

## Trends in the regional balance of power and potential hotspots

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## **Trends in the Regional Balance of Power and** **Potential Hotspots**

in:

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### **Introduction**

Generally speaking, overall strategic trends in the Asia-Pacific region have been positive in many respects. The region's recovery from the Asian economic crisis has made visible progress, particularly so in South Korea and Thailand who have taken initial steps to rebuild prosperous economies in a global competitive environment. These first steps, however, are part of a longer and deeper socio-economic transformation which will only succeed when transformation strategies are supplemented by coherent political reform aiming at the establishment of genuine democracies and pluralist societies. In this regard, the verdict on the longer-term sustainability of the present recovery is still open. Moreover, major security conflicts remain unresolved or have produced new instabilities throughout the entire region since the early 1990s, such as the conflict in the Taiwan Strait. At the same time, the region is approaching an unprecedented arms race, fueled by new economic growth and an increasing globalization of security policies, and partly driven by interregional and global dual-use technology transfers. In contrast with Europe and the Soviet-American strategic relationship during the Cold War, however, arms control policies continue to rank low on East Asia's agenda. Furthermore, the region's future strategic configuration will be determined by the changing norms of the international system, the revolution in military affairs (RMA), preoccupation of the major powers with their own domestic problems, accelerating trends of democratization (with implications for foreign policies) and spread of market economies, increasing intra- and interregional interdependencies (both economic and political), and the impact of the 1997/98 crisis on domestic and external security.

From a European point of view, it is important to recall that armed conflict in the Taiwan Strait, on the Korean Peninsula or in the South China Sea could have not only regional but global economic and security implications. Unless carefully managed, conflicts in those three theatres have the potential to escalate even into global conflict. Given the complex and rapidly changing nature of East Asia's strategic chessboard, crisis and conflict prevention have become urgent requirements for East Asia. In this context, given the increasing "globalization of security policies" and acknowledging that present policies have not translated into real European influence in the Asia-Pacific region – and have particularly failed to do so at times of crisis and conflict - Europe and the EU should recognize the imperative to play a more substantial role. This could include the launching of a strategic dialogue with China and Taiwan about the consequences of an unprovoked attack or conflict. The unavoidable globalisation of both economic and security policies compels Europe – together with the US. and Japan – to shoulder a greater diplomatic and political burden than it has in the past.

The following analysis provides an overview of recent developments with regard to the three potential hotspots. The various regional security implications of the Indonesian crisis and the East Timor independence process are not treated in a separate section, but they have been taken into account in the last chapter dealing with the perspectives of a shifting balance of power.

## **The Korean Peninsula**

Strategic trends on the Korean Peninsula and the wider Northeast Asian subregion remain mixed.<sup>1</sup> This chapter first addresses potential security implications of the unresolved nuclear and missile questions in the framework of the October 1994 Agreed Framework and Korean Energy Development Organization (KEDO) before analyzing recent positive developments on the diplomatic front.

### *The October 1994 Agreed Framework in Crisis*

Pyongyang continues to observe the October 1994 Agreed Framework and a moratorium on missile launches as it negotiates with the US, South Korea and

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1 See also Christopher Dashwood/Kay Möller (eds.), *North Korean Scenarios (1993-2003) and Responses of the European Union* (Baden-Baden: Nomos Verlagsgesellschaft, 1999) and Kyongsoo Lho/Kay Möller (eds.) *Northeast Asia towards 2000: Interdependence and Conflict?* (Baden-Baden, Nomos Verlagsgesellschaft, 1999).

Japan. At the same time, however, North Korea has been continuing with missile development short of test launches (indeed, it has only suspended testing of long-range ballistic missiles), and has been selling missiles as well as missile technology to customers around the globe. In the absence of comprehensive inspection procedures, other countries cannot be confident that North Korea has stopped working on the development of nuclear, biological and chemical weapons. Its missiles are capable of striking Japan and the US and inflicting even greater damage on South Korea. Their development has security implications for South Asia and even for Europe.<sup>2</sup>

When North Korea tested its *Taepo-Dong-I* missile over Japan at the end of August 1998 while constructing a suspicious underground site, it threatened the Agreed Framework and thus the entire KEDO-process, aimed at discouraging nuclear proliferation on the Korean Peninsula. It is important to note here that the major source of proliferation threats in East Asia (particularly in Northeast Asia) is not transfers into the region from the outside, but domestic production lines in China as well as North Korea and, accordingly, missile and related technology transfers out of the region into the Gulf, the Middle East, and other potential hotspots around the world. Furthermore, the emerging secret proliferation network among North Korea, Pakistan and Iran explains why the former have made such substantial progress in their missile development and, perhaps, even their nuclear weapons programmes.<sup>3</sup>

Between 1994 and August 1998, North Korea did not conduct any missile test. When Pyongyang asked China for testing rights on PRC territory, it received a negative response. Russian experts, however, believe that the 1994 Agreed Framework notwithstanding, North Korea never completely stopped its missile and nuclear programmes. In their view, Pyongyang only slowed its R&D programmes while intensifying its secret development efforts. According to the same sources, North Korea has drawn two major lessons from India's and Pakistan's nuclear tests:

(1) If even the second most populous country in the world feels it necessary to choose a nuclear option, then smaller and economically much weaker countries like North Korea have to rely even more on a nuclear guarantee for their own national security;

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2 Frank Umbach, „World Gets Wise to P'yongyang's Nuclear Blackmail – Part One,“ in: *Jane's Intelligence Review* (JIR, September 1999), pp. 33-36, „Part Two,“ *ibid.* (October 1999), pp. 35-39.

3 For details of these emerging proliferation network see *ibid.*, „Part One“.

(2) Despite facing economic sanctions and other forms of punishment, India and Pakistan may ultimately benefit from going nuclear.<sup>4</sup>

Consequently, Pyongyang hopes to receive yet more concessions by using its missiles as a tool of nuclear blackmail against the US and the international community at a time when at least half of its population has been severely affected by malnutrition and other life-threatening conditions. Independent estimates of the number of people who died of starvation and malnutrition-related diseases during the last three years suggest a minimum of 1-2 million (i.e. almost 10 percent of the population), whereas North Korea has officially conceded death by starvation of "just" 220.000 people.<sup>5</sup> The disastrous decline of the DPRK's industrial economy in the 1990s - GNP reduced by half, infrastructure in a state of near-collapse while rooted in long-term economic and policy failures - is rooted not only in chronic shortages of food but also of energy, the production of which has halved since 1990. Against this background, it is by no means surprising that whereas North Korean conventional forces have been suffering from a shortage of fuel, spare parts, ammunition, and repair facilities, Pyongyang has tried to modernise its army and airforce by importing high-tech weaponry paid for through missile exports.<sup>6</sup>

North Korea's nuclear and missile blackmail strategies, including refusing to allow international inspectors full access to its nuclear sites,<sup>7</sup> continued missile and technology exports to Pakistan and Iran,<sup>8</sup> the launch of a *Taepo-Dong-I* on 31 August 1998,<sup>9</sup> and revelations of a vast underground facility under construction which US intelligence sources identified as the site of a reactor or reprocessing plant<sup>10</sup> led to calls for a comprehensive re-evaluation of US policies towards North Korea.<sup>11</sup> Pyongyang's policies of blackmail, by undermining the October 1994 Agreed Framework, have on the one hand called into question the KEDO-process for the freezing of the DPRK's plutonium programme. On the other hand, the

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4 „The South Asian Tests and the North Korean Nuclear Programme," *NAPSNET-Special Report-DPRK Report*, No.12 (March-May 1998).

5 See Jim Hoagland, *International Herald Tribune* (IHT, 20 August 1998), p. 9; John Pomfret, *ibid.* (13-14 February 1999), p. 3, and Johnny Erling, *Die Welt* (14 March 2000), p. 7.

6 *NAPSNET-DPRK Report*, No. 17 (March-April 1999), p. 2.

7 See Philip Shenon, IHT (16 July 1998), p. 4, and David E. Sanger, IHT (18 August 1998), pp. 1/4.

8 Pyongyang's contribution to Pakistan's and Iran's missile programmes was demonstrated during a test of Pakistan's *Ghauri* on 6 April 1998 and Iran's *Shahab* on 21 July 1998.

9 See Don Kirk, IHT (1 September 1998), pp. 1/4.

10 See Dana Priest, IHT (27 August 1998), p. 4, and Shawn W. Crispin/Shim Jae Hoon, „Broken Promises," *Far Eastern Economic Review* (FEER, 22 October 1998), pp. 16 f.

11 Peter T.R. Brookes, „High Time to Reevaluate North Korea Policy," *PacNet Newsletter*, No. 38 (2 October 1998).

Agreed Framework can also be viewed as the centerpiece of a broader diplomatic effort made by the US and the international community "to integrate the DPRK into the world community and restrain its 'rogue' behavior through systematic engagement."<sup>12</sup>

In early 1998, North Korea warned Washington that it would abandon the *Agreed Framework* if the US failed to implement its part of the deal, namely the timely shipping of heavy fuel to the DPRK. Following intensive discussions with Washington and Seoul, Tokyo in October 1998 stopped withholding the US\$ 1 billion it had earlier pledged to KEDO for the construction of two light-water reactors in North Korea.<sup>13</sup> But no short-term solution is in sight for either the nuclear programme or the missile problem. So far, the Agreed Framework has only stopped the production of plutonium at the Yongbyon Atomic Energy Research Centre. Whether this means halting or severely curtailing North Korea's nuclear weapons programme has become increasingly questionable. Discovery in 1998 of a secret underground facility, presumably to be used for nuclear purposes in violation of the 1994 agreement, by US intelligence satellites once again raised international concerns that Pyongyang was hiding an active and advancing nuclear weapons programme. Furthermore, acknowledgement that the Agreed Framework cannot stop North Korea's ballistic missile programmes has aggravated the crisis since 1998. At the same time, Beijing's ambassador to Seoul repeatedly supported North Korea's position by claiming that US demands for access to the underground site were merely based on suspicion and went far beyond international norms. And whereas Washington spoke of "compelling evidence" and concerns that North Korea was in violation of the Agreed Framework, from the ambassador's point of view, Pyongyang's missile development programme had already existed for a long time and was irrelevant to the agreement.<sup>14</sup> In the US perception it has become clear that its engagement policy has not modified North Korea's overall behavior.

Thus far, the Agreed Framework seems to have failed opening North Korea's society to the outside world and constraining Pyongyang's ruthless behaviour. According to its critics, it has done no more than provide a framework for moving from one crisis to the next without revealing any light at the end of the tunnel. Doubtless, frequent crises have weakened the agreement's credibility and support,

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12 Wade Huntley/Timothy L. Savage, „Agreed Framework at the Crossroads,“ *NAPSNet Special Report* (11 March 1999).

13 See IHT (17-18 October 1998), p. 7.

14 „No Country has Such a Right,“ in: *Newsreview* (South Korea, 16 January 1999), p. 8. The Chinese ambassador also defended North Korea's right to launch missiles for 'scientific purposes' – see John Burton, *Financial Times* (FT, 23 July 1999), p. 4.

particularly in the US Congress. Against this background, the so-called "benign neglect option" which suggests cutting off all contacts with North Korea, keeping all sanctions in place, and focusing on maximizing US deterrence capabilities has gained increasing support.<sup>15</sup> However, such a change of US policies vis-à-vis the DPRK would undermine South Korea's "sunshine policy" and thus risk impairing the US-South Korea alliance. Therefore, the Clinton administration, while maintaining its present engagement effort vis-à-vis North Korea, has said it would exchange carrots (including the easing of US trade sanctions, provision of food and development aid, and opening of liaison offices) for sticks if attempts to curb the DPRK's missile and nuclear programmes failed.<sup>16</sup>

Given that North Korea views its missile capability as its last trump card when trying to entice Washington into negotiations over the withdrawal of US forces from South Korea, future prospects of the Agreed Framework at first glance appear to be rather poor. Furthermore, the DPRK is believed to have produced sufficient plutonium to construct 2-6 bombs.<sup>17</sup> With continued submarine and special forces incursions into the South, ongoing tunneling under the Demilitarized Zone (DMZ), and preparations for new missile tests under way since late 1998,<sup>18</sup> the present situation on the Korean peninsula seems just as tense as it was before the signing of the Agreed Framework.

Against this background, a growing number of US experts and politicians called for a fundamental diplomatic review in a broader context of arms control measures to be applied to the Korean peninsula.<sup>19</sup> Even those experts who still favoured continuing with, rather than abandoning the Agreed Framework, argued in favour of a "new deal" incorporating "new issues of concern by supplementing it (the Agreed Framework) with new and more comprehensive commitments" because it could otherwise be impossible to save it.<sup>20</sup> What is indeed lacking in US policies towards North Korea is a comprehensive, long-term strategy that creates a common framework for Agreed Framework/KEDO issues, US-DPRK missile talks, and related initiatives.<sup>21</sup> South Korea's President Kim Dae-jung has proposed a so-called

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15 Huntley/Savage, „Agreed Framework in Crisis“.

