



Washington REPORT

News and analysis from Washington, D.C. about key issues in U.S.-Asia Pacific Relations

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Creating A Structure Of Stability In East Asia

USAPC Interview with Prof. Joseph S. Nye, Jr.

North Korea's decision to test-fire at least seven missiles on July 4 proved that, regardless of apparent technological weaknesses, it remains a threat to regional stability. The launchings prompted sharp denunciations and some sanctions from the United States, Japan, Australia and other members of the international community. Washington has said it will pursue diplomacy to deal with the crisis. But North Korea's actions also will put to the test the Bush Administration's East Asian security strategy, which features robust defense cooperation with Japan.

Prof. Joseph S. Nye, Jr., who served as assistant secretary of defense in the mid-1990s and played a leading role in the writing of two seminal documents on East Asian security strategy, considers whether Washington is adequately prepared to deal with challenges posed by a rising China, North Korean provocations, and other developments.

USAPC: The 1995 East Asia Strategy Report stated that U.S. security strategy for Asia rests on three pillars: our alliances, particularly with Japan and South Korea; our forward military presence; and our participation in multilateral dialogue. With respect to the second pillar, will the recent U.S.-Japan force realignment plan keep the U.S. military appropriately deployed in Asia?

Nye: The U.S. military presence in Asia remains important, but the posture had to be updated. The May 2006 agreement between the United States and Japan to implement a plan to realign the U.S. and Japanese force presence in Japan is important, particularly the decision to move about 8,000 U.S. Marines from Okinawa to Guam.

We contemplated moving U.S. troops from Okinawa ten years ago when I served as assistant secretary of

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Congress Pressures Administration On North Korea Policy

Congress reconvenes July 10 following a week-long recess during which North Korea stunned the international community by test-firing at least seven missiles, including a *Taeopdong-2* long-range missile.

Insiders anticipate that members of the House and Senate—who served notice before the July 4th recess they were highly dissatisfied with the Bush administration's policy on North Korea—likely will continue to demand a new approach to defuse the crisis and eliminate Pyongyang's nuclear weapons program.

The White House has been adamant that it will not deal with North Korea outside of the Six-Party, multilateral negotiating framework. (The so-called Six-Party Talks involve China, Japan, North Korea, Russia, South Korea, and the United States.)

"North Korea's nuclear program is not a bilateral problem facing the U.S. alone. It involves the major countries in the region and the international community as a whole," Christopher Hill, assistant secretary of state for East Asian and Pacific Affairs, told the House Subcommittee

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Official Washington

In each issue, Washington Report will provide the names and contact information for selected executive branch officials with jurisdiction over economic, political, and security issues important to U.S.-Asia Pacific relations. This issue will focus on pertinent personnel from the National Security Council (NSC).

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defense for international security affairs. I am glad that both governments finally got that on track.

USAPC: How about U.S. participation in multilateral dialogues? Secretary of State Condoleezza Rice was notably absent from last year's meeting of the ASEAN Regional Forum and, for various reasons, the United States was not invited to attend the inaugural East Asian Summit last December. Has Washington been neglecting important opportunities to support regional dialogue and institution-building in Asia?

Nye: Yes, I believe we could do more in that area, although it is sometimes not entirely ours to decide. Nevertheless, I think in recent years we should have been more engaged in multilateral dialogues in Asia. It probably would have been useful to participate in the East Asia Summit.

I also think the idea of developing a Northeast Asia security dialogue makes a lot of sense. The security dialogue basically would expand the current Six-Party Talks aimed at dismantling North Korea's nuclear weapons program. It is unfortunate the United States has not pursued development of a Northeast Asia security dialogue more rigorously.

USAPC: Some Bush administration officials have said that development of a Northeast Asia Security dialogue cannot proceed until there is progress in the Six-Party Talks. Is there another approach the Bush administration might use to break the stalemate in the talks?

Nye: To be fair to the Bush administration, North Korea is a large part of the problem. The North Koreans want direct negotiations with the United States to ensure their status while giving away as little as possible. That is one of the reasons why we want to keep other countries involved in the negotiations.

