Regional Dynamics and Future U.S. Policy
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The Senior Policy Seminar Series summarizes discussions and conclusions at an annual meeting of senior security officials and analysts from countries of the Asia Pacific region sponsored by the East-West Center. These seminars facilitate nonofficial, frank, and non-attribution discussions of regional security issues. The summary reflects the diverse perspectives of the participants and does not necessarily represent the views of the East-West Center. The price per copy is $7.50 plus shipping. For information on ordering, contact:

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The East-West Center Senior Policy Seminars bring together senior security officials and analysts from countries around the region for nonofficial, frank, and non-attribution discussions of the differing perspectives on security issues in the Asia Pacific region. The hope and intention of this Seminar series is, through such exchanges, both to promote mutual understanding among the participants and to explore possibilities for improving the problem-solving capabilities and mechanisms in the region.

The 1999 Senior Policy Seminar focused on issues in U.S. policy and policymaking for the Asia Pacific region as we enter the new century. This thematic focus was considered appropriate both because of the importance and topicality of the subject and because of its connection with the new directions at the East-West Center. In October 1998, the Center’s Board of Governors adopted the overall institutional objective of facilitating the building of an Asia Pacific community in which the United States is a natural, valued, and leading member. If this objective is to be achieved, not only must the United States gain a better understanding of the region’s dynamics, but American policymaking must be better attuned to the perceptions and operating style of the other countries in the region. It is the hope of the East-West Center that the discussions at this Seminar series, and the reports from these meetings, will make a contribution toward this goal and also toward informing the agenda of the East-West Center’s research and dialogue activities over the coming years.

East-West Center Director of Studies Muthiah Alagappa was co-convener and co-moderator of the 1999 Seminar. International Relations Specialist Richard Baker was rapporteur. The Seminar benefited from the able organizational support of Seminars Coordinator Sheree Groves, Program Officer Jane Smith-Martin, Seminar Consultant Rosevelt Dela Cruz, Seminars Secretary Marilu Khudari, and student assistants Rolie Boy Dadiz, Gerard Elmore, and Todd Hashimoto. This report was prepared with editorial and production assistance from Deborah Forbis and East-West Center Publications Manager Elisa Johnston.

Finally, the East-West Center is especially grateful to the Seminar participants (listed in Appendix B), for contributing their valuable time and collective insights to the analysis of an extremely complex but vitally important subject.
The uncertain nature of the post-Cold War era in the Asia Pacific region and the lack of a clear framework for regional problem solving were recurrent themes in the discussions at the 1999 Senior Seminar.

The major objective of the Seminar was to assess the U.S. role in the region and the challenges of formulating U.S. policies in the twenty-first century. The Seminar first reviewed the changing economic, sociopolitical, and strategic dynamics of the Asia Pacific region. This was followed by a consideration of the major elements of the current U.S. role, as well as selected problem areas in U.S.-Asia Pacific policy—the U.S. forward military presence, economic issues, and the role of democracy and human rights in U.S. relations. These discussions provided the background for the assessment of U.S. policymaking for the coming period.

The Asian Economic Crisis and Outlook

- There was a remarkable lack of consensus among economists as to the causes of the 1997–98 Asian economic crisis, appropriate policy responses, and future prospects.

- Key factors cited as underlying the crisis included: (1) exchange rate problems, (2) weaknesses in financial institutions and financial regulatory systems, and (3) the classic business cycle. However, opinions differed regarding the relative significance of these factors and therefore the best mix of corrective measures.

- There was general agreement that the region entered the recovery phase in the first half of 1999, but views differed on the strength of the recovery. There was concern that signs of recovery might undermine the political will to continue the reform process. Participants also warned that significant foreign capital acquisitions and the weakening of the local capital sector could increase political tensions and trigger nationalistic backlash in some affected countries.

- The consequences of globalization will continue to challenge the governments of the industrialized and developing nations alike. The economic crisis highlighted the need for changes in international financial architecture, but participants saw inadequate follow-through in this area. Suggestions included more direct involvement of heads of government—including Asian governments—and a more active leadership role by the United States.
Social and Political Dynamics

- Combined with longer-term trends such as economic globalization and the communications revolution, the economic crisis of 1997–98 severely stressed the region’s societies and governments and raised questions about future social and political developments. The most dramatic case was Indonesia, where the crisis triggered a political revolution.

- Despite concerns about spillovers of the economic crisis into interstate relations, no serious increase in regional tensions resulted; arguably, the crisis produced greater realization of the necessity of cooperation and dialogue. However, there are longer-term uncertainties due to accelerated pressures for political change as well as widening economic gaps between the nations of the region.

- There is a crisis of confidence in the “Asian model” of development, and interest in greater democratization as an antidote to corruption. At the same time, there are questions as to the degree to which the “Anglo-American model” of open competition is beneficial to the political stability and national interests of the Asian countries. A new transnational debate may be emerging.

Regional Strategic Dynamics

- Northeast Asia is seen as the area of greatest strategic uncertainty in the region. The relationships between the major regional powers—the United States, Japan, and China—are all undergoing fundamental changes and therefore subject to stress. The future of the Korean peninsula is another continuing flashpoint. The potential danger is illustrated by the interrelated issues of increasing missile deployments and the growing interest in development of theater and national missile defense systems.

- Other Asia Pacific nations are most concerned about the future of U.S.-China relations. Specific questions include uncertainties over attitudes toward China in the U.S. Congress and media, especially in areas with strong symbolic content, such as human rights, and whether China wants to see a reduced U.S. role and influence in the region.

- One suggestion for reducing uncertainties in U.S.-China relations was that a high-level “Wisemen’s Group” be established to review both the substance and the processes of the relationship.
There was agreement that South Asia may play an increasingly important role in the larger geopolitics of the region, especially following the nuclearization of India and Pakistan, but that these interactions are complex and have not been given the level of attention by other regional governments that is warranted.

Overall, participants agreed that there is an urgent need for better dialogue mechanisms to address the fundamental security concerns and differing perspectives of regional states that underlie both policy conflicts and competitive arms programs including the acquisition of nuclear weapons.

The U.S. Role

The dominant position of the United States in the Asia Pacific region is clear. The U.S. role is considered by the countries of the region to be an important factor in regional security and geopolitics—both in the management of short-term regional conflicts and problems and in the building of a multilateral regional community. Some Asian countries have differing views on whether U.S. dominance is desirable or not, but currently the U.S. forward military presence is welcomed by most regional countries as a stabilizing influence.

There are widely differing interpretations of the import of the Kosovo experience for the future U.S. role in Asia Pacific. Some Asians see Kosovo as presaging increased U.S. interventionism, particularly through the use of high-tech weaponry. American analysts, however, tend to see the Kosovo case as demonstrating that it is very difficult for a U.S. administration to gain domestic support for military intervention in humanitarian and other situations when there are no direct threats to U.S. interests.

Economically, perceptions of the United States as a “have” power defending its interest in the status quo conflict with the desirable U.S. leadership role in adjusting the international and regional economic systems and institutions to deal with problems such as the destabilizing impacts of globalization.

Participants agreed that democracy and human rights objectives are an inevitable and lasting feature of American policy, but also that they are controversial and particularly susceptible to inconsistent application. Most American participants agreed that human rights objectives should be one factor but not the major factor in determining policy, and that human rights and democratization are best pursued as long-term objectives. Asian participants stressed the desirability of avoiding an overly narrow definition of human rights.
Factors that complicate effective U.S. policymaking for the region include America’s global interests, the relatively low importance of foreign policy generally in the eyes of the American public, and the lack of popular support for U.S. financial or military engagements abroad. In an address to the seminar, former U.S. Congressman Lee H. Hamilton expressed concern that the influence of special interest groups is making it increasingly difficult to formulate policy based on national interests rather than special interests (see summary in Appendix A).

Concerns were expressed over a lack of clarity and inconsistencies in U.S. policy, and about the long-term prospects for the U.S. presence in the region. Tensions exist in U.S. policy between multilateralism and unilateralism, internationalism and isolationism. There are also questions about the style of American leadership and diplomacy. Participants urged that the United States expand its dialogue processes with its Asian partners into more genuine two-way consultations.
INTRODUCTION

The international relations of the Asia Pacific region evolved dramatically during the first decade of the post-Cold War era. After a period of vibrant economic growth in most countries and the rapid expansion of a network of regional institutions in the first half of the decade, in 1997–98 the region experienced a traumatic economic crisis that precipitated significant political transitions in a number of the affected countries. At the end of the decade, the policies and relations of the major regional powers were again marked by elements of uncertainty and ambivalence. The role and policies of the United States were a particular focus of attention. The importance, even centrality, of the United States to the region’s economic recovery and stability are almost universally acknowledged. Yet there are significant issues in the management of U.S. relations with the region, and the overall trends in U.S. engagement in the region in the new century and millennium remain unclear.

These developments and issues were discussed at the 1999 Senior Policy Seminar, which took place at the East-West Center on August 13–16. Participants first reviewed the dynamics of the region—in economics, socio-political developments, and international relations. They then discussed issues in U.S. policy in the region, considering both American and Asian perspectives on several of the key policy dilemmas—the future of the American forward military presence, economic issues, and the advocacy of human rights and democracy. The final session discussed major factors affecting the fashioning of U.S. policy in the region at the start of the twenty-first century.

The participants in the Seminar are listed in Appendix B. Collectively they comprised an extraordinarily well-informed and authoritative group to address the issues on the agenda, including serving officials, former officials, and experts from both academia and the private sector.

Presentations and discussions at the Senior Policy Seminars series are conducted on a non-attribution basis. That is, all concerned agree not to identify the source of any statement or comment without obtaining the explicit permission of the speaker. This report adheres to that principle, with the exception that former Representative Lee Hamilton authorized the attribution of his remarks on the influence of special interest groups on American policymaking. In the rest of the report, the main points that emerged from each of the major presentations as well as the general discussions that followed are summarized, and some of this material has been recast or grouped in order to present the substance in as efficient a manner as possible. Therefore, no inferences
should be drawn connecting any specific statement or viewpoint with particular participants; the individual views or comments on these subjects of any of the participants should be sought directly from them.
The first session of the Seminar was devoted to a detailed discussion of the major areas of change in the region that affect the relationships among Asia Pacific states including the role and relationships of the United States.

Economic Dynamics—The Crisis of 1997–98

Despite extensive analysis and discussion, there is still a remarkable lack of consensus among economists regarding the Asian economic crisis of 1997–98. Weak banking and financial regulatory systems, pegged currencies, and boom/bust cycles are cited by different analysts as the primary cause. Similarly, there are debates about the appropriate responses to the crisis, and a number of specific questions still hang over the recovery process.

Views of the Problem

Three major lines of argument emerged as to the primary explanation of the 1997–98 crisis.

Exchange Rates One argument holds that the instability of major currencies contributed significantly to the crisis. The currencies of the affected countries were all pegged to the U.S. dollar. Between the 1985 Plaza Accord and 1995 there was a big drop in the value of the dollar. The dollar's weakness brought benefits to Southeast Asians and others, as Japanese companies moved south.

Starting in May 1995, however, the dollar strengthened and the yen weakened. Japanese companies ceased to invest in Asia, Southeast Asian companies lost competitiveness, and their economies became vulnerable. In South Korea, many investments made sense only at a yen/dollar rate of 120, so the changes in the yen/dollar rate created serious solvency problems.

International role. Just when international currency changes were weakening the Southeast Asian economies, they were hit with a new wave of portfolio investment, especially from Europe. This investment offset the trade imbalances, and kept exchange rates from falling. Most European investors intended to stay in the region into the twenty-first century, based on such factors as high savings rates, hard working labor forces, etc. Nevertheless, by July 1997 even the new European investors realized that something was going wrong, and
began to pull out. The basic currency correction was healthy, but it rapidly led to a panic.

**Lessons.** To their credit, the Asian countries have not practiced “beggar-thy-neighbor” competitive devaluation policies as occurred in the 1930s. Nevertheless, it is difficult for countries to maintain competitive exchange rates under conditions of large capital inflows. And there are no international institutions through which these countries could manage their exchange rate regimes.

The adoption of more flexible exchange rate systems by the smaller economies is one response to the crisis. Major countries are also becoming more tolerant of a secular movement of exchange rates. Over the longer term, the developing economies of Asia need to become better able to handle the appreciation of their currencies.