16 See IHT (11 March 1999), p. 4.

17 See David E. Sanger, IHT (18 August 1998), pp. 1 and 4, here p. 4.

18 See Lee Sung-yul, *The Korea Herald* (TKH, 24 November 1998), p. 1; *ibid* (3 December 1998), p. 5; *ibid*. (4 December 1998), p. 1; *ibid*. (5 December 1998), p. 2, and Greg Seigle, „Another N.Korean Missile Launch Near, Says USA,“ *Jane's Defence Weekly* (JDW, 9 December 1998), p. 4.

19 Larry Niksch, „North Korea's Coming ICBM,“ *PacNet Newsletter*, No. 5 (5 February 1999).

20 Huntley/Savage, „Agreed Framework in Crisis“.

21 Ralph A. Cossa, „South Korea's Package Deal,“ *PacNet Newsletter*, No. 10 (12 March 1999).

”package deal”, linking controversial issues of the Agreed Framework/KEDO with food and economic aid and an end to the US embargo.

North Korea has not participated in meaningful missile proliferation talks for more than two years and in the meantime has become the world’s largest supplier of ballistic missiles and related technology – primarily to Pakistan, Iran, and Syria. Because missile exports have been one of the few means for the DPRK to obtain hard currency, Pyongyang has shown some willingness to trade its missile programme for a price. Shortly after the August 1998 missile test, North Korea announced its intention to export the *Taepo-dong-I* from 2000 onwards at US\$ 6 million per piece.<sup>22</sup> Simultaneously, it demanded US\$ 500 million from Washington in compensation for stopping missile exports to the Middle East.<sup>23</sup> On 16 June 1998, Pyongyang even appeared willing to negotiate an end to all missile tests and deployments, which would have significantly enhanced Japan’s security, stabilized the KEDO-process, and contributed to global non-proliferation efforts. Whereas this offer was not followed up, parallel demands for a US\$ 300 million payment in exchange for permission to allow a one-time on-the spot inspection of the vast underground facility under construction in Kumchang-ri, some 40 kms northwest of Yongbyon, North Korea’s main nuclear complex, were turned down by the US.<sup>24</sup> According to South Korean sources of December 1998, North Korea has moved 180 armament factories underground.<sup>25</sup>

While North Korea’s missile exports and transfers of missile technology so far have not had direct security implications for Japan, its missile test of August 1998 fundamentally changed Japan’s short-term security perceptions and defence policies with implications for the US-Japan alliance and the relationship between Japan and China.

After the launch, Washington agreed to provide 500,000 tons of food aid in addition to the 300,000 tons it had already committed through the World Food Programme (WFP). However, the Clinton administration insisted that the 800,000 tons was not a compensation for access to the suspected nuclear site,<sup>26</sup> as such an interpretation would have encouraged Pyongyang’s policies of blackmail even further. On the positive side KEDO’s financial troubles have begun to dissipate. In early 1998, the US Congress had withheld the approval for US\$ 15 million to fund the

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22 See Don Kirk, IHT (3 September 1998), p. 4.

23 See TKH (3 September 1998), p. 3.

24 See Jun Kwan-woo, TKH (20 November 1998), p. 1.

25 See JDW (23 December 1998), p. 16.

26 See „Aid for Access?” in: *Newsreview* (13 February 1999), p. 5.



supply of heavy fuel, because North Korea was not fully cooperating on the inspections issue.

The March 1999 agreement between North Korea and the US to allow American experts to inspect the suspected nuclear underground facility at Kumchang-ri eased fears of an imminent security crisis in Northeast Asia. At the same time, Washington pledged another 100,000 tonnes in food aid.<sup>27</sup> Although the State Department initially insisted that this was by no means a *quid pro quo*, it transpired later that Washington had indeed agreed to pay a "fee" for inspecting the underground facility. Unsurprisingly, the new "food for access" agreement, also described as "potato diplomacy", could not satisfy critical voices in the Congress which had dismissed Clinton's engagement policy towards North Korea as "appeasement". According to these critics, the new agreement could only harden Pyongyang's policies of blackmail towards the US, South Korea, and Japan. "Bad behaviour will continue be rewarded," as James Baker III, the Republican presidential candidate, argued shortly after the agreement had been concluded. Indeed, many aspects remained controversial. While US officials were talking about "inspecting" the underground facility, North Korea said that American inspectors would just "visit" the site. Furthermore, as more than six months had passed since suspicions over the site had first emerged, North Korea had had sufficient time to clear the facility and to move its suspected nuclear weapons programme to another underground site not covered by the agreement.<sup>28</sup> Therefore, it would be unrealistic to assert that the agreement has halted North Korea's "brinkmanship game", thus opening the way for a political rapprochement between North Korea, the US, and the rest of the international community. Moreover, the agreement can only be part of a broader package deal that would also solve other outstanding issues such as North Korea's missile tests and missile exports. Consequently, Pyongyang remains the "wild card" as far as a normalization of relations and easing of international sanctions are concerned, and recent revelations about DPRK state-sponsored drug trafficking would seem to confirm this assumption.<sup>29</sup>

Although the May 1999 Kumchang-ri<sup>30</sup> inspection by fifteen US experts under the direction of former secretary of defence Dr. William Perry did not produce

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27 See also John Burton, FT (18 March 1999), p. 7, and „Hope for the Future,“ *Newsreview* (20 March 1999), p. 5.

28 Shawn W. Crispin/Shim Jae Hoon, „Buying Time,“ FEER (1 April 1999), pp. 18-20.

29 See also Douglas Farah/Thomas Lippman, IHT (27-28 March 1999), p. 6.

30 On *Kumchang-ri* and other nuclear facilities in North Korea see in particular Joseph S. Bermudez Jr., „Exposing North Korea's Secret Nuclear Infrastructure – Part One,“ JIR (July 1999), pp. 36-41; „Part Two,“ *ibid.* (August 1999).

evidence for the previous or intended production of weapons-grade plutonium or reprocessing activities,<sup>31</sup> the site could support the respective facilities in the future if substantially modified. Moreover, a considerable part of North Korea's earlier nuclear programme and many nuclear facilities have remained unmonitored since the signing of the Agreed Framework in October 1994. Therefore, a follow-up visit to Kumchang-ri, scheduled for May 2000, will not allow any definite conclusions either.

Following the June 1999 naval clash between South and North Korean vessels in the Yellow Sea, during which South Korea sunk at least one North Korean ship<sup>32</sup>, observers expected the launch of another long-range *Taepo-Dong 2* ballistic missile to serve as a "force multiplier" marking the 51<sup>st</sup> anniversary of the Communist government on September 9, 1999. From Pyongyang's point of view, the test would have demonstrated the DPRK's determination and capability to offset South Korea's increasing lead in conventional military technologies. Furthermore, North Korea was building an underground missile base – from which *Taepo-Dong-1* and *-2s* could be fired – in the mountainous area of Youngjeo-dong, just 20 kms from its border with China, a site that had probably been chosen to avoid pre-emptive strikes by US cruise missiles.<sup>33</sup> In sum, North Korea seems unwilling and unable to bargain away its only remaining trump card, namely, its ballistic missiles. Ultimately, missile development cannot be divorced from the goal of sustaining the DPRK's political system and regime. Therefore, US and Western *comprehensive engagement* strategies can hardly succeed – whether they assume the guise of the 1994 *Agreed Framework* or that of any other attempt at conditioning.

### *New Opportunities and Challenges Ahead*

Even under the best of circumstances, future diplomacy vis-à-vis North Korea will probably remain tense and frustrating. On the other hand, there is no viable political alternative if one seeks to avoid a return to the disastrous preemptive military options the US was considering in 1994 to stop North Korea's nuclear programme. Implementing the Agreed Framework remains the best gamble for preventing

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31 The team was permitted to measure all underground areas and to take soil and water samples.

32 At least 30 North Koreans were killed, one DPRK torpedo boat was sunk, and four others were damaged. On the other side, five South Korean patrol ships were damaged, and nine sailors were injured. See Mark J. Valencia/Jenny Miller Garmendia, IHT (17 December 1999), p. 10; John Burton/Stephen Fidler, FT (16 June 1999), p. 1 and Trevor Hollingsbee, „Koreans Clash in the Yellow Sea,“ in: JIR (July 1999), p. 2.

33 See IHT (8 July 1999), p. 6.

nuclear weapons development in the DPRK. At the same time, North Korea is increasingly dependent on outside support to sustain itself which provides at least some incentives for more dialogue. However, a second *Taepo-Dong* missile launch would call into question all current attempts to engage Pyongyang, which is why the issue can be viewed as a litmus test for the DPRK's intention to either cooperate with or to confront the outside world.

The KEDO experience has stressed the importance of demanding strict reciprocity and standing firm with Pyongyang. Provocative North Korean behaviour should not go unanswered, and the DPRK should be in no doubt as to the consequences its actions will produce. And yet, even under a Republican administration, US policy is unlikely to experience radical change in substance, except, perhaps, for a more consequential military stance along the DMZ. Any rapid and uncoordinated US policy shift away from the May 1999 Perry Report and Kim Dae-jung's "sunshine diplomacy" to a more confrontational posture would not only undermine Kim's standing in his own country but also confuse Japanese efforts and the support that engagement has enjoyed among Korea's neighbours. However, even in the absence of rapid strategic change, KEDO has been facing a number of unresolved problems, namely:

(1) KEDO needs an agreement on nuclear liability for the LWR project with the prime contractor, KEPCO, that is acceptable to the subcontractors;

(2) it needs an agreed-upon delivery schedule that sets out a time-frame for construction of the two LWR plants and that contains obligations North Korea must meet for the project to be completed;

(3) there has been disagreement on how to handle the timing of Pyongyang's coming into full compliance with IAEA safeguard obligations (the IAEA's investigative and analytical process may take as long as 24 months during which time little or no work could be done at the Kumbo construction site, which in turn would significantly raise costs).<sup>34</sup> In this context, it should be recalled that North Korea has pledged to reveal its nuclear past and to disclose how much weapons-grade plutonium it has separated only after KEDO has completed a "significant portion" of the two LWRs.

North Korea's recent interest in economics and business has been underscored by an increase in late 1998 and early 1999 in the numbers of DPRK diplomats posted

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<sup>34</sup> See the testimony of *Mitchell B. Reiss* before the Committee on International Relations, US House of Representatives, Washington, 16 March 2000, as quoted in *NAPSNET Special Report* (22 March 2000).

overseas, particularly to Europe after a 30 percent reduction witnessed throughout 1998. It remains to be seen whether Pyongyang's new diplomatic activism<sup>35</sup> will have lasting positive implications for security in North East Asia. Pyongyang's main interest is in foreign aid and investment, but the abovementioned activities could also reflect a steady increase in self-confidence within the North Korean regime as the country's protracted famine shows signs of some easing.<sup>36</sup> Moreover, bilateral trade with South Korea reached a record US\$ 330 million in 1999, up from US\$ 220 million in 1998.<sup>37</sup> At the same time, inter-Korean social, cultural, and personnel exchanges have increased remarkably. By the end of 1999, 581 South Korean companies were doing business in North Korea, and more than 20,000 South Koreans had visited the North since February 1998.

At the same time, Beijing wants to extend its influence on the Korean peninsula so as to become a prime regional player. China is fully aware of the negative implications of another DPRK missile launch, particularly with regard to Tokyo's changing defence policies and the joint US-Japanese TMD project. In several respects, the PRC had appeared to be the "big loser" in the regional fallout from North Korea's 1998 missile test. It hurt China's strategic interests by bolstering support in the region for an increased US military presence and continuation of the US-Japan alliance. Though China retains more influence over North Korea than any other country in the world, PRC-DPRK relations had become tense by mid-1999 due to a number of bilateral controversies.<sup>38</sup> Some US experts have interpreted Beijing's recent attempt to increase cooperation and coordination with North Korea as synchronized action to exert pressure against Taiwan and South Korea.<sup>39</sup> A parallel escalation of both conflicts would divide US attention, resources and rapid reaction capabilities as well as aggravating Washington's greatest concern – having to fight

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35 Italy was the first G-7 member to establish diplomatic relations in January 2000. Canada and Japan have been holding talks on a normalization of relations. The Philippines have said they would establish official relations and explore possibilities to bring the DPRK closer to ASEAN. Australia has entered into discussions on the re-establishment of ties. Kim Jung-il, in an unusual gesture, visited the Chinese embassy in Pyongyang in March 2000. Russia signed a new friendship treaty on 9 February 2000 and has been trying to increase its influence on the Korean peninsula and in the Northeast Asian region by maintaining a balanced relationship with both Koreas. Unlike the 1961 mutual defence pact, in which Moscow had pledged to fight alongside its ally in case of war, the new treaty contains no such mutual defence automatism. Pyongyang has moderated its traditional hostility towards Washington and Seoul.

36 See also Shim Jae Hoon, „Signs of a Thaw,“ in: FEER (10 February 2000), p. 24; Lorien Holland, „Hello, World,“ FEER (23 March 2000), p. 24, and Howard W. French, IHT (18-19 March 2000), pp. 1/5.

