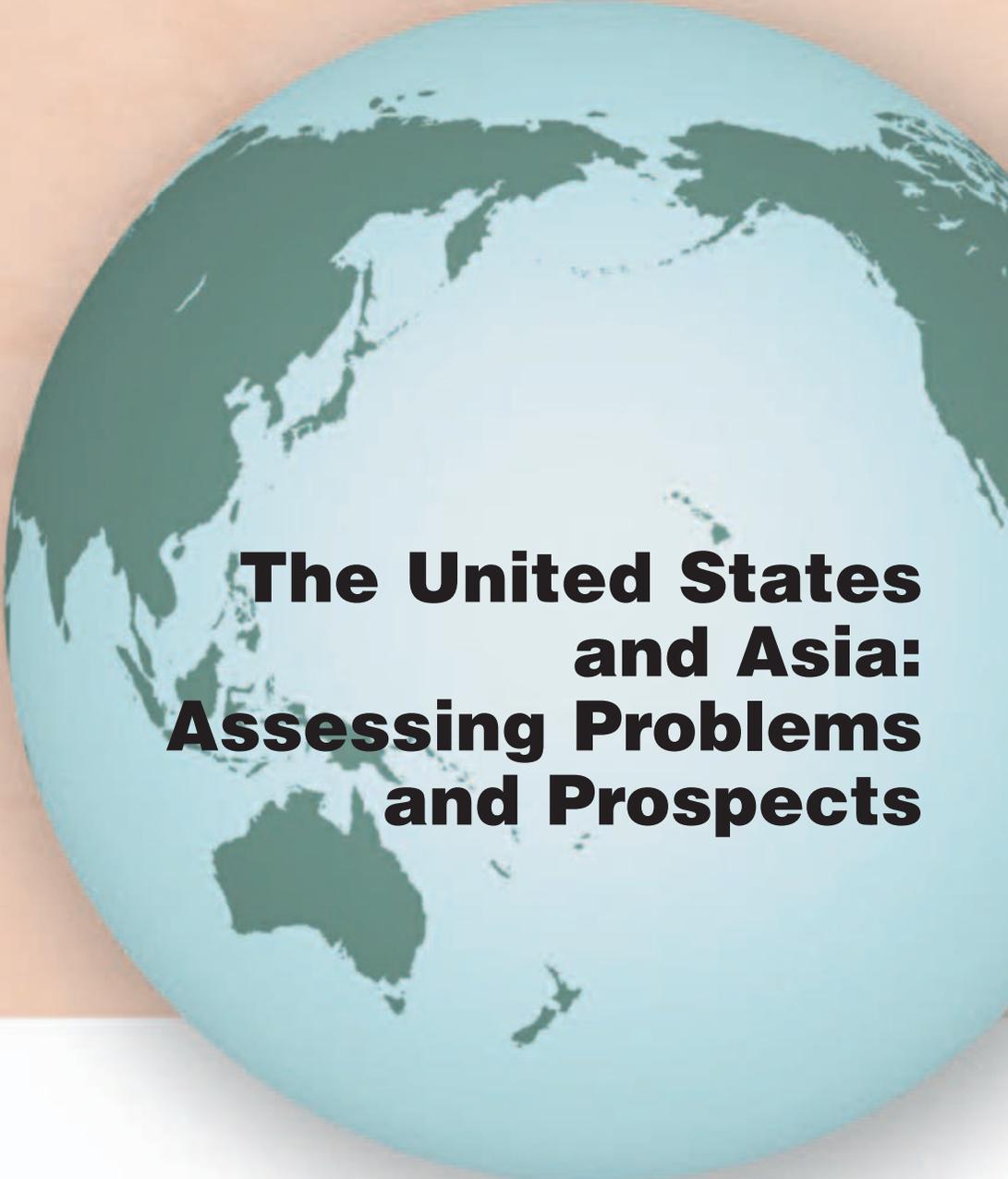


SENIOR POLICY SEMINAR



**The United States
and Asia:
Assessing Problems
and Prospects**



EAST-WEST CENTER

SENIOR POLICY SEMINAR 2006

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and Asia:
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and Prospects**



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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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Table of Contents

v	Preface
vii	Executive Summary
1	Introduction
1	Washington and the Region
3	Tense Relations in Northeast Asia
6	Ferment in Asian Islam
10	Is the Economic Growth Wave Sustainable?
12	Implications for the United States
15	Appendix A: Opening Remarks, by James A. Kelly, August 7, 2006
24	Appendix B: Participants

Preface

CHARLES E. MORRISON, PRESIDENT, EAST-WEST CENTER

The Senior Policy Seminar is a keystone event in the East-West Center's annual calendar. It brings together senior foreign policy officials, private sector leaders, and analysts from countries around the region for nonofficial, frank, and non-attribution discussions of security issues in the Asia Pacific region.

In keeping with the Center's founding mission, the objective of the Senior Policy Seminar series is to promote mutual understanding and explore possibilities for improving the problem-solving capabilities and mechanisms in the region. The Seminar series also supports the Center's contemporary objective of contributing to the building of an Asia Pacific community by facilitating dialogue on critical issues of common concern to the Asia Pacific region and the United States. In addition, the discussions at this Seminar series help inform the agenda of the East-West Center's other research, dialogue, and education activities.

The 2006 Senior Policy Seminar at the East-West Center was the seventh in this annual series. The format for the 2006 Seminar differed somewhat from that of previous years. Instead of conducting a tour d'horizon of regional issues, we identified three significant issue areas on which to focus the discussions. A half-day session was devoted to each of the selected issues: Tense Relations in Northeast Asia, Ferment in Asian Islam, and Is the Economic Growth Wave Sustainable? More general discussions—including consideration of the role and implications for U.S. policy—were concentrated in the opening and concluding sessions.

This report presents a summary of the group discussions and the theme sessions. As in past years, the report adheres to the "Chatham House Rules," under which observations referred to in the report are not attributed to any individual participant. In addition, because we believe it would be of particular interest to a broader audience, we have included an edited transcript of the opening presentation by former U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly. Mr. Kelly has kindly granted permission to publish the text of his remarks. All views recorded in these documents are those of the participants and do not necessarily represent either a consensus of all views expressed or the views of the East-West Center.

The Senior Policy Seminar series always is the product of efforts and contributions by many individuals. Ambassador Raymond Burghardt, director of

the Center's Seminars Program, was the overall organizer again this year and served as a moderator. Richard Baker, special assistant to the East-West Center President, helped organize the seminar, facilitated the discussion of Islam in Asia, and coordinated the preparation and editing of this report. Brad Glosserman, executive director of the Honolulu-based Pacific Forum CSIS, was our expert rapporteur and the drafter of this report.

The seminar was ably supported by East-West Center Program Officer Jane Smith-Martin, Seminars secretaries Marilu Khudari and Carol Holverson, Seminars Program Assistant Suzi Johnston, student assistant Alyssa Valcourt, and student volunteers Wang Qinghong and Hyeon-Ju Lee. The staff of the East-West Center's Imin Conference Center, under Marshal Kingsbury's management, again prepared an excellent conference venue and associated facilities. Editorial and production assistance for the report was provided by the East-West Center Publications Office.