**Institutions**  A second view emphasizes the importance of institutional factors, including weak domestic financial systems. Southeast Asian financial systems were unable to manage the large capital flows that began in the late 1980s. Major weaknesses were protected financial sectors and traditions of government interference in decision making and corruption. In the early 1990s the flows of foreign direct investment combined with asset bubbles and “spectacular mismatches” of maturities and investments. Earnings declined, asset markets eventually crashed, and governments were forced to abandon their currency pegs.

The politics of the economic crisis were also complicated. Thailand and South Korea brought in new governments early in the crisis period, which disavowed and changed the policies of their predecessors. In Malaysia and Indonesia, the existing governments continued in place (at least through the initial phases of the crisis) so policy change was a more complicated and contentious process.

**International role.** The International Monetary Fund (IMF) took the lead in managing the crisis. Regional organizations were not major players. However, the performance of the IMF was very mixed. Although it identified weaknesses in the Thai economy, it didn’t see the crisis coming. Its insistence on budget tightening in the earlier phases of the crisis led to high interest rates that choked credit and only worsened the situation.

The United States was strong in “idea leadership,” but U.S. unwillingness to contribute significantly in dollar terms generated bitterness. By contrast, Japan
was willing to put up significant funds, even though some of this was just in support of its own firms and interests.

**Lessons.** The markets indicated these countries were behind in structural reform, so they had to address these problems. Domestically, the main problem has been the limited ability of the political systems to deliver outcomes. Powerful domestic political interests oppose liberalization measures.

The international financial institutions can encourage better policies than governments would follow on their own. But smaller packages, with less conditionality, may be a better approach. The content and sequencing of financial liberalization are also very important. This is particularly the case since the international system has no real experience with open economies on the capital side (as opposed to the goods side). Another problem in the Asian crisis was that debt rescheduling was undertaken only relatively late in the process.

There is also a role for regional initiatives to help strengthen the financial systems in the affected countries. Arguably, if an Asian Monetary Fund (AMF) had been formed during the first round of this crisis, there would have been more competition between institutions, greater responsiveness, and more creative thinking.

**The Market** The third argument is that the root cause of the crisis was market euphoria, the classic capitalist boom/bust phenomenon. The crash was preceded by a period of economic overheating—with massive property investment, rapidly rising current account deficits, etc.—compounded by internal structural problems and by the turbo-charged atmosphere of hot money flows and pegged exchange rates. In these circumstances, a relatively small shift in exchange rates and fund flows produced catastrophic results. There was also a “moral hazard” element in this crisis. Both borrowers and lenders felt that governments could not afford to let the economies fail, so that otherwise risky investments were safe.

Finally, the crisis hit the Southeast Asian countries and Korea at the same time as the Japanese recession. This compounded the effects of both.

**International role.** The IMF response to the crisis—tightening fiscal policy and raising interest rates—was a mistake. In highly leveraged economies high interest rates only further constrict economic activity and worsen the situation.

Foreign lenders who loaned despite knowing the lack of transparency in the receiving economies were taking a big gamble. When they saw the situation
deteriorate, they withdrew their money, but began to return when it appeared that the international financial institutions would force payback. Thus, the international financial institutions in effect supported the affluent, not the precarious, placing the principal liability on the shoulders of the borrowing peoples.

**Lessons.** Where investment flows are based not on economic fundamentals but rather on the prospects for quick returns, there is a case for controls on investment inflows. Capital controls as practiced by Prime Minister Mahathir Mohamad in Malaysia, although not favored by the IMF, might actually have been a better response in this crisis. However, there remain difficult questions of how far capital inflows should (or can) be controlled or managed in a free market system. Controls should not be so tight or burdensome as to discourage foreign capital investment.

In retrospect, expansionary fiscal measures should have been adopted at an earlier stage in this crisis. However, the initial emphasis was placed on restoring stability to exchange rates to keep capital from fleeing through raising interest rates, and the recession turned out to be much deeper than anticipated. In the crisis atmosphere, the IMF responded with formulas more suitable to Latin America, where there were large public sector debts. Among other things, this indicates a need for better analysis, including on the part of the international financial institutions.

There is also a need for better international structures and policy instruments to temper overheating. The Asian countries had no means to deal with massive flows of “hot” money. Some believe currency controls, similar to those in effect in Chile, are needed to curb short-term speculative flows. They also need mechanisms to dampen economic shocks—equivalent to the system in place in the United States.

**The Outlook**

Parallel to the differing assessments of the cause of the crisis, observers differ as to the prospects for recovery.

**Optimistic Aspects** The overall economic situation in the region is now normalizing. The crisis bottomed out at the end of 1998 and early 1999. Macroeconomic performance has improved. All the regional currencies except the Indonesian rupiah have been strengthening, there has been a pickup in exports, and commodity prices have risen. Asian stock markets are rising.
The factors in the recovery vary by country, but they include government macroeconomic policy and low interest rates that have stimulated private demand (Indonesia being an exception). Investor and consumer confidence in these economies appear to be higher than originally estimated, and regional trade is more important. Also, the U.S. economy is still expanding, the European Union (EU) slowdown has been less severe than expected, and Japan appears to have bottomed out, all of which should have a positive impact on Asian recovery.

Finally, there is a broad consensus that recovery will continue in the year 2000 and beyond. If Japan stays in recession, the recovery in investment will not be as strong, and Asian countries will continue to have asset problems, but the fundamentals will still be satisfactory.

**Reforms.** Lessons have been learned from the crisis. Serious reform efforts are being undertaken both by individual countries and by the international financial community (through the effort to devise new institutional architecture).

There have been both institutional restructuring and more fundamental reforms. In the financial and corporate sector, there has been significant progress in all the affected countries in dealing with weak financial institutions, strengthening the relatively stronger institutions, and establishing required institutions that were lacking. There has been corporate restructuring—debt relief and rescheduling—in order to reduce the debt overhang. The final stage is to denationalize the reserve institutions. This has just begun, and will take a few more years.

The ongoing work on new international financial architecture is supporting further progress through developing standards, guidelines, “best practices,” etc. Policy coordination mechanisms in the international community have also been strengthened.

**Cautions and Risks** The optimistic assessment of the outlook involves a number of assumptions, some of which are problematic.

It is assumed that there will be a “soft landing” of the U.S. economy to a more sustainable rate of growth, but a more rapid slowdown remains a risk because the United States is still expanding faster than its potential. It is assumed that the Japanese recovery will continue. There have been encouraging signs, but uncertainties remain and the outlook is unclear. Government debt is very high
by G-7 standards, while interest rates are very low, leaving little scope for further use of these policy tools. Consumer and investor confidence remains low or uncertain.

For the Asian countries, it is assumed that supportive financial policies will continue; these will need to be reversed if inflation appears, although this is a small risk at the moment. Another assumption is that structural reforms will continue. Progress in reform so far has helped to restore confidence, outweighing negative factors such as increasing unemployment. But as the recovery continues, the incentives for reform will decrease.

Finally, it is assumed that these countries will be able to secure sufficient external funds to resume investment and growth. Some have, though at higher cost than before; others, particularly Indonesia, continue to depend primarily on other governments and international financial institutions.

The Skeptical View  Skeptics stress that growth rates in the affected countries will not return to the earlier spectacular rates. Restructuring both slows recovery and results in lower growth rates.

Also, the recovery is still fragile. Private demand is generally weak except in South Korea, so investment is not a growth engine for these countries. Other problems are non-performing loans and whether an export-led approach to recovery can work in current regional and global conditions.

A number of problems in specific countries could negatively impact overall regional recovery. Some participants argued that the economic situation in Japan is not as good as it may seem; expansionary spending may not be improving the long-term competitiveness of the economy. Continuing debt problems in the financial sector complicate future government budgets. And Japanese imports from the other Asian economies, while growing, have not reached levels that make a significant contribution to regional recovery.

China is highly problematic. The inefficient, expensive State Owned Enterprises (SOEs) are a major problem. Exchange rate policy is another problem; China has experienced 20 months of deflation and negative consumer price index growth. This will create strong pressures for devaluation, which would hurt some of China’s exports and also hurt other East Asian countries.

A final uncertainty is the United States. A break in the long-running period of growth and the possibility of protectionism are the main concerns. Reduced
exports are a major reason for the growing U.S. trade deficit. The deficit has not triggered a wave of protectionist demands—the steel industry being the exception—but this is a subject of debate among American analysts.

Conclusions

The Asian economic crisis of 1997–98 combined crises in banking, currency, and the real economy, plus (in Indonesia) a social crisis. Another noteworthy feature was the speed and breadth of its spread. The contagion can be attributed partly to market factors—loss of confidence combined with inadequate or inaccurate information; behind these were structural weaknesses—a lack of transparency and accountability.

Seminar participants generally considered that the region is now in the early stages of recovery, but that the recovery is fragile and that its consolidation requires continuation of reform and restructuring. The possibility that an unhealthy complacency may set in is the greatest concern, because in most of Asia a real expansion is essential to absorbing a growing labor force and therefore to ensuring political stability.

In addition to the need for continuing domestic reforms, there was broad agreement that the crisis highlighted the need for some changes in the international economic architecture to deal with the emerging problems of the globalized economy. These include the extreme volatility of international financial markets. Some combination of specific mechanisms and more general institutional changes seems called for.

The international financial architecture is principally the province of finance ministers. The ministers have consulted and made recommendations, but with little sense of urgency to follow them through. The only recourse may be for heads of government to step in. A related question is the extent to which Asian governments will be involved in the process, which is clearly desirable in view of the growing importance of Asia to the world economy as well as the experience of the 1997–98 crisis.

The most fundamental question, however, is whether the political will exists to take the necessary actions. At the international level, most Seminar participants believed that the role of the United States can be critical in this regard. The United States has major interests at stake, but it was also noted that many Americans may not think so because of the current U.S. prosperity.
Social and Political Dynamics

The discussions under this topic covered domestic, regional, and international trends.

Within countries, in addition to its significant human impacts, the economic crisis accelerated pressures for political change; in the case of Indonesia, it raised more fundamental issues of national identity. At the regional level, the crisis paradoxically seems to have fostered new interest in regional cooperation—as well as some new questioning of the regional role of the United States. At the broader international and intercultural level, the debate over “Asian” versus “Western” values and political norms may be yielding to a new clash of interests.

Domestic Impacts

Economic growth, globalization, and the information revolution are producing increasingly rapid social change in most countries of the Asia Pacific. The same factors are causing changes in political systems and the alignments of interest groups. The crisis affected all these processes. Because social change is usually gradual and uneven across a society (for example between urban centers and rural areas) while political change tends to be discontinuous, the interaction of the two processes is complex and unpredictable. In addition, some countries of the region still face more fundamental issues of unity, identity, and nation building.

The human dimension is also ultimately the critical factor in the response to the crisis. Mobilizing political support for policy and structural changes requires convincing the general public that reform offers tangible benefits for the majority, not just for the financial ministers or political elites. At the same time, economic modernization and the information revolution are changing people’s aspirations, increasing consciousness of differences in living standards, disrupting traditional social and cultural identities, and producing political angst. Thus, reforms previously considered significant may no longer be accepted as adequate by a changed society with new coalitions of interests. So both architectural and institutional issues and political and social issues must be addressed in order to consolidate recovery and prevent future crises.

Some participants also argued that the crisis demonstrated the paradox and downside of the trend toward democratization. Democratization can be seen as an inevitable consequence of globalization, but it also produces uncertainty and
instability and complicates the implementation of a coherent policy agenda. It can be very hard for democratic leaders to set down firm rules in such areas as economic reform. Domestic interests can easily stalemate the reform process, blocking efforts to deal with such problems as growing inequality or environmental degradation. But such reforms can be crucial to successful management of an orderly transition to a globalized world. International pressure (such as IMF programs) combined with strong leadership has been reasonably successful in some Asia Pacific countries.

The political consequences of the crisis have not been uniform. Significant changes in both policy and leadership have occurred in South Korea and Thailand, but in other cases there has not been fundamental change. In Malaysia, the main consequence was to bring to a head disagreement over economic policy between the prime minister and deputy prime minister. In China, the leadership does not want to see political change but rather is committed to its present course of economic reform and political stability (and some hard-liners oppose the economic reforms as well). The most dramatic case of change triggered by the 1997–98 crisis has been that of Indonesia.

**Implosion in Indonesia** The sociopolitical dynamics of the crisis in Indonesia did not involve just economic dislocations but also environmental, security, and personal safety problems—in other words, a general breakdown of order and authority.