37 See 'Kim Sticks with Sunshine Policy', in: *Korea Now* (29 January 2000), pp. 5f. (6).

38 See also Lorien Holland, „Lips and Teeth,“ FEER (29 April 1999), p. 15.

39 See „China and North Korea Coordinate,“ *Stratfor.com Global Intelligence Update* (7 March 2000; Internet: [www.stratfor.com/](http://www.stratfor.com/)).

two simultaneous high-intensity conflicts, something for which the US is not sufficiently prepared.<sup>40</sup>

As of today, any breakthrough in the inter-Korean dialogue has been prevented by North Korea's insistence on certain conditions, such as the withdrawal of US troops from the Korean peninsula and an end of joint military cooperation among South Korea, the US, and Japan. And yet, Pyongyang has recently warmed to the idea of high-level inter-Korean talks. Ultimately, the DPRK leadership will pursue various strategies to assure the interim survival of the political regime and will shift back and forth among them as it sees fit. Therefore, and recent positive trends on the Korean peninsula notwithstanding, North Korea's gradual inclusion into the international community is by no means assured, and the issue requires a constant and coherent international crisis management and multilateral engagement. Pyongyang's unilateral attempt to push the maritime border south, for instance, can provoke unintended military clashes with South Korea as has happened several times during recent years. As has been explained by Kim Dae-jung, North Korea basically has three options to choose from: (1) war (would end disastrously for the North Korean regime), (2) the status quo (already proven to be a dead end), and (3) evolutionary change (following, in principle, the examples of Vietnam and China).<sup>41</sup> During the 1990s, the balance of power on the peninsula has decisively shifted in South Korea's favour with North Korea's economy hovering on the brink of collapse. Since 1996, US\$ 400-500 million worth of international aid has been flowing into North Korea annually,<sup>42</sup> and the DPRK has become the number one recipient of US economic aid in Asia. With the weakening of North Korea's former relative strength, Pyongyang's sense of insecurity has been getting stronger. Under such circumstances, North Korea has sought to develop nuclear and missile capabilities to guarantee its military and political survival and may yet try to speed up its missile development to enhance its deterrent capability – particularly after having experienced NATO's intervention in Kosovo. At the same time, a political collapse of the Pyongyang regime for the time being remains rather unlikely.

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40 According to US naval experts, Washington must expand its fleet from 300 to 350 ships to meet regional requirements. See Andrew Koch, *JDW* (8 March 2000), p. 5. During the Kosovo conflict in the early summer of 1999, the US temporarily had no aircraft carrier in the Pacific. At the same time, Washington has been trying to lower its military profile in the Asia-Pacific region, encouraging local armed forces to work more closely together and strengthen their military capabilities to take the lead in any regional crisis that does not require a large-scale US intervention, such as the contingency in East Timor. See Michael Richardson, *IHT* (10 March 2000), p. 6.

41 See Howard W. French, *IHT* (18-19 March 2000), pp. 1 and 5.

42 See *Washington Post* (14 March 1999).

Against this wider background, speculating about a possible US pullout following reunifications would not only be premature but would send the wrong signal at the wrong time. However, Seoul is in a difficult position. On the one hand, South Korea must rely on American forces to deter potential North Korean attacks. On the other hand, these forces' very presence could increase the likelihood of conflict, and, simultaneously, undermine or at least compromise the successes of "sunshine diplomacy" – a strategy of constructive engagement and gradual peaceful reunification with North Korea through the promotion of peace, reconciliation, and cooperation. Therefore, incremental South Korean shifts away from dependence on the US remains possible, particularly with China pressuring Washington by playing the "North Korean Card". A complete US troop withdrawal, however, would not only have important security implications for the Korean peninsula, but for Northeast Asia as a whole. As a consequence, discussions such as the one recently stimulated by the South Korean Defence Ministry with a view to justifying higher defence budgets are in many respects counterproductive and short-sighted (in this context, unified Germany can be viewed as a positive example for a troop reduction short of a complete US withdrawal).

### **Escalating Conflict in the Taiwan Strait?**

Recently increased tension between China and Taiwan in the runup to Taiwan's 18 March 2000 presidential elections have once again emphasized one of the region's major security risks.<sup>43</sup> Contrasting with its response to the 1996 presidential elections, however, Beijing this time chose to use words to impress Taiwanese candidates and voters rather than missile tests and large-scale manoeuvres in the waters surrounding the island republic. This change of mind could be explained by the fact that Beijing needs US congressional approval to go ahead with its WTO accession. But differing statements from the PRC foreign ministry, political circles, and the People's Liberation Army (PLA) might be explained in two different ways: First, they could indicate a lack of clear leadership at the top of President Jiang Zemin's administration, leaving policy on the sensitive Taiwan issue to be settled among hawks and doves. In this case, the doves would have prevailed, because rhetorics notwithstanding, Beijing policies have been mostly reactive. Secondly, differing statements made prior to the Taiwanese elections could reflect a division of labour rather than a division of views. However, the PLA was not alone in playing the "bad

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43 On the background see also Kay Möller, *Taiwan als Problem internationaler Sicherheitspolitik*, SWP-AP 3121 (March 2000).

guy". Even Prime Minister Zhu Rongji came across as a hardliner when declaring that the Chinese nation was ready to "use all its blood" to prevent the island's independence.<sup>44</sup> To adequately analyse these developments, one would probably have to combine both explanations. Moreover, Beijing's general hardline policy vis-à-vis Taiwan is at least partially an attempt to divert popular attention away from growing domestic problems<sup>45</sup> and to channel an assertive and xenophobic variety of nationalism.

China's "White Paper" on Taiwan, issued on February 21, 2000,<sup>46</sup> and thus meant to intimidate Taiwanese voters, was also confusing for foreign observers but could be interpreted as a compromise between hardline and softline factions. On the one hand, the paper sent a clear message: China would attack Taiwan (1) if the island declared independence, (2) if it was occupied by a foreign power or, (3) establishing a new linkage, if Taiwan indefinitely refused to enter into negotiations on reunification. On the other hand, however, Beijing appeared to agree to one of Taipei's main conditions for political talks with China, namely, that the island be treated as an equal and not as a "local government". The White Paper mentions this principle of equality no less than five times. Overall, however, the policy paper would appear to signal an increasing PRC impatience. Moreover, as James A. Kelly, president of the Pacific Forum CSIS, has argued: "On balance, the policy paper is more about threats and lowering the threshold at which violence might occur than about motivating Taiwan."<sup>47</sup> Indeed, President Jiang Zemin has repeatedly said that he intends to make reunification of the motherland his own legacy. From such a perspective, a resolution of the Taiwan issue would have to be brought about by the time the 17<sup>th</sup> Communist Party Congress convenes in 2007, when Jiang Zemin will be 81 and retire from the political scene.<sup>48</sup>

At the same time, the PLA – that has already acquired unprecedented capacity for influencing the policy-making process<sup>49</sup> and which could be the biggest winner from increased tension with Taipei<sup>50</sup> – has been asked to "actively prepare" for war with

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44 See Elisabeth Rosenthal, IHT (16 March 2000), pp. 1/6.

45 In 2000, more than 11 million workers are expected to lose their jobs in state enterprises.

46 The document is available via Internet - <http://www.nytimes.com/library/world/asia/022200china-taiwan-text.html>.

47 James A. Kelly, IHT (13 March 2000), p. 8.

48 See Robert Kagan, IHT (13 March 2000), p. 8.

49 See also Frank Umbach, „Militärmacht China? Sicherheits-, rüstungs- und militärpolitische Strategien und ihre Auswirkungen auf die regionale Stabilität,“ in: Hanns-Seidel-Stiftung (Ed.), *Chinas Rolle in der Weltpolitik an der Schwelle zum 21. Jahrhundert*, (München, Argumente und Materialien zum Zeitgeschehen; forthcoming; the paper can already be found on the webpage of the DGAP –<http://www.dgap.org>).

50 See John Pomfret, IHT (24 February 2000), pp. 1/5.

Taiwan. In an internal document sent by CPC's Central Military Commission to all regional commanders, Beijing warns of an "increased possibility for a military solution", should nonviolent means fail to accelerate the absorption of Taiwan. The document envisions a blitzkrieg-like offensive opened with a first fatal missile strike so that "the Taiwan forces have no way to organize effective resistance." From Beijing and the PLA's points of view, any backlashes on this issue, such as the proclamation in July 1999 by Taiwan's (former) President Lee Teng-hui's of a "two-countries theory" fuels mainland China's disintegration by encouraging independence for Tibet, Xinjiang and other occupied areas. The White Paper also mentions that it is very unlikely that European countries would come to Taiwan's rescue, but anticipates a US intervention to defend the island against an attack. Interestingly, the document is completely in line with the PLA's interest in "asymmetric strategies" of warfare to be used vis-à-vis the US. The PLA believes, for example, that such a conflict will not escalate into a nuclear missile exchange, because the US will lose its will to fight and withdraw after suffering serious casualties, while the Chinese side will be able to absorb heavy casualties and prevail.<sup>51</sup> Therefore, China does not require a military equilibrium with the US.

Although Beijing and Taipei have engaged in a series of damage control measures since the stunning victory (with a voter turnout of 82 percent) of the pro-independence Democratic Progressive Party (DPP) in Taiwan's presidential elections, the victory of Chen Shuibian and the DPP in many respects marks a watershed in 5,000 years of Chinese and 400 years of Taiwanese history. By breaking from the *Kuomintang's* half century of power, the island made its thirteen-year democratization process irreversible. For Beijing, this development only heightens concerns that Taiwan has been drifting ever further away from the mainland, and is headed towards formal independence. In a good-will gesture, President-Elect *Chen Shuibian* ended a 51-year old ban on direct trade, transport and postal links between several small islands (Kinmen, Penghu and Matsu) and the mainland and eased restrictions on foreign investors in Taiwan, including from China. Given the fact that the abovementioned islands lack substantial infrastructure and industry, the abolition of the ban on direct links is just a first step toward establishing such links across the Taiwan Strait.<sup>52</sup> These advances were also partly motivated by domestic considerations. Chen won with just 39 percent of the vote and therefore has no majority support in the parliament. The new government will need a few foreign policy successes to be able to resolutely fight the endemic corruption left by the *Kuomintang*, to fairly

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51 The entire document has been reprinted and can be found in the Internet:  
<http://www.insightmag.com/archive/200003057.shtml>.

52 See John Pomfret, IHT (22 March 2000), pp. 1/2.



allocate central-government funding, and to break the links between organized crime and politics that have haunted the island for decades. These domestic priorities can hardly be ignored by Beijing: the new president and his government have but limited leeway for dealing with cross-Strait issues because they are confronted with more urgent priorities and problems to be solved at home.

While Beijing remained remarkably silent immediately after the Taiwanese elections, a PLA source threatened Taiwan with a two-million-soldier invasion force carried on 200,000 fishing boats, while adding that nuclear weapons were a viable option, particularly so if the US interfered.<sup>53</sup> The PRC's supposed interest to return to a more moderate policy can be explained by the fact that its failure to threaten Taiwan into submission may have undermined the CPC's domestic legitimacy. Furthermore, China has benefited considerably from business links with Taiwan. More than 60,000 Taiwanese companies have been actively engaged on the mainland and have invested some US\$ 44 billion there. Taiwan has thus become the third most important investor for Beijing, and China the second-largest market for Taiwan's exports. Two-way trade rose to a record US\$ 25,8 billion last year, up 14.5 percent from 1998. Indirect trade between both sides totals US\$ 160 billion. 200,000 Taiwanese citizens live in mainland China, and another 16 million have traveled there since 1987.<sup>54</sup> To some extent, this growing economic interdependence confronts both sides with a dilemma as it affects and possibly constrains their respective political options. The dilemma is asymmetric, however, in that it primarily affects the weaker side, i.e. Taiwan. The island's leaders need to debate a solution to this and other problems before serious negotiations can lead to a new understanding on both sides of the Taiwan Strait that would contribute to security and stability in the 21<sup>st</sup> century.

If present strategic trends continue, however, the military balance in the Taiwan Strait will be eroding over the next decade.<sup>55</sup> In recent years, the PLA has revised its

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53 The weekly *Haowangjiao* published this 16-page article detailing military options to retake Taiwan – see „Easing of Taiwan Strait Tensions Temporary,“ *Stratfor.com* (23 March 2000) (<http://www.stratfor.com/asia/commentary/0003230019.htm>); See also „Chinese Military Paper Warns Taiwan and US,“ *NAPSNET Daily News* (21 March 2000) and „PRC Journal Reveals Strategy to Deal with US in Chinese Unification,“ *ibid* (24 March 2000).

