INTRODUCTION

The Asia-Pacific region is poised to become the new strategic center of gravity in international politics. This transformation is momentous in world-historical terms in that for the first time since the beginning of modernity—circa 1500—the single largest concentration of international economic power will be found not in Europe or the Americas but in Asia. The implications of this development are as far-reaching as they are poorly understood.

This chapter attempts to come to grips with the impending rise of Asia insofar as its capacity to generate conflict makes new and increasing demands on U.S. air and space power. It does not describe the manifold developments that promise to make the next century a “Pacific century,” but rather explores how the very circumstances that make the rise of Asia so significant can also contribute to the potential for conflict within the continent. Since the United States will continue to remain an Asian power, and will in fact be forced to engage the political ambitions and power-political capabilities of the Asian states even more vigorously than it has done thus far, the manner in which the emerging trends in Asia could lead to various kinds of conflicts should be of great interest to both U.S. policymakers and strategic planners.

To make the range of issues more manageable, the vast geographic expanse of the Asian continent has been conceptually divided into three large “security complexes” for analysis in this chapter. A secu-
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security complex essentially encompasses "a group of states whose primary security concerns link together sufficiently closely that their national securities cannot realistically be considered apart from one another."\(^1\) Understood in this sense, Northeast Asia, Southeast Asia, and South Asia are treated as separate security complexes because the relatively intense security interdependence of the states within each grouping makes these units useful for purposes of analysis—at least at the level of first-order approximation. It must be emphasized, however, that dividing Asia into such security complexes is undertaken primarily to ease the task of analysis and not because it is believed that such groupings constitute hermetically sealed agglomerations. In fact, the substantive analysis in the following sections will clearly suggest—and sometimes explicitly argue—that the traditional ways of distinguishing between security complexes have reached the limits of their success. U.S. policymakers ought to recognize that a good deal of instability in Asia will arise because amity and enmity patterns increasingly cross regional boundaries, thanks to the differential rates of economic growth and the availability of new military technologies that permit extended range and enhanced lethality.

This chapter is organized in the following way. First, a broad net assessment attempts to explain the conditions that have led to the rise of Asia; it defines the core U.S. national security interests in the continent; it provides a broad overview of the main trends occurring within Asia as a whole; and it concludes with a survey of the alternative strategic environments in the region, including an assessment of why one particular strategic future—continuing American preponderance—will probably remain the most likely strategic future until the first quarter of the next century.

We next provide more detailed analyses of emerging developments in Northeast Asia (China, Japan, and Korea), Southeast Asia, and South Asia, respectively. Each of these regional or country discussions follows a common format to better engage the core issues affecting political stability and to facilitate cross-regional comparison. Each discussion begins by identifying key current and emerging

trends that characterize the area in question. The analysis then focuses on identifying specific drivers of change that affect the prospects for conflict over the short, medium, and long term. These temporal divisions are roughly defined as the 1997–2005, 2005–2015, and 2015–2025 time periods, respectively. Drawing from the analyzed trends and drivers, the analysis proceeds to identify, in concise form, the major potential conflicts that might emerge during these periods. The regional or country sections are thus designed to provide a summary, stand-alone, assessment of the current and future state of each of the major political entities in Asia.

The final section assesses the operational implications for U.S. air and space power flowing from the more detailed regional analyses offered earlier. The analytical treatment of these implications is not organized by region or country, but rather by the characteristic features and demands that are seen to emerge when all the regional contingencies are considered synoptically. This section is intended primarily as a summary statement of the principal features of the operating environment that will confront U.S. air and space power in Asia in the next century. A companion effort undertaken at RAND, which focuses on understanding the implications of this environment for U.S. Air Force acquisition, doctrine, and research and development, will result in a series of more detailed reports on these subjects in the near future.

OVERVIEW

The Asia-Pacific region is poised to become the new strategic center of gravity in international politics. This transformation is momentous in that for most of the modern era the continent subsisted mainly as an arena for Western exploitation and dominance. Asia functioned as the “object” rather than the “subject” of power and, hence, owed not only its political order but oftentimes even the eidetic image of itself to the acts and beliefs of others. Clearly, this was not always the case. Prior to modernity—which for practical purposes might be dated to 1492—and right through its early stages, the Asian continent hosted perhaps the most important concentrations of political power in the international system since the fall of Rome. However, these centers of power—exemplified by the Ming dynasty in China, the Mughal empire in India, and the Persian Empire in the
Near East—failed to survive military contact with the new rising states of Europe (and, later, the Americas). This failure, the reasons for which are still debated in the scholarly literature, resulted in the demise of Asia as a autonomous arena in the international system, a situation that more or less persisted until the end of the Second World War midway in this century.

Explaining the Rise of Asia

Three factors in the postwar period essentially laid the basis for the resurgence of Asia. The first factor was simply the demise of the colonial order and the birth of dozens of new states, which created the possibility of new autonomous centers in international politics. As part of this process, several large entities, such as China, India, and Indonesia, were either restored to independent status or reincarnated in modern form, thus setting the stage for a rekindling of nationalism throughout the continent. The demise of the colonial order, however, was merely a permissive cause. It made the rise of Asia possible but not inevitable. Viewed in retrospect, however, inevitability was ensured by the second and third factors, respectively: the international order created and sustained by American preeminence in the postwar period and the presence of enlightened national elites in various Asian countries who embarked on national economic strategies that would produce sustained economic growth over time.