Both the government and the international community initially estimated the economic impact as extremely severe—with the poverty rate estimated to have increased from just over 10 percent of the total population (over 200 million in early 1997) to between 30 and 50 percent in 1998. This estimate was subsequently revised down to around 17 percent by mid-1999, but there was considerable variation between regions and sensible generalizations were impossible.

The crisis drastically affected both government income and spending. Indonesia’s agreement with the IMF allowed a deficit of 8 percent of GDP, the largest ever for Indonesia, to establish a social safety net (SSN) for the most affected portions of the population. However, there were many problems with implementation of SSN programs and much of the funding was wasted. The revised estimates of the poverty level made it more difficult for the government to justify these large programs, and in mid-1999 the problems of diversion and misuse of funds led even Indonesian non-government organizations (NGOs) to ask the World Bank and other international financial institutions to stop dis-
tributing these funds. However, it is clear that the fiscal burden on the govern-
ment will continue to be very large for a long time, and will include continued
consumer subsidies for food and energy as well as the costs of recapitalizing
banks, etc.

The most basic questions facing the Indonesian government in this area are
how to restore the confidence both of domestic investors and of foreign capi-
tal, and whether international assistance can be sustained in the meantime.
Until confidence is restored, Indonesia will be dependent on borrowing from
foreign governments and institutions.

In politics, the crisis led directly to the downfall of President Soeharto after 32
years of rule and to progress toward democratization through parliamentary
and presidential elections held under new rules allowing open competition.
Nevertheless, there is a long way to go. Questions that remain to be answered
include how the new government will achieve genuine legitimacy as well as
effectiveness, what will be the future role of the armed forces, and what will be
the role of Islam in Indonesian politics.

Indonesia is facing the simultaneous political challenges of redesigning its gov-
ernment and the state itself. There is a general recognition that the government
structure has been too centralized, and that new checks and balances are needed.
But with membership in parliament limited to two terms and a coalition
government, the process of reforming the government structure and process
will be very complicated and difficult.

The major challenge to the state comes from renewed demands by Indonesia’s
provinces for greater autonomy from Jakarta—a demand not limited to the
widely publicized problems in East Timor, Aceh, and Irian Jaya. Two laws
passed at the end of the previous parliament made an effort in this direction
but did not go nearly far enough, and the new parliament will go back to the
drawing boards on this matter. Federalism may be the only alternative if (as is
happening) the role of the military is reduced, and a unitary state can no longer
ensure order and effective government. However, the history of federal experi-
ments elsewhere in the world is not completely encouraging—often it simply
exacerbates regional differences. For Indonesia, movement toward a federal
system is a delicate, deep-seated sociopolitical issue that touches on funda-
mental questions of national identity. Change in this area essentially requires
the formation of a new social and political compact in the country.
Impacts on Regional Security and Cooperation

The economic crisis raised three areas of concern in terms of regional security: impacts on national defense capabilities, possible spillovers of social impacts from one country to another, and direct impacts on interstate relations.

An initial impact of the crisis was cutbacks in defense spending, which threatened to alter the relative balances within the region to the detriment of the most affected countries. These, however, were seen as only marginal and likely to be temporary. As for spillovers of social problems, despite worries in the Indonesian situation and some other countries, to date serious problems have been avoided.

In interstate relations, there have been instances of bad temper and some movements of people but no serious rise in uncertainty. A related concern was a possible resurgence of protectionism in the region. Arguably the opposite has happened, and there is a growing realization that nations have to work together to cope in this age of globalization. The Association of Southeast Asian Nations (ASEAN) has accelerated its movement toward economic integration; negotiations for an ASEAN Free Trade Area (AFTA) have been accelerated, and integration of the new members has proceeded. China kept its promise not to devalue the renminbi. China, Japan, and South Korea are edging closer to one another (although there remain some questions about China’s interest in such trilateral cooperation), and there have been discussions of a free trade area in Northeast Asia. Finally, there has been increasing discussion of intensified dialogue between Northeast and Southeast Asia including through the East Asian group (“ASEAN-plus-3”) formed before the crisis.

It is still possible that the crisis could have an impact on East Asian security, but this seems most likely to be indirect and long-term. It could take two directions. First, the crisis has spawned a sense of need for new ways of doing business and creating wealth—ways that are both more rules-based and more market-driven. But this requires greater institutionalization, and corresponding adjustments of the political and social order, which can be temporarily destabilizing.

Second, over the longer term, with greater openness, a stronger private sector, etc., there will also be greater pressures for political change. It is uncertain whether these developments will lead to greater regional stability. At the same time, the gaps between East Asian nations, including within the membership of ASEAN, could widen—in development, in institutions, in human resources. This could undermine the ability to manage regional security.
It seems likely that regional security arrangements will remain primarily based on bilateral cooperation for the foreseeable future, but in the economic area there is an increasingly eclectic combination of bilateralism, regionalism, and multilateralism.

**International Consequences**

The financial-economic crisis has had a major impact on the debate over “Asian values.” There is a crisis of confidence in the development models that Asian countries have used. The new economic paradigm is the “Anglo-American model” of transparency, accountability, and globalism. The crisis has also promoted democratic systems. Because corruption is considered partly responsible for the crisis, and democracy is seen as an antidote to corruption, the crisis has provided a mandate for democratization and democratic consolidation.

However, there are questions about the suitability of the Anglo-American model. Some Asians are concerned that this model, with its emphasis on competition, will lead to more class conflicts, ethnic and regional cleavages, and bitterly divided polities. While acknowledging the necessity to increase efficiency in the face of global competition, some participants stressed that efficiency criteria are not the sole basis for judging policies. Asian governments must also take into account the social and political need to be considerate to the weak and those who are defeated in the market.

Also, the crisis is widely perceived in Asia as having significantly benefited foreign capital. Mergers and acquisitions have been legalized in many of the affected countries, and American firms in particular are seen as taking advantage of the crisis to buy local firms cheaply, with local capital and workers as the losers. This “political hollowing” of Asian economies can exacerbate domestic tensions and produce a nationalistic backlash against foreign influence.

Additional controversial elements of the crisis were the role of the dollar and the actions of the IMF. The idea of an Asian Monetary Fund, aborted early in the crisis largely due to American and Chinese opposition, has regained momentum in the region. Thus, a new transnational debate may now be emerging, and the economic crisis may be bringing about a new clash of ideas which is actually a clash of interests.

Finally, the East Asian crisis has provided a cautionary note about managing the globalization process for other countries that have followed a slower process of policy change and opening to date. From the end of the Cold War through 1996 there was no serious questioning of either the desirability or the manage-
ability of economic globalization. The crisis both demonstrated some of the pitfalls and provided salutary lessons about various kinds of responses and remedial measures.

**Conclusions**

There is clearly a great deal of flux in the social and political dynamics of the Asia Pacific region in the aftermath of the economic crisis, at all three levels—domestic, regional, and international. The relative positions and strengths of actors, the institutions, and norms and models are all contested or uncertain. This affects the strategic dynamics of the region, to which the discussion turned next.

**Strategic Dynamics**

Given the diversity of the Asia Pacific region, its strategic dynamics are multiple and complex and are not easily distilled into broad common themes. In keeping with the overall focus of the Seminar, the discussion of this subject concentrated on those issues of most relevance to the U.S. role in the region.

**General Perspectives**

There was broad agreement that the security scene in the region has become more uncertain, and that there is growing awareness of security issues on the part of the general public in many Asian countries.

Specific developments mentioned as contributing to this trend include:

- Problems on the Korean peninsula (including North Korean nuclear and missile programs);
- Cross-strait tensions between China and Taiwan;
- Incidents in the South China Sea/Spratly Islands;
- Instability in Indonesia;
- Renewed conflict between India and Pakistan compounded by nuclearization and internal political strains in both countries; and
- Concerns over proliferation of weapons of mass destruction and missiles.
The sense of uncertainty is heightened by more general concerns about the roles and relationships of the major powers as well as the relationships of regional countries with the major powers. Strains in Sino-U.S. relations are a major source of concern. Some in Asia also worry about the evolution of U.S.-Japanese relations, fearing that Japan’s security role may be increasing and constraints on Japanese military operations being reduced too rapidly. Finally, concern was expressed from the Asian perspective over the progressively stronger assertion of authority on the part of the international community, including the imposition of sanctions and military intervention.

The United States

There was extensive discussion of ambivalent attitudes about the regional role of the United States—within the United States as well as in Asia.

Some participants argued that in the United States the former bipartisan consensus on security priorities has largely broken down, and discussion of Asian security issues has become more polarized. Although the Cold War is over, a strong residue of Cold War thinking remains in U.S. institutions and media. Polarized thinking is particularly reflected in arguments over U.S. relations with China. The inference in these debates is often that the United States must either be pro-China or pro-Japan, pro-China or pro-Taiwan, whereas a more realistic view would be that the United States needs a policy to deal with both parties in each of these pairings. The ultimate concern is that perceptions of conflict rather than cooperation in U.S. relationships in the region may become self-fulfilling, actually generating conflict.

On the Asian side, it was generally agreed that there is renewed recognition of the importance of the United States and U.S. forces to regional stability. The power of the United States is unparalleled, and the United States is necessary for the management of conflicts. U.S. technological capabilities were demonstrated in the Gulf War and Kosovo. The projection of U.S. military power in the Asia Pacific has been facilitated by new U.S.-Japanese security guidelines and increased access elsewhere in the region, such as in Singapore. The United States used its capabilities in the region in the Taiwan Strait situation in 1996.

Opinions differed as to the degree of U.S. dominance. In the military sphere, there was consensus that the United States is now the only military superpower and truly global power, that the technological gap between the United States and the other players is widening, and that this skewed distribution of
power will be in place for some time to come. In economics, the United States is the largest economy in the world (Japan being number two but less than 60 percent of U.S. GDP), and it was noted that the Asian economic crisis has brought new respect for the power of the U.S. economic model. In the emerging global culture, the Internet is a U.S. creation. But others argued that in economics and culture the situation is not really unipolar. The world economy is multipolar, and the global culture will continue to be diverse.

Corresponding to the U.S. power position, there is a general desire in the region for close relations with the United States. However, there is also a concern in Asia over U.S. tendencies toward unilateralism and assertiveness. Some Asians commented that the United States seems to view itself as the sole repository of responsibility for world order, and that this perception would be more comfortable if the United States paid more attention and respect to others, including the UN system.

**Multilateralism**

Participants observed that there had been advances in regional security processes in the 1990s. The multilateral approach made particularly good progress, with the emergence of APEC and the ASEAN Regional Forum (ARF). However, the more optimistic expectations of multipolar, multilateral institutions didn't materialize, and the limits of security multilateralism have become clear.

Region-wide, the APEC summits have the potential for dealing with larger political-security issues, but the experience has been uneven and, for example, U.S. President Clinton missed the 1995 and 1998 summits. The ARF is limited in its scope and is forced to operate through the consensus system. The ASEAN agenda dominates, but the ASEAN group has not been a proactive leader and non-ASEAN members are constrained in contributing. The ARF is attempting to build confidence through dialogue, but there has been very little progress on preventive diplomacy. Underlying much of the difficulty is the hesitation of China. ASEAN has not been able to deal with China. If it cannot do so, this can stymie overall progress.

In Southeast Asia, ASEAN itself faces new challenges, with its larger and more diverse membership as well as the economic difficulties of the financial crisis. It is a totally different ASEAN now from the early years. The question is how to measure ASEAN’s progress: by continued liberalization, or simply through continued meetings and socialization of new members.
Northeast Asia lacks any sub-regional cooperative framework comparable to ASEAN. Partly in response to the problems of multilateralism, as an American participant argued, the increasing use of “minilateral” approaches (e.g., the U.S.-Japan-South Korea or U.S.-Japan-Russia dialogues) has emerged as the most innovative and potentially positive new development in the security area in the region. The ASEAN-plus-3 grouping is another new forum involving Northeast Asian countries although again not strictly subregional in its makeup.

South Asia’s relationship to the broader geopolitics of the Asia Pacific region is ambiguous. Especially with the nuclearization of India and Pakistan and India’s membership in the ARF, South Asia could play an increasingly important role in the region’s security dynamics and forums. However, participants noted that to date South Asia has not generally received the level of attention by other governments—including the United States—that may be warranted.

