo powers, and in this case that's United States and Japan, cannot be certain about the rising power's long-term goals: Is it to accommodate to the international system, or is it to upset the prevailing order?

Second, the rising power is often cautious when it is in the early part of its rise and does not reveal its true intentions until later. And so it's not always possible to interpret what this or that action means. In a number of ways China has accommodated so far to the international system. That may reflect its long-term intentions but it may just reflect a risk-averse caution. China may not know whether it wants to challenge the order in East Asia; that's another wrinkle.

Now, whatever China's long-term goals, there will be an important interactive process that goes on in the short term between China and Japan, and China and the United States, and that will help shape the long-term outcome. One kind of possible interactive process is an arms race or capabilities race. China's military power is growing, and the United States and Japan are strengthening their alliance. The danger in this kind of situation is that each acts on the basis of its fears of the other party, so if we

strengthen the alliance because of China's build-up, and China builds up because of our alliance, that creates an obvious vicious circle, not a good thing.

Another kind of interactive process is accumulating experience on specific issues where each actor draws lessons about the long-term intentions of the other. China on the one hand and the United States and Japan on the other are engaged in that kind of cumulative experience. We're doing it over the Taiwan Strait issue; we're doing it over the East China Sea; we're doing it over North Korea. So what conclusions do Tokyo and Washington draw about Beijing based on our experience? What conclusions does Beijing draw about Tokyo and Washington based on its experience? Again you could have a kind of vicious circle.

So we have before us a potential tragedy, that even though the United States and Japan are prepared, hypothetically, to accommodate to rising or reviving China into the international system, China's actions require us to balance against China and to kind of in some way contain that. The other side of the tragedy is that even though China may be willing to accommodate to the international systems, our actions, whether purposeful or inadvertent, lead China to decide to challenge the existing order.

The Chinese have a saying, and maybe it exists in Japanese, too, that highlights this potential tragedy. The saying is: Two tigers cannot lie on the same mountain. That whenever you have two competitors there will be a competition. So this raises the question: Can we create a situation where two tigers can lie on the same mountain? Can we create a situation where China, Japan, and the United States all coexist and even work together, and so avoid the tragedy of a competition for power?

I assume that we want to create that environment of coexistence. All three countries have too much to lose. They certainly have a lot to lose economically. Another area where we all lose is the possibility of cooperating together for the benefit of the three peoples, for the benefit of the region, for the benefit of the world. And some of the other parts of the world that we're discussing late today fall into that category.

Now, Americans and Japanese have been talking a lot about the many aspects of a global U.S.-Japan alliance: the defense of Japan, traditional security issues, nontraditional security issues, common values and so on. These are all necessary, they're all important. But I would argue that one of the most important tasks of the alliance -- and I would say it's the strategic task -- is to act in ways together that increase the possibility that China will continue to take an accommodative and constructive approach to the international system. In the end we may not succeed; there's no way of knowing, but if tragedy occurs, it should not be because of our mistakes. Now what can we do to increase this possibility of a good outcome? I have 10 suggestions:

First I think the United States and Japan need to have a clear and common understanding about the nature of China's rise or revival. We should not be naive, but we should not be alarmists. If one of our countries views China relatively positively and the other views it relatively negatively, it's hard to carry out the strategic task of the alliance. We should encourage Beijing to be more transparent about its intentions, but we should recognize that China's already giving us lots of clues about its intentions if we choose to follow them.

Second, we need to have a shared vision. We, the United States and Japan, need to have a shared vision of China's future role in the international system. The

two major possibilities, one is that it's a competitive role, the other is that it's a cooperative role. But if one of us, Japan and/or the United States, has a vision of great power cooperation that includes China, and the other has a vision about China that is basically competitive, then that's a problem between us.

Third, I think we both should challenge China's negative interpretations of our intention, because what creates, what turns a potential tragedy into a real tragedy is often misperceptions about the intentions of the other. So we should sort of challenge China when it views us wrong.

Fourth, we need to find and exploit opportunities for the United States and China and Japan to work together regionally and globally to address the major issues. If the three of us can work together on these in a positive way, it increases enormously the possibility that those problems will be solved.

Fifth, we need to solve the specific problems that I mentioned before that lead each side to draw negative conclusions about the other – East China Sea, North Korea, Taiwan. This is not always easy because third parties are involved in some of them.

Sixth, if these issues cannot be solved, we do need to develop mechanisms to regulate our interaction. For example, in the East China Sea, I think it would be very useful for there to be an "Incidents at Sea" agreement.

Seven, both Japan and the United States need to educate our publics on what China is and what it is not. Both our democracies and the publics will have a role in this.

Eight, we need to ensure that the United States and Japan individually and together have the capacity to carry out the strategic task, and here Nakai-sensei's comments about the Japanese political system are a little bit relevant.

Ninth, I think that the three governments -- Japan, the United States, and China -- should set up a track one dialogue mechanism to facilitate cooperation in a variety of areas.

