



Washington REPORT

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

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Finding Mutual 'Ballast' In U.S.-Japan Relations

Dr. Michael J. Green

During the past 60 years, the United States and Japan have developed a strong relationship based on common values such as basic human rights, democracy, and the rule of law in the global community. The two economies have become increasingly intertwined, and the security alliance has come to serve as the "cornerstone of security and peace in the Asia Pacific," according to official statements.

This is not to suggest, however, that U.S.-Japan relations have never been tested by occasional discord. During much of the 1980s and 1990s, for example, trade and economic disputes often strained relations. Bilateral relations currently are fairly good, says Dr. Michael J. Green of CSIS and Georgetown University—but once again may be challenged by both domestic and regional developments.

Dr. Green delivered these remarks at the 5th Annual East-West Center/U.S. Asia Pacific Council Washington Conference on April 11, 2008.

My mission is to talk about the U.S.-Japan bilateral relationship. The title of the session is "Emerging Problems in U.S. Bilateral Relations," so I'll get to the problems, and there are significant ones. But I want to start with the good news.

Good News—And there is some very good news about the U.S.-Japan alliance and our bilateral relationships in Asia, particularly in Northeast Asia. Today polls show that the United States enjoys more respect and popularity in Japan, Korea, and China than when President Bush first entered office. This contrasts with the situation in Europe, where there has been a significant erosion of respect for the United States.

Admittedly, U.S. approval ratings have bumped up and down in Asia, particularly in China and Korea, but this year polls indicate pretty good respect for the United States

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Economic, Political, Strategic Shifts Affect U.S.-Asia Relations

U.S. relations with the nations of the Asia Pacific in the coming years will be buffeted by challenges and buoyed by new opportunities created by Asia's emergence as an important center of economic activity and strategic importance, according to leading experts on U.S.-Asia relations.

Some 19 speakers, which included Deputy Secretary of State John Negroponte and Assistant Secretary of Defense James Shinn, provided new insights into key issues affecting transpacific relations at the 5th

Annual East-West Center/U.S. Asia Pacific Council Washington Conference on April 11.

Asia's Role in the World—

Deputy Secretary Negroponte, who delivered the keynote address, described the Asia Pacific region as "thriving [with] dynamic, market-based economies and flourishing democratic systems," with the exception of Burma. He detailed the Bush administration's efforts during the past seven years to reinvigorate U.S. military alliances with "like-minded Asian partners," such as Japan,

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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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and recognition of the importance of the United States, particularly in Northeast Asia. U.S. ratings are more mixed in Southeast Asia because of the significant Muslim populations there who do not support the U.S. policy in Iraq.

Structural Factors—In particular, U.S. relations are very good with Japan. I would note in a self-serving way that the Bush administration has managed to simultaneously improve relations with both Japan and China.

In terms of the U.S.-Japan alliance, there are some important structural developments that are pulling us closer together. These include (1) the rise of China, (2) North Korea's nuclear development, and (3) the emergence of transnational threats that we all recognize, ranging from terrorism to pandemic flu, to natural disasters and climate change. The external structural factors make it very obvious to American and Japanese leaders that we really need to work more closely together.

Bipartisanship—Probably because of this, there also is more bipartisanship around the U.S.-Japan relationship in both countries than there has ever been before. The two Democratic candidates and [the Republican presidential candidate] Senator [John] McCain [R., Arizona] have all said that Japan is important. No U.S. presidential candidate is running against Japan.

And in Japan, while Mr. [Ichiro] Ozawa, who is head of the opposition [Democratic Party of Japan], has from time to time played games with issues like counterterrorism legislation, the [DPJ] is pro-alliance. This also contrasts with the position taken by Japanese opposition parties in the past.

Trust and Common Values—Finally, polls show pretty clearly that the glue of the alliance, the "soft factors"—a term that refers to a sense of common values or norms—also has become quite strong. Various polls indicate, for example, that the American public views Japan as an ally we can trust.

The numbers are nearly comparable to those for the UK or Australia, which is really remarkable when you recall that in 1988, polls showed more Americans feared Japan than the former Soviet Union. On the Japanese side as well, there are pretty healthy numbers indicating trust for the United States.