**Conclusions**

The roles and relationships of the United States, China, and Japan appear to be the key to the present and near-term future security dynamics of the Asia Pacific region. Due to the extent of U.S. military power and the relative frequency of its use around the world, there are concerns over the possible uses (or non-use) of U.S. power. Most Americans tend to believe that the United States’ use of power is relatively benign, but others do not share this view. Discussions of Chinese military power tend to focus on concerns over how China might exercise that power. With respect to Japan, there is still uncertainty in the region over exactly how (or if) Japanese military power might be used. The difficulty that China and Japan have in conducting a real dialogue was also noted.

A further complication is that there is no real conceptual framework for a post-Cold War security order in the Asia Pacific. The United States says its policy is based on the concept of “enlargement”—of democracy and free markets. But in Asia there is a consensus on the norms of nonintervention and sovereignty. Further, every Asian nation has identity and human rights problems, so intervention is a concern.

Finally, there is an urgent need to address the problems raised by the spread of nuclear weapon capability in the region. A strong argument was made that this issue requires dealing with the fundamental security concerns and policies of
states, rather than looking at it only as a question of non-proliferation policies and regimes.

It was also argued that there is a need for better mechanisms through which these differing perceptions and concerns could be addressed. Available channels include the ASEAN Regional Forum (ARF) and the APEC heads of government meetings—although it might be difficult to address such relatively complex subject matter in the APEC leaders’ forum. But whatever the vehicle, deeper and more frequent contacts are clearly desirable.

An alternative, less institutionalized suggestion for strengthening regional stability was to seek to replace vicious circles of uncertainty and suspicions with “virtuous circles” of competition to develop positive relationships. An example of such a dynamic is that during periods of U.S.-China tensions, attitudes in South Korea and Japan toward the other two vary depending on which is considered most responsible for the tensions, and this has helped temper U.S.-China confrontations over the past decade.
ISSUES IN U.S.-ASIA PACIFIC POLICY

General

Fundamentals of U.S. Policy

The second session of the Seminar began with a general discussion of American policy in the Asia Pacific region. Beyond dealing with the “hot spots,” four broad U.S. goals in the region were identified:

- Economic recovery, with continued reform and opening;
- Expansion of democracy and good government;
- Maintenance of an active U.S. economic and military presence; and
- Strong, confident governments in China, Japan, and ASEAN, and good relations with all of these.

The second goal inevitably triggers debates over values, the U.S. human rights agenda, and arrogance. But this goal is a deeply ingrained feature in the American worldview. And it can also be seen as promoting twenty-first century values that support entrepreneurialism—such as access to information, protection for intellectual and property rights, and freedom of speech and movement.

The fourth area is arguably both the most important and the one that the United States is farthest from achieving. Problems include Japan’s long-term economic slump, internal political and economic problems in China and strains in U.S.-China relations (including over Taiwan), and the possibility that the expansion of membership and the Indonesian crisis could impede ASEAN’s movement toward more integration.

Three global and regional factors were cited as making it difficult to formulate clear and effective U.S. policies in the Asia Pacific region:

- The reality of global interdependence: Governments now have less control over such matters as monetary flows than at any time since the formation of the state system. Nevertheless, national governments are still the principal international actors.
The U.S. position of strength: An unfortunate consequence of the dominant U.S. position is that many Americans, including representatives in Washington, have come to feel that the rest of the world doesn’t really count. This tends to reinforce the historical moralistic streak in U.S. foreign policy and to obscure the importance of long-term, realpolitik considerations such as the need for international cooperation and good relations with other major actors.

The Asian financial crisis: One result of the crisis has been that U.S. firms are now more embedded in Asia, with possible negative political repercussions. Further, the eventual end of the U.S. economic boom could increase pressures for protectionism in the United States, producing tensions in U.S.-Asia Pacific relations.

Perceptions of the United States

A recurrent theme in Seminar discussions was concern (primarily expressed by American participants) over negative international perceptions of the United States, which some viewed as worse than at any previous time. Evidence cited included: the Chinese reaction to the U.S. bombing of their embassy in Belgrade; the Russian view that the United States is exploiting Russia in order to keep it subjugated; the European decision based on the Kosovo experience to develop their own military power; and a general concern over U.S. military unilateralism.

A number of elements were seen as contributing to this problem:

- U.S. rhetoric: The tendency of officials to speak of the United States as the “indispensable nation” triggers very negative reactions in others.

- The Kosovo precedent: Some U.S. officials have overstated its significance, implying that the only limitation on forceful U.S. action is physical capability.

- Hollywood imagery: Films featuring high-tech wonders strengthen perceptions of U.S. capabilities, and make it hard for people to accept that the United States can make genuine mistakes (as in the Belgrade embassy bombing).

- Unilateral sanctions: The U.S. Congress especially has a tendency to impose sanctions for symbolic reasons, with little consideration to the views and interests of others.
Disregard of international responsibilities: U.S. delays in paying UN dues and IMF quotas, and failure to ratify conventions (such as the Comprehensive Test Ban Treaty [CTBT]) needlessly disrupt international activities otherwise supported by the United States.

Polarization and partisanship in Washington: For example, administration efforts on China-Taiwan relations have been undercut by congressional actions.

Public inattention: There is relatively little thinking about international affairs in the United States. U.S. foreign policy is not well understood, and ranks very low on the list of public concerns. This makes it particularly difficult to rally public support behind complex policies.

While acknowledging that there will be times when the United States will and should act alone to protect its interests, these participants argued that the United States needs to be more sensitive about its rhetoric, and to recognize that most U.S. international goals cannot be achieved without help.

Other Americans disagreed that perceptions of the United States have notably worsened, or that the United States is responsible for negative perceptions. One argued that the problem is largely in Chinese perceptions of the United States and Japan, that this is primarily due to the new U.S.-Japan security guidelines, but that this would be no reason to rescind the guidelines or to withdraw U.S. forces from Japan. Similarly, U.S.-South Korea-Japan relations with North Korea have been through rocky times recently, but they are not worse than ever. Thus, in this view, the picture is mixed; to an extent it is negative, but this is not all undesirable.

Other participants pointed out that there have been instances of well-managed U.S. initiatives in sensitive areas, such as the recent assessment of policy toward North Korea conducted by former defense secretary William Perry.

**The Lessons of Kosovo**

Another recurring theme in the discussions was differing interpretations of the implications of the Kosovo experience.

The Kosovo campaign clearly demonstrated the widening technological gap between the United States and others. If one focuses only on the technological aspects, Kosovo can be considered as signaling a new period in which the United States will be able—and willing, due to the low costs in terms of U.S.
casualties—to intervene more freely, for strategic or humanitarian reasons. China, for example, could easily see Kosovo as a precedent for U.S. intervention in Taiwan. Some Americans believe that the Kosovo intervention has increased the perception of U.S. willingness to use force even in situations where it has no strategic interest, no public support, and no clear goals.

An alternative view sees the decision to intervene in Kosovo as exceptional. Based on the earlier experience in Bosnia, U.S. leaders concluded that a tough stand against Yugoslav President Slobodan Milosevic would induce him to back down. (A misjudgment of Milosevic’s reaction and a political need to protect planes and pilots led to the extended high-tech campaign.) Further, Kosovo involved the North Atlantic Treaty Organization (NATO), which was sensitive to the ethnic cleansing issue. But despite these elements the intervention was very limited in scope and duration, and NATO ultimately went back to the UN for its endorsement. This interpretation suggests that the United States would be less rather than more likely to intervene again in such domestic-humanitarian situations, making it hard to see Asian parallels.

Another lesson of the Kosovo experience with perhaps greater relevance for the Asia Pacific was that the technological gap made it difficult for the United States to coordinate with—or delegate responsibility to—others in the military operations. Only the United States had the necessary accuracy for many of the bombing missions. A similar technological gap exists in theater missile defense and national missile defense, important and controversial developments in Asia. This poses difficult policy dilemmas—without clear answers.

**U.S.-China Relations**

Finally, the discussion highlighted concerns in Asia—acknowledged by American and Asian participants alike—over the potential for problems in U.S.-China relations.

A number of troubling currents were mentioned. These include prevalent opinion within the U.S. Congress and media viewing Chinese admission to the World Trade Organization (WTO) as a favor to China and opposing World Bank loans for the resettlement of people within China (as in the case of the Three Gorges Dam project), as well as overblown treatment in the United States of the spying and campaign contribution issues. In China there is a perception—and resentment—that the United States is reluctant to give China credit for progress on personal and individual freedoms. Although
many on both sides do not share these views, they nevertheless complicate relations, and it is important that they be overcome.

The political process injects further complications. Two of the last three U.S. presidents came into office critical of China. Reagan opposed recognition, and Clinton railed against the “butchers of Beijing.” In office, both realized the need for the best achievable relationship with China. Participants anticipated that, regardless of the rhetoric, the same realities will apply in the next U.S. presidency, and there will be acceptance of the importance of China’s role in a variety of areas and the corresponding need for the most constructive possible relationship.

In Congress, on symbolic issues that lack real teeth, anti-China votes tend to be overwhelming—China is a favorite whipping boy, and these are politically costless votes to the members. On some issues, members of Congress are assured that the White House will handle the issue responsibly. However, where these votes have real and immediate consequences (such as on the WTO), the outcome can be very different. This dynamic is also likely to continue into the next U.S. administration.

Others noted parallels on the Chinese side. Chinese leaders also say that good U.S.-China relations are needed. However, there have been changes in the Chinese view of the United States in recent years. China expected the United States to do less well in the late 1990s than it did. From the Chinese perspective, the United States has relatively strong relations throughout the region except with Russia, and Russia is not yet regarded as a reliable partner for China. This is not considered a favorable outlook for China.

The Chinese are also concerned about who makes U.S.-China policy. They see different kinds of policies emerging from different places. They are relatively reassured about the White House, but worried about Congress and about the media, which they see as closer to the congressional view.

The Seminar then turned to a consideration of three specific issue areas in U.S. Asia Pacific policy: the forward military presence; economic issues; and democracy and human rights.

The Forward Presence

Introductory presentations on American and Asian perspectives regarding the U.S. forward presence were expanded and developed by comments from other participants.
American Perspectives

Security and stability in the Asia Pacific over the past two decades have led to growth and prosperity, with China and Southeast Asia the principal beneficiaries. This situation is similar to that of Europe in the 1960s and 1970s, but Europe had the NATO alliance and the presence of 300,000 U.S. troops, which Asia does not. In the case of Asia, security and stability come principally from three factors.

- Strong U.S. bilateral alliances—with Japan, South Korea, and Australia.
- Forward deployment of U.S. troops (100,000 in the region—47,000 in Japan, 37,000 in South Korea, and 15,000 to 20,000 at sea), with backup in Hawaii and Alaska and on the U.S. West Coast.
- U.S. policy to engage with China. There have been problems, but even during the down periods the situation has been better than during the Cold War.

Problems

While the basic U.S. strategy has worked reasonably well to date, it may be running out of steam. Several factors are tending to undermine it—and to make the future different from the past.

- Economic problems. Economic prosperity in the region helps maintain the forward deployment through “burden sharing.” The economic crisis of 1997–98 did not undermine burden sharing, but the subject will inevitably come up in Congress.
- Nuclear weapons. It is only a matter of time before India and Pakistan have delivery systems as well as weapons. North Korea has had a nuclear program and tested a long-range missile in 1998; a near-conflict over the nuclear program was defused in 1994, but the 1998 missile test endangered that agreement, and concerns about another missile launch continue.
- Possible confrontation with China. Some in the United States oppose engagement with China; some see a Chinese military buildup. Some in China argue the United States is trying to create a false sense of security in China in order to weaken China’s military. There are rising levels of rhetoric.

U.S.-China Relations

There are both political and “hotspot” issues in U.S.-China relations. One major political-military issue is missile programs, specifically Chinese missile development and U.S. missile defense.
China's leaders do not like the U.S. forward deployment, but they are reconciled to it. They really do not like theater missile defense supplied to U.S. allies. China is concerned that acquisition of missile defenses by South Korea or Japan (even in response to the North Korean missile tests) would weaken China's own deterrent and could lead Japan toward remilitarization. China's leaders are adamantly opposed to any supply of missile defense to Taiwan.

In the 1996 crisis in the Taiwan Strait, China displayed its military power and the United States deployed aircraft carriers. The Chinese military deeply resented the U.S. actions, and shifted its focus from defending against Russia to developing a credible threat to Taiwan. One result is the buildup of missile forces across the strait. Beijing also increasingly interprets statements from Taiwan as steps toward asserting independence. Thus the danger has increased of another situation like the 1996 crisis, in which China's missiles would be a principal means of coercion.

