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Hopeful Signs and Growing Concerns**

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Masashi Nishihara

From early 2008 through May 2009, the security environment of Northeast and Southwest Asia deteriorated. North Korea refused to dismantle its nuclear facilities; China's naval activities became more expansionistic; the Taliban militants in the Afghan-Pakistani border areas became more aggressive; and Pakistan was further beset by Islamist terrorism. In the meantime, the new leaders in South Korea and Taiwan significantly changed their foreign policies to improve the security environment, and China's diplomacy became more assertive, strengthened by its successful management of the 2008 Beijing Summer Olympics.

Added to these developments were the global spread of the financial crisis that originated in the United States and the major shift in U.S. foreign policy under the new Obama administration. President Barack Obama seeks a deeper engagement with Asia. How fast the U.S. economy recovers and what impact the United States' Asia policy has on the region will affect the power relations among all these countries. But while the U.S. economy retracts and the United States continues to be involved in Afghanistan and Pakistan, China is gaining power.

Accordingly, the Taliban in Southwest Asia, North Korea, and China continue to be major factors of concern in Asia's regional security.

The Impact of the International Financial Crisis on the Region's Security

The global financial crisis has caused unemployment to soar and consumption to plummet, which has affected the many Asian developing economies that depend on exports to the United States. The result has been antigovernment and other demonstrations in several countries, including South Korea, China, Japan, Thailand, and Indonesia. But perhaps because of these countries' enormous economic stimulus packages, these demonstrations have had little effect.

Thailand almost became an exception. The Abhisit Vejjajiva government, which was formed in December 2008, introduced tax cuts and antipoverty measures, temporarily giving the prime minister an approval rate as high as 60 percent. Then those forces (the UDD: United Front for Democracy against Dictatorship) that had supported the ousted prime minister, Thaksin Shinawatra, turned against Abhisit, insisting that his policy favored the rich and the military and demanding that he step down. On April 10 the UDD forces gathered in Pattaya, a southern resort town, and physically disrupted a series of ASEAN Plus Three (Japan, South Korea, and China) meetings that were taking place there. This forced the ASEAN meetings to be

canceled and then postponed, and on April 12 Prime Minister Abhisit issued an emergency decree for Bangkok.

Although the financial crisis also affected many countries' defense budgets and defense plans, other countries such as South Korea, Russia, and China have continued to increase their already large defense budgets. In April 2009, however, U.S. Secretary of Defense Robert Gates announced reductions in the United States' defense budget, cutting missile defense-related items and halting the production of F-22 stealth fighters, despite the opposition of many U.S. senators and representatives who want to keep the fighters to protect jobs in their states and districts.

Although the financial crisis is likely to delay South Korea's implementation of its ambitious defense reform plan, which was crafted by the Roh Moo-hyun government and scheduled to be completed by 2020, South Korea still increased its 2009 defense budget by 7.5 percent over that of the previous year. Because Russia depends on oil and natural gas for 30 percent of its revenue, it was severely affected by the sharp reduction of oil and natural gas prices, from \$150 to \$50 per barrel in just a few months in the second half of 2008. Nonetheless, President Dmitri Medvedev and Prime Minister Vladimir Putin, who are intent on building "a strong Russia," increased Russia's 2009 defense budget by 33.7 percent over the previous year's. China, as well, announced in March 2009 that it would increase its 2009 defense budget by 14.9 percent. The exact impact of the global financial crisis

on the Asian security environment will become clearer in the second half of 2009.

The New Governments of South Korea and Taiwan

In February 2008, the Hannara (Grand National) Party's Lee Myung-bak took office as the new president of South Korea. He immediately announced a new North Korea policy, which is in clear contrast with that of his predecessor, President Roh Moo-hyun. President Lee notified Pyongyang that South Korea would provide economic assistance only after North Korea abandoned its nuclear weapons. Furious, North Korea branded President Lee as "a traitor" and immediately cut off diplomatic contacts. North Korea also scaled back its participation in the jointly run Kaesong Industrial Complex—which was developed using South Korean capital and technology—by ousting most of the managers and all of the South Korean government officials while at the same time demanding an enormous pay hike for North Korean workers.

In the meantime, under the Lee government, South Korea's relations with the United States and Japan improved. During the first several months after Lee took his office, he was heavily criticized for resuming American beef imports in order to induce the United States to ratify a bilateral free-trade agreement. Both violent and peaceful demonstrations in Seoul protested the president's alleged lack of attention to food safety.