As always, the success of the seminar was due primarily to the insights and contributions of the participants, who made time and, in some cases, traveled great distances to attend. Their presentations and comments during the discussions form the core of the analysis and findings recorded in this report. These individuals have our deep appreciation.

Executive Summary

The world is undergoing a profound transformation as Asia emerges as the center of the global economy. China's dazzling economic growth is at the heart of this process, but there is more to Asia's emergence than "the rise of China." Nevertheless, the region's economic influence has not to date been matched by corresponding political leverage.

The United States does not seem alert to these changes. The current policy focus in Washington is the Middle East. The subtle shifts that mark the Asian community-building project are often difficult to see from across the Pacific Ocean. It is equally difficult to discern U.S. policy and strategy toward the region.

The war on terror raises fundamental problems. It is central to U.S. foreign policy but Asians complain that it is too narrow a filter for U.S. engagement with the region. Many worry that U.S. policies in the war against terrorism have darkened America's image and complicated U.S. relations with the region.

The primary vehicle for U.S. engagement with Asia remains its bilateral military alliances. For the most part, those alliances are strong and adapting to changes in the threat environment and to new military capabilities and doctrines. However, the U.S.-ROK alliance is currently under considerable stress. Seoul and Washington are trying to reshape and broaden their bilateral relationship, but the success of that effort is not guaranteed.

Relations among the nations of Northeast Asia are fraught with tension. There are many sources of these tensions: structural changes in international relations, the personalities of political leaders, genuine conflicts of national interest, and transformations in these societies. Given their roots, these tensions will be present for some time. The key question is whether they can be controlled or whether they will lead to crises. Traditional regional flash-points—the Korean Peninsula and, although currently relatively quiescent, the Taiwan Strait—add to the worries.

The primary costs of tension in Northeast Asia are opportunity costs. The region is deprived of the benefits that would result from closer cooperation between the two largest economies in East Asia—Japan and China. Their failure to establish a solid working relationship is an obstacle to the emergence of an Asian community. No government appears ready to take the first steps necessary to facilitate cooperation.

America's bilateral relationships can be used to dampen suspicions and concerns. If these relationships are mismanaged, however, U.S. policies and actions can make things worse. The United States needs to understand what the nations of the region expect of it, and clearly convey what these nations can expect of the United States.

Asian nations are debating the role of Islam in their societies. This is primarily a religious debate about the fundamentals of Islam and the role of Islam in lives and individual communities, but it has political repercussions. There are common forces at work, but Asia's diversity and the unique circumstances of each country require governments to fashion particular responses to the challenge posed by radical Islam. While there is no single template, every government needs both to counter immediate terrorist threats and to take long-term action to reduce the inequities and grievances that make it easier to recruit terrorists.

While the United States has a significant stake in these debates, it has a limited role to play in the debates themselves. It can assist in law enforcement and military responses to terrorism, and aid long-term efforts by governments to strengthen education and economic equality. Direct intervention is likely to be inappropriate and even counterproductive.

There is broad agreement that robust growth rates in Asia will continue, at least in the medium term. Adjustments are inevitable, however. The region's high dependency on U.S. and Chinese growth, coupled with the large imbalances between the U.S. and Chinese economies, is a significant danger. High energy prices, a possible slowdown in the U.S. economy, global imbalances, and structural weaknesses in China's economy are other important concerns.

The near collapse of the Doha Round of trade negotiations raises questions about the global trade order, but it should survive. In the meantime, the WTO's problems have contributed to the proliferation of regional, small group, and bilateral free trade agreements. These trade deals have both the advantage of sustaining the liberalization process and the disadvantage of incompatibilities and inequality of access.

A compounding issue in the present economic outlook is that governments appear to lack the vision and political will to deal with structural problems. The political costs of adjustment are seen by leaders as potentially too high and the rewards both too uncertain and likely to be too long in coming to be politically useful.

Many of the changes in Asia further U.S. interests, and Washington should support this evolution. The United States should play a positive and active role in the region, but it must also recognize the limits of its power. U.S. power and influence are greatly magnified when Washington works with other countries to accomplish objectives.

The United States should not oppose the Asian community-building effort, but should insist that any Asian community be open and inclusive. The United States should support the creation of multilateral institutions that reinforce global norms and standards. Given the centrality of U.S. bilateral military alliances to its regional strategy, and their contribution to the “public good” of regional security and stability, the United States should think carefully about the impact of its global realignments on the region.

Ultimately, the United States needs to better understand the changes that Asia is experiencing. The region still values the U.S. engagement and role, and, while the current relative inattention in Washington to developments in Asia does some harm to U.S. interests, the damage is still manageable. However, that cushion may be eroding: Asia is not waiting for the United States, and Washington must actively re-engage if it is to maintain its influence.

INTRODUCTION

The three days of discussions at the 2006 Senior Policy Seminar revealed wide agreement as to the basic conditions in the region as well as diverse views—yet few sharp differences—on the topics addressed: Tense Relations in Northeast Asia, Ferment in Asian Islam, and Is the Economic Growth Wave Sustainable? There was also broad agreement, including from most of the American participants, as to the outlook from Washington and the implications of regional trends for U.S. policy.

Participants generally concurred with the proposition that Asia is emerging as the center of gravity in the global economy. China's transformation via very rapid economic growth is at the heart of this process, but there is strong growth throughout East Asia and the region appears to have emerged stronger from the financial crisis of 1997–98. Participants also recognized the linkages between economic and political factors. Overall, in the words of one participant, a “tectonic” shift is occurring in Asia, in economic as well as political terms. How this will be reflected in regional power balances, structures, and institutions—including the shape of a possible East Asian community—is an open question.

WASHINGTON AND THE REGION

The opening session of the Seminar was, as in previous years, devoted mainly to an assessment of the position and perspectives of the United States. Here the general view expressed by both Americans and Asians was that Washington does not seem very alert to the changes in the region. The current policy focus is the Middle East. Iraq tops the list of concerns, but developments in Iran are also important, as are Israel's relations with its neighbors. The coincidence of a congressional election campaign also steers attention away from Asia: the changes there do not grab headlines, nor do they appear to impact directly on U.S. voter concerns. So Asia is moving ahead, with little notice from Washington.

U.S. policy and strategy toward the region seem diffuse and unclear. No single document outlines the administration's Asia strategy. American participants noted that, while the U.S. government has produced several global strategy documents, including two National Security Strategies and two Quadrennial Defense Reviews, there are considerable inconsistencies between them as well as differing emphases in statements by administration officials so

they require interpretation to understand their practical meaning. There is more realism today in the Bush administration's actions, tendencies toward unilateralism are frayed though not gone, and the doctrine of pre-emption, while still listed in the policy documents, does not seem likely to be the choice for many years to come other than in truly exceptional circumstances.