And, tenth, we need to create better dialogue channels with the Chinese military, because it's the part of the Chinese system that is most suspicious about American intentions and Japanese intentions, and here Japan is probably a little bit ahead of the United States.

Now, obviously, the United States and Japan cannot be the only ones in this triangle that act to ensure that there is a good outcome. China must do its part. It must do a good job on civil military relations. It must promote positive Chinese public views of the United States and Japan. Beijing, in the end, is going to have to decide whether it wishes to be a responsible stakeholder to work with others to address challenges to the international system. Beijing has to approach issues like the East China Sea in a constructive way.

But, to sum up, if addressing the rise of China is today's strategic challenge because it will define tomorrow's global landscape, then doing this job well is the strategic task of our alliance. We must have the capacity, the will, and the skill to get this right; and it's far better if the United States and Japan do this together rather than the United States on its own.

Thank you very much.

MR. IWASHITA: Let me invite Russia to break down the traditional thinking of U.S.-Japan-China in Northeast Asian circles, to widen our scope beyond the region, so Hyodo-san, your time -- 10, 12 minutes, please.

MR. HYODO: Good morning, everyone. My name is Hyodo, Senior Research Fellow of National Institute for Defense Studies. So, National Institute for Defense Studies is a security policy think tank of Japanese Ministry of Defense. But today's -- my presentation is complete my individual opinion, not those of my organization. And I skip my forward and -- for saving some times, and I'd like to enter my main subject, and my title of the presentation is how should we view Russia after the Georgian conflict -- traditional troublemaker or nontraditional security partner?

So, before I go to main subject, I'd like to introduce Japanese situation of Russian studies in brief. The condition of Soviet studies in Japan after the end of Cold War has been drastically changed. The object of area studies has been ramified, and methods and aim of Russian studies has been completely diversified. And I think that's -- the situation is similar to that of your country, and -- unfortunately, the importance of the social needs of Russian studies is not so high in Japan, and the number of Russian specialists in Japan is not so big when we compare them with those of the other areas, especially in my generation.

However, we cannot cut only Russia as an object of the studies. We are trying to evoke the new type of the Eurasian area studies, including neighboring countries with Russia. So, our academic task is to explore a new dynamism of Eurasian region. In this context, Eurasian big power, Russia, still has big significance, and so our relation

with Russia and our foreign policy with Russia have become more important. But at this moment, Japan has not clear view about resurgent Russia.

In the Cold War era, Japanese viewed how as Russia or Soviet Union was very so simple and clear, especially in terms of national security or international security. However, after the collapse of the Soviet Union, so Japanese security concerns towards Russia has been completely lost. So, if we are making Japanese security policy, our main concerns are North Korea and emerging China. But now Russia is recovering economic power and resurgent in East Asian security arena. So, recently President Medvedev declared that in spite of the economic crisis, Russia will never cut military budget and modernize the armed forces, including nuclear powers.

Russia has restarted regular strategic bomber patrols at the end of the Cold War, and Russia military aircrafts now reach the airspace of the United Kingdom, Japan, Guam, Alaska, and the other regions. And Japan air self-defense forces had to scramble its interceptor fighters in response to the foreign aircraft approaching Japanese aircraft 307 times in the fiscal 2007. The number of times Japan scramble fighters in 2007 approached the level, the last seen immediately after the collapse of the Soviet Union.

Of those incidents approximately 82 percent were in response to the Russian aircraft and while roughly 14 percent were against Chinese planes. A number of reasons could be cited for this increase in strategic bomber patrols by Russia, including increased flight training time for the Russian air force due to large defense budgets and action by Russia to restrain the United States military in response to the deteriorating U.S.-Russian relations. So, in this sense, Russia's presence in East Asia is gradually growing in terms of security, and also energy fuel -- Japan has decided to depend on the

Russian energy and will sign the Civilian Nuclear Cooperation Agreement with Russia when the Prime Minister Putin will visit Japan next week.

Before enhancing the energy cooperation with Russia, the Georgian conflict has a big impact on Japanese view towards Russia. So, how can the neighboring countries with Russia accept the Georgian conflict, which was occurred last summer? So, in August last year, Russia and Georgia clashed militarily over the independence of South Ossetia, a region with Georgia. So, Georgia attacked the main city of South Ossetia, Tskhinvali. Russia -- Russian armed forces took a heavy counterattack. The ceasefire brought to an end the short five-day military conflict between Russia and Georgia. As a result of the war, Georgia withdraw from the CIS and (inaudible) signed agreement with the United States to deploy U.S. missile defense system, and it seems to me the biggest reason for Russia's excessive use of force, and its counterattack against Georgia was its desire to interrupt Georgia's accession to NATO.

The result was that Russia was denounced by the President of the United States and Europe for its excessive use of military force and suffered major damage to its external image. So, Georgian conflict has shown that Russia has demonstrated to the international community that despite its membership in the G-8, Russia has both the political willingness and the military capability to take such military action beyond its borders to protect its national interests.