Given this buildup of missiles and political tensions, Taiwan's desire for missile defense is understandable. The present U.S. theater missile defense (TMD) system is relatively ineffective, but improved systems are being developed and will be deployed to protect U.S. forces. The question is whether they will also be used to defend civilian populations in Japan, South Korea, or Taiwan. For Japan and South Korea this is primarily a matter for their governments’ decision. Taiwan wants the system, but the question in this case is whether the U.S. government will agree.

China's position is that missile defense deployment would start an arms race. An American response to the Chinese position is: U.S. forward forces create stability and encourage investment in the region from which China is a primary beneficiary; the best way to reduce the incentive for Japan and South Korea to acquire missile defenses is to persuade North Korea not to develop missiles; and the best way to persuade Taiwan not to seek missile defenses is for China to stop deploying missiles opposite Taiwan.

**Future considerations** There are twin fears in Asia—that the United States will go home, and that China will throw its weight around. The U.S. forward presence thus relates to overall regional stability, and it is valued in the region in those terms. If China were to forcefully take Taiwan and the United States simply looked the other way, the U.S. presence in the region would no longer function as a stabilizing force.
The U.S. regional force presence depends critically on bilateral relationships with Japan and South Korea, but the rationale for the presence in those countries is principally based on the needs of deterrence against North Korea. The rationale for the broader security role is not as well developed as that for deterrence. Although there seems little prospect of the early achievement of Korean reunification, moves toward a reduction in tensions are more plausible. The United States needs to give more thought to the implications of reduced tensions for its troop presence in South Korea and the consequences for its larger regional role.

**Missile Defenses, China, and Russia** In the United States, TMD is basically viewed as a rogue state issue, and will be a thin system for this purpose. In fact, however, it is also germane to China, which has only about 20 missiles that could hit the United States. Although the Chinese have not raised this issue, it must be a strategic concern to China and needs to be discussed.

In Russia there is concern that a U.S. missile defense system would weaken Russia’s deterrent. In fact present technology and plans are such that a system could defend against a few dozen missiles at most. So this should not be a worry for the Russians; nevertheless, for some Russians it is.

**Asian Perspectives**

The U.S. presence in Asia is welcomed by most, but there are a few significant exceptions.

Japan and South Korea contribute to the support of the U.S. presence. The long-term challenge here is to sustain domestic support for U.S. troops in these countries, and also to sustain their economic capability to underwrite the presence. Over the even longer term, reunification of Korea is the most difficult problem; polls indicate a loss of support in South Korea for a continued U.S. troop presence if reunification happens.

Most other Asian countries support the U.S. presence. Many make facilities available to U.S. forces, and exercises are regularly conducted. But other countries are reluctant to offer a major contribution. An example is Thai reluctance to agree to forward positioning of U.S. supplies and equipment. Management of these relationships is a challenge.

North Korea and China oppose the U.S. forward presence. This opposition is related to specific issues. North Korea objects to the U.S. presence in South
Korea, on the grounds that this creates difficulties for reunification of the peninsula and for dealing with South Korea in the meantime.

**China and the U.S. Presence** China’s opposition to the U.S. presence is more complex than that of North Korea. Public statements by China’s defense ministry are limited to Taiwan-related issues. But a number of other factors also influence China’s attitude toward the U.S. presence.

China’s basic principles of defense policy include opposition to all foreign troops and bases. This principle is not likely to change. As a matter of global strategy, however, China considered the U.S. regional presence as a positive factor in the 1970s and 1980s, when the Russian threat was a primary concern. With the Russian threat significantly reduced, China is now less concerned about the need for a counterbalance, but China has not expressed opposition to the U.S. presence on strategic grounds. In terms of China’s own national security interests, China’s security policy does not identify the U.S. presence in Asia as a threat to China except for the case of Taiwan.

In practice, probably the most significant—and variable—factor determining China’s attitude toward the U.S. presence is the state of the bilateral relationship between the two countries. When bilateral relations are good, it is easier for China to accept the U.S. presence with a positive attitude. But when relations are bad, the view is more negative. The future of the relationship is highly uncertain. Some in the United States see a Chinese desire to dominate the region; China insists this is not the case. Similarly, in China there is suspicion of the United States, but this is not the mainstream view. There are internal debates within the leadership groups on both sides, and domestic factors play an important role.

From the Chinese perspective the fundamental problem in the relationship remains Taiwan. China saw the deployment of U.S. carriers in 1996 as intimidation, requiring China to make further missile deployments. China will continue its missile buildup because China sees this as its only means of defense. China accepts, albeit reluctantly, the argument for a U.S. missile defense program to protect its own troops, but China is deeply worried over the possibility of Taiwan acquiring a missile defense system.

The major source of China’s concern over missile defense for Taiwan is not the military impact per se but that it would send a political signal to the Taiwan independence movement that whatever they do the United States will defend Taiwan. Other Chinese, however, believe that the principal U.S. purpose is
only to block Chinese military action against Taiwan, and that a confrontation in the strait would not mean a total U.S.-China clash. In this view, the area of common ground on the Taiwan issue has expanded over recent years, and this has kept the issue from eroding the overall relationship and provided some room for compromise and cooperation.

**Missile Defense**  Missile deployments and defenses are becoming a major security issue in the region. The logical approach to dealing with this subject would be through multilateral negotiations, with the ultimate objective of eliminating ballistic missiles. But this is complicated because six countries plus Taiwan are involved, and each has different specific concerns and priorities. The alternative of a series of bilateral talks has problems as well.

For the United States and Russia, the Anti-Ballistic Missile (ABM) treaty is a significant issue because the treaty restrictions pose an obstacle to the U.S. missile defense program and the United States wants to revise the treaty. At least initially, these discussions would be bilateral, but there is a high potential for stalemate.

Attitudes toward TMD in Japan and South Korea differ. Japan's interest in TMD is confined to a limited program oriented only toward its citizens or U.S. forces. The South Korean government sees various problems with TMD: high expense, lack of technical certainty, and (though this is not mentioned openly) Chinese opposition. Further, South Korea is also more preoccupied with the immediate cross-border threats from North Korea than with defending against long-range missiles.

Taiwan's interest in missile defense is directly based on threats from Chinese missile deployments across the strait. But such a system might be self-defeating, as China argues that missile defense deployment will require a further missile buildup. Thus the Chinese argument is the reverse of that of Taiwan and others that defenses are needed because of the missile threat.

China is also skeptical about possible talks with Japan and the United States on missile defense. China perceives that such talks would really be two-sided, with the United States and Japan on one side and China on the other. China also argues that if North Korea is excluded, this would only make North Korea more negative toward the whole concept of regional security dialogue.
Conclusions

The central questions relating to the U.S. forward presence are U.S.-China relations and TMD. These are highly complicated and divisive, within as well as between countries. It was suggested that traditional approaches may not be adequate to deal with these issues. There may be a need to use extraordinary mechanisms—such as a high-level “Wisemen’s Group”—to examine the issues in a broader context and recommend solutions.

Economic Issues

American Perspectives

The United States is a global power, and thus has a role in building the international architecture. Many people see this architecture as reflecting U.S. values and interests, and the United States is sensitive to threats to that regime. At the same time, the U.S. Constitution gives Congress, not the executive branch, the power to regulate commerce, and some in Congress question the various international institutions in this field.

The United States is also basically a “satisfied” power. Much of its effort is devoted to maintaining this role. But in its economic relations with Asia the United States is often in the position of demanding changes, such as greater market access.

Bilateral Economic Relations There has been an effort by the United States over the years to set a “level playing field.” There is a feeling that the United States was relatively generous and open in the early Cold War years, while many others weren’t then or aren’t now. Accordingly, there is the view among Americans that the United States now needs—and deserves—to win concessions for reciprocity, and to develop comparable foreign protection for property rights, etc.

Asians are often on the receiving end of these efforts because of the trade surplus that Asia as a whole enjoys with the United States—the U.S. global trade deficit approximately equals its deficits with Japan and China.

There have been changes over the years, and longer-term shifts in the climate of economic relations. In the 1960s and 1970s almost all U.S.-Asia economic issues involved efforts to restrict Asian exports to the United States—usually through so-called voluntary restraints. In the late 1980s and 1990s this shift-
ed, and most disputes now concern U.S. efforts to increase U.S. access to Asian markets. So the U.S. efforts now are actually trade enhancing rather than trade restraining.

Another change is that resort to the international trade dispute settlement mechanisms (through the GATT/WTO) is a more routine practice now. Therefore, use of the provisions of Section 301 of the U.S. trade law to prosecute trade disputes is not as prominent as it used to be. The period of high growth and low unemployment in the United States has also tended to reduce the number of such disputes—steel is one of the few recent issues, and this is basically a sectoral problem.

However, there are still difficult bilateral issues. It is generally accepted that the U.S. economy is more open than most. The problems in U.S. international trade relationships tend to revolve around how the United States pursues issues—often through the political process—and frequently the issues pursued are not those on which the United States has much potential to gather partners.

Also, every new administration goes through a learning process. For example, the Clinton administration came into office pledged to pursue “numerical targets” for Japan; it always takes time for an administration to develop practical and effective approaches.

**Multilateralism** The United States supported multilateralism in Europe—political as well as economic—and also supported European unification. This largely reflected the desire to avoid a repetition of past devastating conflicts in Europe and promote a united Western Europe as a bulwark against the spread of communism. Elsewhere, however, multilateralism has tended to be viewed with more skepticism if not as inimical to American interests.

By the mid-1980s, facing high and growing trade deficits, the United States moved away from its previous emphasis on global multilateral trade negotiations. It adopted a new strategy of “vehicle-shopping” for trade agreements—searching for compatible partners and forums at the regional and subregional as well as global levels.

The Asia Pacific Economic Cooperation (APEC) forum was one of the chosen regional vehicles. However, America’s partners had differing reasons for working through APEC. Where the United States saw it as a means of pressing for opening closed Asian markets, Japan’s Ministry of International Trade and Industry (MITI) saw APEC as a vehicle for restraining U.S. unilateralism.
There are also differences of view over the concept of “open regionalism,” which was developed as APEC’s approach to trade liberalization. The United States saw the concept as a means of catalyzing action in the WTO (i.e., an effort could start in Asia, then go global). Others saw it as a way to blunt U.S. pressures for liberalization.

APEC’s “Bogor” agenda agreed in 1994, with its target dates for achieving free trade among the advanced and developing economies of the region, was another example of broad agreement on goals with differences over specifics. It is difficult for the United States to move toward such objectives in the absence of “fast track” legislation allowing the president to negotiate overall trade agreements and submit them as a package to Congress. This is especially hard in the case of Asia, where informal trade barriers are seen as more important than formal ones. For example, achieving free trade with China by the target date of 2020 is almost unimaginable.

**Asia Pacific Cooperation** The United States has long been sensitive about economic cooperation arrangements within Asia. Malaysian Prime Minister Mahathir’s 1990 proposal for an East Asian Economic Caucus (EAEC) was seen by then Secretary of State James Baker as designed to exclude the United States and as likely to reinforce closed Asian business practices. There has been a corresponding concern over the possibility of a Japan-led economic system in Asia. This fear surfaced in the American reaction to proposals in response to the Asian financial crisis in 1997 to establish an Asian Monetary Fund. (This proposal was not explained well by its original authors; it was seen in the United States as at best a scheme to bail out Japanese banks, and also as undermining the approach and role of the IMF.)

This leaves a general question: To what extent can Asia organize itself economically without raising concerns in the United States? This reflects U.S. concerns over the undermining of “our” global system as well as regional interests. But inevitably Asian regionalism is on the rise. The newly launched ASEAN-plus-3 (Northeast Asian states) process is an example. Differences within Asia make a regional trade bloc or currency arrangement unlikely, but there will be proposals, and these are likely to gather strength over time.

The United States should be able to work with both a regional and global system, but it will not be easy.

**The Trade Policy Dilemma** The pressures of economic interdependence have produced rising demands from American firms to defend and advance their
interests. (There was agreement among Seminar participants that, with the U.S. economy generally strong in recent years, demands for traditional direct protection have been relatively limited. However, some participants believe that an economic downturn is likely to lead to a serious escalation of protectionist pressures, while others are less concerned over this prospect.) There has also been a broadening of the international economic agenda: science and safety, genetic modification, and competition policy—traditionally seen as domestic matters—are all now on the table. Further, there is a group of new or more assertive actors: the AFL-CIO is against liberalization; NGOs are also increasingly involved in trade issues; even some states (e.g., Massachusetts with its economic sanctions against Myanmar) have become international activists.

