

National Intelligence Council

Northeast Asia: Static but Stable

Conference Report

7 July 1999

This memorandum was prepared by the National Intelligence Officer for East Asia based on a meeting held on 7 July 1999. The National Intelligence Council (NIC) routinely sponsors meetings with outside experts to gain knowledge and insights to sharpen the level of debate on critical issues. The views expressed in this meeting summary are those of individuals and do not represent official US Government positions or views.

Key Points

On 7 July 1999, the National Intelligence Council hosted eight non-government Asia specialists for a broad-ranging discussion on trends in Northeast Asia over the next five years, particularly what will drive relationships among major powers. Discussion focused on strategic issues, but also included economic trends.

Discussants characterized Northeast Asia as relatively stable and increasingly integrated economically, even though they acknowledged the possibility of major shocks, such as collapse of the North Korean regime or serious, prolonged friction in US-China relations. Paradoxically, one factor contributing to this stability is uncertainty over the future. Uncertainty over China's direction, the regional impact of a reunified Korea, and the continued relevance of the US alliance structure has created an anxious climate in which all countries have a stake in maintaining the security status quo, or at least avoiding its disruption. At the same time, all countries are hedging against this uncertain future by actively pursuing additional options and sources of security in the event the status quo changes. The result has been a marked increase in high-level diplomatic and military interchange among regional powers that arguably increases mutual understanding but thus far does not provide sufficient common ground for institutionalized multilateral security mechanisms. Key discussion themes included:

- the centrality of and uncertainty over China's direction;
- relative pessimism over progress in institutionalizing multilateral security mechanisms;
- relative optimism over momentum in economic multilateralism;
- increased importance of powers flanking East Asia, particularly Russia and India.

Stability in the Face of Change

Despite the possibility of significant discontinuities, discussants viewed Northeast Asia as generally stable over the next five years. For now, there is little benefit and considerable risk to any state deliberately disrupting the status quo, like it or not. Neither China, Japan, nor the Koreas feel well positioned for what might come next, and need time to improve their position. Meanwhile, economic equities and interdependence

among China, Japan, the Koreas and the US have grown markedly in the 1990s and seem poised to increase after a downturn during the Asian economic crisis.

Discussion touched on a number of potential shocks that could shape--or reshape--the regional landscape in the next five years. The most significant discontinuity would be a North Korean collapse, which experts agreed is clearly possible within the next five years, although some viewed it as a near certainty while others judged it improbable. The reunification of the peninsula would be a significant catalyst for strategic readjustments that would have profound implications for most or all of the major powers in nearly all conceivable circumstances. A China-Taiwan conflict would also have major implications for regional security, and would probably accelerate regional states' growing interest in stronger national defense capabilities. An abrupt shift in Japan's role and posture is also possible. Japan has a history of changing directions fairly quickly and dramatically; the right stimulus could generate a reorientation in Japan's approach to the US, the region, and to national security, though the speakers sharply disagreed over whether such a change was possible over the next five years.

With or without major regional shocks, several longer-term trends and factors will gradually alter regional relationships, and, over the long-term, possibly the balance of power. The most important factor is what path China will take as it modernizes and increases its power. Some specialists argued that China will inevitably try to reshape the region in ways more beneficial to China's interests, although how it will try and its wherewithal to succeed are uncertain. China's internal stability and domestic politics could be an important element in how it deals with the region. As the political regime becomes increasingly irrelevant to China's economy and China's civil society, some correction can be expected, but we do not know if it will be abrupt and dramatic or subtle and gradual, nor can we foresee the end state. Nationalism as a unifying political force looms large. This uncertainty over China's future, more than any other factor, is driving the regional states to increasingly sophisticated and complex hedging strategies.

The US as Wild Card?

Uncertainty over the US role also exists, but not in its previous form of fear of US military disengagement. Current doubts have more to do with the opaqueness of US interests than with the US military presence, and how this perceived unpredictability might be manifested in various regional scenarios. Some in the region, for example, see the potential for US forces to become nuclear or WMD "hostages" instead of deterrents, with the US prone to quickly recalculate its national interests in the face of potentially steep American casualties. Others worry that a strong US effort to develop missile defenses in the region could sharply exacerbate differences, especially with China.