Weak Governments—Having inoculated you, now the bad news about problems that we need to look at over the coming year or two. The first problem is that both Washington and Tokyo currently have weak governments. President Bush's approval ratings are slightly higher than [Japanese] Prime Minister Fukuda's at roughly 30 percent. Depending on the poll, Fukuda's ratings have dipped into the mid-20s.

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Congressional Watch

Legislative Activity:

- **U.S. Ambassador for ASEAN Affairs**—On April 29, the Senate confirmed Scot Marciel to serve as U.S. Ambassador for ASEAN Affairs. This is a new position, created by the Bush administration at the urging of key U.S. lawmakers to help maintain and broaden U.S. relations with the 10-member Association of Southeast Asian Nations (ASEAN) as an *institution*. (Washington will continue to have ambassadors serving in the individual ASEAN member country capitals.) Senator Richard Lugar (R., Indiana), who championed non-binding legislation calling for the creation of a U.S. ambassador to ASEAN, said the Senate's action "establishes the precedent of the United States being the first country to appoint an ambassador to [ASEAN]."

- **Medal Awarded to Burma's Suu Kyi**—On May 6, President Bush signed into law a bill to award the prestigious Congressional Gold Medal to Aung San Suu Kyi. The legislation passed the House unanimously in December 2007; the Senate followed suit on April 24. The medal is being presented to Suu Kyi in recognition of her efforts to end military rule and establish peace and democracy in Burma. The Congressional Gold Medal is the nation's highest and most distinguished civilian award, presented both for singular acts of exceptional service and for lifetime achievement.

- **Other Burma Initiatives**—Also on May 6, the House passed a non-binding bill condemning the Burmese military junta's undemocratic constitution written by military leaders and sham referendum. The resolution calls on the repressive regime to begin a meaningful tripartite dialogue with Aung San Suu Kyi, the parties that won 1990 elections, and ethnic representatives toward national reconciliation.

In a related move, House Foreign Affairs Committee Chairman Howard Berman (D., California) issued a statement strongly supporting provision of U.S. disaster and humanitarian assistance to the Burmese people following the devastating cyclone on May 3. He further urged the Burmese junta to delay the referendum scheduled for May 10. On May 13, the House unanimously passed a non-binding bill that incorporates Berman's views about the critical need to focus on disaster relief to ease the pain and suffering of the Burmese people.

- **Trade Promotion Authority (TPA)**—On April 10, the House voted 224-195 to block further action on legislation to implement the U.S.-Colombia Free Trade Agreement (FTA). According to so-called "fast-track" rules (renamed Trade Promotion Authority in 2002), when the White House submits legislation implement-

ing a trade accord to Congress, the House and Senate then have 90 days to vote on it, either approving or rejecting the agreement in its entirety. The House action basically stopped the clock by altering the 90-day statutory timeline for congressional action on trade deals.

Importantly, the lower chamber's decision to derail the Colombia FTA will affect pending U.S.-Asia trade deals. Insiders say it now is highly unlikely that Congress will consider implementing legislation for the U.S.-Korea FTA in 2008.

- **North Korea**—On May 15, the House unanimously passed two bills related to North Korea. The "North Korean Human Rights Reauthorization Act of 2008" calls for the creation of a full-time envoy to "properly promote and coordinate" human rights and refugee issues. It also expresses the sense of Congress that more North Korean refugees should be accepted for resettlement in the United States. The "Security Assistance and Arms Export Control Reform Act of 2008" includes provisions that set forth conditions the executive branch must meet before eliminating North Korea's designation as a state sponsor of terrorism and waiving sanctions related to Pyongyang's nuclear program. The Senate FY09 defense authorization bill includes similar language restricting the waiver on banned aid to Pyongyang.

Special Reports:

- **China's Foreign Policy And 'Soft Power' In South America, Asia, And Africa**—On May 5, Senate Foreign Relations Committee Chairman Joe Biden (D., Delaware) released a Congressional Research Service (CRS) study on the implications for U.S. economic and security interests of China's rising global influence. CRS found that China attempts to exploit areas in which it holds a comparative advantage to increase its influence, sometimes in a way that runs counter to U.S. policies. For example, CRS noted that China's willingness to use "no strings attached" foreign aid often undermines global efforts to combat corruption and improve human rights.

