
**EPILOGUE: SOME ADDITIONAL QUESTIONS AND
IMPLICATIONS**

The preceding chapters provide a broad context for responding to four general questions raised for RAND consideration by U.S. Army planners and decisionmakers:

- Will Asia's economic problems make the countries of the region more bellicose or more peaceful in the years to come?
- Will such economic problems encourage or set back prospects and institutions, including the Association of Southeast Asian Nations (ASEAN) Regional Forum, concerned with military cooperation in the region?
- How will and how should burden-sharing agreements be affected?
- Will Asia's economic problems undermine or support the U.S. Army's presence in the region in general, and in South Korea in particular?

These questions span an enormously wide range, and the link between answers and our preceding quantitative analysis is imprecise and, in some instances, tenuous. Nevertheless, the brief review and assessment in Chapter Two of East Asia's economic turmoil in 1997–1998, the forecasts of longer-term economic and military trends in Chapters Three and Four, and the efforts in Chapter Five to link these trends to the region's future balance of forces and security environments provide relevant background for responding to these questions.

BELLCOSITY OR AMITY IN THE ASIAN REGION?

Prior to the Asian financial crisis in 1997, the economies and societies of most of the East Asian countries exhibited a burgeoning sense of progress and self-confidence. China and the four Asian “Tigers” (Korea, Taiwan, Hong Kong, and Singapore) had maintained for a decade the world’s highest economic growth rates. One of them, Korea, had gained membership in the OECD (Organization for Economic Cooperation and Development) “club” of advanced, wealthy industrialized countries. Three other countries in the region—Indonesia, Thailand, and Malaysia—appeared to be well under way in catching up to the initial cohort of Asian Tigers.

The abruptness and severity of the financial crisis after the collapse of the Thai baht in mid-1997 administered a harsh shock to this self-confidence, revealing the fragility of the Tigers’ economies, their exposure to the volatility of international markets, and their dependence on external sources of finance. To a significant albeit unmeasurable extent, the rise of self-confidence that pervaded the region before 1997 has been replaced by a sense of vulnerability in the present and uncertainty about the future. As suggested in Chapter Two, the crisis itself is over, and distinct signs of recovery in the region are evident, although not conclusive. Nevertheless, the region’s mood and *zeitgeist* is one of caution and restraint.

Although the financial crisis highlighted the vulnerability of the Asian economies to external shocks, by and large public attitudes and political processes in the region have avoided the easy but baneful temptation to focus on external scapegoats. For example, according to a 1998 survey by Japan’s prestigious Dentsu Institute for Human Studies, prevailing attitudes in the region placed primary responsibility for the Asian economic troubles on the “failed economic policies” of their own governments, rather than on “Western countries,” “Japan’s recession,” or “influential speculators.”¹ The scapegoating vitriol from Malaysia’s Prime Minister Mohamad Mahathir is a notable exception to this attitude.

¹The yen, which had depreciated to a level of 145 per U.S. dollar in 1998, appreciated in 1999 by more than 25 percent.

“Caution” and “restraint” are not conducive either to bellicosity or amity, but rather to a general disposition toward wariness and precautionary behavior.

This ambivalence is illustrated by the prevalence of conflicting attitudes toward Japan elsewhere in Asia. On the one hand, there has been a widespread and generally accurate view that Japan’s economic stagnation has impeded recovery in the rest of the region; for example, imports by Japan from the rest of the region decreased by almost 50 percent in 1997 and 1998. Also, many in the surrounding Asian countries unfavorably contrasted depreciation of the Japanese yen in 1998 (thereby adversely affecting exports in the rest of Asia) with China’s maintenance of a stable yuan. The unfavorable comparison is accentuated by Japan’s large surpluses on current account and its huge foreign exchange reserves.²

On the other hand, this animus toward Japan is offset by Japan’s 1997 proposal (which was favorably contrasted with the U.S. veto of it), to create a \$100 billion Asian fund to ease the short-term debt and capital flight problems experienced in the crisis countries of East Asia. Furthermore, Japan’s Miyazawa initiative in 1998, which established and implemented a \$30 billion Japanese assistance fund to aid economic recovery in the region, registers as a positive factor, mollifying the sources of antagonism toward Japan in the rest of Asia.

Characterizing the prevailing mood in the region as wary and cautionary, rather than either bellicose or amicable, creates a dilemma from the standpoint of the security implications in the region. To some extent there may be a disposition among the leaderships of the region to adopt, for protective reasons, what might appear to be a more militant stance. This might be reflected in a desired expansion of their military capabilities, as well as by their uncertainties about their neighbors in the region and about the behavior and reliability of the United States as a stabilizing factor outside the region. Yet, resources available for such expansion are likely to remain more constrained than they had been before the 1997–1998 economic crisis. In the short run, arms acquisition from abroad as well as from domestic production is likely to be constrained. In the medium to longer run,

²See section on Japan in Chapter Two.

resources for military modernization and preparedness may grow, as a result of general wariness and cautionary concerns combined with easing of economic constraints on military spending.