Specialists were divided over the repercussions of Kosovo. Most agreed that China has been profoundly affected; the Kosovo air war has graphically illustrated Chinese military weakness across the board, lending to a sense of impotence and frustration. But lessons being drawn by Japan and Korea are more speculative. Some argued that it is dangerous to make too much of foreign interpretations of Kosovo or any other US

military action--reactions are always mixed and depend on a state's relationship with the US. Others argued that Kosovo could be a catalytic event, reinforcing uncertainty over US interests, the perception that the US is fundamentally Eurocentric, and accelerating opportunities for new alignments--most immediately, between Russia and China.

Unilateral Hedging--Yes

Although US alliance relationships remain strong, participants agreed that beneath the surface in Tokyo and Seoul, questions are being raised over whether the 50 year old alliance structure is sufficient to meet future challenges. Divergence in priorities and strategy with the US over North Korea in both capitals may have crystallized this questioning, but deep-seated anxiety over China, and how the US will deal with China, is the underlying driver. None of the specialists forecast major ruptures in either alliance relationship, but the collective sentiment was that Tokyo and Seoul have probably calculated they need options beyond Washington. Japan is engaged in the most sophisticated hedging strategy, strengthening security ties to the US while building independent capabilities. South Korea also feels the need for more independent national defense capabilities over the long-term, and has carefully balanced its close relations with the US with improved ties with China, Japan, and Russia, and a thus far unfruitful engagement policy with North Korea. Meanwhile, China is securing its borders, including possibly testing new ties with India, while it grapples with the array of internal challenges that will determine its future power, status, and regional and global orientation.

Multilateral Hedging--No

Most of the specialists judged that the increased diplomatic and military exchanges associated with regional hedging efforts do not presage institutionalized multilateral security institutions, although the future of multilateralism was the subject of lively debate. Except for ad hoc cooperation on immediate situations of common concern or symbolic cooperation on trivial issues, there appears to be little momentum or genuine interest in using a formal multilateral framework to address future uncertainties. Most participants saw growing gaps between motives of regional states over problems as North Korea working against multilateral approaches to the most pressing security issues. Some saw better prospects for multilateralism over the long-term, if not in the next five years, because of a sense that the US alliance-based security structure is becoming increasingly obsolete--largely because it excludes big powers, notably China and Russia.

External Actors

Specialists agreed that the climate of hedging that will mark the next five years increases the potential role of extra-regional actors, particularly Russia and India. Some cautioned that it is dangerous to write off Sino-Russian cooperation as relatively insignificant due to their fundamental differences in national interests. The current environment provides each state ample reasons to focus on their common interests, not

their differences. Moreover, Russia will eventually pull out of its current political chaos, and will re-establish itself as a substantive, not simply symbolic regional and global player. For now, the Russia card is a useful and potentially lucrative card for China (and others) to play politically and in terms of defense acquisitions, despite well founded concerns about Russian reliability.

India as well is poised to play a growing role in East Asia, and its relationship with China will be an important factor in the region's security landscape. China now takes India more seriously than in the past, but the US has been slow to consider the implications of a growing Indian role in East Asia. Some experts believe that the rise of India, combined with a recovered, active Russia, could lead to a shift in the regional center of gravity away from the traditional China-Japan-Korea axis to a China-Russia-India focus. Russia and India are potential flanking powers that could be pivotal elements of a new balance of power structure over the long-term.

Meanwhile, the power vacuum in Southeast Asia caused by Indonesia's political and economic crisis adds to uncertainty in Northeast Asia, especially over the security of sea lines of communication for the region's energy supplies from the Middle East.

Economic Linkages

The economic picture is somewhat at odds with the security trends. Economic integration is much more advanced than political/security relations in Northeast Asia. As a result of the Asian economic crisis and continued US prosperity, the United States in the near term has growing economic influence in Northeast Asia. US influence is limited, however, by restrained official engagement in regional economic problems, especially in comparison to Japan. Reflecting growing economic equities and integration among regional powers, there is more momentum for multilateral institutions than in the security arena, particularly the WTO and the implications for the "millennium round" of trade talks. Two potential adverse macroeconomic factors to watch are how Japan pulls out of its recession (e.g., at the expense of South Korea and other potential competitors); and economic trends in China, particularly whether China becomes less market-friendly. China's long-term energy needs could also effect its strategic posture, and the growing percentage of Middle East oil going to East Asian consumers could also lead to shifts in foreign policy priorities, especially given the decline of ASEAN and the power vacuum in Southeast Asia caused by Indonesia's protracted crisis.