At the same time, U.S. policymakers are more constrained in using some of the most powerful traditional international economic tools, with Section 301 of very limited use and Congress unwilling to grant “fast track” authority even as congressional advocacy of individual economic and trade issues and interests has if anything increased. Thus formulating and implementing a coherent, effective U.S. trade policy has become increasingly difficult.

**Asian Perspectives**

*Dealing with the United States* The Asian perspective on U.S. policy is largely a response to the U.S. power position (both military and economic). Asians tend to accept broad U.S. initiatives, and to adjust as necessary to U.S. bilateral demands. In the economic field, Asians see the main requirement as being to ensure that the United States regards Asian trade and capital/investment markets as “fair.” A further distinctive feature of the Asian region (by comparison with Europe) is that, due to the lack of strong regional institutions, much of the dialogue on economic issues occurs bilaterally between the Asian governments and the United States.

There is nothing inherently wrong with this, as long as the United States has an open and efficient market and the ability and willingness to deal with global economic issues. However, if Asians conclude that American policies or proposals are excessively one-sided, or impose unique American values, then opening markets is seen as serving U.S. interests at the expense of Asia.

Several participants observed that in recent years the United States has been seen as behaving more like other countries, aggressively advocating its own national interests over global/systemic interests. There is also a perception that U.S. policy has been increasingly politicized—for example, in the imposition
of unilateral conditions on technology transfers—and some interpret the underlying intent of these restrictions as protectionist. These contradictions with its own declared principles are eroding the image of the United States as the “benign hegemon.”

Reform, Regionalism, and International “Americanization” The need for structural reforms is recognized in Asia; indeed some Asians saw the economic crisis as an opportunity to accelerate the process. However, many Asians are uncomfortable with the appearance of reforms being dictated from outside—whether bilaterally by the United States or multilaterally by the IMF. In addition, conditionality in IMF loans led to criticism that IMF terms were too harsh.

Other Asians see regionalism—specifically APEC—as a way to support the reform process by generating peer pressure. However, there is disappointment that APEC and ASEAN did not play significant roles in the economic crisis. Further, APEC has been sidelined in debates over the modalities of the liberalization process. The Asian Monetary Fund proposal by Japan in 1997, partly a reaction to the U.S. “veto power” in the IMF, was not well managed or sold by Japan and may have been premature.

Some Asians question whether the United States is still interested in using regional multilateral processes as a way to help others with unilateral reforms. An alternative approach advocated by some would be for Asia to proceed with its own new initiatives—such as for an AMF—and let the United States join if and when it can sort out its own internal policy differences on these subjects.

At the global level, there is some fear in Asia that the “Americanization” of international financial markets through deregulation, liberalization, and globalization, will lead to the decay of the international financial institutions. This is a concern because Asians want to be able to call on global institutions such as the WTO and IMF when necessary, and thus want these institutions to work well.

Further, in an open international financial system, money will flow to where the markets see the highest returns. But the markets do not necessarily choose to invest where long-term returns are highest. Thus, as regional financial markets begin to resemble U.S. markets they become subject to some of the same vulnerabilities and volatility. Finally, should the U.S. expansionary bubble burst, the liberalized international economy may suddenly look quite different.
Conclusions

The United States has been a major beneficiary—arguably the greatest beneficiary—of the process of economic globalization. However, even in the United States, there are serious concerns about the consequences of this process—fears of competition, loss of jobs, environmental degradation, etc. Fears of the downside of globalization are even greater in other countries. Nevertheless, economic competition is ultimately about efficiency and is relentless. So all countries are faced with the twin needs to do what is necessary to be effective competitors and to cope with the social consequences of globalization. This will be a continuing source of tension both within the countries of the region and in their relations with each other and the United States.

Democracy and Human Rights

The major questions raised by this topic are what role should human rights play in foreign policy and how should human rights objectives be pursued. The session consisted of an overview presentation by an American participant followed by a general discussion among Asian and American participants.

An American Assessment

There are three schools of thought about the role of human rights in U.S. foreign policy. The first school says that the pursuit of human rights and democracy should be a—even the—U.S. foreign policy goal. This view is held by many in Congress and in NGOs, as well as by some in the executive branch. The second school holds that the principle of human rights is important, but that it must be subordinated to a more comprehensive and multifaceted strategy. Much of executive branch foreign policymaking follows this approach at least in practice. The third school says that how states treat their own people is not a matter that foreign governments should express opinions about. This is the realpolitik school, and has virtually no support today in the United States.

The roots of the present emphasis on human rights in U.S. foreign policy are found in the general trends of post-World War II international relations and in some specific factors in American political culture. The general trend is an accelerating erosion of national sovereignty. The ability of states to control economic activity within their borders has eroded with the emergence of multinational corporations, rapid movement of capital, etc. There has also been an erosion of sovereignty on the normative side; the treatment by states of people within their own borders has been recognized as an international concern, cod-
ified in the Universal Declaration of Human Rights and reinforced by the emergence of numerous organizations pressing human rights issues.

In the intervention in Kosovo, the United States took the asserted right of intervention to a new level—with the use of military force. Some in the Clinton administration have taken this issue to a new level in another sense as well; they emphasize that democracy itself is a human right and reserve the right to punish violators by not talking to them, etc.

The placing of human rights on the international agenda resonates with a powerful tradition in the American national culture, that is, moralism in foreign policy. This tradition is especially identified with Woodrow Wilson, who believed that the purpose of U.S. policy was to create a peaceful world through pursuing self-determination and democracy because democracy would make the world safe. This moralism is the reverse side of the even more deep-seated isolationist tradition in American foreign policy. The way to justify violating Washington’s injunction that the country should avoid “entangling alliances” is to convince the public that we have a moral cause.

This view has received a new lease on life in the post-Cold War world. The cause now is human rights and democracy. The present administration has defined human rights and democracy as being in the vital national interest of the United States. (Indeed, one of the problematic elements of the new emphasis on human rights objectives is that they may be used—perhaps overused—by the internationalists to justify continuing U.S. international involvement.) However, if vital national interests are those things that we are willing to see American citizens die for, then we can’t say that human rights are a vital national interest. In Kosovo, the administration did not believe it could sustain public support in the face of significant casualties, which explains the extraordinary efforts to avoid American casualties.

There are a number of problems with having human rights as a central foreign policy goal. First, it is quickly compromised when other, more vital interests come into play. Foreign policies are defined differently against weak countries, or with friends, or when they can justify pursuit of policies for other reasons. This makes glaring contradictions in implementing policy almost inevitable. Thus, the United States supports a form of self-determination in the former Yugoslavia while in a sense denying the right of self-determination in Taiwan.

Second, overemphasis by the United States on human rights as a foreign policy goal can be exploited by other countries and leaders in ways that threaten
U.S. interests. For example, when Taiwan’s Lee Teng-hui asserted that China-Taiwan relations should be on a “state-to-state” basis, he must have been aware that the Kosovo intervention would make it awkward for the Clinton administration to criticize his statement without seeming hypocritical.

Third, even when we agree that human rights objectives have a role in policy, there are vexing problems of how to pursue these objectives. For example, one approach that is frequently advocated in the United States is to cut off ties with violators of human rights (whether they be China’s leaders or Indonesia’s military) as a means of punishing them for their behavior. But this approach also cuts off the ability to engage and to work for improved human rights practices.

A final problem is that the U.S. human rights agenda is creating the impression abroad that the U.S. government arrogates to itself the right to judge the behavior of others. But at the same time the United States continues to be highly protective of its own sovereignty in human rights matters (for example in its handling of the convention on the rights of children, the international criminal tribunal, the genocide convention, etc.). This comes across as hypocrisy and arrogance, and causes resentment among foreigners and many Americans as well.

Human rights is an issue that is definitely on the foreign policy agenda; it cannot and should not be taken off. However, it is important to distinguish between the role of the international community and that of individual governments in advancing and protecting human rights. Governments should speak out about principles and set an example of behavior. It is also important that they take action against truly egregious abuses. But it is not wise to turn foreign policy into a moral crusade; this clouds understanding of true vital interests and too easily leads to policies that raise rather than alleviate international tensions.

Comments from Asian Participants

The Asian participants agreed that human rights is now definitely on the international agenda. They were also virtually unanimous that the protection and promotion of fundamental human rights is an appropriate international concern. A notable feature of the discussion was that the broad question of a conflict between Asian values and Western values that has been the frequent subject of contentious exchanges in recent years was not raised.
However, Asian participants voiced differences over the definitions and relative priorities of human rights. They argued that Asia and the third world generally put more stress on basic human needs than on some of the political and civil rights that have a high priority for Americans. Some also noted that the concept of equality—and practical issues of alleviating social and economic inequality—are of significant concern in Asia but do not receive commensurate attention in Western human rights rhetoric.

Asian participants also differed with the U.S. government over the most effective approaches to the promotion of human rights. All agreed with the presenter’s view that human rights issues should not dominate U.S. policy. Several cited U.S. policy on Myanmar as essentially dictated by human rights considerations, which they characterized as unnecessarily absolutist. Some believe that the U.S. approach to Myanmar is due to the fact that Myanmar is a weak state, and that this demonstrates glaring inconsistency in U.S. policy toward regimes with dubious human rights records. However, others commented that every country has inconsistencies in foreign policy. It was noted that, by contrast, the ASEAN states admitted Myanmar largely for pragmatic reasons.

The general view of the Asian participants was that the most effective approach to advancing human rights interests is through direct, quiet, and discreet dialogue, maintaining pressure but not linking human rights questions with other issues such as trade. They consider long-term pressure to be both practical and effective.

This view of the most effective approach to human rights goals was supported by two further arguments. First, the promotion of human rights and democracy relies most importantly on internal forces; little can be accomplished through external pressure alone. Second, history supports the long-term perspective. It was pointed out that the United States itself went through the stage of state formation in its early history when human rights were defined as far more restricted, and this is where many Asian nations are now.

Comments from American Participants

American participants generally concurred both in the introductory assessment and in the comments by Asian participants.

American speakers acknowledged that the United States tends to pursue a rather narrow human rights agenda focused on civil rights, largely based on the U.S. historical experience. This creates a tension between the rather individu-
alistic U.S. conception—the rights of the individual vs. those of the state—and the conception in many other countries that is more socially rooted.

Some Americans argued that the United States should accommodate these differences by broadening its definition of human rights to include such areas as economic rights. However, others cautioned that defining the scope of human rights too broadly could result in the neglect of some difficult but basic issues. Accepting that the improvement of human rights is a long-term objective, these participants argued that it is also important to focus on key near-term goals such as basic individual freedoms and the rule of law.

There was also a very broad consensus among the American participants that the international advancement of human rights is an important U.S. interest and policy objective, but that it is not in itself a truly vital national interest. In practice, human rights will not be the single or overriding objective of policy, and must be balanced by other interests.

American participants readily acknowledged that, because of the differing balance of interests in individual cases, the application of U.S. human rights policies will inevitably be inconsistent and vulnerable to charges of hypocrisy. Examples cited included differences in practices vis-à-vis North Korea or Saudi Arabia, where human rights objectives tend to be subordinated to other interests, and China or Burma where human rights objectives are given higher priority.

American speakers accepted that human rights is not a dominant foreign policy consideration for most other countries—for a variety of reasons. Some governments still disagree in principle with international pursuit of human rights objectives, but others have more opportunistic reasons for opposing imposition of human rights policies. There was a consensus, however, that the United States will continue to include human rights as a policy objective, whether other governments choose to do so or not.

Regarding the means of pursuing human rights objectives, the general view among American participants was that the United States can play an effective role as long as it is modest in its expectations and policies. There was a corresponding consensus that the style of U.S. human rights policies should not be arrogant. Nor should the United States exaggerate its ability to influence events in other countries; rather, it needs to accept that change takes place when the inhabitants of a country are prepared to put their lives and property at stake. However, the U.S. commitment to human rights objectives is one way of encouraging people to take the necessary risks.
Nevertheless, the dilemmas in this stance were also noted. War inherently violates human rights, so encouraging war or rebellion carries a heavy moral responsibility, the more so if the encouragement is not followed with active support (e.g., Hungary in 1956 or Iraq following the Gulf War). As one American participant put it, “It is not a good day when the citizens do become involved and the United States stands aside.” But attempting to help can also be problematic; another participant pointed out that the Kosovo campaign deprived much of the Yugoslav population of basic needs, such as, water, food, and medicine.