The administration's recent hint that it might talk to the North Koreans in a broader context about a larger settlement on the Korean peninsula conceivably could form the basis on which to create a broader security framework not unlike the Northeast Asia Security dialogue. But at this stage there are just a lot of press leaks. It is hard to know exactly how the administration will proceed.

USAPC: Even when the Six Party Talks were on track, the North Koreans continued their nuclear weapons development program. Will the United States and other participants in the Six Party process ultimately have accept North Korea's status as a member of the "nuclear club" in order to engage that country in a constructive diplomatic process?

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Congressional Watch

Legislation:

U.S.-India Civil Nuclear Agreement Clears Important Hurdles In Congress—On June 29, the Senate Foreign Relations Committee voted 16–2 to approve legislation that would waive certain provisions of the Atomic Energy Act of 1954 with respect to India. These provisions prohibit U.S. nuclear cooperation with nations that are not signatories of the Nuclear Nonproliferation Treaty (NPT) and therefore have not pledged to forego nuclear weapons development. The bill also requires the administration to submit the final U.S.-India nuclear accord to Congress for approval. On June 27, the House International Relations Committee approved similar legislation by a vote of 37–5.

The full House is expected to vote on the bill before the August recess. The White House is pressing for Senate action before Congress adjourns for the mid-term elections. Insiders anticipate that both bills ultimately will pass their respective chambers, albeit by smaller majorities and perhaps with amendments.

Congress Pressures Japan To Reopen Its Market To U.S. Beef—Following months of negotiations, Japan agreed June 21 to reopen its market to U.S. beef imports after it conducts inspections of 35 U.S. beef processing plants authorized by the U.S. government to export to Japan. Japanese agriculture and public health officials likely will complete the audit by July 21.

American lawmakers reacted warily. Senators Max Baucus (D., Montana), Kent Conrad (D., North Dakota), and Pat Roberts (R., Kansas) cosponsored legislation June 21 that would impose \$3.14 billion in punitive tariffs on Japanese imports if Japan does not lift the beef

import ban by August 31. On June 22, the Senate Appropriations Committee amended the FY07 farm spending bill with a similar provision. Even if neither measure becomes law, they warn Tokyo of likely consequences if there are delays in implementing the deal.

Bill To Reform Foreign Investment Reviews Clears House Panel—On June 14, the House Financial Services Committee unanimously approved a bill that would revamp the process by which an interagency panel—the Committee for Foreign Investment in the United States (CFIUS)—considers the possible national security impact of foreign purchases of U.S. companies. It would mandate a lengthier review of deals in which the acquiring company is owned by a foreign government. A Senate bill with tougher provisions also is ready for a floor vote. Both bills address lawmakers' acute concerns about the Bush team's early 2006 CFIUS review of the purchase of U.S. ports operator P&O by Dubai Ports World.

Upcoming Hearings:

- **July 19**, Federal Reserve Board Chairman Ben Bernanke presents the semiannual Monetary Policy Report to Congress, Senate Banking Committee.
- **August 3–4**, "China's Security-Related Influence in Asia," U.S.-China Economic and Security Review Commission.
- **August 22–23**, "China's Use of U.S. Capital Markets and the Exposure of U.S. Banks Investing in China's Financial System," U.S.-China Economic and Security Review Commission.

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on Asia and the Pacific on June 29. "The administration's approach is to keep the focus on the Six-Party process, working with our partners to get the North Koreans back to the negotiating table," Hill said.

Subcommittee Chairman Jim Leach (R., Iowa) acknowledged that the Six-Party Talks are a "reasonable framework" within which to pursue the denuclearization of North Korea. But he noted that other parties have supplemented Six-Party contacts with bilateral discussions, and they would welcome direct U.S. initiatives with North Korea. By rejecting most forms of direct conversation with Pyongyang, Washington is "ignoring opportunities to reach mutual accommodation," Leach declared. He called on the administration to form a "creative, coherent response to growing North Korean threats to our national security."

Members of the Senate also reacted with alarm in mid-June to reports of North Korea's plans to test the *Taepodong* and to the administration's response to these reports. On June 15, Senators Hillary Rodham Clinton (D., New York) and Carl Levin (D., Michigan) sent a letter to President Bush.