By the same token, CRS observed that China's "soft power" achievements, such as worldwide disaster relief assistance, pale in comparison to those of the United States. Beijing still must grapple with many limitations on its influence, the report maintained. For a copy, see <http://biden.senate.gov/imo/media/doc/CRSChinaReport.pdf/>.

On May 15, Biden also kicked off a series of hearings by his committee to examine this issue, which is part of a continued effort by the committee chairman to evaluate U.S. "smart power" initiatives—a term referring to non-military tools of U.S. security policies.

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Both Prime Minister Fukuda and President Bush face opposition-controlled legislatures. In the Japanese case, of course, the Liberal Democratic Party-led coalition still controls the [powerful] lower house. However, the upper house, which can block a lot of legislation, is controlled by the opposition.

In addition, both leaders are seen domestically as lame ducks. President Bush must leave office in January 2009. The general speculation about Prime Minister Fukuda is that he will hang on through the G-8 summit, which will be held July 7–9 at Lake Toya, Hokkaido, Japan. But at some point after the G-8 summit, Japan's leadership will change.

Those of you who have been in government and have watched governments know the effect that political weakness has on bilateral relations. Neither Prime Minister Fukuda nor President Bush has the time to attend to the numerous issues that they were able to address when they were in stronger political positions.

And I am not certain that the U.S. presidential election or Japan's prime ministerial election, which could come as soon as this spring but must happen by the end of next year, will necessarily fix this. In the U.S. case, the new president—no matter who it is—will be consumed with Iraq. I suspect that Senator McCain would have to work with a skeptical Congress and [Senator] Barack Obama [D., Illinois] or [Senator] Hillary Clinton [D., New York] would have to work with a skeptical military to win support for their respective positions. So this is going to take a lot of political capital and time.

Incremental Realignment—In Japan's case, it is very unlikely that this political impasse will end up with a neat, clear mandate for a new leader. We are unlikely to see a [Prime Minister] Koizumi or a [Prime Minister] Nakasone in the next year or two. The most likely scenario will be a caretaker LDP prime minister.

The problem is that political realignment in Japan, which would move beyond the old Socialist versus LDP [two-camp] system, is only halfway completed. The opposition Socialist Party collapsed. Part of the conservative, ruling LDP left that party. The opposition Democratic Party of Japan is composed of two very widely divided camps. And the remaining members of the LDP agree on one thing: they should be in government. That's what LDP members live for.

So if the LDP ends up losing control of the govern-

ment, it can no longer exist as a party. It will break apart. But if the Democratic Party of Japan gains control of the government, it cannot exist as a party either because of the diametrically-opposed views between its two factions.

No matter how this upcoming Japanese election plays out, there is going to be more turning of the wheel and more political realignment. In the longer run, this is very healthy. However, in the medium term, it will be very consuming. The new prime minister will be very busy holding together an "unnatural" coalition.

North Korea—The second problem we have is erosion in Japan of strategic trust in the United States. "Is America paying enough attention to Japan? Is the United States too distracted by Iraq?" are some of the questions one hears.

I think the more immediate and fundamental problem is current North Korea policy, and specifically, what appears to be an agreement to lift some sanctions on North Korea in response to what essentially is not very much from the North Korean side. In Japan, this spells two problematic issues. The first one is that the United States has broken a political pledge not to lift sanctions before there is some progress—not defined, but some progress—on the question of Japanese kidnapped by the North Koreans in the late 1970s and early 1980s. The United States clearly has moved away from that and has said so explicitly.

The second issue for Japan, which to me is more worrisome, is the appearance that the United States is accepting a nuclear North Korea in order to keep the process going. The Japanese have an interest in keeping the diplomatic process going. But there is deep concern in Tokyo

There is deep concern in Tokyo that we will accept a very hollow nuclear deal with North Korea

that we are going to accept a very hollow deal which, in effect, emboldens the North Koreans to not disable and dismantle their nuclear facility. This, in turn, is raising questions in Japan that you never used to hear about the credibility of the U.S. nuclear umbrella. This is going to be tough to manage as we move forward.