Promotion of democracy remains a key element of the president's agenda, but the continuing conflict in Iraq is causing some doubts as to the conditions needed for democracy to flourish. Regarding terrorism, some Asians see the United States as taking an overly "short view" in its counterterrorism efforts, believing that this should be dealt with as a long-term problem.

Another point of general consensus was that bilateral alliances (formal and informal) remain a primary vehicle for U.S. engagement with Asia. For the most part, those alliances are strong and adapting to changes in the threat environment and new military capabilities and doctrines. U.S. relationships with Vietnam, Indonesia, and, especially, India are also improving.

The U.S.-ROK alliance is under stress. Generational changes in South Korea are poorly understood in the United States (and other parts of East Asia). The decision by Seoul and Washington to pursue a bilateral free trade agreement is an attempt to reshape and broaden their bilateral relationship. But the time limit on American fast-track authority is short and many questions are being raised in Korea, and success is not assured. Failure would also affect broader U.S.-ROK political cooperation, including on North Korea.

The North Korean nuclear issue remains a major problem for the United States, U.S.-ROK relations, and the region. Although regime change is not U.S. policy, it is discussed so persistently that this remains the perception. But no solutions are in sight, prospects for the Six-Party Talks are dim, and the likelihood of further "misbehavior" by the North—possibly including a nuclear test—was seen as growing. Responsibility for dealing with North Korea has been devolving on Seoul.

Japan's evolution toward greater "normalcy" also poses questions for the United States and Asia. Serious Japanese re-armament or nuclearization is highly unlikely (although the U.S. nuclear umbrella is more important than ever given the North Korean threat), but misperceptions on these points persist in Asia and need to be addressed.

The "significant and warming" U.S. relationship with India is a further important development in the region. U.S. participants noted that bipartisan

congressional support for the U.S.-India civilian nuclear technology accord seems sufficient to make this the cornerstone of a new era of strategic cooperation. However, Asian observers were not convinced that this level of U.S. attention to India is sustainable.

China remains the crucial question mark—for the region and the U.S. role—as it undergoes its profound transformation and develops all forms of comprehensive national power. This process is bringing with it unprecedented internal problems, and for this reason the Chinese leadership's first priority is stability. Yet, it is uncertain how long China's internal problems can be successfully managed, and nationalism is a strong force. Current U.S. thinking on China is influenced by the concept of "responsible stakeholder," introduced by then Deputy Secretary of State Robert Zoellick. This concept emphasizes China's strong interest in the global economy and polity and recognizes the importance of China's role. Nevertheless, some participants expressed concern that the broader U.S. approach to Asia may be excessively influenced by the focus on China as a problem.

TENSE RELATIONS IN NORTHEAST ASIA

The first of the topic sessions dealt with tense relations among the nations of Northeast Asia. A pre-plenary breakout discussion identified several basic elements of this situation. The tensions have multiple sources. Some are structural: the rise of China, which necessitates a rebalancing of traditional (post-World War II) relations within Asia; the simultaneous effort by Japan to break out of its postwar role and achieve "normal nation" status; Cold War legacies of divided countries; and territorial disputes and competition for resources. Other factors include historical issues and nationalism, rapid societal change, resulting domestic political pressures on leaders (which leaders can play to mobilize their constituents), and the personalities of individual leaders.

Thus the tensions ultimately involve basic questions of national identity as well as national interest. Specific incidents—visits to Yasukuni Shrine, textbook revisions, or soccer games—provide sparks to this tinder. Regional integration offers possibilities of cooperation, but regional institutions in Northeast Asia are still weak. The challenge is to frame "grand bargains," such as in energy, that take advantage of complementarities and can provide bases for defusing tensions over time.

The plenary presentations and discussion bore out the differing perspectives.

Japanese participants recognized that Japan has contributed to tensions in Northeast Asia, especially regarding the controversial actions and personality of Prime Minister Junichiro Koizumi. The succession to Koizumi presents an opportunity to change the atmosphere of Japan's international politics. As the succession has been prepared for over a year, unlike the usual experience of sudden changes in political crisis circumstances, it is less likely that the new prime minister will make early mistakes similar to those of Koizumi. Japanese participants considered it unlikely that the consolidation of the U.S.-Japan alliance and the new assertiveness in Japanese foreign policy initiated by Koizumi would be reversed by his successor. Also, Japan's "lost decade" following the bursting of the financial bubble has resulted in a certain loss of confidence, and politicians feel a corresponding need to show a tough attitude on external relations including toward the "China threat." Nevertheless, Japan recognizes that its future in the region is largely in its own hands, and that its economic future depends on prosperity in Asia.

South Korea, too, faces an impending leadership transition, with its presidential election in 2007. Korean participants anticipated that the change would lessen problems in the U.S.-ROK alliance and allow a dialogue between the two nations that has been lacking in recent years. But Korean participants also maintained that differing perspectives and priorities regarding North Korea would continue. As one participant put it, South Korea prioritizes peace on the peninsula, the North Korean nuclear issue, and the alliance, in that order, while the U.S. priority order is the reverse. Views of the North Korean threat are very ambivalent, with most Koreans repressing the dangers of conflict or collapse even after the July missile tests that caused "near panic" in Japan and concern in the United States.

A U.S. participant commented that, unfortunately, President Roh has not articulated a vision of the country's role in the region and in its relationship with the United States. This failure leaves other nations uncertain about South Korean objectives and ambitions and makes it difficult to solidify relationships with neighbors, adding another element to the "structural" uncertainties in the region. At the same time, ROK-Japan relations are "the worst in history," and one participant observed that from the Korean perspective, Japan is not "a friend of Asia," while Korea is; hence the argument that the United States should cooperate more closely with Korea—and with China.

Discussion of China's position and role revolved around the concept of, and concerns over, "China's rise." This ascent has been accompanied over the past decade by a shift to a "new diplomacy" reflecting increased confidence as well as recognition of China's interest in the international economy and order. In

terms of Northeast Asia, Chinese participants stressed close cooperation with South Korea, work toward reform and a “soft landing” in North Korea, and a desire for good relations with Japan. Like some Korean participants, however, they argued that Tokyo needs to take the lead in this area.

Relations across the Taiwan Strait are more stable than they have been in years, despite continuing uncertainties in domestic politics and over long-term objectives on both sides. The major regional flashpoint is North Korea and its nuclear program. Most participants saw the Six-Party Talks as essentially stalemated, although most also saw the talks as still performing a useful function, at least for crisis management. Some participants urged the United States to engage Pyongyang in direct bilateral talks; some American participants countered that absent any indication that North Korea is seriously interested in a negotiated solution there is little use in talks at any level. On balance, the outlook for a resolution of the Korean nuclear problem seemed ever more bleak.