54 See *Wall Street Journal Europe* (21 March 2000), p. 12 and John Pomfret, *IHT* (22 February 2000), pp. 1/4 (4).

55 See also David Shambaugh, „A Matter of Time: Taiwan's Eroding Military Advantage,“ in: *The Washington Quarterly* (Spring 2000), pp. 119-33, and Frank Umbach, „The Military Balance in the Taiwan Strait and Its Implications for Regional Security,“ paper prepared for the conference: *The Development of Contemporary Taiwan and its Implications for Cross-Strait Relations, the Asia-Pacific Region and Europe* (Taipei, INPR, December 16-17, 1998).

strategy for a Taiwan contingency.<sup>56</sup> It now hopes to achieve its objectives without fighting a war, by wreaking economic havoc and instigating social unrest in Taiwan. Hence, "weapons" that target the Taiwanese media, the stockmarket, and the islanders' psyche, have become an important part of China's military thinking on Taiwan. However, and depending on the island's own policies and actions, gradual escalation strategies might still involve missile tests, a sea blockade, combined-force drills, and a military buildup. Such strategies of attrition, based on a "war of nerves" designed to undermine the morale of the Taiwan population, could provide the PLA with the best chances to succeed in a major conflict while at the same time preventing a US intervention.<sup>57</sup> Whether these new strategies will succeed depends on many variables. But one outcome appears to be assured: "Next time, nerves in Taiwan may be more steeled."<sup>58</sup> Moreover, the 1995/96 missile tests had been quite successful. They escaped Taiwan's early warning and detection radars<sup>59</sup> and were much more accurate than American experts had previously expected.<sup>60</sup> They underscored both the progress the PLA had made in modernizing its missile force and specific military shortcomings on the Taiwanese side which was unable to detect the missiles and thus could not have destroyed them. The US remains the lone regional player with sufficient signal intelligence (SIGINT) capability to detect PRC missiles in "real time". Furthermore, the July 1995 and March 1996 missile tests were conducted in conjunction with broad multiservice exercises, in which tactical ballistic missiles are going to play an increasingly important role in the future.<sup>61</sup> It was one of the major lessons of the crisis "that the PLA can challenge Taiwan's vital interests without direct engagement."<sup>62</sup> Unsurprisingly, the PLA has also drawn its more painful lessons and will try to fare better next time.

Taiwan's impressive military modernization programmes of the 1990s notwithstanding, one may ask whether the island's armed forces will be able to

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56 Bernard Joes, „Talk of Invasion a Revival of Familiar Tactics,“ *Free China Journal* (10 April 1998), p. 6.

57 Edward L. Dreyer/June Teufel Dreyer, „The Chinese People's Liberation Army's Perception of an Invasion of Taiwan“, in: Peter Kien-hong Yu (ed.), *The Chinese PLA's Perception of an Invasion of Taiwan* (New York: Contemporary US-Asia Research Institute, 1996) pp. 55-103; Wen-cheng Lin, „Will Beijing Use Force on Taiwan?“ in: *ibid*, pp. 163-212, and Bruce Gilley, „Operation Mind Games,“ *FEER* (28 May 1998), pp. 31-32.

58 Bruce Gilley in *ibid*, p. 32.

59 M.V. Rappai, „Chinese Military Exercises: A Study,“ in: *Strategic Analysis* (November 1996), pp. 1119-31 (1123).

60 Greg Gerardi/Richard Fisher Jr., „China's Missile Tests Show More Muscle,“ in: *JIR* (March 1997), pp. 125-9 (128f.).

61 *Ibid.*, p. 127.

62 Robert S. Ross, „The 1996 Taiwan Strait Crisis. Lessons for the United States, China, and Taiwan,“ *Security Dialogue*, Vol. 27, No. 4 (1996), pp. 463-70 (468).

effectively use latest additions to their weaponry, given a lack of force multipliers and adequate military training, low morale, and operational as well as doctrinal shortcomings in both strategy and tactics. Furthermore, the last time that Taiwan's armed forces conducted joint military exercises together with the US was 20 years ago. The extent of intra-operability – technical, doctrinal, as well as operational – and experiences made with joint military operations therefore remains rather limited.

While the PLA currently lacks a credible invasion force and will continue to do so until at least 2005, China has been rapidly increasing its short-range ballistic missile force in numbers as well as in quality.<sup>63</sup> At the moment, the PRC is deploying an advanced, longer-range version of the *DF-21*, provisionally called *DF-21X*, with an extended range of 3,000 kms and an improved accuracy.<sup>64</sup> Moreover, Beijing plans to launch six satellites before the end of the year which will improve the accuracy of its ballistic missiles and will allow detailed reconnaissance of Taiwan's defence capabilities. At the same time, the PLA has made considerable progress in developing manoeuvrable short-range ballistic missiles with ranges between 300 and 600 kms and has been developing a new generation of land attack cruise missiles to accurately target key Taiwanese military installations with the help of newly acquired dual-use technologies such as the Global Positioning System (GPS) and the Inertial Navigation Guidance System (INS).<sup>65</sup> These dual-use technologies are widely available on the civilian market. In 1999, China deployed 150-200 *M-11* (range 300 kms) and *M-9* (range 600 kms) short-range ballistic missiles in addition to 30-50 SRBMs deployed in 1995-96 in provinces adjacent to the 175-km-wide Taiwan Strait – most of them presumably with improved accuracy estimated to be 20-30 metres by using GPS and INS minicomputers which are widely available on the civilian market. Beijing reportedly plans to further increase that number to 650-800 missiles by the year 2005.<sup>66</sup> This rearmament is at least partially due to the fact that the PLA – in contrast with China's Foreign Ministry and other civilian ministries – continues to view the controversial missile tests of 1995 and 1996 as a political victory.<sup>67</sup> In a few years' time, the Chinese missile build-up could shift the balance of deterrence in favour of mainland China and prompt Beijing to adopt more risky policies vis-à-vis Taiwan. In response to the missile threat, Taipei will deploy three *Patriot* batteries in northern Taiwan to protect the capital city and economic

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63 See also Umbach, „World Gets Wise to P'yongyang's Nuclear Blackmail – Part Two,“ pp. 37 f.

64 Paul Beaver, „China Prepares to Field New Missile,“ JDW (24 February 1999), p. 3.

65 See Tony Walker/Stephen Fidler/Mure Dickie, FT (12 March 1999), p. 6.

66 See Stephen Fidler/Tony Walker, FT (10 February 1999), pp. 1/4; Murie Dickie/Stephen Fidler, *ibid.* (11 February 1999), p. 14, and James Kyngge, *ibid.* p. 12

67 James Kyngge, FT (11 February 1999), p. 12, and Robert Kagan, IHT (13 March 2000), p. 8.

centre. However, the former present no watertight shield against every incoming missile.<sup>68</sup> Taiwan is therefore no longer interested in ballistic missile defence alone, but intends to develop and deploy its own offensive ballistic missiles (such as the *Tien-Ma* with a range of 1,000 kms).<sup>69</sup> Taipei's current modernization and procurement efforts can be explained by the wish to buy time for the democratization on mainland China rather than maintaining a military balance.

While reunification with Taiwan remains Beijing's number one political priority, any unprovoked missile attack or invasion of Taiwan would likely produce regional and global instabilities by provoking (1) increased US military supplies to Taiwan or a US military intervention, (2) Taiwan's rejection of reunification and declaration of independence, (3) Japan's rearming and tightening of the US-Japan alliance, and (4) China's own economic and political isolation from the global economy and Western sources of investment.

Thus far, Washington sticks to the political bargain struck with China in 1972: the US will maintain a "One-China"-policy for as long as Beijing desists from solving the Taiwan problem by other than peaceful means. It remains to be seen whether Beijing and Taipei will be able and willing to adhere to the inherent principles. The foreign policy implications of Taiwan's remarkable democratization process as of today are quite different from the situation when China and the US agreed on their Shanghai compromise. Presently, nobody can be sure whether all involved governments will ultimately be able to follow and to adapt to the new political realities or whether the new realities will have to adapt to "the old 1972 understanding" between Washington and Beijing. Given the changing political environment in the region, the present situation can be viewed to some extent as being "unnatural". Both the US's and China's credibility are very much at stake with regard to Taiwan. Whereas Beijing has not rejected the original understanding, it has put greater emphasis on the coercive aspect of diplomacy and has simultaneously deepened the classic security dilemma by increasing its military arsenal vis-à-vis Taiwan in both qualitative and quantitative terms. The present situation will not and cannot last forever. Beijing needs to at least meet Taipei and the new political realities halfway in an attempt to define a new, more stable formula for both its relations with Taiwan and Washington. Furthermore, Chen Shuibian's victory has been the one outcome Beijing most loathed and had wanted to prevent. The PRC's message that "a vote for Chen is a vote for war" will make it much more difficult in

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68 See ADJ 3 (1999), p. 56.

69 These are conclusions drawn from an international conference and discussions held with Taiwanese security experts in Taipei last December.

the future to seek and find a compromise with a DPP-based government. Although Chen has proven his political farsightedness by ruling out holding a referendum on independence in the near future, and in spite of his offer of new economic ties and cooperation, Beijing and Jiang Zemin's CPC can simply not trust him over the longer term. And although Taiwan appears ready to enter into negotiations for reunification, it is simply not interested in the kind of outcome that Beijing is seeking. Therefore, negotiations will only transfer both sides' mutually exclusive interests to a higher political level without resolving them. Given Beijing's self-declared time-pressure to finalise those negotiations by 2007, inherent pressures and conflicts can probably only increase. The next three to five years are thus predicted by most US experts to become a period of heightened tensions and potential crisis. Whether, as has been argued, there is a new Beijing "timetable without time limit,"<sup>70</sup> remains to be seen. However, as Bates Gill recently argued, any political strategy for a peaceful resolution to the Taiwan issue must recognize the crucial importance of the democratic evolution in Taiwan: "... acknowledging it, nurturing it, preserving it, and integrating its indisputable reality and dynamism into the ultimate settlement of the cross-Straits quandary."<sup>71</sup>

### **The South China Sea: Is a Regional Code of Conduct *the* Answer to Territorial Claims and Conflicts?**

"China's claim to the South China Sea and its islets is so extreme that it is sometimes difficult to take [it] seriously. But we in ASEAN should not underestimate the firmness with which China is pursuing its designs on the Spratlys. Nor should we underestimate the extent of domestic support for Beijing's chauvinistic foreign policy. We cannot discount the fact that China's increasing assertiveness in its foreign relations has wide support inside the country. ...We need to speak to China with one voice in regards to the South China Sea. China's sweeping claim to the Spratlys is not just about barren islets, some of which disappear at high tide. It is not just about fishing rights, marine resources, or even the hydrocarbon reserves widely believed to lie under the shallow waters of the South China Sea. It is about Southeast Asia's security and survival...The South China Sea ... flows into the most complex series of maritime crossroads in the world. Just as the Mediterranean was the heartland of the classical civilizations of Southern Europe, West Asia, and North Africa, this great inland sea is Southeast Asia's strategic heartland."

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70 „China Concedes Reunification with Taiwan Will Take Time,“ *Agence France Presse*, 26 March 2000 (see <http://taiwan.security.org/AFP/AFP-032600.htm>).

71 Bates Gill, *Washington Times* (23 March 2000).

(General Jose T. Almonte, former National Security Adviser and Director-General of the National Security Council of the Philippines, March 2000<sup>72</sup>)

*Conflict and Cooperation in the South China Sea in the 1990s: A "Mare Sinica"?*

Although ASEAN countries have increasingly arranged themselves with the PRC in the post-Cold War period since 1992, the nature of ASEAN's relationship with China has remained ambivalent<sup>73</sup> and has had direct implications for ASEAN's relations with the other two major powers in the Asia-Pacific, Japan and the United States. Whereas ASEAN's general engagement policies towards China have been guided by the economic perspective of a huge Chinese market (in 1997, the World Bank suggested that China's economy would overtake the US economy in terms of total output and total purchasing power by 2020<sup>74</sup>), Beijing's ambiguous foreign and security policies have at the same time presented a major concern for the region. Rapid modernization of China's armed forces (including its nuclear arsenal),<sup>75</sup> Beijing's territorial claims to almost the entire South China Sea, and its "gunboat-policies" towards Taiwan have raised widespread concern over irredentist tendencies on China's foreign and security agenda. The PRC's policy of underpinning its territorial claims with concrete political and military steps as well as the assertive nature of its Taiwan policy that does not rule out the use of force for achieving political objectives have alarmed even those segments of ASEAN's political elites that have always favoured close relations with China. At the same time, ASEAN countries and China, due to a similar critical stage of political and socio-economic transformation, have been competing in world markets over foreign trade and investment.

Military modernisation programmes, the incorporation of high-tech weaponry, and the emergence of indigenous defence industries over recent years notwithstanding, Southeast Asian armed forces have only very limited power projection capabilities. By contrast, China's armed forces, due to the relative stability of the PRC

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72 Jose T. Almonte, „ASEAN Must Speak with One Voice on the South China Sea,“ *PacNet Newsletter*, No. 11 (17 March 2000).

73 See also *ibid* and Lee Lai To, „Der China-Faktor in der Sicherheitspolitik Asiens,“ in: *Internationale Politik* No. 6 (1997), pp.17-22.

74 See TKH (23 April 1997), p. 7.

75 Frank Umbach, „The Military Balance in the Taiwan Strait and Its Implications for Regional Security,“ and idem, „Nuclear Proliferation Modernization and Proliferation Challenges in East Asia and Prospects for Cooperation – A View from Europe,“ in: Kurt W. Radtke/Raymond Feddema (eds.), *Asian Concepts of Comprehensive Security and Their Implications for Europe*, (forthcoming).

economy, have so far not been subjected to major cuts. As a consequence, the pace of China's military reform and modernisation has contributed to regional perceptions of a looming Chinese threat that might become real much earlier than had previously been assumed.<sup>76</sup>

From an ASEAN point of view, China's sovereignty claims in the South China Sea and the methods Beijing has been applying to pursue its strategic goals – whether they be peaceful and benign or violent and assertive – are often being interpreted as a litmus test for the Association's future relationship with China and as a crucial factor for the preservation of regional stability in East Asia. Whereas policies of ASEAN's member states towards China have differed to some extent, there is a general consensus that ASEAN solidarity would require common opposition to any use of force by the PRC.