Why did Georgia and Russia make such an unnecessary conflict? I cannot say United States has no responsibility. It is a fact that the United States supported Saakashivili administration politically, economically, and militarily; and it is also the fact that the United States pushed Russia into the corner by NATO expansion and deployment

and MD system in Europe. So, I think that it seems that the United States does not have the explicit Russia policy that brings in part Russia's hawkish foreign policy. And Russia is now revising the new national security strategy to 2020, which will be signed by President Medvedev soon. Judging from the draft of this document, so its contents is more assertive than the old one. So, I repeat again, Russian foreign policy will continue to be more assertive.

The Japan-Russian relations in terms of security is a mirror of the United States and Russia relations. So after 9/11 Incident, United States and Russia established a new security cooperation in anti-terrorism issues. At that time, our security relations with Russia was so good, but Russia basically understood the necessity of East Asian ballistic missile defense system because of the North Korea's missile threat, and Russia regarded our security alliance as one of the stable factor of the East Asian regional security.

However, as United States and Russia relations become deteriorating, Russia's attitude towards Japan in terms of security is also deteriorating. I'd like to introduce one example. Russia's ambassador to Japan, Mr. Bely, came to our institute last March, and he made address, and he mentioned about two points. One of them is further our -- enhancing close cooperation in the energy field. The second point is that Russia's worried-ness about strengthening the East Asian missile defense system and U.S.-Japan security arrangement.

So, why doesn't United States express its security strategy towards Russia? I think that reason is that the United States and Russian relations have dual structures. On the one hand, there is a clash of interests in the areas of traditional security, such as NATO's expansion, the deployment of MD systems in East Europe, and the Georgian

conflict. On the other hand, there is a cooperation in dealing with nontraditional security-related threats, such as international terrorism and the spread of WMD, and also since the terrorist attacks of 9/11, cooperation on matters of nontraditional security has expanded and deepened, culminating in the United States-Russia strategic framework declaration signed last year.

While the Georgian conflict has caused relations between the two countries to skid seriously into conflict, both countries are at the same time seeking ways to cooperate in the peaceful use of atomic energy as shown by the U.S.-Russian Civilian Nuclear Cooperation Agreement. And, moreover, arms control issue boast onto START-1 treaty still remain a major issue.

Obama administration expressed that the United States needs more constructive relationship with Russia in many ways, including Iranian and Afghanistan issues by pressing "the reset button." But I think the modification of the relation is not so easy, because Russian security strategy still remains assertive in spite of the economic crisis, and after Georgian conflict Russia's security view became a more traditional one.

So, military elite in Russia has a political power in policy-making process to some extent, roughly speaking, while United States security concerns are occupied by more nontraditional factors but Russian security concerns are not so. So, I'm convinced that the future arms control negotiations between United States and Russia will show that difference. So, United States suggested to reduce the warheads of the nuclear weapons to the level 1000 in number, I think Russia will accept to reduce to the level 1500 without any heavy negotiations. However, Russia would be careful reducing them to the 1000 level, because Russian side seriously takes Chinese factors into consideration. So,

Russian military elite estimate the number of Chinese warheads would be increasing near to 1000 in the future.

So, there is a big perception gap regarding nuclear forces between Russia and the United States. So, United States regards nuclear forces as non-effective weapons, but Russia regards them as a useful arms to cover the weakened conventional forces.

So, the Obama administration is concentrating its security concerns on the issues of Afghanistan, so it means that United States security concerns is being occupied by more nontraditional security factors. In this sense, the United States tends to view Russia as a constructive security partner. However, after Georgian conflict, Russia's image as a traditional troublemaker enabling countries, including Japan, has grown.

Russia straddles Europe and Asia, so Russia has two faces like a double-head eagle. Japan sees Russia from Asia-Pacific viewpoint. The United States regards Russia as a European nation. Japan sees Russia as a troublemaker from a traditional security point of view. But the United States sees Russia as a nontraditional security partner from nontraditional security viewpoint. These perception gaps regarding Russia are essential problem among our allies. But this problem is not about Russia but about East Asian regional security as a whole. It seems to me that United States security concerns are shrinking and focusing on issues of Afghanistan. And then the United States being less concerned about East Asia -- I'm afraid that. As you know, there remains many traditional security partners in East Asia, such as North Korea, emerging China, and resurgent Russia. So, it is very important for United States-Japan alliance manager to diminish these perception gaps regarding East Asia, including Russia, in terms of security, and share common global strategic views. If we fail to do so, our

alliance will face a serious, serious challenge. So, we hope that the United States will continue to engage in the East Asian security.

Thank you for your attention.

(Applause)

MR. IWASHITA: Ambassador Pifer.

MR. PIFER: Well, thank you very much. I'm delighted to be taking part in this discussion today.

I'm going to talk about three issues. First of all, some of the challenges that I think Russia poses both to the United States and Japan; second, a bit about Obama foreign policy towards Russia and what "reset" means and what it does not mean; and then, finally, I'll offer some ideas for some areas where I think there are intersections between U.S. and Japanese interests in terms of dealing with Japan.