Japanese Reforms Slow—The third problem in U.S.-Japan relations, which certainly relates to the first one, is that former Prime Minister Koizumi's economic reform agenda clearly is slowing down. International investors are looking at Japan and deciding to wait and see what happens. That may change now that people are looking at the U.S. economy and waiting to see what happens here. In relative terms, it might appear that Japan would provide good returns on investment.

But it is clear that power has reverted back to the



Dr. Michael J. Green, Senior Advisor and Japan Chair, CSIS, and Associate Professor, Georgetown University

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bureaucracy, and particularly to the Ministry of Finance. This ministry is not anti-reform, but it has an extremely risk-averse and incremental view of reform. That will slow down [bilateral] economic ties.

I am pretty certain this will be a transitional phase. I don't think Prime Minister Koizumi was an aberration. But I think that the Koizumi era is over and it is going to take a little while as things sort themselves out before Japan gets on a new track with stronger leadership.

Areas of Cooperation—To wrap up, we need to be realistic about a bilateral agenda that we can achieve. It's important to keep moving forward, because if you don't, you move backwards. Climate change is an area where we could work together very importantly because Japan is in a pivotal position in Asia and can help build consensus on this issue.

Asia's regional architecture is another issue on which that the United States and Japan could work very well. Another area that also offers promise is strengthening governance, rule of law, and democracy broadly defined in Asia. Japan is still a major contributor of Official Development Assistance [foreign aid]. We should be coordinating this.

And finally, we could do more with Japan and other like-minded countries in the region to coordinate our policies. I think a U.S.-Japan-Korea trilateral process is going to restart. But we should undertake this carefully so we don't alienate China.

There certainly is room to give Japan ballast and for Japan to give us ballast as we work through our respective problems with more discussion among like-minded states. Thank you.

[Excerpts of Question-and-Answer Period]

Amb. J. Stapleton Roy, USAPC Chair: One of the problems for U.S.-Asia Pacific relations is that there is a perception in the region that the United States is not giving it sufficient attention.

Do you have any suggestions of steps a new administration could take that would be most effective in showing that the United States is moving in a direction that the Asians would want? Or is it going to require a steady process of renewed confidence-building in terms of our role in East Asia?

Green: I think the next president should commit to go to every APEC summit. In addition, the next president should commit to doing an annual ASEAN summit with the ASEAN leaders.

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Korea, Australia, the Philippines and Thailand. He also touted the Bush administration's engagement of "Asia's rising powers, including China," as well as its efforts to "reach out to new and old friends in Southeast Asia."

A central theme of Negroponte's remarks, however, was the importance of Asian nations assuming global leadership on major international issues. "As we strive to solve major issues confronting the international community—from climate change to preventing the spread of dangerous weapons—the United States looks increasingly to our partners in Asia not only to help, but also to lead," he said.

Continuing a policy spearheaded by former Deputy Secretary of State Robert Zoellick, Negroponte said Washington would continue to work with China, in particular, to "become a responsible actor in the international system." In this regard, he urged China and other Asian powers to take the lead in trade liberalization under the WTO's Doha Round "as beneficiaries of the global trading system."

Regional Perspectives on U.S. Role—The speakers who followed Negroponte also were relatively upbeat about political and security relations between the United States and Asian nations. However, they noted a growing perception in the region that Washington has become so preoccupied by developments in the Middle East that it is not paying sufficient attention to Asia, particularly to emerging regional institutions.

If the United States does not make a concerted effort to dispel this perception, it risks finding itself on the outside looking in, the speakers suggested.

"The United States has pushed APEC and has been much less interested in [other emerging] regional structures,"

Dr. Muthiah Alagappa, Distinguished Senior Research Fellow, East-West Center, said. "Some sort of U.S. commitment and participation in regional security and economic institutions will be crucial. That will keep the United States at the table, and it would be an important demonstration of U.S. commitment to Asia," he said.