American participants finally agreed with the Asian commentators on the importance of having a historical perspective—and noted the unfortunate lack of this perspective in much contemporary debate on human rights issues. Examples cited were the fact that there is more freedom in China today than at any time in its history, and that in post-Soviet Russia the emphasis on granting rights before meeting needs had questionable net impact.

Because of the complexities and conflicts involved in policymaking on human rights, future U.S. administrations will continue to face difficult practical problems in dealing with these issues. One suggestion was that the issues be addressed directly by the president and members of the cabinet, that the inevitability of inconsistencies be acknowledged and the public warned in advance about this, and that above all administrations should resist the argument that they must “do something” about any given problem.

Conclusions

This discussion was marked by a remarkable degree of agreement on the main aspects and dilemmas of human rights policy. There was a broad consensus among both American and Asian participants that human rights objectives are important, but that they should not drive policy. The real questions and decisions revolve around the modalities of pursuing human rights policy.
The discussions in the first two Seminar sessions suggested that in a number of respects the underpinnings of U.S. policy from the 1980s and 1990s no longer seem adequate. Various participants asserted that U.S. policy has “run out of steam,” and that there is a “need to rethink.” Others had called for better integration of U.S-Asia Pacific policymaking. The final session considered the major factors and issues in shaping future U.S. policies in the region.

In this session, overview presentations from the American and Asian perspectives were followed by general discussion. This section of the report is organized according to the main themes that emerged from the discussion: globalization, U.S. relationships and priorities, management of U.S. engagement in Asia, and specific issue areas. It summarizes the major views offered by American and Asian participants under each theme.

Participants offered three broad cautionary notes about such an exercise.

First, it is important to avoid assuming that things will continue as they are. Fifteen years ago we had the Cold War and the containment policy, Japan was considered the country on the rise, and the Asian economic model was widely viewed as the way of the future. That picture is radically changed now, in some ways that most could not have imagined. As we look ahead we similarly need to avoid linear projections.

Further, speculating about future trends and conditions is far more difficult than reflecting on the past. The kinds of dramatic changes experienced in the twentieth century did not occur overnight, and the transition to the twenty-first century will be similarly gradual and incremental. Indeed, we do not yet even know exactly how to describe the current situation; we call it the “post-Cold War period” only for want of a better term.

Finally, it is hard enough for any one person to speak authoritatively about U.S. trends and policies; Asian speakers stressed that it is even harder to speak for Asia. No one view can be truly “representative” of Asia or even a single country. Perspectives on relations with the United States differ both between and within Northeast Asia, Southeast Asia, and South Asia. A few general points can be made, but specific views vary widely.
Globalization, Americanization, and Community Building

The most prominent and widely recognized features of the current international environment are growing interdependence and globalization. The problem is that globalization has yet to be matched with the growth of institutions of global governance. The Asian economic crisis of 1997–98 was basically a problem of maturation of economies; it became a catastrophe because of the contradiction between globalization and the lack of institutions. A new global system is needed—in security, the market, environmental resource preservation, and the protection of human well-being. A principal challenge in the first part of the twenty-first century will be to deal with this problem.

Part of the answer to globalization is community building. The twentieth century was primarily occupied with national community building; in the last part of the century the focus has turned to building regional and global communities. Although there is a logical progression between these three stages, in practice the process doesn’t necessarily have to proceed in that order. In particular, global and regional community building can proceed independently of each other if one is not going well at any given time.

Some Asian participants argued that there is no Asia Pacific regional community, but at most only a marriage of convenience. Most importantly, Asia Pacific still lacks a means to give legitimacy to collective actions, by contrast with the trans-Atlantic countries, which have such institutions as NATO that can act when the UN doesn’t work—for example, in Kosovo. There seems little chance in the near term of establishing any similar action structure involving Asia. In the meantime, however, security issues remain prominent in Asia—including tensions on the Korean peninsula, the China-Taiwan situation, and proliferation concerns—so the need for structure is there. And in the absence of a genuine global community or a strong Asia Pacific or Asian regional community with its own mechanisms of governance, the United States is the dominant power.

Nevertheless, American predominance needs to be reconciled with the global system. Most other peoples and governments do not want globalization to simply become Americanization. Thus, one challenge for both the United States and Asia is to find ways to channel globalization so that it doesn’t become overly identified with Americanism and provoke a surge of nationalism in response. Nationalism is very strong in Asia, and the dangers of a backlash increase when the United States is not restrained in its behavior. But the transition to a more multilateral regional order also requires a shift in the attitudes and approaches
of the Asian countries. So there was general agreement at the Seminar that new ideas are needed on how to manage global community building, including new ideas about the U.S. role.

**Power Relationships**

**The American Role and the Regional Power Balance**

Americans observe that another consequence of current U.S. predominance is that all Asian countries want good relations with the United States. But what specifically others want from the United States is not always clear. However, Asian countries unquestionably want access to the U.S. market and technology; this has been important for all countries that have prospered since World War II—Japan, then Taiwan and South Korea, now China and others. The importance of the American market gives the United States tremendous leverage at least for the next decade or so. (The situation may change in a couple of decades; particularly if Japan opens its market, the situation will become more complicated, but this is not likely to happen soon.)

Nevertheless, there is strong agreement that U.S. leverage should not be used recklessly or overused for narrow national advantage. This could sacrifice the opportunity to use present influence to promote long-term growth and stability in the region as a whole, which are also U.S. interests.

From the Asian perspective, Asian countries have a basic choice: either to accept U.S. dominance or not. If it is accepted, then it is in Asia’s interest to try to utilize the dominant power of the United States to build a broader community that serves Asia’s purposes, through such institutions as APEC, ASEAN, ARF, even possibly the AMF.

Asians also regard as vitally important the maintenance of a stable balance of power in the Asia Pacific region. Some Asian countries have sufficient strength to play a role as “inside balancers,” but even with some internal capability most agree that a strong outside balancer is also needed for success. The United States is generally regarded as the most important outside balancer.

**Balancing American Power**

At the same time, however, both Asians and Americans observe a longer-term trend toward improved relations among and between the Asian countries. The expansion of ASEAN speaks to the progress that Southeast Asia has made. In
Northeast Asia, South Korea’s relations with Japan and China are improving, and there are signs of improved China-Japan relations. Various reasons are identified for this trend. Economic and security cooperation in Northeast Asia is in part a hedge against U.S. dominance. China certainly is seeking other relationships to counter U.S. influence. Cooperation between Japan and South Korea partly reflects their mutual uncertainty about the future actions and role of the United States.

At the intergovernmental level, some APEC members advocate developing a fourth area of economic cooperation—in the financial sector. The United States has been very resistant to this idea, so some Asians are considering proceeding in this area without the United States, perhaps through the ASEAN-plus-3 group of Southeast and Northeast Asian states. The idea is not to confront the United States, but rather to find a forum in which Asian governments can formulate their own initiatives, which might in turn induce the United States to be more willing to participate.

The point was also made in this context that global confidence building involves Europe as well as Asia and America, and that the Asian nations have been working on their relationship with Europe also. The third Asian-European summit in 2000 will bring together the ASEAN-plus-3 states and the European Union—26 countries in all. This subject does not get much attention in the U.S. press, and has somewhat reduced priority in Europe in the aftermath of the Asian economic crisis, but it is part of Asia’s attempt to build a global community not exclusively led by the United States.

These developments present some dilemmas for U.S. policy. The United States does not want to encourage cooperative efforts designed to exclude the United States. Nevertheless, such broadened cooperation could further overall regional and global stability, a long-term U.S. interest. Participants suggested that, rather than simply opposing any initiatives the United States cannot dominate, a better U.S. approach would be to figure out ways to link with these undertakings.

**U.S. Priorities**

Although there is broad agreement among American Asia specialists as to U.S. interests and objectives in the region, there are a number of differences over strategy and priorities. One significant area of debate is the relative priority of U.S. relations with China and Japan.
Some American specialists argue that the relationship with China is the biggest issue in U.S. policy in the region; many Asians concur in this view. The principal reason for this emphasis is the real possibility that China might emerge as the main strategic competitor of the United States.

Other American participants maintained that, realistically, the United States will retain strategic superiority over China for a long time to come (a view with which many Chinese and other Asians agree). This group argues that the greatest danger to the region—and to the United States—would be for the United States to regard the relationship with China as competitive. Despite the inevitable problems, this group believes that the U.S.-China relationship is manageable and that major conflicts can be averted.

The predominant view among the American participants was that the immediate goal of dialogue with China should be “strategic reassurance” about the core concepts of U.S. foreign policy, and that the long-term goal should be the integration of China into the world community. Recognizing that policymaking in China is far less transparent than in the United States, this group stresses that the United States needs to set out its objectives clearly and repeatedly, and that the dialogue should not only take place at the highest levels but should involve a very broad spectrum of officials and departments.

Other participants disagreed with the focus on China as the single most important U.S. relationship in the region, arguing instead that U.S.-Japan relations will remain the foundation of U.S.-Asia policy in the twenty-first century. This group emphasizes the trilateral relationship between the United States, China, and Japan, and believes that a strong U.S.-Japan relationship is critical to the achievement of many U.S. goals in the region, including those with China.

There was agreement that the U.S.-Japan relationship is highly complex, covering the whole range of security and economic issues, and that skillful and sophisticated management of the relationship is required in order to advance long-term objectives. Participants stressed that the United States must be sensitive to issues of national sovereignty, and that heavy-handed efforts—for example to obtain trade concessions—are not advisable. Further, some participants asserted that the U.S. government has tended to treat Japan as a monolith, rather than focusing on developing relationships with the emerging groups
and leaders in order to gain a better understanding of when and how the United States can support constructive policy change.

South Asia

At several points in the Seminar, the case was made for increased U.S. attention to South Asia. An Asian participant observed that, despite the fact that China-India relations and India in general are becoming more important in the strategic picture in the region, South Asia still tends to be overlooked in discussions of broad U.S.-Asia Pacific policy, including China policy. A U.S. participant argued that, over a period of decades, there is a good possibility that South Asia rather than East Asia may become the ascendant economic power in the region. (He noted, for example, that both Japan and China are already facing a serious demographic transition to very low growth and an aging population, while India will not do so for some time.)

U.S. participants acknowledged that relations between the subcontinent and China, Southeast Asia, and Central Asia are increasingly important; the ongoing high-level U.S.-India dialogue is an indication that this is recognized. One explanation for the relative lack of emphasis on South Asia in U.S. discussions of overall Asia policy is simply the structure of the U.S. government. East Asia and South Asia are usually separated within U.S. departments, and so tend not to be addressed in an integrated fashion with the rest of Asia policy. American participants agreed that these bureaucratic obstacles to more comprehensive policy planning need to be overcome.

Sustaining U.S. Engagement

Asian and American participants were virtually unanimous in the view that it is important to keep the United States engaged in Asia and to ensure that the U.S. body politic makes the right choices on this subject. However, there are various domestic obstacles to the achievement of this agreed objective.

American participants agreed that there is a need to develop a new, broad consensus on foreign policy—and specifically a consensus that it is in the U.S. interest for all Asian countries to prosper and succeed. However, both Americans and Asians are concerned that the U.S. public and even many in Congress are not well informed about the U.S. role in the world and are not interested in overseas involvements that spend tax money or put Americans in harm’s way. Asian representatives acknowledged that this is not a uniquely American problem: the general public in most other countries also needs to be
better informed and more internationalist in outlook. However, it is a particularly important consideration for the United States because of its unique international position.

At the leadership level, an important obstacle to effective policymaking is simple distraction. Seen from the Washington perspective, the counterpart to U.S. power and its leadership role in the world is the burdens imposed by that role. Washington receives a never-ending stream of requests for help with every problem in the world: aid, trade, military equipment, statements, meetings, etc. The U.S. global role further complicates policymaking. Other regions and specific issues are likely to preoccupy the time of decision makers. It was suggested that the focus of U.S. foreign policy over the next two years will be primarily on the new relationship with Europe, Russia, and the Middle East, as well as the Asian issues of the North Korean nuclear program and the challenge of China. In the Asia Pacific region, the economic situation and burden sharing have also attracted U.S. attention in recent years, and this is likely to continue. Inevitably, long-term, comprehensive policy planning suffers in this competition.