So, let me begin with the three challenges that I see. First of all, with the -- well, going back to the time that he became prime minister, Vladimir Putin, who I think is still the main leader in the Russian policy system, has been preoccupied with restoring Russia's status as a great power, that is, regaining some of the influence, authority, and weight in international affairs that Moscow had during Soviet times.

Now, the new factor was in 2003-2004 as the price of energy rose and you had a real increase in oil and gas revenues into Russia, it gave Moscow some of the wherewithal to adopt this more assertive foreign policy, which we've seen really from 2004 on. And that more assertive foreign policy has been especially evident in the post-Soviet space, so we saw it last year with regards to how Moscow talked about Ukraine, particularly once Ukraine articulated the goal of a membership action plan for NATO. At

one point, with then President Putin standing next to President Yushchenko at a press conference in February of last year and suggesting that Russia might have to target nuclear missiles on Ukraine. Of course, it was every evident in the conflict last August between Russia and Georgia. And President Medvedev was very clear at the end of August when he articulated basic principles underlying Russian foreign policy, one of which was a sphere of privileged interest in the post-Soviet space. So, coping with that I think is going to be one challenge.

A second challenge is going to be the question of Russia's readiness to use energy as a political tool, and certainly energy seems to be very high in terms of Russian power calculations. A hundred years ago, the saying was that Russia has no allies, only its army and its navy. The modern version of that might be Russia has no allies, just oil and gas. But we have seen Russia use energy repeatedly as a political tool in the post-Soviet space, the latest episode being with Ukraine just in January. Now, the Russians have taken some care, however, to maintain the reality and image of a reliable supplier of energy to Europe. Although I think what we saw in January suggested some readiness on the part of the Russians to undermine energy flows to Europe because of the dispute between Moscow and Kiev. So, I think the question is, you know, do we run the risk at some in the future of seeing Russia prepared to use energy on a broader scale?

Now, a third challenge is a bit more different from what people talk about when they say resurgent Russia, assertive Russia. But I think it's one policy planners in Washington and Tokyo need to have in the back of their minds, and that is the challenge posed by Russian weakness. We've seen some of it in the last five or six months with the economic and financial crisis as the contribution of Russia's energy sector to the economy

goes down. We've seen other sectors of the industry that are largely unreformed. We've seen a Kremlin that is usually nervous about the economic but also the political and social consequences of economic recession most epitomized last December when, nervous about demonstrations in Vladivostok over the new tariffs on imports of used cars, the Russians moved special police units all the way from Moscow to Vladivostok.

But looking beyond just the current crisis, what you see -- and this is a mid-term problem, maybe four or five years out -- you see extremely weak infrastructure. You see a decision-making process in the Kremlin that seems to be increasingly brittle. It does not respond well to surprises or unplanned events. You have this looming problem of demographic decline, which will begin to have some fairly near-term impacts. For example, in 2017, the number of Russian males who turned draft age will be only half of what it was in 2006. And there is the ever-present concern about the revival of separatism in the north Caucuses. So, all of these factors separately or together, you know, could combine to produce a weaker Russia, and one of the questions we ought to be thinking about is what does that mean? How will Moscow respond to increased weakness?

Now, I'll talk a bit about the Obama approach to Russia, and I'd first begin by saying that "reset" does not mean wiping everything clean. I would agree with Hyodo-san that the Bush administration lacked a coherent, explicit Russia policy, and that was one of the reasons why U.S.-Russia relations got into so much trouble at the end of last year. I think the Obama administration is trying to put together a broad Russia policy. And that's in part a recognition that the collapse of U.S.-Russia relations, as reached their bottom point in 2008, was not good for the United States, that we want and

in some cases we need Russia's help on questions like controlling nuclear materials, now access to Afghanistan. So, the effort was made to try to find some areas in which U.S.-Russia relationship could begin to have some positive issues. One will be the negotiation, the follow-on treaty to START. There's talk about commercial relations. The United States is now explicitly supporting Russia's admission to the World Trade Organization. And although I think the subtleties are sometimes hard to read, there's probably more flexibility on the missile defense issue than there was a year ago, and I think that's perceived in Moscow. But the reset doesn't mean that everything changes. There are still going to be areas that are going to be difficult between Washington and Moscow, and it's interesting that in, really I think, the first major pronouncement on Obama administration policy made by Vice President Biden in Munich in early February, he was very careful to say that, while we want to improve relations with Russia, there are also some areas that are going to remain difficult. The United States does not recognize, will not acknowledge a sphere of influence in the post-Soviet space, will not recognize independence of Abkhazia or South Ossetia, and will support the right of Russia's neighbors as sovereign states to choose their own foreign policy course. So, that does set up some areas that -- a possible friction between Washington and Moscow.