PROSPECTS FOR MULTILATERAL SECURITY COOPERATION

Multilateral institutions in the Asian region, including but not confined to those concerned with security matters, have an informal, consensual, and somewhat academic character, rather than a formal actionable one. This characterization reflects many distinguishing factors about the region—including its enormous diversity in size, national interests, national histories and traditions, and economic structures—in comparison especially with Europe, as well as Latin America. Even the two longest-standing multilateral institutions in the region—the Asia Pacific Economic Cooperation Forum (APEC) and ASEAN, which generally focus on economic rather than security matters—function as discussion forums, rather than as action-oriented bodies.³

In the security domain, the principal multilateral organizations are the ASEAN Regional Forum (ARF), the Council on Security Cooperation in the Asia Pacific (CSCAP) and the Track-Two Dialogues. The latter two groups consist mainly of academic and other nongovernment organizations. ARF, which represents governments and is typically led by the foreign ministers of the participating members, is intended to provide a forum for discussing security issues throughout the Asian region, extending from India in the west to Korea and Russia in the northeast, and including the United States as well as China and Japan.

One of ARF's limitations arises from the fact that, as an offshoot of ASEAN, its organization and agenda are vested in the Southeast Asian members of ASEAN. Some of the Southeast Asian countries have begun to consider the possibility of enhancing ARF's stature by having the chairing of its meetings, as well as the organization of its

³For a useful summary of these institutions, see Douglas Paal, *Nesting the Alliances in the Emerging Context of Asia-Pacific Multilateral Processes: A U.S. Perspective*, July 1999, Stanford, Calif.: The Asia Pacific Research Center, Stanford University.

secretariat and agenda, rotate among other members outside of ASEAN itself.

Nevertheless, there are several reasons why the economic problems still besetting the Asian region are likely to impede prospects for ARF and other groups concerned with multilateral security cooperation in the region, at least in the short to medium term. First, political leaders in Asia, and the resources at their disposal, are focusing their attention on their economic challenges and the means of surmounting them, with less attention and fewer resources devoted to regional security activities. Second, there is some evidence of increased fractiousness in the region, often not tied to the economic and financial turmoil, but perhaps exacerbated by it. Examples include territorial disputes between Malaysia and Singapore, disputes over sovereignty and oil and gas exploitation in the South China Sea involving the Spratly Islands, and the generally rogue behavior of North Korea.

At the same time, it is plausible that security cooperation between the two U.S. alliance structures—with Japan and with Korea—may be enhanced as a side effect of the region's economic turmoil. Quite apart from potential security contingencies in Asia—especially in Taiwan and on the Korean peninsula—the three alliance participants have the added motivation to increase their security cooperation so as to save resources, and/or increase the efficiency of their use. This may lead to further efforts toward interoperability in operations and maintenance; improved coordination in command, control, communications, and intelligence; and perhaps joint systems development and acquisition including TMD (theater missile defense) and other systems.

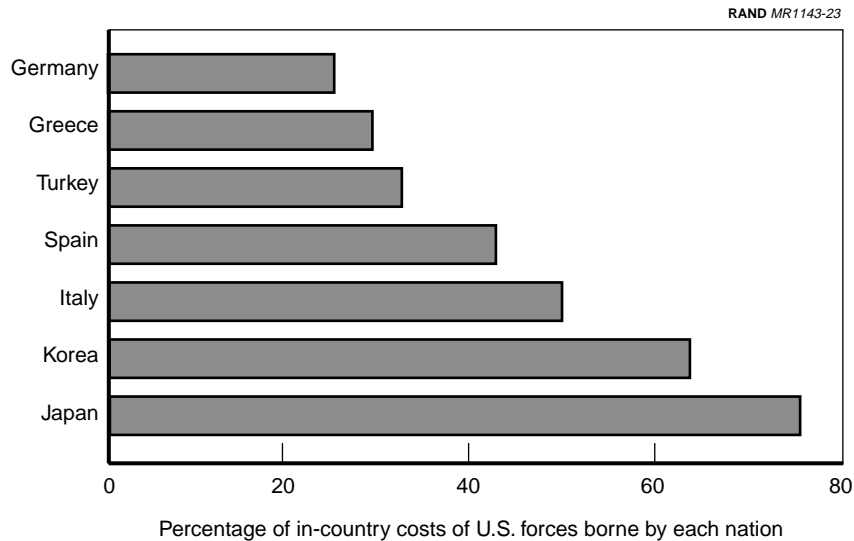
BURDEN SHARING

In considering burden-sharing issues in light of the Asian economic adversities, there are important reasons why substantial shares should be borne by America's allies. These reasons are both economic and political—economic from the standpoint of easing the preponderant resource burden shouldered by the United States, and political from the standpoint of reflecting and substantiating the joint nature of the alliances.

Bearing this in mind, how should burden sharing in Asia be viewed in light of altered economic circumstances in Japan and Korea?