Citing various intelligence reports, they urged the White House to develop a single, coordinated presidential strategy to diplomatically address North Korea's nuclear and missile threat—including the appointment of a special North Korea envoy to implement the strategy. Under the current approach, the United States may find itself in a "nightmare scenario in which our only option is to negotiate with a North Korea that can attack the United States with a nuclear weapon," the letter stated.

On June 22, Senators Joe Biden (D., Delaware), Carl

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Nye: In reality, we have had a nuclear North Korea for at least the past 10 years. The United States does not appear to have a larger strategy to deal with this prospect, but at some stage, we must think this through carefully.

USAPC: Could China, South Korea, and other participants in the Six-Party Talks do more to encourage North Korea to negotiate responsibly?

Nye: Yes, they could do more to press the North Koreans to participate in a constructive manner. However, the Chinese are torn between their twin desires to keep the Korean peninsula non-nuclear but at the same time ensure that North Korea does not collapse and cause instability at their border.

They never have given enough priority to the first goal and pressured North Korea accordingly. If the Chinese remain committed to not allowing the North Korean regime of Kim Jong-il to collapse, then we simply will not have much progress in the Six-Party Talks.

USAPC: At press time, there were reports that North Korea was planning to test-launch the *Taepodong* long-range missile. If Pyongyang goes through with the launch, how do we sanction North Korea for such provocative behavior while keeping the prospect of diplomacy alive?

Even if North Korea does not launch the missile, this episode suggests that North Korea has little interest or intention to resume the Six-Party process. Where does this leave us?

Nye: I believe that North Korea raised the prospect of a missile launch now as a way to reclaim attention that recently has focused on Iran. As of now, the net effect has been to intensify U.S.-Japan ballistic missile defense efforts as well as diplomatic efforts.

But the long-term question of what sort of a deal to propose to North Korea still has not been thought through, and is complicated by how such a deal would relate to the difficult case of Iran. We still lack an effective policy for North Korea.

USAPC: What is your view of U.S. and Japanese plans to overhaul bilateral security cooperation to address new regional and global challenges? In some of your writing, you note the advice of the Greek historian Thucydides, who wrote that fearful behavior can create a self-fulfilling prophecy. Are U.S. and Japanese defense planners mistaking “theories” about the implications of China’s military buildup rise for reality?

Nye: No. It is important to keep a strong U.S.-Japan defense relationship as a hedge against a China that potentially could become aggressive. But this should be combined with an approach that welcomes China and encourages it to become a “responsible stakeholder,” to use the term originated by former Deputy Secretary of State Robert Zoellick. The two approaches are not contradictory.

In an op-ed in the *Boston Globe* earlier this year, I described U.S. policy toward China as “embrace but hedge.” This means that stability in East Asia requires, if you will, a triangular relationship between the United States, Japan, and China. All three legs of the triangle are important for stability, which enables economic growth and, in turn, political reforms. Maintaining a strong U.S.-Japan security relationship does not work at cross-purposes with the larger challenge of dealing with the rise of Chinese power.

What worries me is that the Sino-Japanese relationship has gotten off track for domestic political reasons—not because of the U.S.-Japan security relationship. These tensions are a product of nationalism in China and Japan.

A strong U.S.-Japan security relationship does not work at cross-purposes with the challenge of dealing with the rise of China

USAPC: You also have written extensively about a nation’s use of soft power. Is Japan squandering its soft power in Asia by allowing tensions with China to build? In particular, Japanese Prime Minister Junichiro Koizumi’s repeated visits to the Yasukuni Shrine [where Japan’s war dead, including World War II Class A war criminals, are interred] have inflamed Tokyo’s relations with both Beijing and Seoul.

Nye: Yes, I do. When I visited Japan not long ago I told my Japanese colleagues, including a number of Diet members, that Japan has a great deal of soft power in China and South Korea arising from its popular culture. But every time a Japanese prime minister visits the Yasukuni Shrine, this symbolic act recalls the 1930s.

The last thing Japan needs right now is to turn people’s minds away from the appeal of anime and current popular singers, but that is exactly the effect of the Yasukuni visits. That is a good way for a nation to squander its soft power. I also told them that as friends of Japan, Americans have an obligation to tell Japanese when they are making a mistake that hurts the nation.