China claims almost all islands in the South China Sea which would make the "Middle Kingdom" a close neighbour of most regional states. These claims theoretically increase the PRC's territorial sea and adjacent waters from 370,000 square kms to approximately 3 million square kms. The PLA navy has already occupied the more important outermost islets in the South China Sea as a means to substantiate the claim.<sup>77</sup> In this context, the most complex and potentially most dangerous territorial dispute concerns the Paracel Islands to the north and the Spratly archipelago in the middle of the South China Sea. The Paracel Islands alone comprise 130 barren islands. After seizing a part of the archipelago then occupied by South Vietnam in 1974, the PLA constructed a 2,700-meter airstrip on Woody Island, from which its aircraft can attack, and to some extent control, areas as far south as the Spratlys. Since that time, China has rejected competing claims to the Paracels made by Vietnam. The Spratlys are disputed by China (and Taiwan), Vietnam, the Philippines, Malaysia, and Brunei. China (and Taiwan) as well as Vietnam claim the whole archipelago, the Philippines claim a substantial portion, and Malaysia claims a small sector towards the south.

During the 1995/96 Taiwan crisis, and unimpressed by the presence of two US aircraft carrier battle groups, Beijing told the Seventh Fleet to keep out of the Taiwan Strait, which is about 180 kilometers (115 miles) wide and separates Taiwan from China's Fujian Province. The PRC claims that the passage is part of its territorial sea. Shortly after the crisis, on 15 May 1996, China issued a map which extends

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76 On the impacts of the financial and currency crisis on East Asian armed forces and their procurement programmes Frank Umbach, „Financial Crisis Slows But Fails to Halt East Asian Arms Race, Part I,“ JIR (August 1998), pp. 23-7, and „Part II,“ *ibid.* (September 1998), pp. 34-7.

77 See also Frank Ching, „Manila Foiled in Spratly Row,“, FEER (8 April 1999), p. 33.

its territorial claims in the South China Sea by over a million square miles, i.e. an expansion by seven times. Free passage through Sealanes of Communication (SLOCs) such as the Taiwan Strait and shipping routes through the South China Sea are important prerequisites for regional security that would have to be guaranteed by the US Navy in times of crisis. Washington has warned China that it will not accept any restrictions to the freedom of movement of American warships and military aircraft in the South China Sea.<sup>78</sup> Other regional players such as Japan also have a strong interest in the stability of the area because of their sensitivity to any disruption of commercial navigation. Although Japan has renounced its claims to the Spratly Islands<sup>79</sup>, it has vital security interests in open sealanes and thus in the status quo, because about 75 percent of its energy imports and much of its merchant shipping passes through the South China Sea. Moreover, the involvement of Japanese oil companies in the Spratlys represents another Japanese security interest in the stability of the South China Sea. But Japan is not the only non-ASEAN-country that has a geostrategic interest in the freedom of SLOCs, given that 20 percent of the world's oil consumption and more than 200 ships transit the Malacca Straits on any given day. In 1994, almost a trillion dollars worth of international trade, including more than half of ASEAN's trade, used these sea lanes. Establishing sovereignty over the Spratlys would involve some sort of, at least, indirect control over shipping passing through the Malacca Straits.

According to the official PRC point of view as expressed in a 25 February 1992 "Law of the People's Republic of China on the Territorial Sea", and in striking contrast with the stance adopted by other claimants, there is no dispute because the respective islands have belonged to China for centuries. When passing the law, China shocked both ASEAN and Japan by actually including the Senkaku Islands and almost all elevations in the South China Sea into its territorial waters without taking note of rival claims. The PRC has also stated that it would defend its claims by military means as it did in 1988, when the PLA navy seized six Spratly islands while sinking two Vietnamese military vessels. It was no coincidence that this new assertiveness occurred shortly after the US had announced its withdrawal from the Philippines. This, in turn, compelled ASEAN to make an unprecedented statement (the 1992 Manila Declaration on the South China Sea), urging the peaceful settlement of conflicting territorial claims and the need to cooperate in order to ensure the

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78 See Michael Richardson, IHT (19 September 1996), p. 4.

79 Japan had occupied the Spratly islands and reefs in 1939. The Japanese imperial navy used one of the islands, *Tai ping Dao*, as a submarine base in World War II. At the 1951 San Francisco conference, Japan renounced all claims to the *Spratlys*, but the conference did not resolve the problem of ownership. On direct and indirect Japanese interests at the *Spratlys* see Koichi Sato, „The Japan Card.“, FEER (13 April 1995), p. 32.



safety of maritime navigation and communication as well as other forms of security cooperation.<sup>80</sup>

Disregarding this appeal, China in early 1995 seized Mischief Reef about 150 miles west of the Philippine island of Palawan. Subsequently, relations between Beijing and Manila deteriorated and tensions increased with the arrests of Chinese fishermen and the destruction of Chinese markers by the Philippines navy. And whereas Manila opted for negotiations on a basis of international law, China did not consider itself bound by the Manila Declaration.

Beijing's "historical claims" and its militaristic policy towards Taiwan have also raised mistrust in Jakarta. Indonesia had usually tried to accommodate China, but a PRC map published in 1993 showed claims that included its natural gas-rich Natuna Islands. These islands are surrounded by one of the world's largest offshore gas fields containing an estimated 1.27 trillion cubic metres of recoverable gas – approximately 40 percent of Indonesia's total gas reserves.<sup>81</sup> Some Indonesian security experts have since recommended adopting a "more realistic" China policy and getting tougher on Beijing. Jakarta subsequently declared its intention to increase airforce patrols in the area and to encourage its citizens to resettle on the Natuna Islands. Indonesia also quietly urged the US to strengthen its engagement in the territorial dispute. In the summer of 1996, Jakarta launched its largest air, land, and sea manoeuvres so far to demonstrate its determination to defend its sovereignty of the islands.<sup>82</sup> Proposed legislation was to expand the country's sovereignty to some 5.8 million square kilometers of water and land.<sup>83</sup> At the same time, a review of Indonesia's maritime security resulted in the creation of a National Maritime Council charged with devising policies on preservation and protection of the seas and the more than 17,000 Indonesian islands stretching along the Equator for 5,120 kilometers.

Given that the Indonesian navy remains a coastal defence force, Jakarta also felt compelled to widen and deepen its security and defence ties with Australia and the US. Indonesia's territorial waters were opened more widely for the passage of foreign warships, including submarines.<sup>84</sup> The bilateral security agreement with

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80 *ASEAN Declaration on the South China Sea*, Manila (Department of Foreign Affairs, 22 July 1992).

81 Alan Dupont, „Indonesian Defence Strategy and Security: Time for a Rethink?“ in: *Contemporary Southeast Asia*, No. 3 (1996), pp. 275-96 (289).

82 John Mc Beth, „Exercising Sovereignty,“ *FEER* (19 September 1996), p. 17.

83 „Indonesian Parliament Endorses Law on Territorial Waters,“ *Asian Defence Journal* (ADJ), August 1996), p. 54.

84 See Michael Richardson, *IHT* (16 May 1996), p. 4.

Australia signed in December 1995 marked a substantial step away from Jakarta's traditional policies of non-alignment with important impacts on other outstanding security issues among both sides. Both countries were subsequently alleged to have developed a strategy to defend the Natuna Islands against a whole range of possible threats.<sup>85</sup> Jakarta and Canberra also entered into negotiations on a maritime boundary treaty that would bring almost three decades of tension and mutual distrust to an end.<sup>86</sup> Adjustments made in Indonesia's security policies over the last four years thus have strategic dimensions, going beyond national security policy, that have a considerable impact on ASEAN's relations with China and the other major powers in the region. Jakarta had obviously come to realise that ASEAN thinking on security was not an adequate response to long-term challenges like those Indonesia was facing in its maritime environment. China's sovereignty claim has ultimately fastened the reconfiguration, in both conceptual and operational terms, of the defence policies of Indonesia and other ASEAN states.<sup>87</sup> Unfortunately, the Indonesian crisis and the East Timor problem have halted all efforts to redefine Indonesia's strategic interests vis-à-vis China and the South China Sea. Once again, domestic stability understandably has become the major preoccupation and will continue to dominate the national agenda over the next few years.

In January 1998, conclusion of a Visiting Forces Agreement (VFA) between the US and construction of a new pier at Singapore, suitable for US aircraft carriers, emphasized ASEAN's strategic interest in a strong US military engagement in the region.

China may still believe it is able to achieve its objectives over time without resorting to massive confrontation with neighbouring claimant states. Beijing's present rather contradictory policies and actions in the South China Sea follow a traditional "divide and conquer" strategy, and are fully in line with its strategic culture and notions of war and diplomacy.<sup>88</sup>

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85 According to Australian sources, Indonesia had requested assistance. The joint draft plan included the deployment of radar and surface-to-air missiles on platforms and installing surveillance mechanisms consisting of airborne early warning and control aircraft, satellites, or long-range radar. See *New Strait Times* (1 August 1997), p.27, and „Defence Links with Indonesia Growing,“ *Jane's Intelligence Review & Jane's Sentinel Pointer* (February 1997), p. 10.

86 See Nikki Tait, FT (14 March 1997), p. 3.

87 See Alan Dupont, „Indonesian Defence Strategy and Security“.

88 Chris Roberts, „Chinese Strategy and the Spratly Islands Dispute,“ (Canberra: Strategic and Defence Studies Centre/The Australian National University, Working Paper No.293, April 1996).

In early 1997, Beijing raised the stakes again by conducting an oil and gas exploration drill off central Vietnam in waters claimed by Hanoi. Since the beginning of the "asymmetrical normalisation process" between Vietnam and China in 1991, China has violated Vietnamese territorial waters at least nine times.<sup>89</sup> But contrasting with the years of Vietnam's regional isolation, Chinese tactics this time backfired. Vietnam received significant political and diplomatic support by its fellow ASEAN members and even discussed a future military relationship with the US – a nightmare for PRC strategists fearing US containment. According to a comment made by an ASEAN-diplomat at the time: "Automatically ASEAN will support Vietnam. It's all for one and one for all."<sup>90</sup> However, ASEAN countries subsequently agreed to Beijing's insistence on bilateral negotiations to solve territorial disputes. On the other hand, they were rather suspicious as far as China's offer for "joint development" of disputed areas was concerned, viewing it "less as a genuinely conciliatory suggestion and more as a Chinese ploy to gain a foothold in areas claimed by the People's Republic" as Tim Huxley has argued.<sup>91</sup>

Although ASEAN states often have tried to accommodate rather than confront China's strategic power, they interpreted the 1997 episode as another litmus test compelling them to respond.<sup>92</sup> Repeated calls on China to withdraw its oil exploration vessel eventually led to a diplomatic defeat for Beijing that further damaged the PRC's international image. But the incident also underlined the fragility of ASEAN's "constructive engagement" policy towards China,<sup>93</sup> and it explains Beijing's interest in addressing territorial disputes bilaterally rather than in a multilateral framework. Parallel efforts made by the ARF to engage China particularly over maritime issues also suffered a setback. Even the Philippines, militarily the weakest ASEAN member and engaged in a dispute with China over the Spratly Islands and Scarborough Shoal in the *Macclesfield Bank*, announced a comprehensive military modernisation programme following several clashes with Chinese vessels in early 1997.<sup>94</sup> A PRC-sponsored „goodwill tour“ by a group of shortwave radio amateurs to Scarborough Shoal provoked another conflict in the early summer of 1997. The Chinese government had reportedly paid "tens of thousands of dollars" to charter the boat. From the Philippines' point of view, this appeared like a delibe-

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89 Alice Ba, „The ASEAN Regional Forum. Maintaining the Regional Idea in Southeast Asia“, *International Journal* (autumn 1997), pp. 635-56 (640 f.).

90 Quoted from TKH (25 March 1997), p. 5.

91 Tim Huxley, „A Threat in the South China Sea? A Rejoinder,“ *Security Dialogue*, Vol. 29, No. 1 (1998), pp. 113-8 (116).

92 See also „Drawn to the Fray“, FEER, 3 April 1997, pp. 14-16.

93 See Jeremy Grant, FT (5-6 April 1997), p. 3.

94 See also the ADJ No. 3 (1997), p. 71.

rate strategy of using non-military means to reinforce Beijing's territorial claims and test Manila's political will.<sup>95</sup>

Whereas all claimants to territories in the South China Sea have stated their preference for peaceful solutions and negotiations, China appears to have kept the military option open. Arguments put forward by Western experts that occupied islands can not be defended by the PLA presently<sup>96</sup> overlook the fact that China is a growing nuclear power and that ASEAN countries as well as Japan, Taiwan, and others lack sufficient amphibious forces to recuperate occupied islands. Only the US has sufficient and effective amphibious capacities to perform such a task in the South China Sea. But making use of the military option would constitute a high risk game for Washington, too. Reliance on aircraft carriers and *Aegis*-equipped surface escort ships, for instance, would be inadequate if not dangerous in littoral conflicts in the Taiwan Strait or the South China Sea.<sup>97</sup> Ultimately, what matters in this respect are security perceptions and expectations rather than objective strengths and weaknesses of claimant countries. Military history, including that of China, has abundant examples of weaker forces defeating much stronger rivals. Circumstances, motivation, and a superior strategy have often been more important than numbers.