Japan's sharing of in-country costs has been by far the largest of any U.S. ally's contribution, and Korea's sharing remains substantial. Figure 23 shows the comparative burden-sharing outlays of Japan and Korea, compared with those of NATO members.

As Figure 23 indicates, about 75 percent of in-country costs other than military salaries for U.S. forces have been borne by Japan, compared with over 64 percent in the case of Korea. These high proportions of shared burdens contrast sharply with only 30 to 40 percent shares in the NATO countries shown. Notwithstanding the serious structural problems besetting the Japanese economy, as discussed in Chapter Two, there is no convincing economic reason why Japan's cost-sharing burden should be reduced, especially in light of Japan's



SOURCE: Adapted from *Report on Allied Contributions to the Common Defense*, 1997.

Figure 23—Burden Sharing of Japan and Korea Compared with NATO Countries

huge foreign exchange reserves. Were the United States to defray with dollar outlays a portion of Japan's burden sharing of in-country costs, the net effect would simply be to add to these foreign exchange reserves.

However, there might be a political reason for some modest reduction in Japan's burden sharing—as a testimonial by the United States to its alliance commitment with Japan. Although our forecasts for Japan's future growth envisage only very modest rates through 2015, there is no evident way in which a reduction of Japan's burden sharing of the joint alliance costs would contribute to higher GDP growth. Gradual changes in the structural rigidities of the Japanese economy would not in any discernible way be accelerated by reduced burden sharing.

The Korean case presents a different picture. As noted in earlier chapters, Korea has made considerable progress from its deep economic setbacks in 1997 and 1998, and our forecasts envisage resumption of medium growth rates in the coming years. Still, an economic argument can be made that a modest reduction in the substantial Korean share of in-country costs for U.S. Army forces could accelerate Korea's recovery by reducing some of the continued resource pressures on the economy. There may also be a political reason for such a modest adjustment—as an indication of U.S. recognition of Korea's problems as well as the U.S. commitment to its alliance with Korea.

In sum, in Japan there may be a political case for a reduction in burden sharing, while in Korea there may be both an economic and a political case for such an adjustment.

EFFECTS ON ATTITUDES TOWARD FORWARD-BASED U.S. FORCES

The main U.S. forward-based forces in Asia are in Korea and Japan, with U.S. Army forces predominating in Korea, and U.S. Navy forces predominating in Japan. The different economic problems in these two countries may have quite different effects in either providing support for or undermining the presence of U.S. forces.

In Korea, the leadership of President Kim Dae Jung has been an effective contributor to reform and recovery in the economy, and U.S.

endorsement of President Kim's reform efforts has reinforced them. Also, the continued unpredictable and sometimes provocative behavior of North Korea has sustained a high level of public support for the alliance with the United States. According to recent RAND work surveying Korean attitudes toward the alliance with the United States, 70 percent of those surveyed endorse the U.S.-Korean security alliance.⁴ Although support for the alliance is thus very strong, the results obtained in February 1999 show a reduction in support for the alliance registered in September 1996, when 82 percent of those surveyed endorsed the security treaty.⁵

Notwithstanding a preponderance of support for the alliance and for U.S. forces in Korea, if and when unification with the North occurs, more than 70 percent of those surveyed endorsed the view that U.S. force levels should be reduced or that the U.S. force presence in Korea is no longer necessary.⁶

In Korea it is viewed that the U.S. role in the country's economic recovery generally has been positive and contributory. This reinforces positive Korean attitudes in support of U.S. Army forces. In combination with continued and acute uncertainties concerning North Korea's capabilities and unpredictable behavior, endorsement of U.S. Army forces is likely to remain strong, at least until unification is achieved.

The situation in Japan is different. The U.S. role in Japan's success in redressing its protracted economic recession has been widely viewed as hectoring, and sometimes as caustic and demeaning, rather than helpful and constructive. It is less widely recognized that the depth and duration of Japan's economic reversal would have been much more severe in the absence of the large and sustained Japanese current account surplus with the United States.

⁴See Norman D. Levin, *The Shape of Korea's Future: South Korean Attitudes Toward Unification and Long-Term Security Issues*, Santa Monica, Calif.: RAND, MR-1092-CAPP, 1999, pp. 30-33.

⁵While the proportion of respondents endorsing the treaty thus decreased between 1996 and 1999, another of the results obtained by Norman Levin displays a possibly inconsistent result: namely, that the proportion of respondents who expressed the view that the alliance "ensures against a crisis in the Korean peninsula" actually rose from 74 percent in 1996 to 78 percent in 1999! *Ibid.*, p. 31.

⁶*Ibid.*, p. 33.

However, and probably more than offsetting those negative factors that might undermine support for U.S. forces, political and security considerations in Japan undergird and strengthen support for U.S. forward-based forces in Japan. These political considerations include North Korea's missile firings across Japan in 1998, which served as reminders of the risks of such provocative behavior in the future, and the continued tension in the Taiwan Strait. On balance, the factors tending to maintain public support for U.S. forces seem to be stronger and are likely to remain so for at least the near term.