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USAPC: Has the United States used its soft power to positive effect in Asia?

Nye: In some ways, yes, but in some ways, no. U.S. assistance to Asian countries devastated by the December 2004 tsunami boosted our soft power a great deal. But the U.S. role in the Iraq War has hurt our soft power in Asia and elsewhere. Our decreased participation in multilateral initiatives or forums also has hurt our soft power.

The United States definitely has a mixed record. But U.S. soft power in Asia certainly has not suffered the same degree of damage as it has in Europe, Latin America, and the Middle East.

USAPC: Earlier we discussed former Deputy Secretary of State Zoellick's call on China to become a 'responsible stakeholder' in regional and global affairs. Is Japan a responsible stakeholder?

Some commentators question that. They point to Japan's unwillingness to endorse a United Nations proposal linking economic aid to Burma in exchange for democratizing measures and its apparent reluctance to cooperate with the United States on Iran, for example.

Nye: With respect to Burma, I think Tokyo is beginning to realize that engagement with Burma has not produced what it had hoped and perhaps Japan should speak out more clearly about that. You can engage and speak out at the same time.

On Iran, Japan will have to realize that its investments designed to assure preferential access to Iranian oil will not mean much if there is a crisis in the Persian Gulf. Tokyo has a larger interest in assisting the multilateral diplomacy that is designed to avert a crisis brought on by Iran's efforts to develop nuclear weapons.

USAPC: What would you advise the next American president about East Asian security strategy?

Nye: I would advise the new American leader to regard East Asia as central to U.S. foreign policy. The rise of Asia, in general, and China, in particular, are crucial issues for the 21st century. It is important to create a structure of stability in East Asia so that change can occur, but not so radical as to cause the United States to become fearful and pull out of the region.

As I said earlier, I would summarize future U.S. policy toward East Asia as "hedge but embrace." I would encourage the new U.S. president to pursue a strategy aimed at maintaining the triangle of stability, which in turn fuels prosperity that will benefit all.

USAPC: From your current vantage point, do you

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USAPC In Action

East-West Center/USAPC Special Report:

This month the East-West Center and the USAPC jointly issued Special Report Number 10, "Innovation Offshoring: Asia's Emerging Role in Global Innovation Networks," by Dieter Ernst. A PDF of the report is available at—
<http://www.EastWestCenter.org/find.asp?it=ernst>

Pacific Islands Diplomacy:

In cooperation with at the East-West Center's Pacific Islands Development Program (PIDP) and the Department of State, the USAPC supported a meeting in Washington D.C. on June 6 of Pacific island ambassadors, U.S. government officials, and business leaders. The purpose of the meeting was to examine opportunities for greater cooperation and partnership between the United States and Pacific island economies.

The following day, the Council hosted an informal dialogue between PIDP and representatives of the Pacific Community (formerly known as the South Pacific Commission) and with Pacific islands ambassadors from Nauru, Papua New Guinea, Samoa, the Solomon Islands, and Tonga.

Congressional Study Group on the Pacific Islands :

"Coups, Elections and Governance in Fiji and the Solomon Islands"—On June 8, the Congressional Study Group (CSG) on the Pacific Islands held a program about recent political developments in Fiji and the Solomon Islands. The speakers were Tarcisius Kabutaulaka, PIDP Research Fellow, and Scott Kroeker, PIDP Project Director. Also attending were His Excellency Evan Paki, Papua New Guinea Ambassador to the United States, His Excellency Collin Beck, Permanent Representative of the Solomon Islands to the United Nations, Aliioaiga Feturi Elisaia, Permanent Representative of Samoa to the United Nations, and Fekitamoeloa Utoikamanu, Permanent Representative of the Kingdom of Tonga to the United Nations.

The East-West Center's Congressional Study Groups (CSG) provide fora for the dissemination of research and discussions of key issues in U.S.-Asia relations of potential interest to U.S. lawmakers. The CSG on the Pacific Islands examines political, economic, and social developments in the South Pacific. The CSG on the Asia Pacific Economy addresses current issues arising from the ever-deepening U.S. economic relationship with nations of the Pacific Rim.