Whether the US would want to incur such a risk for a few uninhabited islands in the South China Sea is indeed the crucial question for ASEAN security experts. Prior to the outbreak of East Asia's financial crisis in 1997, ASEAN defence policies and military doctrines were increasingly based on such a scenario which in turn determined acquisitions of state-of-the-art weapons systems.<sup>98</sup>

Although China had verbally agreed not to change the status quo in the South China Sea through unilateral steps and to seek a peaceful solution through negotiations, the PRC has continued to test the political will of Vietnam and the Philippines as well as their support within ASEAN. In August 1995, Beijing and Manila agreed

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95 Andrew Sherry/Rigoberto Tiglao, „Law of the Seize,“ FEER (12 June 1997), pp. 17, 20/21.

96 On China see the analysis by Michael G. Gallagher, „China's Illusory Threat to the South China Sea,“ in: *International Security*, Vol. 1 (1994), pp. 169-94.

97 Ono this and other examples see Stanley Chan, „The American Military Capability Gap,“ *Orbis* (summer 1997), pp. 385-400, and Peter Lewis Young, „US Forces for Regional Intervention: An Ongoing Debate On How to Cope With Regional Crisis,“ ADJ, No. 4 (1998), pp. 6-12.

98 See also Frank Umbach, „Strategic Changes in Asia-Pacific,“ and Kusnanto Anggoro, „Strategic Changes in Asia-Pacific: The Dimension of Military-Technology Diffusion and Proliferation of Advanced Conventional Weaponry,“ in: Joachim Krause/Frank Umbach (eds.), *Perspectives of Regional Security Cooperation in Asia-Pacific: Learning from Europe or Developing Indigenous Models?*, (Bonn, DGAP, Arbeitspapiere zur Internationalen Politik No. 100, September 1998), pp. 43-69.

on a code of conduct to prevent any direct confrontation over the Spratly islands<sup>99</sup> which was signed in November.<sup>100</sup> New multilateral security discussions and confidence building measures initiated since 1994 in the framework of ARF and CSCAP notwithstanding, China has not given up its claims to almost the entire South China Sea.

Moreover, despite signs of solidarity emerging within ASEAN when China tested its political will in 1995 and 1997, Beijing's efforts to pursue its strategy "at limiting alliances forming against it have been remarkably successful, particularly during the period they needed this success most: in establishing a physical presence in the Spratlys and gaining some recognition of the legitimacy of China's sovereignty."<sup>101</sup> And indeed, China has rather successfully frustrated the attempts made by some ASEAN countries to internationalise the dispute, insisting on exclusively bilateral negotiations which provide the PRC with considerable strategic leeway vis-à-vis its much weaker opponents.

*Escalating Conflict between China and the Philippines since 1998 and the Perspectives for a Regional Code of Conduct for Crisis Management and Conflict Prevention*

China's more recent policies in the South China Sea have confirmed the assumption that the PRC follows a dual track strategy of, on the one hand, "creeping occupation" to create *faits accomplis* in the South China Sea and, on the other, diplomatic appeasement vis-à-vis ASEAN. In mid-April 1998, three Chinese ships provocatively anchored in the vicinity of a Vietnamese-garrisoned area of the Spratlys. In August 1998, the Philippine Air Force discovered four Chinese ships anchored near the Philippine-claimed Scarborough Shoal. This prompted a rapid response by US Navy and Philippine naval vessels in the guise of a live firing exercise in the vicinity of the shoal.<sup>102</sup> Finally, on 28 October 1998, aerial reconnaissance by the Philippine Air Force have showed that China had recently completed new hardened structures on Mischief Reef, which is much closer to the Philippines than it is to China. These structures included fortified three storey-buildings, a new pier, an observation post, a military command centre, gun emplacements, and radar facilities at four different

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99 Quoted from Yann-huei Song, „The US Policy on the Spratly-Islands and the South China Sea,“ *Indonesian Quarterly* No. 3 (1997), pp. 316-34 (331).

100 Craig A. Snyder, „Building Multilateral Security Cooperation in the South China Sea,“ in: *Asian Perspective*, Vol. 21, No. 1 (Spring-Summer 1997), pp. 5-36 (26).

101 Chris Roberts, „Chinese Strategy and the Spratly Islands Dispute,“ p. 25.

102 See JIR (October 1998), p. 2.

sites. A helipad was still under construction. The reef was guarded by Chinese naval ships and anti-aircraft artillery. The new facilities looked like fortifications, similar to, but bigger than those China already had on Chigua and Fiery Cross reefs.<sup>103</sup> According to most other Northeast and Southeast Asian states, this represented a clear violation of the previously agreed-to preservation of the status quo. Beijing's irresponsible and intimidating action has thus further undermined ASEAN's proposals for confidence building and regional security in the frameworks of ARF and CSCAP activities.

In response, the Philippine armed forces, comprising the weakest navy and air force in Southeast Asia, was ordered by President Joseph Estrada to boost its presence in the area with the deployment of additional vessels and reconnaissance aircraft. A major deployment of Philippine marines to Palawan and the Spratlys was reportedly under preparation.<sup>104</sup> Moreover, the Philippines navy detained 20 Chinese fishermen in the vicinity of Mischief Reef. Thereupon, Beijing warned Manila not to escalate the existing state of tension and to release the fishermen and six impounded vessels. On the occasion, the PRC reaffirmed its "indisputable sovereignty over the islands and the seas around them."<sup>105</sup> Unable to confront China militarily and to make any difference except by continuing to talk with the Chinese side and trying to get international public opinion behind it, Estrada pushed the January 1998 VFA with the US through ratification. The agreement provides for joint large-scale exercises between US and Philippine forces on Philippine soil and in the region.<sup>106</sup> Although China subsequently promised not to build any new structures in the Spratly islands, more renovation work as the Chinese side called it cannot be ruled out in the light of previous experiences. Although China has repeatedly offered "joint development, including fisheries development and exploitation on an equal sharing basis,"<sup>107</sup> realisation of such proposals remains dependent upon the readiness of the Philippine side to accept China's territorial sovereignty over the Spratly Islands. In the meantime, other regional countries have practised resource sharing in areas of overlapping claims to their mutual benefit.

Even more important for Beijing's strategy of "calculated ambiguity" was the timing of China's renewed aggressiveness.<sup>108</sup> Already in the past, China had consis-

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103 Rigoberto Tiglao et al., „Tis the Season,“ FEER (24 December 1998), pp. 18-20, and Michael Richardson, IHT (14 December 1998).

104 Trevor Hollingsbee, „China Moves in on Mischief Reef,“ JIR (January 1999), p. 5.

105 Quoted from Michael Richardson, IHT (2 December 1998), p. 4.

106 See Peter Montagnon/Tony Tassell, FT (11 March 1999), p. 4.

107 Mario B. Casayuran, *Manila Bulletin* (31 March 1999).

108 See also Michael Richardson, IHT (2 December 1998), p. 4. and Rigoberto Tiglao et al., „Tis the Season“.

tently moved to reinforce its maritime claims towards others at times when the latter were weakened. Many regional observers have interpreted this behaviour as another indicator for the extent to which the balance of power and influence has shifted in China's favour since the onset of the region's economic crisis which weakened ASEAN economically, militarily, and politically. Furthermore, construction activities on Mischief Reef were resumed shortly before the annual APEC conference on 17 November 1998, during which China pledged funding for ailing Asian economies, and ASEAN's December summit in Hanoi. Therefore, and with public attention focused on the severe socio-economic and political crisis at home, the Philippines, unlike in 1995 and 1997, this time were unable to mobilise strong political support of its ASEAN partners. Once again, China's provocative policy in the Spratly Islands thus revealed the increasingly asymmetric power relations between China and the five other claimant states. Contrasting with the Diaoyu(tai)/Senkaku Islands dispute with Japan, rival claimants to the Spratly Islands have much less economic leverage over China that could constrain Beijing's assertive policies of "creeping occupation". The result has been opportunistic and sometimes aggressive Chinese behaviour,<sup>109</sup> a pattern that reemerged in early 1998 when China built satellite relays stations on a group of islands over which Vietnam also claims sovereignty.<sup>110</sup>

Decreasing ASEAN solidarity could even more than China's provocative behaviour have significant long-term security implications for the Association and regional stability. Kowtowing to China's increasing assertiveness risks encouraging more dangerous behaviour. Revealing a striking lack of strategic understanding, ASEAN's Secretary-General Rodolfo Severino stated in late 1998: "We have bigger problems to deal with, particularly the economy."<sup>111</sup> As Ralph A. Cossa has concluded: "The message to China is that further expansion will not be seriously protested, much less contested. This is a recipe for potential disaster."<sup>112</sup> Indeed, in a context of "crisis management" and "preventive diplomacy", ASEAN's failure to confront China might increase rather than decrease prospects for further miscalculation on both sides. In this regard, China's ongoing provocative behaviour and future Philippine or Vietnamese counter- and overreactions constitute an "accident waiting to happen" that might trigger an otherwise unintended escalation.

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109 See also Erica Strecker Downs/Phillip C. Saunders, „Legitimacy and the Limits of Nationalism. China and the Diaoyu Islands,“, *International Security*, Vol.23, No. 3 (Winter 1998/99), pp. 114-46, in particular pp. 140 f.

110 See ADJ No. 4 (1998), p. 102.

111 Quoted from Tiglao et. al., „Tis the Season,“ p. 18.

112 Ralph A. Cossa, „Mischief Reef: A Double Betrayal,“ *PacNet Newsletter*, No. 49 (22 December 1998).

This trend is further reinforced by increases in competing commercial and military activities and the easy availability of new military hardware, as well as China's lack of recognition of the risks resulting from a unilateral "creeping occupation" that changes the status quo in the region. An unexplained 1996 clash between the Philippines navy and suspected Chinese gunboats 120 kms northwest of Manila, for instance, is just one example of such inadvertent naval confrontations.<sup>113</sup>

In this context, it is important to understand that it is not only the Chinese notion of territorial sovereignty that appears outdated in an era of globalisation. Even political reformers and dissidents have defended China's "national interest" in the South China Sea and its territorial claims as a "sacred duty."<sup>114</sup> In their view, China's territorial claims are basically "non-negotiable" and the use of force as an instrument of foreign policy and tool of coercion to achieve political objectives in the South China Sea cannot be excluded.<sup>115</sup> At the same time, Beijing remains opposed to submitting any claims to the International Court of Justice or the International Tribunal for the Law of the Sea as demanded by the Philippines and other ASEAN countries.<sup>116</sup>

For the Philippines, it is even more disconcerting that ASEAN partners such as Malaysia and Vietnam have been following unilateral strategies which risk undermining ASEAN's political cohesion. Malaysia's recently built infrastructure, for instance, for the purpose of "scientific studies on fisheries and the deep sea" on the Investigator (Peninjau) and Erica (Sipit) reefs in the Spratly island chain, which are equipped with a radar antenna and a helicopter landing pad, has provoked strong protests in both Beijing and Manila and has thus further undermined a common ASEAN position vis-à-vis China. Taiwan, by contrast, in November 1999 said it would exchange its marines on the Pratas (Tungsha) and Spratly (Nansha) islands as well as on two other major front-line islands groups in the Taiwan Strait (Kinmen and Matsu) for coast guards.<sup>117</sup> In February 2000, the actual control of *Pratas* and *Tai ping* was shifted from the defence ministry to the Coast Guard Administration (CGA). At the same time, however, Taiwan adopted comprehensive measures – including implementation of an "Ocean Policy White Paper" and construction of

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113 Ralph A. Cossa, „Security Implications of Conflict in the South China Sea: Exploring Potential Triggers of Conflict,“ *PacNet Newsletter*, No.16 (17 April 1998).

114 See the interview with political dissident *Wei Jingsheng*, *Die Welt* (29 March 1999), p. 8.

115 See also Tim Huxley „A Threat in the South China Sea,“ p. 116.

116 See Michael Richardson, IHT, (22 November 1999), p. 5.

117 „Taiwan Unable to Defend Pratas, Spratly: Defence Minister,“ *Central News Agency* (24 November 1999; <http://taiwansecurity.org/CNA/CNA-991124-Unable-Defend-Spratlys.htm>), and „Taiwan to Withdraw Troops from Islands Near China: Report,“ *Agence France Presse* (28 November 1999, <http://taiwansecurity.org/AFP/AFP-991128-Withdraw-Troops.htm>).



harbours on the abovementioned islands – to consolidate its legal claims. Taipei is also considering opening up Pratas to tourism and to contract passenger shipping corporations for the transport and accommodation of tourists.<sup>118</sup>

Feeling betrayed by China and by its own ASEAN partners,<sup>119</sup> the Philippines saw no other alternative than strengthening their defence cooperation with the US and resumed large-scale joint military exercises with Washington.<sup>120</sup> In the meantime, President Estrada sought the help of Filipino-Chinese businessmen to find a *modus vivendi* with China and even suggested holding sports competitions among all claimants on one of the Spratly Islands, but this "soccer diplomacy" and bilateral contacts with China only resulted in a "dialogue of the deaf". On the one hand, Beijing in 1999 repeatedly promised self-restraint, on the other, the PRC repeatedly rejected Philippine demands for a commitment not to build new structures. Beijing also refused to tear down the newly-built infrastructure on Mischief Reef.