Deputy Secretary of State John Negroponte



Dr. Muthiah Alagappa, Distinguished Senior Research Fellow, East-West Center

in [other emerging] regional structures,"

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Prof. Harry Harding of George Washington University agreed that the United States should become involved in emerging regional institutions, particularly the East Asian Summit, which U.S. officials currently do not attend. But the key to integrating the United States into “that dynamic economic region” is to “get our house in order,” he stressed. “We cannot sustain a leadership role [in Asia] unless we do something about our economy. We must address our deep-seated economic problems. That’s not doing something *about Asia*, but it’s doing something *because of Asia*, and I think that’s extremely important,” Harding said.

U.S. Economic Woes—Dr. C. Fred Bergsten, Director of the Peterson Institute for International Economics, and Dr. Stephen Roach, Chairman of Morgan Stanley Asia, provided insightful commentary on precisely this issue.

Both speakers asserted that America’s “stunning lack of overall national savings” is fueling the U.S.-China



Amb. Carla Hills, President, Hills and Company, far left; Dr. C. Fred Bergsten, Director, The Peterson Institute for International Economics, center; Dr. Stephen Roach, Chairman, Morgan Stanley Asia, far right.

deficit, in particular, but more generally, the economic imbalance with Asia. Bergsten advocated a mandatory savings scheme as a means of restoring U.S. fiscal health. Both speakers also expressed concern about a recurrence of 1970s-style “stagflation” owing to efforts by policymakers and the Federal Reserve to boost the U.S. economy through interest rate cuts and stimulus measures.

Asia’s Economy—Drs. Bergsten and Roach were optimistic, however, that Asian nations would not be dramatically affected by the U.S. economic slowdown. “Asia accounts for 25 percent of the world economy, and it’s still growing at about 8 percent despite of this talk of gloom and doom,” Bergsten said. He maintained that Asian economies remain resilient because they have largely “decoupled” from the United States. Roach qualified his optimism, saying that while the current economic crisis is not a disaster for Asia, “it certainly is a haircut for Asia [and] Japan could be back in a recession.” Inflation, they agreed, was the chief worry of Asian economic officials and must be addressed skillfully.

Protectionist Threat—Bergsten, Roach—and virtual-

ly all of the conference speakers—expressed grave concern about rising protectionism in the U.S. Congress.

On April 10, the U.S. House of Representatives voted to remove so-called fast-track rules for consideration of the Colombia Free Trade Agreement (see Congressional Watch, page three). Bergsten termed this action, “a real day of infamy . . . that many Americans will come to regret as we see the spill-out over the next years.” By upending this special procedure for approving bills to implement trade accords, U.S. lawmakers effectively have undermined American credibility in the global trading arena, he said. Furthermore, the fast-track vote has derailed timely action on legislation to implement the U.S.-Korea Free Trade Agreement (KORUS-FTA) because Congress “shattered the whole foundation on which it was negotiated,” according to Bergsten.

Session Chair Carla Hills, who served as U.S. Trade Representative, said the only way to change the harsh tenor of the trade policy debate is to develop a “grand bargain,” which would link trade liberalizing agreements with improved wage insurance and other mechanisms to help Americans adversely affected by rapid change and globalization. In addition, it behooves corporate America to educate their employees about why international activities are “good for the company, the country, and the employee’s checkbook,” she said.

U.S.-Korea—Notwithstanding the poor outlook for the KORUS-FTA in Congress, Amb. Jack Pritchard, President of the Korea Economic Institute, described an “emerging renewal of the U.S.-Korea relationship.” This is largely due to the election of conservative Lee Myung-bak to president in December 2007. Lee supports strong U.S.-South Korea ties and, unlike his predecessor, Roh Moo-hyun, takes a tougher line in dealing with North Korea, policies in sync with those of the Bush administration.

Pritchard described President Bush’s invitation to President Lee to hold a summit at Camp David on April 19 as “an extraordinary symbolic gesture and a guarantee of absolute success of the meeting.”