There was agreement that the chances of military conflict in Northeast Asia remain low, and that the primary costs of the tensions in Northeast Asia are opportunity costs. The primary lost opportunity is that the region is deprived of the benefits that would result from closer cooperation between the two largest economies in East Asia—Japan and China. Cooperation between Tokyo and Beijing is also necessary for community building in Northeast Asia, which, participants argued, is in turn necessary for building a broader East Asian community. A Southeast Asian participant observed that the security dialogue in Northeast Asia lags behind discussion in Southeast Asia of comprehensive security. Participants also pointed out that Japan-China tensions hurt the United States, too, as Washington seeks Tokyo’s help in advancing their common interests on a global basis. On a more optimistic note, several participants cited the ASEAN-plus-Three (Northeast Asian states) meetings and the recent East Asia Summit as examples of the continuing community-building dynamic, despite tensions in some bilateral relationships and subregions.

There was broad consensus that the United States can—and should—play an important role in moderating tensions among the states of Northeast Asia. Japanese participants appealed for a definitive U.S. statement that a “further deterioration of relations in Northeast Asia is not in the U.S. interest” and for a call by the United States for improved relations among the states of the region. But many participants pointed out that, to do so successfully, Washington needs to understand what the nations of the region expect of it and clearly convey what these nations can expect of the United States. At the

same time, Washington must be careful that efforts vis-à-vis one country (e.g., Japan) are not misconstrued by others (e.g., as encouraging remilitarization of Japan). An American participant added that the United States is not alone—others in the region also have a huge stake in amelioration of tensions between China and Japan and can demonstrate their interest without exercising heavy-handed pressure.

The session concluded with a summary by the chair. This acknowledged that tensions are likely a permanent feature of the regional landscape, but noted that there did not seem to be serious concern that the current tensions will be fatal. Increasing economic and cultural integration are bringing ample opportunities for cooperation (and for constructive competition, as well). The critical need is for political decisions across the board to forego narrow-minded, short-term conceptions of national interests, which can fuel tensions, for the sake of broader and more long-term interests. Although this is a heavy challenge, and many see the regional community-building process as struggling, the building blocks for a community are nevertheless in place, at the subregional, regional, and transpacific levels.

FERMENT IN ASIAN ISLAM

The second theme session looked at the dynamics and debates within the Islamic communities of Asia, and at the relationship of this ferment to national and international politics. The pre-plenary breakout discussion group offered several general observations as a starting point. First, the forces discussed in the previous session (globalization, modernization, instant communications, etc.) also provide the broad context for developments in Asian Islam. Second, the ferment is, at bottom, about religion—the fundamentals of Islam and its role in the lives of Muslims and Islamic communities. But, third, partly because Islam does not distinguish between the religious and secular spheres, the debates inevitably affect political matters and are readily politicized. Fourth, because of the diversity of the various Islamic communities in Asia and the mosaic of historical and other influences involved, generalizations about this phenomenon are particularly risky. But the ultimate questions of interest to the Seminar were the impact of this phenomenon on wider societies and the international community, and the policy responses of governments—both those directly involved and other interested states.

The session then considered two primary country cases that illustrate the diversity and dynamics of the ferment within Islam. These were Indonesia, the world's largest Muslim nation, and Thailand, a state in which Muslims are

a minority concentrated in one region. It also looked at Pakistan and the Philippines, one an Islamic state and the other an Islamic minority state.

Indonesia is the world's largest Muslim country, in which 88 percent of over 240 million people are Muslims. It was once described as charting a "middle way" between a secular and religious state, with six recognized religions and a national ideology that is friendly to Islam but is not an Islamic state. However, some small groups, largely with Middle Eastern orientation, want to establish an Islamic state. Indonesia is also characterized by "democratic ferment," with a young democracy taking hold since the fall of Suharto in 1998. With the resulting decline in state capacity and the accompanying social and economic disorientation, more radical (or religiously "literalist") groups have been able to attract followers. The challenge for Indonesia is both to strengthen democracy and state capacity and to strengthen the mainstream Muslim organizations that can play a key role in improving the social, educational, and political life of the Muslim majority.

In Thailand, ferment in the Islamic community is closely connected with one region, the southern peninsula, where the largely ethnic Malay Muslims have longstanding grievances against what they regard as occupation by the Bangkok government. The situation was exacerbated after 2000 when the Thai government adopted an extremely centralized approach and dissolved local and regional mechanisms. Heavy-handed suppression in the south that accompanied an anti-drug campaign triggered armed resistance starting in late 2003 and continuing into the present. Attacks have expanded from security targets and central government facilities to more symbolic actions against Buddhist monks, for example. This situation was presented as essentially a problem of communal relations, with evidence of outside involvement so far limited to inspiration and imitation. The challenge for Thailand is for the central government to re-examine the concept of the state so as to better accommodate the variety of ethnic and cultural streams in the country, and for the Muslim community to re-formulate an Islamic approach to life within the national political system. Improved access to education was described as a central element to increase opportunities and "space" for participation available to young people, and one in which outside support could play an important part.

The Philippines has a geographically similar situation to that of Thailand, in which the large Muslim population of the southern region centered on Mindanao feels excluded, repressed, and exploited by the mainstream society and the national government. A campaign for an independent homeland and an Islamic state has gradually evolved into negotiations over autonomy and ancestral land rights, but divisions among the Moro groups have frustrated

both the achievement of autonomy and an end to armed resistance. The challenge in this case, according to expert observers, is to address both the aspirations of the Moro/Muslim community to be recognized, to follow their own way of life, and, as elsewhere, to improve their standard of living through education, affirmative action for increased opportunities, etc.

Pakistan presents still another picture. The creation of Pakistan was a political movement of Muslims, but Islamic militancy is a relatively recent arrival, coming from the Middle East and out of the drawn-out Palestine problem. The 1978–79 Iranian revolution on one border, quickly followed by the Soviet invasion of Afghanistan to Pakistan's north and the subsequent fight against the Soviets by Islamic Mujahidin based in Pakistan, brought this brand of sectarian Islamic militancy into Pakistan. Reaction against Iranian Shiism (30 percent of Pakistan's population being Shia) stimulated a Saudi-type Wahhabism movement among the Sunni community. The current ferment is both militantly Islamic and anti-West (especially anti-American due to the U.S. campaigns in Afghanistan and Iraq), with Islam being the unifying force for the anti-West/U.S. reaction. The government of Pakistan has responded with a pragmatic program including banning of radical organizations and hate material, checking misuse of mosques for agitation, and embarking on a longer-term effort to reform Islamic education (the madrasahs).

The situation of the Muslim minority in India was also touched on as a positive model of co-existence. While there have been ups and downs in the Indian experience, a combination of affirmative action to ensure that Muslims can occupy high offices and a national minorities commission to handle discrimination complaints has generally succeeded in avoiding incidents beyond isolated local cases.

In the general discussion, participants stressed the importance of making certain distinctions when dealing with the subject of Islamic ferment. One is a distinction between the rise in Islamic religiosity and piety throughout the Muslim world, a phenomenon that has been visible for decades, and the more recent phenomenon (in most Asian countries) of theological and/or political radicalism on the part of some Muslims and groups. The two phenomena have separate histories and trajectories. Another distinction drawn by some Asian participants is that between anti-Americanism and criticism of U.S. policy, with Americans often seeing the former when actually it is the latter.