Meanwhile, the Philippine's 15-year military modernisation programme remains a subject of ongoing dispute due to a lack of funds and complex bureaucratic procedures. President Estrada has relaunched the programme with an initial investment of only six billion pesos (US\$ 157.9 million). Nonetheless, Manila is considering acquiring *Perry*-class and *Knox*-class frigates in the framework of transfers on a grant basis of excess military equipment from the US. The frigates in question would be the largest ships ever deployed by the Philippines navy.<sup>121</sup>

In 1999, the conflict between the Philippines and China escalated further when the Philippines navy sunk two Chinese fishing boats in May and June, respectively, after having fired warning shots and chased the intruders.<sup>122</sup> Officially, both events were described as "accidents" in Manila. Following strong protest from Beijing, the Philippine government promised to review the procedures for patrolling disputed areas in the South China Sea so as to prevent further sinkings of foreign ships. At the same time, however, Manila indicated its readiness to follow the examples of China and Malaysia by reinforcing its own infrastructure in the seven islands it has occupied in the Spratlys.<sup>123</sup> On May 9, a Philippine naval ship was grounded on a

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118 Cheng-yi Lin, *Taiwan's Current South China Sea Policy* (Taipei: Academia Sinica, April 2000).

119 See also Cossa, „Mischief Reef: A Double Betrayal“.

120 See also Ian Storey, „Manila Looks to USA for Help over Spratlys,“ JIR (August 1999), pp. 46-50; Micool Brooke, „Future of US-Philippines Mutual Defense Treaty,“ ADJ, No. 6 (1999), pp. 6-11, and Richard D. Fisher, Jr., „Rebuilding the US-Philippine Alliance,“ in: *Background* (Heritage Foundation, 22 February 1999).

121 See ADJ, No. 7 (1999), p. 62.

122 *Reuters* (Manila, 20/ 21 July 1999).

123 See ADJ, No. 8 (1999), p. 55.

reef near Second Thomas Shoal. When two Chinese frigates approached the Philippine vessel six days later, instead of offering any assistance, they allegedly tried out their guns in a perceived "hostile act."<sup>124</sup> At that time, President Estrada had already canceled a visit to Beijing scheduled for May.

In October 1999, Vietnamese troops on a Spratlys shoal claimed by Manila fired warning shots at a Philippine Air Force reconnaissance plane.<sup>125</sup> When another Philippine naval ship ran aground on November 3, China reportedly became suspicious and considered the possibility of these groundings being a new tactic designed to advance Philippines' claims in the disputed area.<sup>126</sup>

China has mostly succeeded isolating the Philippines by cultivating closer economic and political relations with other ASEAN countries. But since summer 1999, the Philippines and other ASEAN states have tried to manage territorial conflicts in the South China by drafting an ASEAN code of conduct as a CBM and by exercising "self-restraint and refrain from unilateral actions" that might increase tensions. Manila had hoped that the code would deter China from building more structures in other parts of the disputed island chain. Even more important was the expectation that the code of conduct would restore ASEAN unity in dealing with sovereignty and maritime disputes in the South China Sea, thus strengthening ASEAN's collective leverage to constrain China's "creeping assertiveness" in the area. During the first half of 1999, the idea was discussed and endorsed in both "track one" (ASEAN summit, AMM and ARF) as well as "track two" (CSCAP, Workshop on Managing Potential Conflicts in the South China Sea) meetings. In August 1999, the Philippines presented a draft code on behalf of ASEAN; Beijing came out with its own version in October. Both drafts were discussed at the ASEAN-China meeting held in Manila in November 1999. On that occasion, the PRC refused to consider the Philippines draft but agreed to hold further discussions. Unlike the ASEAN document, the Chinese version did not contain an appeal to claimants to refrain from settling or erecting structures on presently uninhabited islands, reefs, shoals, cays, and other features in the disputed area. Both China and Malaysia then tried to delay procedures by arguing against a "hasty drafting" of the document and by insisting that they required a bilateral code of conduct.<sup>127</sup> Moreover, the PRC has made its

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124 Carlyle A. Thayer, „Some Progress, along with Disagreements and Disarray,“ *Comparative Connections* (2nd Quarter 1999), p. 3.

125 See „China Says not Ready to Sign Spratlys Code of Conduct,“ *Agence-France-Presse* (23 November 1999).

126 Carlyle A. Thayer, „China Consolidates Long-Term Regional Relations,“ *Comparative Connections* (4th Quarter 1999), p. 2.

127 See IHT (24 November 1999), p. 5.

signature contingent on the acceptance of three proposed CBMs: (1) notification of any joint military exercises held in disputed areas (where Beijing does not risk having to reciprocate), (2) attendance by Chinese officials as observers at joint exercises, and (3) humane treatment for arrested fishermen. Ultimately, however, China is determined to see an end to any joint military exercises and military operations around the Spratly Islands and thus to prevent any US interference in this or other bilateral conflicts in the region.<sup>128</sup> Furthermore, Taiwan as one of the claimants and an important financial contributor to many cooperative projects, following PRC pressure, has not been invited to participate in the formulation of the code of conduct. This omission is shortsighted and counterproductive for all other claimant states, because it leaves Taipei with ,much room for maneuvering in its future activities in the South China Sea.<sup>129</sup>

In the meantime, ASEAN agreed to two major revisions to the Philippine draft. First, the definition of disputed areas was adjusted to comprise of both the Spratlys and the Paracel Islands, as Hanoi's dispute with China covered both archipelagoes. China, by contrast insists that the code should be applied only to the Spratly Islands. Secondly, exploration and exploitation of resources in disputed areas was deleted from the list of potential areas of cooperation.<sup>130</sup> It is not only China, but also Vietnam and the Philippines who remain reluctant to enter into any joint development projects before territorial disputes are resolved. In the meantime, more discussion is required to finalize the text. Once adopted, such a code could help to build trust, enhance cooperation, and reduce tension in the Spratlys. However, it would be naive and unrealistic to believe that it would contribute to resolving territorial disputes in the South China Sea. In the past, China has signed bilateral codes of conduct with the Philippines (August 1995) and Vietnam (November 1995), without abiding by the very principles spelled out in these agreements. Neither the above-mentioned codes nor Beijing's signing of the UN Charter of the Law of the Sea (UNCLOS) in April 1996 have deterred the PRC from extending the structures it had previously built on disputed islands in the South China Sea. Furthermore, agreements such as the newly-proposed regional code of conduct are declarations of intent rather than legally binding instruments.

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128 See *NAPSNET Daily News* (16 March 2000).

129 Cheng-yi Lin, *Taiwan's Current South China Sea Policy*.

130 On differences between the ASEAN and China versions of a regional code of conduct see Yann-huei Song, *Regional Code of Conduct in the South China Sea and Taiwan's Stand* (Taipei/Nankang, Academia Sinica, Institute of European and American Studies, April 2000), and Carlyle A. Thayer, „China Consolidates Long-Term Regional Relations,“ p. 4.

As long as ASEAN shies away from collectively confronting China as had been the case in 1995 and 1997, Beijing will hardly feel prompted to halt its "creeping assertiveness" in the South China Sea.<sup>131</sup> Significantly, the PRC has also offered to sign the protocol to the Southeast Asia Nuclear Weapons-Free Zone Treaty (SEANWFZ) – provided that it does not cover Exclusive Economic Zones (EEZs) and continental shelves in the Asia-Pacific region.

During the first months of 2000, the situation has not improved significantly. Chinese fishing vessels are still fishing in the vicinity of Scarborough Shoal, and Chinese aircraft have been spotted flying over the Philippines' territorial waters. This has resulted in new Philippine attempts to force PRC fishing boats to leave and in new diplomatic protest by Manila.<sup>132</sup>

Against this background, the US attempt to stay neutral for as long as the freedom of navigation is guaranteed and SLOCs remain open and to otherwise adhere to an excessively legalistic interpretation has provided China with opportunities to skillfully advance its "creeping assertiveness" by playing on legal ambiguities reinforced by US policies. In the meantime, certain experts and policy circles in Washington have become more concerned about the present situation.<sup>133</sup> Obviously, future US policies towards the South China Sea remain critical for stability in the entire Southeast Asian region.

### **Perspectives of the Asia-Pacific Region: A Shifting Balance of Power? – Implications for Regional Stability and the Role of Europe**

Despite the fact that the US has retained 100,000 troops in the Asia-Pacific region as evidence of its commitment, human right concerns, a new "donorgate" scandal, and other domestic issues, as well as concerted Western policies devised to punish Burma, in late 1997 seemed to have driven Southeast Asian countries closer to China and Japan.<sup>134</sup> Washington's rather muted response to the regional economic crisis had added to old suspicions and fuelled conspiracy theories and anti-American sentiment. It was particularly the slow speed of the US response to the crisis (which had far-reaching impacts on Southeast Asian domestic and foreign policies, as well

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131 See also Rigoberto Tiglao, „A Storm at Sea,“ FEER (9 December 1999), pp. 24-25, and Michael Richardson, IHT (29 November 1999), p. 5.

132 „Chinese Aircraft Seen over South China Sea Shoal: Philippines,“ *Agence France-Presse* (23 January 2000), and *NAPSNET Daily News* (5 February 2000). On Beijing's view see „Nachrichten aus dem Außenministerium,“ *Beijing Rundschau* No. 8 (2000), pp. 13-4 (13).

133 Personal communication with *Ralph A. Cossa* of the Pacific Forum in October 1999.

134 See also Michael Vatikiotis, „Pacific Divide,“ FEER (6 November 1997), pp.14-16.

as the political stability of Indonesia and relations among ASEAN members) that made it possible for China to strengthen its influence at the expense of the US and as a counterweight to the US-Japan alliance. Compared with other regional players, the PRC in 1997/98 appeared to be relatively stable in both political and economic terms. Moreover, Beijing had launched a diplomatic campaign to fashion a modern version of the Middle Kingdom in the region. This included a US\$ 1 billion contribution to the IMF's rescue packages for Thailand and Indonesia.<sup>135</sup> It looked as though the balance of political influence had increasingly tipped in favour of China which was trying to capitalize on ASEAN's weakness and Japan's lack of leadership as well as its inability to abandon its "virtual crisis response policies."<sup>136</sup>

At the beginning of the crisis, Japan had appeared to be a more promising economic ally. Later, however, and a US\$ 30 billion rescue plan for Southeast Asia notwithstanding, Tokyo's bureaucratic and political elites showed serious weaknesses in dealing with their own homemade crisis.<sup>137</sup> Given the lack of Japanese leadership and Washington's initially slow response to the financial and economic crisis as well as its inability to communicate without raising suspicions, it looked as though economic woes were compelling Asia-Pacific countries to forge closer relations with China. One indicator for such a strategic shift was the so-called "imperial intrigue" between Malaysia's Prime Minister Mahathir Mohamed and China's Premier Li Peng that transpired on the occasion of the first annual East Asian (ASEAN-plus-three) summit meeting in December 1997. Furthermore, from an American point of view, China and ASEAN were trying to foster a sense of unity by excluding the US.<sup>138</sup>

In reality, however, neither Japan nor China have replaced the US as a stabilising force, principal balancer, and "benign hegemon" in the region, nor will they do so in the foreseeable future. China certainly has the political will to take over this role, but it still lacks the economic power to assume Japan's role as an economic leader. The Japanese economy is six times that of China and accounts for more than 70 percent of total East Asian economic output and purchasing power. Moreover, Tokyo

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135 See TKH (16 December 1997), p. 12.

136 The term "virtual policy" has been used by US Deputy Secretary of the Treasury *Lawrence Summers* to criticise Japan's reluctance to stimulate the economy – see Nicholas D. Kristof, IHT (14-15 February 1998), pp.1/13 (13). See also Heribert Diether/Richard Higgott, „Verlierer Japan, Gewinner China?“, in: *Internationale Politik* No. 10 (1998), pp. 45-52.

137 See also Sheryl Wu Dunn, IHT (13 March 1999), pp.1 and 4. On some positive changes with regard to deregulation, consumer needs, and foreign investment, see Clyde Prestowitz, FT (4 March 1999), p. 10.