U.S.-Japan—Dr. Michael J. Green of CSIS and Georgetown University also presented a fairly upbeat assessment of U.S.-Japan relations. He attributed this, in part, to there being “more bipartisanship” around the U.S.-Japan relationship than there has ever been before. On the downside, however, he warned of an erosion in Japan of strategic trust in the United States stemming from developments in the Six-Party Talks aimed at ending North Korea’s nuclear program. (Dr. Green’s complete remarks are featured in this issue; see page one.)



Amb. Charles L. (Jack) Pritchard, President, Korea Economic Institute

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U.S.-China—Prof. Harding portrayed U.S.-China relations as being a “complex blend of vulnerability and resilience.” He proposed that certain “trigger events” could make relations “less resilient to future shocks.” These could include protests at the Olympics Games related to China’s crackdown on peaceful demonstrations in Tibet, passage of protectionist legislation, differences over climate change policy, and/or divergent views about how to deal with Iran’s nuclear aspirations.

Attitudes—Seeming to contradict commentary about

the shortcomings of U.S. policy toward Asia, Mr. Bruce Stokes of *National Journal* and Dr. Marshall Bouton, President of the Chicago Council on Global Affairs, presented the results of public opinion polls taken by the Pew Global Attitudes Project and the Chicago Council, respectively, in both the United States and throughout Asia. The polls indicated that the United States is still well regarded in Asia. But the perceived U.S. “unilateralist” foreign policy appears to be diminishing this reservoir of goodwill. ♦

See <http://www.eastwestcenter.org/ewc-in-washington/us-asia-pacific-council/conference/> for the complete conference transcript and other materials.

Regulatory Update

National Trade Estimate (NTE) Report—The 2008 *National Trade Estimate Report (NTE)*, released by the Office of the U.S. Trade Representative (USTR) on March 28, described USTR’s launch of three cases against China in the World Trade Organization (WTO) last year as one of several “successes for the [Bush] administration, American workers, and small and medium-sized businesses in 2007.” The statutorily mandated *NTE* provides Congress an annual inventory of the administration’s efforts to eliminate trade barriers to U.S. goods and services.

Other Asia-related “successes,” according to the *NTE*, include the conclusion of the trade liberalizing U.S.-Korea Free Trade Agreement, the expansion of opportunities in Japan for U.S. finance and insurance products, and enforcement of U.S. intellectual property rights with respect to (1) signal theft in Vietnam; (2) end-user software piracy and company name misuse in China; (3) business software piracy in Taiwan; and (4) counterfeit pharmaceuticals in Indonesia. The *NTE* is available at www.ustr.gov/.

House Ways and Means Chairman Charles Rangel (D., New York) and 13 other committee Democrats were unimpressed by these results. In a letter to President Bush, they argued that USTR should move beyond “inventorying the systemic, recurring trade barriers that U.S. companies face . . . and begin enforcing U.S. rights more vigorously.” The Bush administration has brought an average of less than three WTO cases per year, they argued. The Clinton administration, by contrast, launched about 11 WTO cases per year.

The lawmakers included a lengthy Appendix to the letter. It calls on USTR to take vigorous action to redress injury to U.S. interests caused by the currency policies of China and Japan, barriers to U.S. manufactured

goods caused by China’s trade-distorting subsidies and standards regime, Japan’s non-tariff barriers to U.S. autos and auto parts, among other issues. As election year pressures build against a weak U.S. economic backdrop, insiders anticipate growing support among lawmakers for legislation targeting China’s currency policy and strengthening enforcement of U.S. rights under bilateral and WTO trade agreements.

Annual Telecommunications Trade Review—USTR’s annual review of the operation and effectiveness of telecommunications trade agreements under Section 1377 of the 1988 Trade Act serves as a sector-specific complement to the *NTE* report. The so-called Section 1377 Review, released on April 8, cited persistent barriers to U.S. telecommunications operators in key Asian markets. These include: (1) access to Telstra’s telecommunications network in Australia; (2) impediments to market access in China, including high capitalization requirements and limits on joint venture partnerships; and (3) access to leased lines in Singapore. The 1377 Review also is available at www.ustr.gov/.

‘Special 301’ Report—Wrapping up a busy month of annual, congressionally mandated reports, USTR issued April 25 its review of the global state of intellectual property rights (IPR) protection and enforcement pursuant to Special 301 provisions of the 1974 Trade Act as amended.