Asia Pacific Dialogue

Asia Pacific Economic Cooperation Forum:

APEC Ministers Responsible for Trade (MRT)—

On June 2, the MRT sought to provide political momentum to the current round of World Trade Organization (WTO) negotiations. They issued a statement calling for urgent action on specific issues that have stalled the talks. Specifically, the MRT endorsed the “Swiss formula” for calculating tariff reductions and improving market access for non-agricultural goods. The Ministers further agreed to make effective cuts to trade-distorting domestic support for agricultural goods and to eliminate all forms of export subsidies. The MRT statement is available at — http://www.apec.org/content/apec/news__media/media_releases/020606_vn_mrtcommitment.html/.

Important ‘Track-Two’ Initiatives:

Pacific Economic Outlook (PEO) — On June 16, the Pacific Economic Cooperation Council (PECC) issued its latest economic update. PECC’s forecasters found that Pacific Rim economies have continued to show surprising robustness in the face of serious systemic risks to growth. In particular, the effect on economic activity of high oil prices and exchange rate uncertainties has been muted. Since their last forecast in November 2005, PECC’s forecasters upgraded their view on real GDP growth for the region from 4.5 percent to 5.0 percent. More information about the *PEO* is available at — www.asiapacificbusiness.ca/peo/.

PECC Pacific Food System Outlook (PFSO) 2006–07 — “Rising Energy Costs: Consequences for the

Region’s Food System” was the focus of the PFSO annual meeting on May 17–19 in Singapore. Participants examined such issues as (1) the longer-term viability of alternative energy sources that compete directly for food-producing resources, (2) the cross-regional impacts and farm-level adjustment strategies to rising fuel and other input costs, and (3) the policy response in promoting food system efficiencies, energy conservation, and alternative energy sources, among other issues. The PFSO assessment will be issued at the APEC Ministerial meeting on November 15–16 in Hanoi, Vietnam.

Key Official Meetings, July-August 2006:

- **U.S. Secretary of State Condoleezza Rice** will attend the ASEAN Regional Forum (ARF), July 27–28, Kuala Lumpur, Malaysia.
- **His Excellency Somkid Jatusripitak, Deputy Prime Minister & Commerce Minister, The Kingdom of Thailand** will meet with senior administration officials and members of the U.S. business community, July 10, Washington, D.C.
- **His Excellency Cham Prasidh, Minister of Commerce, The Kingdom of Cambodia**, will meet with senior officials at the Office of the U.S. Trade Representative and members of the U.S. business community, July 21, Washington, D.C.
- **Michael Michalak, U.S. Ambassador to the Asia Pacific Economic Cooperation (APEC) forum**, will attend the APEC Australia 2007 Symposium and Senior Officials Retreat, August 2–4, Queensland, Australia.

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perceive a fairly high degree of bipartisan support for the approach you just articulated?

Nye: Yes. If you look at the foreign policies of President Bush and former President Clinton, there are several obvious areas where the two administrations have diverged. But with respect to U.S. policy toward East Asia, I would argue that there has been a surprising degree of continuity. ♦

Joseph S. Nye, Jr., University Distinguished Service Professor, is also the Sultan of Oman Professor of International Relations at the Kennedy School of Government, Harvard University. In 1994–1995, he served as Assistant Secretary of Defense for International Security Affairs. An expanded version of this interview is available at www.usapc.org/Resource-Blog/nye.pdf

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Levin (D., Michigan), and Harry Reid (D., Nevada) followed up the Clinton-Levin letter with an amendment to the FY07 defense authorization bill. The provision calls for the creation of a North Korea Policy Coordinator, who would be directed to conduct an interagency review of U.S. policy toward North Korea and report to the president and Congress within 90 days. The coordinator would then report to Congress every 180 days about the status of North Korea’s nuclear and missile development programs. The State Department opposes the amendment, so is unclear whether it will survive a House-Senate conference.

It also remains to be seen whether Congress can influence administration policy on North Korea. On July 5, White House Press Secretary Tony Snow reaffirmed that the United States “will not act unilaterally, and that’s how we will continue.” ♦

USTR Likely To File An IPR Case Against China In The WTO

U.S. Trade Representative Susan C. Schwab pledged to Congress during her confirmation hearing that she would rigorously enforce existing trade agreements and uphold the rules-based trading system. She quickly sought to back up her words with actions. Soon after the Senate approved her appointment on June 8, Ambassador Schwab announced plans to enhance protection of U.S. intellectual property rights (IPR) and enforce the commitments China made when it joined the World Trade Organization (WTO).