There was extended discussion of the use of the label "Islamic terrorist." Many participants argued that this phrase tends to group all Muslims with terrorists, which only further alienates even moderate Muslims. American

participants pointed out that with terrorist groups claiming to be acting in the name of Islam and using Islamic terms in their names it is difficult for Western officials and media not to use the same labels. Asian participants countered that use of such labels nevertheless plays into the hands of the extremists, who do seek to provoke a clash of civilizations and religions. No clear solution to this conundrum emerged.

Participants saw no single template that can be used by the respective national governments in each of these situations. The development and implementation of specific strategies can only be carried out by the individual governments. Nevertheless, there were certain common themes in the discussion about responses. Broadly speaking, governments must respond on two levels: first, they need to counter the immediate threat of organized terrorist groups (both to cope with individual terrorists and isolate the terrorist groups within their own society); and second, they need to take long-term action (education, improved economic conditions, and equity) to reduce the inequities and grievances that spawn terrorist recruits. Several participants stressed the importance of the first component—countering terrorism—being conducted within a democratic order.

Both American and Asian participants asserted that while the United States has a significant stake in the outcome of these national situations, it has only a limited role to play in the debates themselves. It can (in some, though not all, cases) assist in law enforcement and military responses to terrorism, and it can and should aid long-term efforts by national governments to strengthen education and economic performance. More direct interventions, such as targeting Islamic schools to reduce radical influences (in contrast with broader educational assistance), are likely to be totally counterproductive. Other programs, such as the ill-starred media campaign in Indonesia and Malaysia featuring Muslim life in America (which, among other problems, showed mostly Arab-Americans), are at best risky. Sensitivity and sophistication are the keys to success in these areas.

As one American participant pointed out, no matter how sensitive and well-designed U.S. policies and programs dealing with Asia's Islamic communities may be, U.S. relations with Islamic countries and communities are overwhelmingly dominated by U.S. policy in the Middle East. There is a bedrock perception that the United States is biased toward Israel in the Israeli-Palestinian conflict. The invasion of Iraq has only confirmed for many the charge that the United States is biased against Muslims. The United States' war on terror is generally viewed in the Muslim world as a war against Islam, no matter how often American leaders deny the accusation.

Thus progress toward resolution of the Palestine and broader Middle Eastern issues is considered almost essential for restoring America's image and relations in the Islamic world. However, as American participants also pointed out, neither U.S. Middle East policy nor the situation in the region is likely to change any time soon.

IS THE ECONOMIC GROWTH WAVE SUSTAINABLE?

The final thematic session looked at projections for future growth of the Asian economies, and considered the problems that may or may not arise. The pre-pleenary breakout discussion identified several key questions. Is there a sustainability problem? If so, is it short or long term? Will landings be "soft" or "hard?" Are we dealing with the issues through national policies, or are they more likely to be dealt with through a "natural" process (via market forces)? And what are the realistic options for policy responses?

The presentations and discussion revealed sharply differing views among the participants on most of these topics. These views cut across nationalities, and there were both pessimists and optimists regarding the outlook for the sustainability of the current trends and dynamics. There were also differences over the desirable and feasible approaches to the major economic problems.

On the prospects, the pessimists pointed to the deep and still growing interdependence of economies, serious current imbalances especially between U.S. consumption and deficits and Chinese production and surpluses, and the serious structural problems and vulnerabilities of both. An American participant concluded, "Trouble lies ahead; we just don't know when" it will happen. The more bullish perspective stressed the strong history of innovation in the United States, the broad participation in Asia's high growth wave, the successful "recycling" of Asian surpluses to America (coupled with a slow fall in the value of the dollar), and positive signs in other economies including Europe, Africa, Russia, and the Persian Gulf/Middle East. They also pointed out that Asian leaders are not fighting globalization but rather are making a continuous drive for increased competitiveness, with strong investment, steady emergence of the private sector, and growing skills development.

Participants also cited various worrisome issues and trends. For the United States these included the likely negative effect on the growth rate of higher oil and housing prices along with tightening of interest rates by the Federal Reserve, and the fact that a U.S. economic downturn could have a huge impact on China. Among China's problems are overinvestment, weak financial

institutions, and the government's inability to control the pace of investment and growth. There are also signs of excess capacity coupled with shortages and rising prices of energy and raw materials that are cutting into profit margins. All these elements compound growing Chinese vulnerability to shocks in export markets. Longer-term issues for Asia include aging (for example, one participant noted that "China will get old before it gets rich") and the environment, which importantly includes rapidly growing shortages of clean water virtually throughout the region. Global warming, although not discussed at length, was acknowledged as another threat. These factors contributed to a general consensus that the regional economy is moving into a "stormy period," although it will not necessarily experience a short-term "hard landing."

This discussion also touched on the apparent collapse of the Doha Development Round (DDR) of global trade negotiations and the parallel surge of new bilateral and limited multilateral free trade agreements (FTAs). Most participants agreed that the collapse of the DDR does not mean the end of the World Trade Organization (WTO), because the institution itself will continue and the rules that have been put in place remain. The most important of these is the dispute adjudication mechanism. Economist participants differed as to whether the proliferation of FTAs contributed to the failure of the DDR, or whether FTAs actually reflect the fact that the WTO process was reaching its natural limit as a negotiating forum due to its large and unwieldy membership. Some participants from both the United States and Asia argued that the DDR collapse was triggered not by U.S. positions but by the EU's refusal to offer key concessions. Among the attractions of FTAs are that they offer a means of continuing liberalization in the face of stalemate at the global level (and are a fallback way to continue community building); that for political leaders they are an easier and more rapid way of achieving tangible benefits; and that they potentially can go deeper than global negotiations in addressing barriers beyond tariffs. The complications of FTAs are that they create a patchwork of regulations that can distort flows of trade and investment, that some (especially regional FTAs) are motivated by political rather than economic objectives, and that they present problems for those who are excluded (e.g., Taiwan if there is an East Asian regional FTA).

As to prescriptions for dealing with economic imbalances and threats to continued growth, again participants offered various approaches. Some stressed the desirability of a "grand bargain." The essential bargain would involve China and the United States, raising U.S. savings levels and shifting to domestic demand as the driver of Chinese growth. The latter would probably involve a revaluation of the renminbi and strengthening of the Chinese financial

system. A larger and stronger grand bargain would include participation by Japan (promoting domestic growth), the EU (pursuing structural change), and others in a broad, coordinated international effort. Others suggested a more U.S.-centered process in which, for example, the United States could allow a continued weakening of the dollar, a reduction of deficits, and a slowing of its economy, or—recognizing that the United States is no longer the “steward” of the international economy—Washington might convene an international discussion of exchange rates leading to more flexible rates.