138 See Michael Vatikiotis/Murray Hiebert/Matt Forney, „Imperial Intrigue,“ FEER (11. September 1997), pp. 14-15; James Kynge, FT (25 August 1997), p. 3, and Shoichi Kobayashi, TKH (30 September 1997), p. 6.

contributed US\$ 80 billion altogether towards coping with the Asian financial crisis, whereas Beijing provided only 1 billion.<sup>139</sup> Meanwhile, the PRC itself has been infected by the regional crisis, albeit in rather different ways. China is confronted with a looming financial and banking crisis and a potentially more severe socio-economic destabilisation cum political crisis in the mid-term perspective. Over the next few years, Beijing will be confronted with unprecedented socio-economic challenges that could severely impact on the stability of the PRC's political system (i.e. widespread corruption or the spread of religion-based movements such as *Falun Gong* or *Zhong Gong*). China is also suffering from widespread unemployment with 100-130 million people (about the size of the population of Japan) which is bound to further increase. Whereas corruption has become endemic, economic progress has been increasingly uneven among southeastern coastal provinces on the one hand and interior rural areas on the other. Combined with recent protectionist trends, slower growth in export markets, lower product prices, and increasing competition from Latin America, pressures to devalue the *renminbi* and to subsidise exports could increase, a development that can ultimately threaten China's WTO accession.<sup>140</sup> It could also result in Chinese attempts to wrest market shares from its Southeast Asian neighbours, which in turn would lead to new economic and political conflict between Beijing and ASEAN. At the same time, China's self-image as an "unsatisfied power" provides a striking contrast with the economic and military realities of an "incomplete great power."<sup>141</sup> Some Chinese economists have already concluded that "China has turned from a regional stabilizer to a regional risk factor."<sup>142</sup> But regional foreign policies are considerably driven by perceptions. And here one can identify a perceptual gap existing in East Asia between the objective assessment of China's political, economic, and military prowess on the one hand and perceptions of a PRC rising to dominant power status on the other. Even those Asian experts who have concluded that the US rather than China is the political "winner"

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139 Japan is the world's second-largest economy after the US, producing 15% of the world's GDP.- US-Japan trade totals almost US\$ 200 billion per year – i.e. three times the volume of US-China trade. US exports to Japan are 5-6 times larger than exports to China. On these economic indicators and Japan's indispensable role for US economic, political, and security interests see also Peter Brookes, „Don't Bypass Japan,“ *Pac Net Newsletter*, No. 26 (26 June 1998).

140 Henny Sender, „Trade Winds. China Export Drive Could Trouble Struggling Neighbours,“ *FEER* (25 February 1999), pp. 17-9.

141 Gerald Segal, „Does China Matter?“ *Foreign Affairs* (September-October 1999), pp. 24-36; Robert Dujarric, „No Solid Foundations: China's Prospects of Becoming a Great Power,“ *Internationale Politik und Gesellschaft* (IPG), No. 3 (1997), pp. 276-90. For a more optimistic view see Margot Schüller, „Chinas Wirtschaftsentwicklung im Zeichen der Asienkrise,“ *China aktuell* (February 1999), pp. 150-9.

142 Quoted from Henny Sender (fn. 140), p. 17.

of the present East Asian financial and economic crisis ask for how long that state of affairs can be maintained before Beijing replaces Washington.

And yet, criticism directed at the US and the West in general by some ASEAN countries after the outbreak of crisis in the summer of 1997 was often very ambivalent and unconvincing. When outside help was offered, it was initially turned down because it did not represent an "Asian solution to Asian problems". As Gerald Segal has critically concluded: „Many of the Southeast Asians who used to deride the Americans and Europeans as powers in decline now complain that Westerners are not doing enough to assist them. ... The moaners in Southeast Asia are the most infuriating – the biggest free-riders on American deterrence of China and defence of the global economy, and yet the quickest to carp.“<sup>143</sup>

Furthermore, as Malaysian security expert Joon Num Mak reminded the regional players, „the „ASEAN way“ was effective in managing sub-regional tensions only because there was a security umbrella provided by the USA which look after the main external threats to the region.“<sup>144</sup> The criticism made by some of the ASEAN states thus provided a striking contrast to the central economic and political role the US played in the framework of international organisations for working out specific rescue plans. Furthermore, in the security field, the US as a "status quo power" had expanded its military-to-military cooperation not only with Japan, South Korea, and Taiwan but also with ASEAN countries such as Singapore, Thailand, and the Philippines. Maintaining the forward presence of the US armed forces in the Asia-Pacific has been facilitated by activities such as port calls, repair, joint training, and logistical support.<sup>145</sup> In sum, Southeast Asia's economic, political, and military-strategic dependence on the US has increased rather than declined as a result of the multiple crises affecting the region.

While ASEAN has been very successful in developing informal approaches of cooperation and in avoiding conflict, it has also been able to increase its political and economic leverage over the last ten years despite its inherent diversity and due to its remarkable economic growth and its increasing intra-political and economic cooperation. Nonetheless, external factors will continue to considerably influence the stability and future prosperity of ASEAN states. Therefore, the amount of leverage the ASEAN countries have to enable them to organize a peaceful transition

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143 Gerald Segal, IHT (2 December 1997), p. 8.

144 Joon Num Mak, „The Asia-Pacific Security Order,“ in: Anthony McGrew/Christopher Brook, *Asia-Pacific in the New World Order* (London-New York: Routledge, 1998), pp. 88-120 (114).

145 See also Secretary of Defense, *The United States Security Strategy for the East Asia-Pacific Region* (Washington, Department of Defence, 1998) and Don Flamm, „Is US Overseas Presence Still Important for Asia?“ ADJ, No. 8 (1998), pp. 6-11.

within member countries and the entire region also depends on the preservation of stable and peaceful relations between the US, China, and Japan. However, both the crisis and ASEAN's inability to build an alliance to defend members' territorial claims against China have undermined the political cohesion of the Association and thus weakened its leverage vis-à-vis Beijing.

Some sympathy with China's opposition to US pressure notwithstanding, ASEAN has always been careful not to openly side with the PRC in calling for a withdrawal of US forces from East Asia. If it agrees with China's project to build a multipolar world, then it is for different reasons. Several ASEAN countries have held joint exercises with the US and have allowed the 7<sup>th</sup> Fleet to use their repair and other facilities. Bilateral defence arrangements of individual ASEAN members with external powers such as the UK, Australia, and the US have been strengthened in recent years because of perceived Chinese hegemonial ambitions. However, each ASEAN country takes a different attitude towards China's attempts to assume a dominant or hegemonial role. Moreover, important as ASEAN's "constructive engagement" policies towards China may be, the development of Beijing's policies in the region primarily depend on the evolution of PRC domestic politics, over which China's neighbours have little or no direct influence.

Whereas China is being perceived by all ASEAN countries – albeit to different extents – as the major potential long-term threat to regional stability, Japan is being viewed in more positive terms at least for as long as Tokyo does not totally dominate regional economies, accepts partners as equals, and does not unilaterally extend its military role to Southeast Asia. Also whereas the PRC's power has been growing and ASEAN has occasionally made use of Japan as a countervailing power to China's military might, Tokyo itself has been eager to enhance cooperation and dialogue with ASEAN. However, Members' cautious response to the 1997 "Hashimoto-doctrine" indicated that a more prominent Japanese role in the security of the region would be the result of domestic developments and US support rather than of attitudes taken by neighbouring countries. Given Japan's domestic and external constraints to assume such a role anytime soon, Tokyo's political options as a "constrained power" in dealing with volatile and politically charged challenges remain limited by a combination of domestic and external factors. Therefore, Japan's government would require a strong political will to accept new security obligations and to initiate a broader and open security debate with its own public so as to give new directions to its foreign and security policies. As has been the case with ASEAN's relation with China, the relationships and attitudes of ASEAN members vis-à-vis Japan have differed somewhat, including specifically the question whether and to what extent Tokyo should shoulder more regional and international



obligations in the field of security. Although there is recognition in ASEAN of Japan's important contribution to the region's economic growth and political stability, views of a larger Japanese political and security role remain largely ambivalent.

Nonetheless, by its own standards, Japan is in the midst of a "revolution" in terms of its future regional security and defence policies. In February 2000, the Japanese foreign ministry announced that Tokyo would be willing to contribute armed coastguard vessels to multinational anti-piracy patrols in the Malacca Straits.<sup>146</sup> Japan has thus interpreted its constitutional notion of "self-defence" as including waters more than 2,000 miles away from Tokyo. The steady extension of the defence perimeter mirrors the strategic importance of SLOCs and the South China Sea for the economic survival of Japan as well as the increasing strategic and geopolitical rivalry with China in East Asia and beyond. The October 1999 hijacking of a large Japanese vessel by pirates and increasing economic and political instability in Indonesia have underscored the need for outside assistance to cope with the threat of piracy in the region. To counter historical anti-Japanese sentiments and mistrust in Southeast Asia, Japan will dispatch less-conspicuous, civilian-controlled coastguard vessels of its Maritime Safety Agency instead of regular military vessels of its Self-Defence Forces. Contrasting with past practice, several Southeast Asian governments have accepted the offer, thus also signalling a concern with maintaining the regional balance of powers. India, too, appears determined to counterbalance China's increasing influence and has established an informal but deepening security-cooperation with Japan and Vietnam.<sup>147</sup>

Tokyo's ongoing search for a future role in the region, presently reflected in an unprecedented debate over the possible revision of the anti-militaristic and pacifistic Article 9 of the Japanese Constitution,<sup>148</sup> is a sign that Japan has been slowly coming to grips with a reality it used to deny: "It (Japan) is a great power with strategic interests as pressing as its economic ones."<sup>149</sup>

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146 See Nayan Chanda, „Foot in the Water,“ FEER (9 March 2000), pp. 28-9, and „Japan Proposes to Patrol the Strait of Malacca,“ *Stratfor.com* (18 February 2000), (<http://stratfor.com/asia/commentary/00021180030.htm>).

147 Nayan Chanda, „After the Bomb,“, FEER (13 April 2000), p. 20.

148 *Article 9* says: „... *the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea and air forces as well as other war potential will never be maintained. The right of belligerency of the state will not be recognized.*”

149 Quoted from „Forging a New Japan,“ *Stratfor.com* (22 February 2000, <http://stratfor.com/SERVICES/GIU/FORCAST/weekly.asp>).

Given lingering mistrust in the region as well as fears that a more proactive Japanese role could complicate ASEAN's relations with China, Tokyo can only assume more responsibility by maintaining its alliance with Washington and abstaining from unilateral approaches. Even then, Japan's role will increase and evolve only gradually and incrementally. Nonetheless, Japanese experts have indicated that possible future security assistance might include the transfer to ASEAN countries of military equipment and technologies, as well as the training of ASEAN military personnel and development of close bi- and multilateral security consultations,<sup>150</sup> projects that are not altogether new.

Against this background, and given China's suspicion of a redefined US-Japan alliance, Washington and Tokyo need to demonstrate that their pact aims to preserve regional peace and stability rather than contain the PRC. In this respect, and considering Japan's repeated efforts to involve Beijing in closer bi- and multilateral security dialogues, ASEAN can play a useful role in reassuring China that the redefinition of the alliance is in the interest of the entire region and not specifically directed against China. Beijing, in turn, has to recognise that disputes with Taiwan are an internal matter only as long as they do not turn violent and affect the security interests of other neighbouring countries.

Ultimately, however, regional stability will depend on a strong and sustained US engagement, including the maintenance of substantial political, economic, and military means as well as stability in the Japan-China-US triangle at a time when all three operate from positions of relative strength. China's future internal stability and the direction of its foreign policies as well as ASEAN's political coherence (particularly following admission of Laos, Myanmar, and Cambodia) will largely determine to what extent the Association will be able to raise its voice in the region and on the global level. The more China follows an assertive or even aggressive policy as it has in the South China Sea, the more ASEAN's relations with third parties, namely the US and Japan, will again assume a greater importance. And the more ASEAN becomes dependent on these two powers, the more it will ultimately obstruct or reduce its own independent influence in the region and beyond. In such circumstances, the Japan-China-US triangle would acquire even greater importance for the stability of the entire Asia-Pacific region. Therefore, Washington's bilateral alliances, supplemented by multilateral security structures such as ARF, CSCAP, and other "track-two" activities, will remain the bedrock of regional stability, particularly so during times of socio-economic and political transition and the rise of

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150 See, for instance, Makio Miyagawa, „Japan's Security and Development Policy for Southeast Asia," *Japan Review of International Affairs* (JRIA, Spring 1996), pp. 158-168.

China to a potentially unprecedented economic, political, and military power in the region.<sup>151</sup> In this context, the US-Japan alliance will remain the linchpin of ASEAN's stability; Japan's security in general; and preservation, for the time being, of Japan's, South Korea's and Taiwan's non-nuclear weapon status.<sup>152</sup>

Against this background, Europe should ask herself whether it makes sense to continue a traditional foreign policy vis-à-vis the Asia-Pacific region that is almost exclusively defined by economic interests. This would run counter to the EU's "Common Foreign and Security Policy (CFSP)" and strategic security interests in the region and worldwide. In this context, Europe still has to recognize that instability or armed conflict on the Korean Peninsula, in the Taiwan Strait, and in the South China Sea will both directly and indirectly affect European and global security and stability. Therefore, it is time to define Europe's strategic and security interests in the region as going beyond the present limited functional involvement in support of KEDO and multilateral "track one" and "track two" security meetings such as ARF and CSCAP.

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151 See also Frank Umbach, „ASEAN und die regionale Kooperation im asiatisch-pazifischen Raum,“ in: Wolfgang Wagner et. al. (eds.), *Jahrbuch Internationale Politik 1995-96* (München: R. Oldenbourg Verlag, 1998), pp. 270-278.

152 Frank Umbach, „The Future of the U.S.-Japanese Security Alliance“, in: Manfred Mols/Jörn Dosch (eds.), *International Relations in the Asia-Pacific. New Patterns of Interest, Power and Cooperation* (LIT-Verlag; forthcoming).