On June 23, the new USTR announced the creation of a new intellectual property office headed by Assistant U.S. Trade Representative Victoria Espinel. Ms. Espinel will direct bilateral discussions with trading partners on intellectual property issues and negotiate the IPR elements of free trade agreements (FTAs). Her office also will be responsible for (1) preparing the annual "Special 301" report on international IPR protection (see below) and (2) monitoring IPR enforcement efforts around the world, with special focus on China and Russia. "In the global economy, maintaining protections for American innovations abroad is critical to advancing U.S. competitiveness," Schwab said in explaining the need for a new IPR-focused office.

The same day, Ambassador Schwab also appointed Claire E. Reade to serve as chief counsel for China trade enforcement, another newly created position. Ms. Reade will coordinate USTR's efforts to ensure that China meets its international trade commitments as it approaches the end of its transition period as a new WTO member. These efforts may include preparing WTO cases against China, and, given still-rampant counterfeit and piracy in that country, likely will involve working closely with the new IPR office.

Timothy Stratford, Assistant U.S. Trade Representative for China, recently suggested that work on a WTO case against China indeed began long before the appointments of Ms. Espinel and Ms. Reade. In testimony before the U.S.-China Economic and Security Review Commission on June 7, Stratford said USTR had been discussing the specifics of an IPR infringement case with Chinese officials. The agency also has been intensifying work within the U.S. government and with the affected industries to compile data and lay other necessary groundwork for a WTO case.

But the United States wants to make sure that the case is "winnable," Stratford emphasized. This means amassing concrete evidence of unfair trade and examining how China's attempts to address IPR infringement through its own legal system—or lack thereof—have affected U.S. business. Insiders suggest that the case will focus on continued piracy in China of American films. ♦

China Tops 'Special 301' Report Priority Watch List

Background—The 2006 "Special 301" annual review, issued on April 30, examined in detail the adequacy and effectiveness of intellectual property rights (IPR) protection in 87 countries. The Omnibus Trade and Competitiveness Act of 1988 requires USTR to designate as "Priority Foreign Countries" those nations that have the most onerous or egregious acts, policies, or practices, and whose acts, policies, or practices have the greatest adverse impact (actual or potential) on relevant U.S. products.

Potential Retaliation—Priority Foreign Countries potentially are subject to an investigation under the Section 301 provisions of the Trade Act of 1974, hence the term "Special 301." Section 301 of the Trade Act of 1974 is the principal statutory authority under which the United States may impose trade sanctions against foreign countries that maintain acts, policies and practices that violate, or deny U.S. rights or benefits under trade agreements, or are unjustifiable, unreasonable or discriminatory and burden or restrict U.S. commerce.

China—Nearly three-fourths of the Priority Foreign

Country chapter of the 2006 Special 301 Report focused on China. It noted some progress in China's efforts to improve IPR enforcement, but concluded that there are still major deficiencies. China therefore remains a top intellectual property enforcement priority, and the United States "will step up consideration of its WTO dispute settlement options," the report stated. It also described an unprecedented initiative under which the United States will scrutinize IPR protection and enforcement in four Chinese provincial "hot spots"—Guangdong, Beijing City, Zhejiang, and Fujian.

Russia—Russia ranked second on the Priority Watch List. USTR has serious concerns about the continued increase in optical disc pirate production in Russian plants and the growth of Internet piracy on Russian websites.

Others—The Special 301 Report also detailed significant problems with the IPR protection and enforcement records of Argentina, Belize, Brazil, Egypt, India, Indonesia, Israel, Lebanon, Paraguay, Turkey, Ukraine, and Venezuela. ♦



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The United States Asia Pacific Council (USAPC) was founded in April 2003 by the East-West Center (EWC). It is a non-partisan organization comprised of prominent American experts and opinion leaders, whose aim is to promote and facilitate greater U.S. engagement with the Asia Pacific region through human networks and institutional partnerships.

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