Most participants agreed that the critical weakness of all these approaches is the demonstrated lack of political will on the part of the key governments. The necessary adjustments are simply too painful for the political leaders who would have to make the decisions, especially in the United States and China. One participant strongly questioned whether the United States has the leverage and China is interested in a bargain on currencies. Another argued that efforts to resolve the problem of imbalances through either policy or legislation are more likely to have negative than positive results, violating the fundamental injunction to “first, do no harm.” Under these conditions, it seems more likely that adjustments will be forced by the market, with more wrenching results.

Finally, other participants pointed out that policymakers will not be inclined to act unless they are pushed by the business community—in other words, until there is a crisis. But business leaders are not currently very concerned over threats to continued growth. In the meantime, the most feasible course will entail incremental steps such as expanded dialogue.

IMPLICATIONS FOR THE UNITED STATES

The concluding session considered the implications of the preceding discussions for U.S. policy. Participants’ assessments tended to coalesce, although not with unanimity, around several points.

1. While U.S. attention is focused elsewhere, profound changes are taking place in Asia. Many of those changes could further U.S. interests in the region: China’s emergence as a major stakeholder; Japan’s path toward “normalcy;” South Korea’s pursuit of a more balanced relationship with the United States; Southeast Asia’s return to growth and stability; and the beginning of the creation of an East Asian economic community. All these changes present opportunities for the United States to deepen engagement with Asia, and Washington should support this evolution as it unfolds.

Most important, the United States must recognize that these changes are taking place whether it is involved or not.

2. The United States should continue to play an active role in the region as a key guarantor of security and stability. In the words of one Asian participant, the United States is the main contributor of this key “public good” in the region, and as a vital economic participant and global leader. The importance of the U.S. security role and forward military presence has been particularly underscored by the North Korean nuclear/missile threat. However, Washington must recognize the limits of its power and use its influence and authority in areas most important to U.S. interests and where it has clear leverage. And when Washington does intervene, it is crucial that it does so effectively, which means working with other countries and, in many cases, not necessarily in a public manner. The United States must also be sensitive to the fact that its actions are sometimes perceived to be “meddling” or that the broad U.S. image may even oblige some governments that seek the same goals to prefer not to work too openly with Washington.
3. In Southeast and South Asia, with their large Islamic communities, U.S. relations are especially affected by U.S. Middle East policy and its involvement in Iraq, Afghanistan, and the war on terror. The war on terror and the continuing violence in the Middle East are used by radicals in the region’s Islamic communities for their own purposes and recruitment. With respect to the region’s countries that are most impacted by Islamic ferment, the United States should abide by the injunction to “first, do no harm,” particularly in avoiding comments about terrorism that lend themselves to being interpreted as being anti-Islam.
4. In Northeast Asia, the United States needs to ensure that all governments understand U.S. objectives and interests—and that the United States, in turn, understands those of the concerned governments. This applies particularly to the North Korean issue. With respect to China, while the United States must be alert to the changes in China and its position in the region, it should resist the temptation (particularly strong among some groups in the U.S. political system) to view the relationship between the two countries as inherently confrontational. The United States can neither “contain” nor control China, but U.S. efforts in cooperation with other countries can influence China in compatible directions.
5. The question of the U.S. response to the East Asian Community project is particularly thorny. U.S. uncertainty on this subject is compounded by

a lack of clarity among Asians themselves as to the purpose and process of this project. Participants agreed that the United States should not oppose this effort, but they also noted that, like the rest of the international community, it has a legitimate interest in ensuring that Asia-only institutions are compatible with regional and global norms and values and do not operate in a manner that harms outsiders.

Most American participants considered that, while the current state of inattention to developments in Asia does some harm to U.S. interests, the damage is still manageable. Several speakers warned, however, that the cushion is eroding: Asia is not waiting for the United States and Washington must actively re-engage if it is to maintain its influence.

Appendix A

Opening Remarks, by James A. Kelly, August 7, 2006*

WASHINGTON: INATTENTION TO ASIA

I want to begin, as an American participant in a conference held in the United States, by trying to give you a sense of my perceptions of Washington, D.C., where I believe the atmosphere is simply the worst in the memory of anyone alive today. The focus of policy in Washington until quite recently was Iraq, Iraq, Iraq, with occasional thoughts about other parts of the world. Now it is Iraq, the Middle East war (I'm not sure which of these is actually first), and then again Iraq. There is inattention to Asia. I think inattention is the relevant word, and, although this is unfortunate, it is probably natural. There is in Washington, and in the United States in general, an insufficient realization that Asia is becoming—or perhaps has already become—the center of gravity of the world. To name just a few of the developments in Asia, there are the rise of China, surging energy demand, environmental problems, the political and economic changes that are going on in, among other places, India, Japan, Korea, Indonesia, Vietnam, and even the troubles in places such as Myanmar, or Burma, Sri Lanka, and Nepal. These are all things that are of exceptional importance to Americans but are barely recognized in Washington, and too few people are seeking to seriously interact with these issues.

Personnel problems exist as well. There are perhaps fewer senior officials than there used to be with Asian experience or with deep interest in the region as a whole. The U.S. government has an exceptionally competent and experienced group of officials, but many are lacking in long-term contacts. This is especially so at the top level after the recent resignation of Robert Zoellick as the deputy secretary of state. Bob Zoellick is a person with a genuine affinity for much of Asia who had the responsibility for dealing with the broad range of questions, in particular the strategic dialogue with China. I think his will be very difficult shoes to fill.

The context for all of this is the larger problem, not just in Asia but worldwide, of how the United States is viewed. Unlike in the past, and unlike in some other parts of the world, Asia is not waiting for word from Washington but is moving ahead on its own. This is part of the Washington problem

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because as that movement takes place, as countries and nations and people adjust their lives, surge their economies, and do other things that are natural but still quite remarkable, there seems to be so little sense in Washington of how much is going on.

What Washington is concerned about—especially the Congress—is the elections that are coming up this fall involving a third of our senators and all the members of the House of Representatives. The election has induced a sense of fearfulness. There is recognition by both parties that Congress is held in exceptionally low esteem by voters, even lower than the standing of the president. There is also a degree of polarization that is quite remarkable even for Washington. One result has been tendencies towards a frustrated, ineffective mercantilism, or even isolationism. Democrats' hopes are very high for the congressional elections this fall, but the Democrats are not agreed on policies.

The net result of all this can be illustrated in two items that I noticed today in the local Honolulu newspaper. The first is a cartoon from the *Chicago Tribune* that shows an American soldier looking with dismay at all of the problem places around the world. My view is that the United States isn't going to be at many of these places in a military sense, and the danger, of course, is that we may not be in some of the places where we could really play a helpful role. The second item is a column about the "extraordinary" human rights tribunal in Cambodia, where accountability finally seems to be coming for the Khmer Rouge. The author of the newspaper column could not understand why the United States is taking no role in supporting this. The answer to his question is that a tiny number of congressional staffers and members of Congress are still furious at Hun Sen and the government of Cambodia, not without reason. They are quite decisive in influencing U.S. policy in a situation that is little understood. That is why the United States, unfortunately, is not going to be involved in the Cambodia tribunal if the Hun Sen government has any role, which it has and will not relinquish.