Now, on Moscow's side, I think their reset also has limitations. I do believe that Russia wants to improve the relationship, but we've also seen it's not in all areas. Examples would include the Russian effort in February to persuade the Kyrgyz government to close down the American base at Manas. We've seen the Russia pressure tactics just in the last several weeks around Georgia, so they're going to still remain difficult issues from Russia's point of view on the agenda.

Now, let me talk a little bit about some U.S.-Japanese intersections going beyond Northeast Asia, and what I'm trying to think of, where can the United States and Japan cooperate and begin to think about ways that we might shape a more positive Russia approach to the world, and I'll offer four ideas in fairly general context as things that we ought to think about.

First is how do we deal with the assertiveness? And it seems to me that the United States and Japan need to be prepared at some times to push back against this, because if the Russians succeed, if the assertive policy that they've pursued over the last several years is seen as successful, they're only going to be encouraged to do that further. And that kind of Russia is not going to be an easier country for either the United States or Japan to deal with.

Second area is going to be the area of energy, and this is an area where it seems to me that the United States and Japan as major consumers of energy have an interest in facilitating Russia's integration into global energy markets as a normal commercial supplier and trying to minimize either the motivation or Russia's ability to use energy as a political tool. I think the United States and Japan by virtue of their economic and commercial weight may have some ability to play in this game. It probably also makes sense at some point for the United States, Japan, and the European Union to talk. Now, I think before that conversation can go very far, it would be useful if the European Union were to come up with a more coherent energy policy, and probably also we, in the United States, have to have a more coherent approach to energy questions.

A third set of issues are the issues related to nuclear weapons and nuclear nonproliferation, and it does appear to me that Washington has adopted or is in the

process of adopting an approach on nuclear arms reductions that will be familiar to -- and the Russians are more comfortable with -- and that is limitations reductions, not only on warheads but also on strategic nuclear delivery vehicles. And it does seem to be that -- well, I personally like the number of a thousand for warheads. I think 1500 is probably more achievable if you're looking at what happens in the near term in the context of both sides may be able to go to 1500 without getting into very difficult questions such as third-country forces, like China, Britain, and France or missile defense with the question of tactical nuclear weapons. But it does seem that as this negotiation goes forward, I do hope that Washington will try to approach Moscow and say can this be a part of a bigger approach that addresses not just the U.S. and Russia nuclear arsenals but can Moscow and Washington use this renewed commitment to nuclear arms reductions, consistent with their obligations under the nonproliferation treaty, to reenergize efforts to contain nuclear proliferation. And there may be some area here where the United States and Washington can work together in terms of dealing with Iran containing, controlling nuclear materials, perhaps in negotiation of the Fissile Material Cutoff Treaty, but I think this is an also an area where Japan has some weight to play, and as the United States has this discussion with Russia, a side discussion with Japan may be useful, because Japan can hopefully come to the right point and encourage this enterprise to go forward.

And the last area -- and this is an area I think is probably at this point not operational but is probably something for our policy planning staffs at the foreign ministries to begin thinking about -- is how do we deal with Russian weakness? You know, what happens if the Russian state really becomes more brittle, can't deal with the challenges it faces, and what does that mean for -- what does it mean, for example, for

Central Asia if all of a sudden Russia becomes a weaker player really unable to exercise the influence? Now, in some ways that may be good, but in some ways that may be bad. I mean, what does that mean in terms of, for example, China's ability, then, to go into the region? So, I think this is an area where some discussions might be useful in thinking about those hypothetical what-ifs, which at some day we may be facing in reality.

So, like I said those are four general ideas. I'm not sure I really had the time to develop them, but they are things that I think would be useful subjects for discussion between Japan and the United States as we jointly think about how we deal with a Russia that is probably going to be a difficult issue for both of us for a number of years to come.

(Applause)

MR. IWASHITA: Before opening the floor. Let me -- give me three minutes, please, because I want to show why today we put the Russia and China in the same box with our alliance. So my background of research is Sino-Russian relations, so now the -- interestingly, these two weeks it's fashionable to study Sino-Russian relations in Washington, DC, areas. So, CNA, Pentagon based, Crystal City, the April 17, China-Russian Relations Strategy Partnership we discussed. I was invited. The day before yesterday, Department of State's intelligence guys also held a seminar -- closed seminar on the Russia-China conference. Yesterday and the day before yesterday, the next door, SAIS, Central-Asian guys also touch on the Sino-Russia relations, I was there. But I'm a little bit curious why now in Washington, DC, are enthusiastically rush to discuss Sino-Russian relations, because last year I was there nobody paid attention to China-Russian relations. It's very interesting. So -- but I feel the U.S., Washington guys discuss on

China-Russia relations very -- challenges because first is most of the research often mentioned Chinese migration, Russian Far East, and other border related topics. But comprehensive analysis on the Sino-Russian borderland, nothing. So, need to reconsider our conclusion. So many guys -- I'm frustrated these events. Oh, Russia, China unite against United States -- Russia, China, unite against United States or Russia -- China would make a war soon. It's a very simple scenario. And balancing game among U.S. and China is deciding factor of Sino-Russian relations. I don't believe it. If Russia and China manage their borders badly, what happens? It greatly harm the interest of not only Russia and China but also the United States, Japan, beyond Northeast Asia, the world.