Then, however, the anti-Lee and anti-U.S. sentiment receded in the second half of 2008, when the public recognized the need for close relations with the United States. Similarly, the Lee government took “a future-oriented” approach to the country’s relations with Japan, thereby contributing to the revitalization of relations among the three nations.

By contrast, President Ma Ying-jeou of Taiwan, who took office in May 2008, made good on his campaign promise of “Three No’s” (no unification, no independence, and no use of force against the mainland). He also advocated a policy of reconciliation with the mainland. As his Guomindang government began promoting an active flow of people and trade, its pro-China position frightened the opposition Democratic Progress Party, which held large antigovernment demonstrations but was not able to win over the majority of Taiwanese who would benefit from close ties with the mainland.

In December 2008 the Ma government launched its “communications, traffic, and trade” policy with the mainland. When it established direct links between eleven Taiwanese and sixty-three Chinese ports, Taiwan became even more economically dependent on China. In 2007, 41 percent of Taiwan’s exports were to the mainland, and the percentage presumably rose even higher in 2008.

The number of China’s intermediate-range ballistic missiles deployed along the Strait of Taiwan has continued to increase, leading the March 2009 Taiwan’s *Quadrennial Defense Review*, the first such review, to warn of China’s threat.

The United States, wanting to preserve the status quo of Taiwan–China relations, welcomed the two countries’ reconciliation, which, it believed, contributed to cross-strait stability. But if their relations should continue in this direction, Taiwan may lean even further than anticipated toward the mainland. As Taiwan becomes more economically dependent on China, it may have to acquiesce to Beijing’s pressure not to purchase high-quality arms from the United States. China also is likely to promote pro-China forces within Taiwan, which may disrupt Taiwan-U.S. relations. Indeed, Taiwan’s sovereignty may be compromised in the same way that Hong Kong’s was. In the worst-case scenario, Taiwan’s U.S.-made arms may find their way into Chinese hands.

The Obama Administration’s New Emphasis on Asia

In February 2009 the new U.S. Secretary of State, Hillary Clinton, chose Asia as her first overseas visit, going to Japan, Indonesia, South Korea, and China, in that order. Traditionally, the U.S. secretary of state’s first trip is to Europe. Thus Clinton’s Asia visit heralded Washington’s policy of concentrating more on Asia than in the recent past.

The United States, of course, has interests in many parts of the world. Accordingly, in March the U.S. secretary of state and the Russian foreign minister met in Geneva, agreeing to “reset” their bilateral relations. In April President Obama attended the G-20

summit in London and the NATO summit in Strasbourg and then traveled to Prague, Ankara, and Baghdad. In this respect, the Obama administration did not really deviate from the country's traditional emphasis on Europe.

Secretary Clinton's selection of countries indicates where U.S. strategic interests lie in 2009. She visited Japan first, reaffirming its importance to the United States. Earlier, Clinton testified during her Senate confirmation hearings that "the alliance with Japan is the cornerstone of the U.S. policy on Asia." While in Japan, she signed an agreement with her Japanese counterpart, Hirofumi Nakasone, in which about 8,000 U.S. Marines will be transferred to Guam by 2014. The agreement will enable the United States to reinforce Guam as a strategic base in the Pacific as well as to reduce the burden of the people in Okinawa in hosting the large U.S. base there. This agreement will strengthen the Japan-U.S. alliance.

Secretary Clinton also sought Japan's assistance in coping with the growth of Taliban forces in the Afghan-Pakistani border areas and the political and economic instability in Pakistan. Unlike her predecessors, she refrained from high-handed demands and instead showed her respect for Japanese initiatives. This also has contributed to improving bilateral relations.

Clinton's visits to Indonesia and South Korea likewise were important. Indonesia is both the world's most populous Islamic country and a democracy. In addition, its location between the Pacific and Indian oceans gives the large archipelagic nation geostrategic

significance. In the late 1990s, the United States halted its military assistance to Indonesia to protest the latter's suppression of the independence movement in East Timor. The relations between the two countries quickly improved in late 2004, however, when the tsunami off Sumatra brought in much-needed U.S. emergency assistance.