To the surprise of few, this year’s Special 301 Report again highlighted serious IPR concerns with respect to China. USTR also singled out India and Thailand for not providing adequate levels of IPR protection or enforcement. Depending on negotiations, these countries potentially could be subject to an investigation under Section 301 of the 1974 Trade Act, possibly leading to the imposition of trade sanctions.

Asia Pacific Dialogue

Important 'Track-Two' Meetings:

Pacific Economic Cooperation Council (PECC) Regional Institutional Architecture (RIA) Project Meeting, April 25, Washington, D.C.—The U.S. Asia Pacific Council (USAPC) hosted a small meeting of the PECC RIA project on April 25 in Washington, D.C. East-West Center President Charles E. Morrison, who is also the International Chairman of PECC, convened the meeting with Dr. Allan Gyngell, Director, Lowy Institute, Sydney, Australia, Mr. Toyoo Gyoten, President of Japan's Institute for International Monetary Affairs, Prof. Joseph Nye, Harvard University, and USAPC Director Mark Borthwick. The group discussed papers prepared by PECC authors and contributed ideas for a final report to be released later this year.

Key Official Meetings, May–June 2008:

- **U.S. Trade Representative Susan C. Schwab** met **Association of Southeast Asian Nations (ASEAN) Economic Ministers** to discuss the U.S.-ASEAN Trade and Investment Framework Agreement and the WTO Round, May 1–4, Bali, Indonesia.
- **Clay Lowery, Assistant Secretary of the Treasury for International Affairs**, attended the Asian Development Bank Annual Meeting, May 3–6, Madrid, Spain.
- **Deputy Secretary of State John Negroponte** traveled to Seoul, Tokyo, and Beijing for discussions with his counterparts on a broad range of bilateral,

regional, and global issues, May 7–12.

- **David McCormick, Under Secretary of the Treasury for International Affairs**, delivered a speech about the implications for China of the global financial turmoil at the Lujiazui Forum, May 9, Shanghai, China.
- **Senior U.S. State Department officials** met their **ASEAN counterparts** for the 21st ASEAN-U.S. Dialogue, May 10, Singapore.
- **Dr. Harlan L. Watson, Senior Climate Negotiator and Special Representative**, led the U.S. delegation to a Policy and Implementation Meeting of the seven-nation Asia-Pacific Partnership on Clean Development and Climate, May 19–20, Seattle, Washington.
- **Alan Holmer, Special U.S. Treasury Envoy for China**, will deliver a speech about the U.S.-China economic relationship, May 21, Hubei, China.
- **Assistant Treasury Secretary Lowery** will deliver a speech, "Lessons from Financial Crises and Turbulence," May 26, Tokyo, Japan.
- **U.S. Defense Secretary Robert Gates** likely will meet defense ministers from throughout the Asia Pacific region at the 7th IISS Shangri-La Dialogue, May 30–June 1, Singapore.
- **Chinese Vice Premier Wu Yi** will lead a cabinet-level delegation to Washington for the fourth meeting of the U.S.-China Strategic Economic Dialogue, co-chaired by **U.S. Treasury Secretary Henry Paulson**, June 17–18, Washington, D.C.

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The new president also should commit to moving forward with the proposed Free Trade Area of the Asia Pacific [FTAAP], although that probably won't happen if there is a Democratic administration. But this is the card we have to play in the integration game. And to get that card, we have to ratify the U.S.-Korea Free Trade Agreement [KORUS FTA]. That's why it may not be possible to proceed with the FTAAP if the KORUS FTA goes down.

I would take a more incremental approach to the North Korea nuclear problem, rather than seeking the appearance of a grand bargain when, in fact, there isn't one. It's clear to the region that there isn't a grand bargain. But I do think that the Six Party Talks should continue and keep moving forward.

And finally—this one may be controversial—it is my view that [former Singapore Prime Minister] Lee Kuan Yew was right when he wrote in the *Washington Post*

about a month ago that a precipitous U.S. withdrawal from Iraq will affect Asian perceptions of our commitment in their own region.