Then there is the American economy, which really is doing exceptionally well. Growth is solid, earnings are steady. But that said, many Americans have great doubts and there is a malaise in the economy that leads to very strong negative reactions to even minor bad news. So, the economy is far from what it might be. The housing sector has played a very disproportionate role in the American economy in recent years but is now going through a period of adjustment and we do not know how difficult that adjustment may be. And, of course, the legendary low American savings rate continues; there is frustration over trade imbalances; and there is little understanding of the complex

and absolutely unprecedented economic relationship between China and the United States. There are budget constraints that have been all too easy for Congress to bypass in recent years, but that no longer can be ignored. So there are uncertain feelings in the economic area too.

In the area of military and defense policy, the American military services, especially the Army and Marines, have serious problems, including major equipment shortages, which have been exacerbated by the war in Iraq. The reserves, which have become a very important element of American military power, have been heavily used in Iraq and are going to need some period of recovery, which is not yet in sight. There is unquestionably more realism in U.S. security policy and strategy today. Unilateralism, which was running high and strong in Washington a few years ago, is now frayed, although not gone completely. Preemption is still nominally an option in strategy documents, but I think it is safe to say that, save for some exceptional circumstances, preemption is not likely to be an American choice for many years to come. There is a better understanding that our more successful military ventures have had broad international support and participation.

There are plenty of documents for people and scholars to study. The National Security Strategy issued by the White House last spring is one. The Quadrennial Defense Review is another. But if you read these documents side by side you'll find that there are some inconsistencies. They were not written for the same purpose, so although they are of value they need considerable interpretation.

Democracy is still a key element of President Bush's agenda, but the reality of Iraq in particular has caused doubts or reservations to emerge, not about democracy as a whole—Americans are strongly committed to that—but about the conditions and the nature of the institutions that may be necessary for democracy to flourish. Especially in Asia it is important to recognize that political problems have serious economic implications and that economic problems have serious political implications. I was unsuccessful during my fairly brief, four-year tenure at the Department of State in trying to do away with the notion that there should be separate Foreign Service career specialties in economics and politics. At least in East Asia, you really have to know both. We are not hiring diplomats to do detailed economic analysis because that sort of work is for professional analysts. Trade shifts are going on that are exceptionally important in Asia, although of course the U.S. market—selling products to Americans—remains central, notwithstanding the problems.

U.S. RELATIONSHIPS IN ASIA

The United States also has to think about the relationships and alliances that it has with particular countries of East Asia. With Australia, an always-strong alliance has become even more so. With Thailand and the Philippines, we are doing well, though with reservations. And, of course, we have a particularly close relationship with Singapore. Especially noteworthy over the last couple years have been our improved relationships with both Vietnam and Indonesia, exceptionally important countries of East Asia. And certainly our cooperation with Malaysia is solid and very steady.

With India, there is a significant and warming relationship. When the Nuclear Cooperation Agreement was signed a few months ago, all kinds of voices were raised in Washington and elsewhere. But what is most significant is that this agreement is moving rapidly through Congress. This speaks both for the importance of India and also for the willingness of Indian-Americans to join in the political process and make their voices heard by members of Congress.

China, of course, remains Asia's crucial question mark as it undergoes its profound transformation and develops all forms of comprehensive national power. China's focus internally remains stability. This cannot be overstressed, although many Americans might wish that China's concern for stability would be broadened to some of its more distant energy relationships. The Taiwan question is less tension filled than it has been in recent years, and that subject is worthy of a whole series of conferences by itself.

The problems of Japan's relationship with China, and Japan's with South Korea—which we will address in this conference—are quite serious. These tensions are not in America's interests. There also is a real question of whether there is anything America can do that is useful in this area. But here, too, I think it most likely that the United States will want to watch and see what really happens, for example in the upcoming Japanese leadership succession.

China's internal problems are of absolutely unprecedented scope and dimension. Its leaders thus far have been dealing with these problems adequately, but how long can this go on? To name a few, China's internal problems include: its aging society; the lack of social safety nets; disparities of wealth and prosperity between regions; corruption; labor unrest; a financial system seriously tested in the global scene; a regulatory bureaucracy still trying to slow some advances; environmental problems of a scope unseen or even undreamed of in other parts of the world; vulnerability to pathogens and disease; and misused and misapplied investments among the "tsunami" of FDI

money that has come into China, including serious production overcapacity in automobiles.

It is my understanding, for example, that by 2010, three or four years from now, China will have the capacity to produce 20 million automobiles a year. These are not all going to China. Setting aside the environmental concerns, whose markets are going to lose out and whose are going to win? This will all be decided in relatively short order, but as of now nobody really knows the answer.

Nationalism is another important element of the picture in China. There is plenty of resentment about history and this provides a source of popular support for the leadership as well.

With respect to American policy, Bob Zoellick's speech last year on the desirability of China becoming a "responsible stakeholder" on the international scene led to a lot of discussion about what a stakeholder is, what a stakeholder is supposed to do, and what the difference is between a responsible stakeholder and other kinds. I believe this has been a very helpful discussion, because the fact is that China does have a strong interest in all of the elements of the global economy and the global polity as well, and its role is important but not fully understood.

In Japan, it appears that Mr. Shinzo Abe is facing a walk-through to become prime minister following the withdrawal of the candidacy of Mr. Yasuo Fukuda. But, beyond the leadership succession, the broader question is: "Is Japan becoming a normal country?" What does that mean? How strong is Japanese nationalism? I think we need to clear up some of the myths in this regard. We hear often in Asia about the possibility of a re-armed Japan. But if you look at the numbers, you see that Japan is very unlikely to seriously re-arm. We are not seeing a repeat of the 1930s. Japan is still spending less than 1 percent of its GDP on its military forces. And, although its large GDP leads to fairly substantial military forces, the forces are still much smaller in size than Japan would need for serious power projection, and the likelihood of that changing is very slight. Nuclear weapons in Japan are possible, but in my view also very unlikely, especially if the U.S.-Japan alliance remains. The nuclear umbrella that the alliance provides is, I think, more vital now than it has ever been before.

This leads naturally to the topic of U.S. relations in Northeast Asia and the Korean peninsula. For South Korea, the most important development is some very significant generational changes in attitudes that are poorly understood

by Americans—and, I think, not well understood in other parts of East Asia. This is especially the case in terms of views about North Korea. There is a sense among many South Koreans that North Korea has gone from strong to weak. In some ways, of course, it has, but the real question is what does that mean for the future? We've also seen in South Korea the emergence of populism, of democracy in full flower. Seoul elites that had an almost unquestioned leadership authority in the past now have to deal with rather difficult realities in terms of their electoral strength. South Korea's economy continues to develop and even to lead in many areas of technology, but it is vulnerable to tensions. To oversimplify, South Korea has been built on borrowed money. That borrowed money, private and public, has a higher interest rate than it might have had otherwise because of North Korea. If tensions on the peninsula rise, then interest rates rise, and this, in effect, means an instant tax increase on every single South Korean. It's quite understandable that South Koreans would view things this way. But South Koreans' perceptions of the level of threat from the North were tested by the July 4th test of seven ballistic missiles.