While in Jakarta, Secretary of State Clinton paid a courtesy call on Surin Pitsuwan, the secretary-general of ASEAN. The visit was evidence of the United States' recognition of ASEAN's role in the region and its willingness to respond to the region's dissatisfaction with its heretofore minimal engagement in Southeast Asia. Greater involvement by the United States in the ASEAN region is an important diplomatic step toward countering the growing influence of China in this area.

Secretary Clinton's visit to South Korea was important to the Obama administration's future talks with North Korea. The visit provided an opportunity to reaffirm the importance of the United States' alliance with South Korea, together with President Lee Myung-bak's desire to strengthen ties with the United States. South Korea's relations with the United States and Japan have been much better than those with the previous government. Weighing the importance of the alliance with the United States and fearing North Korea's dismissive attitude toward South Korea, conservative Koreans want to delay transferring the wartime command from the United States to the Republic of Korea, which the previous government scheduled for April 2012. At the same time, other Koreans are

concerned that the U.S. government may eventually accept North Korea's status as a nuclear state. Japan must keep careful watch on the development of their bilateral relations.

The Deepening of U.S.-China Relations

Secretary Clinton visited China for three days beginning on February 20 and agreed to expand the two countries' strategic economic dialogue, initiated by the Bush administration, to include climate change and security. But her primary concern was promoting cooperative economic relations. As of late December 2008, China held \$1.95 trillion in foreign-currency reserves, surpassing those of Japan. China also is the world's largest holder of U.S. treasury bonds, holding \$727 billion, or 7 percent of the U.S. total of \$10.4 trillion.

It is understandable, therefore, that the United States wants good economic relations with China and also wants it to buy more U.S. treasury bonds. Yet because of this need, the secretary did not spend much time on human rights and Tibet, which led to strong criticism by human rights and conservative groups at home. In fact, this was one of the few times when a high-ranking American official visited China without referring to human rights issues. Clinton's visit underscored the United States' great need not to damage its relations with China.

China's economic presence is impressive. In early 2009, three of the world's twenty largest banks, in terms of current share prices, were Chinese. In early April the Chinese government decided, on an

experimental basis, to settle its trade accounts using its own currency. For now, though, such accounts will be limited to Shanghai and other major cities in Guangdong Province.

At the G-20 summit meeting in London in early April, both China and Russia expressed their disapproval of the dollar-based currency system. Although the global financial crisis has enhanced the international importance of the Chinese *renminbi* (RMB), it is not likely to become an international hard currency in the near future. Nonetheless, now having the world's third largest GDP, the world's largest foreign exchange reserves, and an enormous trade surplus, China will push to raise the status of the RMB.

China also has expanded its naval activities. Its submarines have stepped up surveillance in the Pacific Ocean. According to U.S. naval sources, they conducted surveillance five times in 2007, but as many as twelve times in 2008, more often than Russian submarines did. In March 2009, five Chinese ships surrounded two U.S. Navy oceanic research ships that were collecting information about Chinese naval activities in its exclusive economic zone off Hainan Island. In fact, the Chinese ships shadowing the American ships came as close as ten meters. Chinese military planes also buzzed the research ships more than ten times.

The Chinese navy is scheduled to begin constructing two diesel-operated aircraft carriers in 2009 and to complete them by 2015. In addition, it plans to build two nuclear-powered aircraft carriers (50,000 to 60,000 tons). China has expanded its presence to prevent

American naval activities in the South China Sea and to establish its own sphere of influence there. In May 2007, a high-ranking Chinese officer proposed to Admiral Timothy Keating, commander of the U.S. Pacific Command, that their two countries divide control of the Pacific Ocean, with the U.S. Navy patrolling it east of Hawaii and the Chinese navy, west of Hawaii.

The idea of the United States and China collaborating in solving major international issues, or a “G2,” is gathering momentum in the United States. At a gathering in Beijing in January 2009 to commemorate the thirtieth anniversary of the two countries’ diplomatic relations, Zbigniew Brzezinski, national security adviser to President Jimmy Carter, spoke in favor of a “G2.” He suggested that the United States and China cooperate in settling international security issues, such as the Israel-Palestine and India-Pakistan conflicts, and in sending joint peacekeeping forces. He also stated that the United States should raise its relations with China to the same level as those with Europe and Japan. While his ideas have been received fairly coolly in the United States, China is showing some interest in them.

As China extends its power, U.S.-China relations will draw closer, although G2 is not likely to be realized in the near future. Because the two powers are the world’s largest emitters of greenhouse gases, they certainly should discuss ways of reducing emissions. But many countries will oppose the two nations’ creating a global economic

framework and settling regional security issues for the Asia Pacific region.