The United States also faces institutional difficulties in dealing with the challenges of the post-Cold War world. The U.S. foreign policymaking structure was designed for the previous period. Economic and political-security policymaking tend to be separated (e.g., between the Treasury Department vs. the State and Defense Departments), and there are no strong mechanisms that enable policymakers to think in a comprehensive way about economic/political/security issues before they reach the crisis point.

Unilateralism, Bilateralism, and Multilateralism in U.S. Policy

AsianCritiques

Asian participants voiced numerous concerns about the current U.S. leadership style and trends. A major concern is that the United States appears to be reverting to a U.S.-centered security policy focused on relations with China and Japan (and to a degree ASEAN). It was pointed out that former President Bush had followed a “hub and spoke” approach to security relations in the Asia Pacific region. Following the Gulf War Bush talked about a “new international security order” that seemed more multilateral, but in practice he quickly reverted to a unilateral approach. President Clinton in his first administration expressed interest in multilateralism, but as time has passed this concept too has been progressively presented as a complement to the U.S. alliance network.
Asian participants stressed that successful leadership requires both power and legitimacy (consent from other) and that a superpower needs to make special efforts to treat others as equals and with respect. As the predominant power, the United States should take a leading role in building a regional and global community. Therefore, they argue, the United States should give more support to multilateral approaches in Asia. This includes recognizing and accepting the leadership of others in some situations. For example, the United States should allow ASEAN to take the initiative in the ARF, and should be more supportive of other ASEAN initiatives. Too often, they argue, the United States appears to practice “rough power,” and is reluctant to allow others to take leadership.

Finally, confidence in U.S. crisis management is also seen as vital to regional stability—especially given continuing problems such as in South Korea or the Taiwan Strait. Asian participants indicated that this aspect of U.S. leadership has also come under question; the U.S. bombing of the Chinese embassy in Belgrade was widely seen in Asia as very bad management.

**American Assessments**

American participants described the United States as caught between two broad options. The first is to sustain U.S. dominance and maximize U.S. strategic interests as long as possible. The second is to actively promote multipolarity and a more community-based order, which is the option favored by most Asian participants and which arguably will come eventually whether the United States wants it or not. Many American participants, however, believe that a more practical and preferable approach would be to pursue a dual strategy, both maintaining an influential position and working for the development of a more multilateral order.

American participants generally believe that the United States pursues its interests in multifaceted ways. Global regimes like the Bretton Woods agreements, and multilateral security arrangements like NATO have served well. There is a general trend away from reliance on “hub and spoke” arrangements, and greater reliance on multilateralism. But multilateralism can be global or regional. One participant commented that in economics the United States is moving more to a global position, while on political and security issues it still generally acts regionally. In Asia, however, Americans tend to believe that regionalism will not soon reach the levels that it has in Europe, where the desire to avoid further wars provided a powerful motivation. The United States also faces inevitable conflicts between regional and global approaches, and in these cases generally chooses the latter because it has global interests. The balance among
these various considerations differs in specific situations, accounting for the sometimes ambiguous or inconsistent appearance of policy outcomes.

**Expanded Bilateral Management**

Other American participants argued that focusing on the choice between bilateral or multilateral approaches can miss an even more important consideration: Even if the core of the U.S. approach in the Asia Pacific remains bilateral, the management of bilateralism must be different today from that during the Cold War.

This argument is based on the assessment that the Asia Pacific region is now far more dynamic than in the early post-World War II period. Some real creativity in foreign policy is evident in Japan, South Korea, and much of Southeast Asia. Further, the leverage of the United States vis-à-vis individual countries in Asia is less now than during the Cold War, because the security issues are not as clear, and the relative economic relationships have shifted. Americans easily underestimate the region’s dynamism, and overestimate U.S. leverage.

The problem with the U.S. approach in this changed environment is that too often the overriding U.S. objective in bilateral dialogues is to solicit support for U.S. positions. Asian governments, conscious of U.S. power but uncertain about U.S. intentions, find it difficult to be fully forthcoming in this kind of exchange. Several participants argued that a more appropriate objective would be genuine two-way consultations, actively soliciting the partners’ views on such questions as how prospective U.S. actions toward third countries would affect them, or how to avoid unpleasant surprises when the United States takes an initiative. One participant dubbed this alternative approach “enriched bilateralism.”
CONCLUSION

There are a number of long-term, seemingly irreversible trends affecting East Asia today—reflecting and echoing broader international trends. These include economic globalization and marketization, pluralism at the domestic level leading towards more democratic political structures, and multilateralism in international relations.

The United States is at the cutting edge of most of these trends. Many at the Seminar believed that U.S. engagement in Asia is both good for the region and in the long-term interest of the United States. But these processes require significant social and political adjustments, sensitivity to challenges to stability, and a willingness to work toward evolutionary change in the international system itself. Successful U.S. engagement requires flexibility and imagination; above all, the United States needs to strive for consistency in its ideas, actions, and policies.

The Seminar discussions highlighted a number of challenges for U.S. policy:

- The United States needs to be more aware of the importance of Asia—both its economic growth and its political stability; the U.S. public needs to be reminded of this. In economic relations, there are two clear directions for U.S. policy: the United States should open (or keep open) U.S. markets, and should work for market opening and deepening in Asia. In the political area, there is debate in the United States over whether to engage or to isolate governments whose basis or conduct is unacceptable in terms of American values. Seminar participants overwhelmingly favored the engagement approach, but also agreed that concerted efforts will be required to persuade the American public and legislators of the wisdom of this position.

- The U.S. forward military presence is a major factor in Asia Pacific geopolitics. Most regional governments consider that the U.S. presence contributes to regional stability; it is also important to domestic stability in some countries. But there is uncertainty as to how long the U.S. presence can be sustained, and a related concern as to whether a U.S. withdrawal would lead to a power vacuum and, if so, how this vacuum would be filled.

- Finally, the region needs better mechanisms of international governance. Effective multilateral mechanisms can also reinforce domestic change, with less risk of backlash than unilateral efforts by the United States. The United States needs to recognize both the potential and the limitations of multilater-
anism, and to play a constructive role in the development of a new, long-term framework for regional order.

Viewed in a 10-to-20-year perspective, this is a very critical moment. For the United States, it is a period of enhanced power, but this will not last, at least in a relative sense. So how the United States uses its current power—how it converts this power into moral authority—is important, both to managing current problems and to building a new regional order. The United States played this role successfully in Europe in the last decades of the twentieth century; there is the hope and possibility of playing a similarly constructive role in Asia in the first decades of the twenty-first century. But leadership will not just come from the United States; there is potential for leadership in this effort from many sources. Part of the challenge to the United States is to broaden participation.

The name of the game in Asia Pacific at the start of the twenty-first century is strategic dialogue. The new and most encouraging element of this picture is that the structure of this dialogue need not be East versus West, but East and West working together.
APPENDIX A

Summary of Remarks by Hon. Lee H. Hamilton

“The Role of Special Interest Groups in U.S. Foreign Policy”

Types of Special Interest Groups

There are ethnic groups, including the various ethnic caucuses. Some groups have their own internal splits; for example, there are pro- and anti-independence factions within the Taiwan group, and different positions on the human rights issue within the China groups. (Interestingly in this connection, Japanese-Americans are relatively inactive as a special interest group and have relatively little impact on policy.)

There are business interests. There are groups organized around free trade, engagement with China, opposition to sanctions, etc. For example, during the visit of Chinese Premier Zhu Rongji in April 1999, President Clinton took a tough stand on China’s admission to the World Trade Organization. Twenty-four hours later Clinton was much more flexible. This was because of the impact of the business community. In July 1998, two months after imposing sanctions on India and Pakistan in response to their nuclear weapons tests, Congress changed the law to allow farm product sales to the two countries. Normalization of relations with Vietnam was another issue in which business groups were influential.

Free trade doesn’t always win in special interest lobbying. For example, the steel industry sought and won protection from Japan, the textile industry did the same with respect to China, and lamb producers won protection from Australia and New Zealand.

Many business groups support national defense and security. The defense industry allies with the Defense Department on matters of military spending and exports. An example of this influence was President Bush’s promise to sell F-16s to Taiwan during the 1992 presidential campaign.

There are also ideological/issue groups. Examples of issues around which special interest groups have formed are abortion, the environment, and human rights. UN funding has been held up over the abortion issue. U.S. policy toward Pakistan has been affected by the non-proliferation issue.
China is a special case in this regard, because of China's special symbolic status in U.S. policy. A whole series of issues are involved in U.S. relations with China: human rights, security, non-proliferation, the environment, prison labor, political dissenters, religions, Tibet, and opposition to communism.

Further complicating the picture, groups advocating the same cause may have different policy positions. For example, human rights supporters can differ on whether sanctions or engagement are the most effective policy.

**How Special Interest Groups Exercise Influence**

Interest groups are not a new phenomenon in U.S. foreign policymaking. Historical examples at various times have included German Americans, Irish Americans, the United Fruit Company (which was highly influential on policy toward Central America), etc.

What is new is the extent of the impact of such groups on foreign policy.

The sheer numbers have grown. In the early 1960s there was a relatively small group of players. The number of them is now vast: trade groups, NGOs, think tanks, foreign governments and organizations, etc. There are now some 100,000 registered lobbyists in Washington.

The techniques these groups use are also highly sophisticated. They include the more traditional use of personal relationships with powerful individuals, but also have developed a whole array of other instruments: organization of streams of visitors, money-raising activities, savvy use of the media, state of the art information systems including constituency contact networks, mass mailings, demonstrations, and so forth.

They work the executive branch as well as the Congress. They know when to hit whom. They also know how to get support from other groups; for example, the Israel lobby makes very effective use of connections with the American labor movement.

The flip side of this phenomenon is that officials know how to use the interest groups. The principal link between the two is money. Politicians use special interest groups to raise money and to reach blocks of constituents; one example would be the Indian-American community. The politicians in turn are pushed to adopt the groups’ positions. Many of the special interest groups work
in tandem with foreign governments and embassies in these campaigns, or even work for them.

Defining the national interest is not a precise art. It is an even more complicated art in today’s highly complex world. Consider, for example, the goal of economic development; the very vagueness of the goal provides opportunities for special interests to shape policies in favor of their particular objectives. Further, the fact that most people are focused on domestic concerns and issues gives more room for special interests to have influence on foreign policy issues.

The number of actors in the foreign policy process has increased over recent decades, making the foreign policy process more diffuse and creating more access points. Congress is now more representative than it used to be, particularly in terms of ethnic diversity. For example, President Clinton made a nine-day trip in Africa, the first president ever to devote so much time to the continent. This was at least in part related to the domestic political influence of the African-American community.

Positive and Negative Impacts

Special interest groups have both positive and negative influence on the policy process. Positive impacts include the fact that the groups help allow various views to be heard, thus making the debate more representative of the full range of views and interests. They bring passion to issues—energy and commitment. And they can educate policymakers; the human rights factor in China policy is one example of the impact.

The major negative effect of special interest groups is their tunnel vision—the advocacy of narrow interests as opposed to the national interest. For example, it is not in the broader national interest for China policy to be dominated just by the human rights issue. However, special interest groups can have this kind of disproportionate influence, because one of the operating bywords in politics is that “special interests remember; the people don’t.”

Broader Implications for U.S. Foreign Policy

Special interest groups have a natural role in the foreign policy process. Policy is not and should not be made in a vacuum. Diversity and special interests are an inevitable and important part of the process. James Madison and the others of the American founding fathers recognized the roles of “fractions” in representative government, but rather than stifle debate, they thought it better to
channel debate in a way that could produce desirable outcomes. Our world today is more complicated, but this principle still applies.

The job of the foreign policymaker is to define the national interest. Foreign policy will continue to become more complex. It is a very tough business: it involves military intervention, sanctions, treaties, and so forth. Special interests inevitably will claim to represent the national interest. But they should not make foreign policy; this is the job of the policymakers. The policymakers should listen, and consider the group interests, but then they should put the national interest and long-term objectives first.

Politics can be a creative process. There is a constituency of the whole. But to make the system work properly, policymakers must continually ask what is the total U.S. national interest in any situation.
APPENDIX B

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The East-West Center Senior Policy Seminars bring together senior security officials and analysts from countries of the Asia Pacific region for nonofficial, frank, and non-attribution discussions of regional security issues. In keeping with the institutional objective of the East-West Center, the series is intended to promote mutual understanding and to explore possibilities for improving the problem-solving capabilities and mechanisms in the emerging Asia Pacific community.