Why? The border issue is always the possible seedback (sic) for military confrontation throughout history -- Qing Dynasty-Russian Empire, Manchukuo-Soviet Union, PRC-Soviet. Even the post-Cold War period. (Inaudible), the border issues of this (inaudible) factor Sino-Russian relations. This is my topic. I repeat it. So, please imagine a map. Eurasia is a little bit -- world is complex in neighbor countries. The United States, particularly Washington, and Japan, are a little bit far from this, particularly far from the United States. If something happened Eurasian continent, United States is always safe but Japan is a little bit doubtable. So, in this sense, please look at a map. The reality of the Sino-Russian borderland, bilateral and surroundings, if they conflict it's a tremendous damage. China -- 20,000 kilometers country bordering Mongolia, Afghanistan, Pakistan, India, etc., so even the PRC government did not officially attach on the border issue was important, they thought everyday the border security. This is the real image. Russia -- Russia is also borderland great power, 20,000 kilometer borderland, of course. Japan and Russia have shared border. So, these guys,

Professor Bobo Lo's book is now fashionable in the -- here around the Washington, DC, circle. This is his book published. But this – smart analysis. But border analysis is nothing.

The two challenges. This a little bit overlapped today's thinking. Some of the U.S. strategic thinkers pretend to cover both China and Russia's (inaudible). But few can study both of them and relations well and deep. Washington perception of China, China is the main topic in Northeast Asian policy community, U.S.-Japan alliance is a necessary tool to either compete or cooperate with China. Washington perception of Russia, Russia little presence is in Northeast Asian policy community, Russia - European expansion. So, the map it shows. This is a Japanese map. So the view -- Japan is central through the Pacific Ocean. You -- the United States -- reach the Pacific Ocean and Northeast Asia. You pick up the area. But the United States map there. The Washington here and the trans-Atlantic Ocean toward Europe, then expand Russia. This is reality like Minister Shinoda suggest. I completely agree. But from our point of view, Russia and China are neighbors. Therefore, we are very familiar to discuss China-Russia in the same box. Therefore, the U.S. community should invite Japan researcher if you discuss China-Russian relations.

So, I'm sorry to go over time. So, about maybe 20 minutes remain. So, I just open the floor. But this session must be finished on 11:00 sharp. Therefore, let me collect a couple of questions first, and then back to the panelists, because if we pick one to one answer, it takes much time, and I'm afraid to use much time. So, please -- okay, the first right. Short and -- please.

QUESTION: Chia Chen, free-lance correspondent. Dr. Nakai, you mentioned that world common currency. I think this is very important for the future world financial stability. Since you have access to the Japan leadership, what Japan think about this and how do you think since U.S. and Japan are two big economy power could start with these two country.

And for Dr. Bush, you are talking about U.S. and Japan sharing experience. What's kind of unique U.S. experience dealing with China you can share with Japan? Thank you.

QUESTION: Tom Oku, Bank of Tokyo Mitsubishi UFJ. My question is on North Korea. As everyone knows, North Korea has a different stance -- excuse me, Russia and China has little different stance compared to U.S. and Japan. My question is what factor would change China and Russia their stance to North Korea -- I mean, more proactive trying to engage on some of the North Korean issues?

QUESTION: (Inaudible), SAIS. I have two questions to Professor Nakai. First, about one of those items that Japans can do, offer moral support to Taiwan. My question is has there been a request for that kind of support? I think it's important, particularly in view of the current rapprochement between Taiwan and the mainland.

Second, what Japan cannot do, cannot fix the alliances, the alliance structure in Asia. It implies that the alliance structure is broken. Do you want to say that, because if it ain't broken, maybe it shouldn't be fixed.

QUESTION: My name Dmitry Novik, and I have question to Japanese sides. It's well known that its tension -- it's no peace treaty between Russia and Japan, and it's very dangerous proposition, because if you have no peace treaty any time you can

start to fight. So, my question is this. Why Japanese cannot -- Japan cannot suggest to Russia to lease this island for ninety-nine years for some money. Russia desperately needs -- the same as Alaska was with United States before.

MR. IWASHITA: Thank you. We understand the question.

QUESTION: Hi, good morning. My name is Ruan, Chinese Embassy here in Washington. It's said in Northeast Asia particularly, two tigers cannot lie on the same mountain unless one is male and the other is female. So, my question -- actually I'll address the panelists. Can you offer some kind of a new idea or approach to build a very constructive relationship between China, U.S., and Japan? People are somewhat fed up with the notion that U.S.-Japan allies against China, balance China. But this is different time, different world. Can we make some creative suggestion for that? Thank you.