China's Fear of Collapse in North Korea

The successful concert by the New York Philharmonic Orchestra in Pyongyang in February 2008, the first of its kind, raised hopes that North Korea's nuclear dismantlement, agreed on at the six-party talks in October 2007, might indeed be realized. In October 2008, wanting to enhance its own diplomatic success, the Bush administration removed North Korea from its list of terrorism-supporting states, ignoring Japan's opposition. Japan had wanted the United States to keep North Korea on the list in order to pressure Pyongyang to release the Japanese abductees held in North Korea.

North Korea did not respond to the U.S. carrot, however. Instead, on the grounds that the United States had delayed the promised supply of crude oil, it refused at the six-party talks in December 2008 to sign the document allowing the United States to collect samples to verify the nuclear dismantlement process. The resistance of the North Korean military may be to blame. As a result, however, the United States not only damaged its relations with Japan but also gained nothing from North Korea. Moreover, the Bush administration was criticized at home for having made excessive concessions. North Korea also was further isolated by the Lee Myung-bak government and the

Aso government, both of which adopted stringent policies toward Pyongyang.

On April 5, 2009, North Korea tested a long-range ballistic missile under the guise of launching a space satellite, despite the opposition of many countries, including the members of the six-party talks. Although North Korea failed to put the missile into orbit, it announced to its own people that “the successful launch of the satellite marked a great happy event for the Korean people.” Such deceptive propaganda and concealment of its mistakes are typical of North Korea, but they may eventually weaken and undermine the Kim Jong-il regime.

Besides failing its “satellite launch” test, North Korea also has failed to build a strong position vis-à-vis the Obama administration on nuclear talks. In addition, Japan decided on more severe sanctions and, in October 2006, asked for a U.N. Security Council resolution condemning North Korea for violating Resolution 1718.

By contrast, China and Russia did not want tougher sanctions. On April 13, the UN Security Council therefore settled on a compromise, with the council president making a statement, albeit nonbinding, condemning North Korea. China apparently wishes to prevent sanctions from destabilizing the regime in North Korea and causing a massive influx of refugees across the border into China. As chairman of the six-party talks, China also wants to keep the talks from collapsing, for fear of losing face.

Then, on May 25, North Korea conducted yet another nuclear test, now infuriating China and Russia as well as Japan, South Korea, and the United States. This time China and Russia agreed to a binding resolution by the UN Security Council condemning North Korea. The council also began discussing economic and financial sanctions as well as the inspection of cargo vessels suspected of carrying embargoed arms and matériel.

After almost three weeks, Resolution 1874 was finally adopted on June 12, delayed by China's insistence on watering down its contents. China did not want ships going in and out of North Korea to be inspected by force, for fear of armed clashes. Instead, China wanted them to be inspected only with the consent of their "flag states" (their owners) and only on the basis of "information that provides reasonable grounds to believe the cargo contains items, the supply, sale, transfer, or export of which is prohibited."

China insisted on another critical loophole in the resolution, namely, prohibiting "new commitments for grants, financial assistance, or concessional loans to the DPRK [Democratic People's Republic of Korea], except for humanitarian and developmental purposes." This means, in effect, that existing contracts for investment and assistance may continue and even new contracts can be drawn up if they fulfill humanitarian and developmental needs.

North Korea has asserted that it will never return to the six-party talks, which means that it is likely to use this as a bargaining chip when negotiating with the United States in the future.

Furthermore, China opposes economic sanctions against North Korea because it supplies 70 percent of the latter's food and 70 to 80 percent of its energy resources. To China, Pyongyang's nuclear weapons are preferable to the regime's instability or, worse, collapse.

Whether the new UN sanctions, plus sanctions imposed by individual governments such as Japan, South Korea, and the United States, will have any effect remains to be seen. North Korea is unlikely to give up its nuclear weapons. Pyongyang also is grappling with the question of Kim Jong-il's health and his successor. Consequently, the unification of the Korean peninsula is unfeasible for the time being.

More Terrorism in South and Southwest Asia

During 2008, Islamist forces committed fewer terrorist acts in Southeast Asia, except in southern Thailand and the southern Philippines. The decline of terrorism owes much to the effective control of radical groups like Jemaah Islamiyah by the governments of Indonesia, Malaysia, and Singapore.