Amb. Roy: Let me propose a not totally unrealistic scenario, which is that we make some progress on the Six Party Talks but don't get very close to our ultimate objective. Then we have the U.S. elections and a hiatus in the negotiating process, during which North Korea successfully tests a second nuclear device more successfully than the first time. How should the United States handle that?

Green: We have gone to what I would call an "inside-out strategy" in the Six Party Talks. Our negotiators cut a deal with the North Koreans, and then we win consensus "out from there," beginning with China, and then Japan and Korea.

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Green Remarks

This is the exact opposite of how this should work if we want it to be effective. We should have a U.S.-Japan-Korea piece, bring in China and Russia, work it, and then go to the North Koreans. We should have been doing that a long time ago. That would be one very useful recalibration of our approach that I think would probably happen if the North Koreans conducted a second test.

Amb. Alphonse de la Porta: The U.S. foreign policy bureaucracy is tremendously under-staffed to deal with a very extensive menu of issues requiring our attention in Asia. We need some kind of parallel structure, an augmented Asia channel, if you will, to provide more room and attention at the top to U.S.-Asia matters.

The deputy secretary of state and the undersecretary of state for political affairs have so many other things to



Dr. Michael J. Green, CSIS and Georgetown University, far right; Prof. Harry Harding, George Washington University, center; Amb. Jack Pritchard, Korea Economic Institute, far left.

do, so we're almost talking about an undersecretary for Asian affairs. I'd like to ask your opinion about how those things can be accomplished bureaucratically and structurally.

Green: My former colleagues at the National Security Council [NSC] who are now working 15- and 18-hour days like I did will hate me for saying this, but I would not expand the size of the NSC. I think there is a certain advantage to being small. It is an advantage to have only two or three people trying to shepherd the process when you're clearing things and making decisions. Size can bring complexity.

I don't think we'll ever have an undersecretary of State for Asian affairs, but there is often an implicit division of labor between the deputy secretary and the undersecretary for political affairs in which one has taken on Asia. I agree about the need for special envoys to handle certain issues, such as North Korea or Burma.

At the end of the day, though, you need someone senior in the bureaucracy to muscle things through, because they ultimately touch on things like human rights legislation and export control regulations. Somebody must be in the bureaucracy at a high level to muscle it through, and that is best performed by the deputy secretary of state or the undersecretary of state for political affairs.

Audience Question: How do you view the role of Russia in East Asia in the years to come?

Green: Both the Clinton and Bush administrations thought Asia would be an area where the United States and Russia could build a cooperative agenda that would compensate for some of the difficulties we've had on issues in Europe and elsewhere. This potential never quite has been fulfilled.

The good news is that the sometimes spoiler role that Russia has played on some issues under [former Russian President Vladimir] Putin has not manifested itself in Asia. In my experience, Russia was sometimes quite helpful in the Six Party Talks. The bad news is, in my impression, the Russians in many of these Asian meetings are happy just to be there. So maybe we should try one more time, in spite of it all, to see if we can work together with Russia on some cooperative, proactive things.

Mr. Andy Sun (Asia Pacific Legal Institute): How relevant is the United States in the region? Is it time to fundamentally rethink the position of the United States as the "CPU" of Asia in light of the rise of China?

Green: We need to think about Asia differently. For countries like Japan and Singapore, the rise of China has reinforced their own responsibilities for maintaining some of the pillars of the neo-liberal order that they may have taken for granted in earlier periods. The United States needs to find ways to tap into that discussion.

This is not about containing China. It's about reinforcing the neo-liberal order as China rises and as we all seek to trade and cooperate more. In that context, I agree with those who say it would be a nightmare to try to negotiate a broad Asia-Pacific Free Trade Agreement. The reason I emphasized the U.S.-Korea Free Trade Agreement is that we need to find ways to establish building blocks toward these broader rules. And we'll find that Korea, Australia, Japan, and others are ready to do it now.

We'll build a consensus for some basic rules about transparency, rule of origin, intellectual property rights, and other [free trade principles.] Ideally, we'd do that in the WTO round, but that may not be possible. ♦

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