QUESTION: This is Stan Tsai, Organization of Chinese-American, DC chapter. I think that Beijing ought to tell people about Taiwan issue is a core issue, and I think a couple days ago Japanese envoy to Taiwan talk about Taiwan's status is undetermined. My question to Dr. Nakai -- is this policy from Japanese government, or if this issue is -- I mean, is it common sense to -- in Japan or not. If it is, then how it affect the dialogue between Japan and China? Thank you.

QUESTION: My name is Samar Chatterjee of SAFE Foundation. A comment on Mr. Pifer's proposal to push back on Russian move, such as in Georgia. I do feel that Russians have exercised great deal of restraint since the fall of the Soviet Union. It's the United States which has been playing a lot of different games both in Afghanistan and Iraq, and they've been there for seven and eight years and Russia has not been in Georgia for more than a year now. So, it's kind of ridiculous to think that the U.S.-Japan

policy should push back on Russia, because if the Russians push back on Iraq and Afghanistan and Pakistan, the whole thing -- the U.S. influence in that area will fall apart. Thank you.

MR. IWASHITA: Thank you.

Please.

QUESTION: Yifei from Fudan University in Shanghai. Question to Professor Nakai. You mentioned we cannot assume Chinese economy is going to keep grow because there are internal problems with Chinese economy. My question is what are the problems that are particular to Chinese economy apart from the general problems the whole world is facing? Thank you.

MR. IWASHITA: I will collect the last question on Russia particular to Hyodo-san.

Who -- okay, please.

MR. BILLINGTON: Mike Billington, from Executive Intelligence Review. Other than the energy question, I wonder if you could address the potential for the development of the Russian Far East and Central Asia as the new frontier, not only for Russia but for all of Asia, in fact for the world, and of course Japan and Korea's technology could play a tremendous role in that development.

MR. IWASHITA: I suggest you have a seat at the South Central Asian session -- this point.

A question, Russia?

QUESTION: (Inaudible – off mike)

MR. IWASHITA: Thank you. I just collect the Russian issues.

Please.

QUESTION: My name is Tabata from Slavic Research Center. I have a question to Steven Pifer concerning Russia's energy policy. Russia is now increasing their supply price of oil and gas to CIS countries to the level at which they are supplying to Europe. Therefore, we should regard recent Russia's policy is the attempt to abandon the use of energy as a political tool, not the other way around.

MR. IWASHITA: Thank you. Sorry for closing the question time. So, Ambassador Pifer should leave on 11:00 sharp. So you first, please.

MR. PIFER: Let me start on the last question. You know, actually, I think Russia's decision to raise prices to countries like Ukraine to European prices actually is a sensible step. I don't regard that as use of a political tool, and the thing is it was a necessary step to begin to get countries like Ukraine and other Russian neighbors to begin to make logical and rational decisions about how they use their energy. So, I think it was a good -- it was good for Ukraine that the energy price increases were phased in over about three or four years.

The one thing I think the Ukrainians have found is actually the price increases, which are quite dramatic. In 2005, Ukraine was purchasing gas from Russia for $50 per thousand cubic meters. The price in January was 360, although it's now gone down to I think about 270. The Ukrainian economy was actually quite able to accommodate that, and you have seen, for example, the energy usage, I mean, the gas usage in Ukraine, which was about 78 billion cubic meters a year, four or five years ago, was down to about 65 billion cubic meters last year. Part of that, of course, was due to

the economic recession, but part of that was due to conservation that logical -- conservation decisions made by business men who were trying to save energy.

On the question about pushing back against assertive Russia, I think I said the United States and Japan should be prepared, when necessary, to push back. I mean, it's not pushing back at every time, but I would suggest that if we allow -- if the West allows Russia to draw a red line that basically says that Western countries, Western institutions stay out of the post-Soviet space, that is not going to be good. A Moscow that believes it can get away with that is going to be a much more difficult partner for us to deal with. I also simply would not equate the situations in Georgia with Iraq and Afghanistan. I just think they're very different situations.

Finally, I'd just make one last comment on the question of an alignment between Russia and China. I mean, I think we do see that Russia and China will come together in a tactical way. For example, the Shanghai Cooperation Organization seems to me as a Chinese-Russian effort basically to minimize U.S. and Western influence in Central Asia. But I see it as a tactical arrangement. It's difficult for me to see Moscow and Beijing aligning in a strategic way, and for a couple of reasons. One reason is, I think, if you look at how dynamic China is now compared to Russia, it's hard to conclude that Russia would end up as anything other than the junior partner in that alliance, and the Russians are not prepared to accept that.

Second, there is -- and it was alluded to in the question of the borders -- I think a very real concern about what's going on in the Russian Far East. If you take that huge chunk of land from about Irkutsk on over to the Pacific, over the last 15 years, the Russian population there has dropped from about 7.5 million to 6.5 million. It's not an

easy place to live, but at the same time, it houses oil, gas, gold, timber, huge amounts of resources. Now, the Russians look at that area where they have a specifically declining population, and I saw a calculation that if you then took a line and went 100 miles into China along the Russian-Chinese border opposite that 6.5 million Russians are 140 million Chinese. Moscow looks at that and they are very, very nervous about what it means 10, 15, 20 years down the road.