Terrorism by Islamic radicals increased, however, in South and Southwest Asia. After the assassination of Benazir Bhutto, a presidential candidate and former prime minister of Pakistan, in December 2007, large-scale terrorist attacks were staged against a major hotel and other buildings in Mumbai, India, in November 2008 and against a police academy near Lahore, Pakistan, in March 2009.

The attacks in Mumbai inflicted enormous damage on the historic Taj Mahal Hotel, a Jewish synagogue, and a train station, killing about two hundred people. Lashkar-e-Taiba (LeT), a radical Pakistani group, which was believed responsible for the attacks, is known to have been clandestinely supported by the Pakistani Army's intelligence organization, ISI (Inter-Service Intelligence). The popular belief in Pakistan is that Kashmir, the border area claimed by both Pakistan and India, is its most important national security issue. Accordingly, its main enemy must be India, not the Taliban and other radical forces. Moreover, if the Taliban is destroyed, Pakistan is afraid that it will be sandwiched in by a stable Afghanistan to the west and India to the east. Thus, it is in Pakistan's strategic interest to keep the Taliban militants active and the Afghan government weak. The continued disputes over Kashmir, which bog down substantial Indian forces, likewise help Pakistan's national defense.

Now that the situation in Iraq is stabilizing, President Obama decided in March 2009 to send about 17,000 additional troops to Afghanistan. His plan is to withdraw most U.S. troops from Iraq by 2010 and to increase the number of U.S. troops in Afghanistan. With the Taliban and al-Qaeda forces using Pakistan's northwest provinces as a sanctuary and advancing toward Islamabad, Pakistan's capital, the U.S. government has begun to tackle the complex problems of Afghanistan and Pakistan as a whole.

The United States is faced with enormous challenges in dealing Afghanistan and Pakistan. It must crush the Taliban and al-Qaeda

forces, help build a stable and democratic Afghanistan, and help stabilize Pakistan and keep its nuclear weapons under tight control. But when U.S. forces have used unmanned aerial vehicles (UAV, or drones) against insurgents inside Pakistan, the result has been many civilian casualties, thus turning Pakistanis against the United States. This has become a difficult situation for the United States, and the Afghan-Pakistani issue may become the Obama administration's "second Vietnam."

Japan's Political Stagnancy

No sooner did Prime Minister Taro Aso take office in September 2008 than Japan was hit by the global financial crisis. The new government thus immediately had to deal with the crisis, consulting with the International Monetary Fund (IMF), providing emergency financial help to Asian countries, and attending the G-20 summit held in London. At home as well, the prime minister had to spend time trying to reverse the rising unemployment and passing stimulus measures in the National Diet.

International attention is often paid to Japan's contribution to security. But Japan's diplomacy, no longer preoccupied with Japan's security role, has lost much of its vitality. When Aso was the foreign minister in Prime Minister Shinzo Abe's government, he developed a strategy to create "an arc of freedom and prosperity." But since he became prime minister, he so far has failed to implement it.

Japan has lost much of its influence, too, by playing only a minimal role in international security. In January 2009 the Aso government did manage to extend for a year the law for the Maritime Self-Defense Force to participate in the Operations for Enduring Freedom (OEF) in the Indian Ocean and the Arabian Sea. How Japan will handle its role after the law finally expires in January 2010 is unclear. If the Democratic Party of Japan takes over from the Liberal Democratic Party in the upcoming election, it may repeal the law.

On March 14, 2009, the government dispatched the Maritime Self-Defense Force's two destroyers to Somalia to protect Japanese commercial ships against piracy. Their mission, however, was restricted to patrolling the area to protect Japanese ships only, not foreign ships. Moreover, the Japanese destroyers were not permitted to attack the pirates and their ships unless they themselves were attacked. Then in April the government introduced a new bill allowing the destroyers to use force to protect both Japanese and foreign commercial ships. The bill was passed by the Diet on June 19. Now Japanese destroyers can deal more forcefully with the pirates.

The term of the members of the House of Representatives (lower house) expires on September 10, 2009, at which time Japan's foreign and security policies may change significantly if the Democratic Party wins the general elections. One focal point should be the flexibility of the new government in interpreting Article 9 of the constitution. A strict and narrow interpretation would restrict Japan's options to assist Afghanistan and would also weaken its alliance with the United

States. But if Japan adopts a positive and creative foreign and security policy, it will be able to assume a more important role in the Asia Pacific region.