In this context, it is also important to take note of the negotiations now going on between the United States and South Korea for a free trade agreement—a development that I believe will have a significant impact beyond just these two countries as we pass through the next year. This is the largest bilateral trade negotiation—save that with Canada—that the United States has undertaken. We now have an ever-widening network of free trade agreements, particularly intensified because of the weakness of the WTO process and the recent failures in the Doha Round of global negotiations. These agreements have been, without exception, very positive for the economies of each of the countries involved, and I very much believe that that would be the case with a U.S.-ROK agreement. But there is also a time limit for these negotiations, because the summer of 2007 will see the expiration of President Bush's authority (so-called Trade Promotion Authority) to negotiate trade agreements and have them simply voted up or down by the Congress. So, if the FTA with South Korea is not effectively completed by very early in 2007, it simply will not make it, and the difficulties of reaching completion by this time are, I think, very great and looking ever greater.

The FTA problems are less on the U.S. side than in South Korea. Many Koreans analyzing the FTA seem to be raising a series of understandable questions and criticisms that, taken as a whole, could lead to a big and wrong conclusion. The success of this FTA would do a lot for the economies of the United States and South Korea, and perhaps the economies of some other countries as well. I believe it would empower similar trade agreements in East

Asia, and in particular with Japan. But failure, which seems to me to be increasingly likely, may be worse than if we hadn't even started. It would, among other things, feed the isolationist and mercantilist tendencies that, as I mentioned earlier, are continuing to rise in Washington. It will also affect, I'm afraid, the broader U.S.-ROK political cooperation, whether this relates to North Korea or not.

THE PROBLEM OF NORTH KOREA

Let me say a little bit about North Korea. It obviously has not made the strategic choice to give up its nuclear weapons. This is a very old problem, with many aspects that go beyond the issue of nuclear weapons. Its conventional forces remain very large—seven times the size, for example, of the Japanese army. We need to be mindful of the ballistic missiles, especially with the recent tests. Interesting to me, from what I could discern from outside government, was that North Korea's potentially most dangerous ballistic missile wasn't tested (although it was tested not so long ago in Iran, and that cooperation is a matter of concern).

In North Korea we have a deprived population and another summer of floods and difficulties that lead to a persistence of starvation, which is unique to East Asia, at least in recent years. There are also extreme shortages of even basic drugs. There is a problem of illicit activities, of counterfeiting and smuggling and drugs for abusers, and for a long time there were abductions. Then, of course, there are other weapons of mass destruction, possible chemical or even biological weapons. The Six-Party Talks are something I certainly feel good about. Over a long period of time, I remain convinced that this forum is going to make a serious contribution to the future of Northeast Asia. But right now, clearly things are going slowly. The "Agreed Principles" achieved last September were a very serious advance and an important step toward the solution, but we now see that they were not a breakthrough.

I also want to comment on the question of regime change. It seems to be accepted now that the first Bush administration was determined to change the regime in North Korea. People ask, "How can you enter into negotiations with someone whose very existence is in question or being challenged?" The answer, of course, is that we didn't do this, that regime change was not the policy. But it was so broadly talked about by others around the edges of the administration that it may well have become a permanent perception—and perceptions and realities certainly intermix in these matters.

I believe we could have had and could have now a serious agreement that would involve *part* of the North Korean nuclear weapons program. But the essential need is to have an agreement that deals with all of its parts, which includes the plutonium that has been reprocessed—first of all 15 or 16 years ago, and then in more recent times—and also the problem of covert uranium enrichment. The timing, the security assurances, and the verification are all negotiable. But we're not making any progress, and some of this is clearly related to the Iran situation, as well as the problems that we see in Iraq, and perhaps even in the larger Middle East. Mostly, North Korea does not want to give up the weapons they sought for so long.

Some believe that it may be safe to say (as some may wish to say) that we have a relatively low-risk situation so let's keep cool and maybe somehow something will develop. But what we and all Asians need to understand is that the risks are not zero and the danger of these risks is potentially very great. The nightmare to most Americans, and certainly to all American leaders, is the marriage of nuclear weapons or fissionable material and terrorists. There is no evidence that North Korea has been involved with transferring nuclear weapons or fissionable materials to terrorists. But there is so much that is unknown and non-transparent that this cannot be excluded. And if there were some disastrous incident, some other strike on the United States by terrorists, particularly involving fissionable material, the results would be completely unpredictable and could be extremely dangerous for all those in Northeast Asia. This is at least one reason why North Korea's nuclear weapons programs need to be taken care of.

Are there changes going on in North Korea? Yes there are, including the possibility, certainly little known in that opaque society, of certain amounts of internal ferment that may have led to the missile tests. I was reading last night that Chairman Kim Jong Il has not been seen now for 50 days; this is another one of these long absences in which he's apparently not making his observation visits to military units. Why is that so? Well, as usual, it's just a lot of speculation, most of it not very well informed. The economic changes that have occurred in North Korea are also, I think, important. Visitors report lots of Chinese and a certain amount of South Korean businessmen. There's the Kaesong project that's really quite understandable, I think, given the things I have noted. The Kaesong project may even prove important to changing conditions in North Korea. I do believe that cash payments from the South aimed for political postures or meetings are a big mistake that will lead to disillusion.

The reality now is that prospects for the Six-Party Talks are dim and the risks of North Korea's demands for attention by misbehavior are probably larger

than they were before. A few months ago, I considered the possibility of a nuclear weapon test by North Korea to be near zero. I now think that this is entirely a possibility, something that could very well happen and cause further shocks and reactions in South Korea. It seems to me also that the responsibility for dealing with North Korea across the entire range of issues is steadily devolving on Seoul and on South Korea. South Korea now has many things to talk to North Korea about. These talks are not easy, but I can't think of any better people to do so than Koreans dealing with Koreans. And I think that, given the inability of others—even China—to deal effectively with North Korea, the very best hope is for South Korea to do that.

CONCLUSION

In conclusion, I believe there are great opportunities for the United States with Asia as the emerging center of gravity in the world. The economic realities, the investments that American companies have in Asia, the enthusiasm among American companies for participation in Asia, and the enthusiasm among Asian companies for participation in the United States are all quite positive factors. But political inattention, resistance, lack of understanding, and our other problems remain a reality and so the view from Washington has got to be fairly dour. As always East Asia is not waiting, though, and is not necessarily affected by inattention from Washington. I think there is a reasonable possibility that when attitudes do change in Washington, we'll be able to catch up. We have not lost this race, but we are in a greater drift than we realize.

Appendix B

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