MR. IWASHITA: Hyodo-san, please.

MR. HYODO: So, question regarding Russian attitudes towards North Korean missile threat. So, North Korean missile threat is not a real threat to Russia. So Russian behavior I think that is based on the political motivation, so political support to China. So if the Russian and United States relation would be better, in that case that Russian political attitude regarding North Korea would be changed.

MR. NAKAI: Thank you for many, many questions, which I expected. First, common currency. Yes, I think common currency -- Asian common currency -- is long overdue. And China had a chance in '97 but because of that Asian economic crisis China missed the chance. And at the time the opposition from the United States was very strong, and Japanese government kind of obliged to go with the United States. But I think this is long overdue problem, and I think we're taking -- I mean, China and Japan are taking some steps for -- to that direction. That is an -- I think that is a very good sign.

North Korea -- I think China and probably Japan, too, is kind of giving up hope. We are doing some, like, you know, accommodation to the North Koreans', you know, demands, but it didn't really work at all. And Chinese government will keep on pushing Kim Jong Il to start some reform, you know, in market mechanism, maybe

partially but didn't really work well, so I think the present status was just we wait for the death of Kim Jong Il.

Taiwan's -- how can we support Taiwan? Moral support, yes. We support Taiwan's democracy, and I keep on saying -- I frequently visit Taiwan -- I frequently tell them that we don't really support DPP or, you know, Kuomintang, nationalist party, but we support -- Japanese people support Taiwan's democracy no matter what. And then this election -- I mean, the last election -- proved that Taiwan is really heading to the, you know, genuine democracy and we keep on supporting Taiwan's democracy.

And the -- yes, security fix. I think there is a saying in United States, don't fix it, you know, if it ain't broke, and I think our system in Asia is not really in serious damage. I mean, it just keep on working. So, I think we don't need major fix of it. Maybe we need a little, you know, quick fix somewhere, maybe glue somewhere, a little patchworks, but I don't think we are facing serious trouble in that area.

Let's see, where's -- yes, status of Taiwan, yes. I think traditional and probably say the real legitimate Japanese government standpoint on this, you know, Taiwan issue, Taiwan sovereignty is -- I think it's widely accepted by both Japanese government and the, you know, people on the street is we leave that Taiwan-China issue to the hands of the Chinese people. And I think this bottom line and beyond that I think maybe some people here and there maybe have some, you know, slip of the tongue and that is it.

And China's economy, yes, I lived in China in year 2001, and I just realized that, you know, Chinese economy is still very booming and rapidly growing and you feel the sense of the energy, you know, the flowing to that and, hey, we had 10

percent of the growth of the GDP this year, next year we're going to have 15 percent or whatever. But Chinese economy is not really, you know, user friendly. You know what I mean? You know, you should more, you know, concern on the product reliability, on maybe, say, food safety. So, you should get rid of those, you know, poison dumplings or whatever, and then I leave the question of the tigers to Ambassador Bush.

MR. BUSH: Thank you very much.

On the question of shared experience, just one example that concerns Taiwan, in 1995 and 1996 China used missiles to express its unhappiness with President Lee Teng-hui. They saw those as a political deterrent. Then -- and the United States was very concerned about where this would go, Japan was concerned about where this would go. It happened at the same time we had a North Korea problem, and so the United States and Japan focused more on missile defense and improved their defense guidelines. Even though this was directed at North Korea, China thought it was directed at themselves and that we were acting in a way that would negate their deterrent against Taiwan, so there's more suspicion and more action and reaction.

On North Korea, I think that China and Russia will likely change their view on North Korea as long as North Korea continues acting in a provocative way.

I appreciate Dr. Ruan's amendment to my two tiger saying. I think that's very good. What can the United States, Japan, and China do? I think we can work hard to work cooperate on major regional and global issues. I think that there needs to be better mutual understanding and trust among the militaries. They really do need to talk to each other. And then, finally, I think that it would be very valuable to create a track one trilateral mechanism.

Now, on the incidents in the Yellow Sea, South China Sea, East China Sea, the activities of the PLA navy reflect a stronger commitment to asserting and protecting China's maritime rights as China defines them. In addition to the operations of ships, lawyers are very active on all sides in asserting their country's position. I think that there has to be a realization at the highest levels in all three countries that this issue is a time bomb, that there could be a clash, and it might not be controllable. Thus, we need better military dialogue, and I think it's very important that the three countries create norms and procedures for the operation of their navies in a shared space.

Thank you.

MR. IWASHITA: I apologize for failing to pick up all of the question from -- I wish you'd have a chance to discuss directly with panelists (inaudible) issue. I personally explained the situation. I'm in charge of this matter. So, thank you for coming, and please give the great panelists a big hand. Thank you very much.