The new international order created and sustained by the United States remains the most important external cause of the rise of Asia in that it provided two complementary benefits—opportunities for wealth and assured security—which when synergized had explosive systemic effects.

To begin with, this order offered a structured opportunity for the war-torn states such as Japan and the smaller countries such as South Korea, Taiwan, and Singapore, as well as late industrializers such as China to benefit from a stable and open international trading

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regime. The relatively unfettered access enjoyed by these states to the international market, especially the gigantic consuming economies of North America and Western Europe, provided them an opportunity to specialize in accordance with their relative factor endowments and thereby secure the gains from trade that liberal economists have written about since the days of David Ricardo.

In the postwar period, the effective gains that accrued to the various Asian states were even larger than those predicted by the standard neoclassical models of free trade. This was because the United States, confident about its preeminent economic power in the early postwar period, chose not to institute a truly free trade system of the kind usually implied by the phrase. Rather, Washington opened its own markets to Asian products without insisting on a symmetrical openness on the part of Asian exporters, a strategy essentially driven by power-political considerations associated with the Cold War. The fierce competition during this period and the thin margins of safety that the Western allies were seen to possess essentially convinced Washington that strengthening the economic capabilities of its Asian allies and the neutral states in the international system was in America's larger interests. Toward that end, a large international aid program coupled with the development of a less-than-perfectly-free trading system turned out to be a useful solution. It enabled the allies to reinvigorate their capabilities and thereby contribute to the American-led effort to resist the Soviet Union, while allowing the neutral states to strengthen themselves sufficiently to resist both Communist lures and potential penetration efforts that might be mounted by Moscow.

The importance placed on strengthening both allies and neutral states thus combined to create a somewhat asymmetrically open international economic order. The Asian states, accordingly, were free to exploit America's open markets and absorb its vast capital and superior technology, even as they maintained relatively closed economic arrangements at home. While this was certainly not the kind of global institutional structure that would have satisfied any classical liberal, it suited Washington just fine insofar as it provided the United States with a cost-effective means of containing the Soviet Union: It rapidly strengthened the allied and neutral states and allowed them to garner such increases in strength under American alliance management, thereby denying Moscow the opportunity to
prey upon the relatively weak and vulnerable clients while simultaneously enlarging the domain of power and influence enjoyed by the United States.

This strategy of encouraging the Asian states (among others) to participate in, and perhaps even exploit, the liberal international economic order was not embarked upon for altruistic reasons. In fact, Washington’s calculations were self-interested and centered on preserving and maintaining American preeminence. For this reason, the open international trading order was complemented by the institution of an international political order as well. This political order was built on the foundations of multilateral security alliances in Europe and an interlocking network of bilateral alliances in Asia. In both instances, the object of these alliances was the same, at least in the first instance: to contain the Soviet Union (and, initially, China as well) and preserve Western security and autonomy. In the final instance, however, this alliance system had other, just as useful, effects. By providing an overarching defensive umbrella that structured the United States and its allies in a relationship of super- and subordination, the alliance structure served both to obviate destructive local security competition between the protected states (the bane of regional politics for the last several centuries) and to prevent these client entities from developing the kinds of military capabilities that could one day directly threaten the United States or its extended interests.

This lopsided security relationship was visible in its purest form in Asia—the United States committed itself to guaranteeing allied security without requiring the protected states to make comparable commitments in return. Even those states that were not directly protected, such as China, were shielded just the same, thanks to the positive externalities generated by American deterrence of the Soviet Union. As a result of such arrangements, the United States in effect provided the Asian states with guaranteed security in tandem with providing them the opportunities to procure significant gains from trade with minimal reciprocity, at least as far as comparable access to their own markets was concerned. The interaction of these two factors laid the foundations for creating an Asian juggernaut. The fact that security was assured meant that the Asian states could allocate less-than-maximum resources to producing safety, and they could concentrate much more of their national energies on nondefense
production than would have been possible in the absence of an American security umbrella. While this result is seen most clearly in the case of Japan, it is nevertheless true in the case of Taiwan and South Korea as well. When these nondefense outputs were then channeled into an open trading system that demanded minimal reciprocity of access, the gains from trade incurred by the Asian exporters only multiplied.

The possibility of profitably participating in the open trading regime, however, required something more than simply an international regime and the security structures that protected it. It required enlightened national elites in Asia itself—elites who would not only recognize the opportunities provided by the U.S.-led international order but were also capable of developing the requisite domestic economic strategies that would help the Asian states get the most out of their participation in the international economic system. The existence of such national elites along substantial portions of the Asian periphery constitutes the third factor that made the rise of Asia possible.

These national elites contributed to the economic miracle in two ways—first, by developing specific national economic strategies that allowed their states to maximize external benefits from the international trading order; second, by developing the appropriate national institutions that allowed for the possibility of constantly “shared growth”3 rather than repeated, divisive struggles over redistribution.

The national economic strategies devised by Asia’s ruling elites centered substantially on maintaining highly regulated domestic market structures—with American acquiescence—which penalized consumption in order to force higher rates of saving. These accumulated savings were then directed to altering the structure of local factor endowments to make advantageous production of more sophisticated goods even more advantageous. As a result of this process, the Asian economies that began their “export-led” growth strategies by producing labor-intensive goods from small- and medium-scale light industries (garments, footwear, plastics, and toys) slowly shifted their attention and resources into process,

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3A good survey of the institutions and techniques underlying this approach can be found in Jose Edgardo Campos and Hilton L. Root, *The Key to the Asian Miracle*, Washington, DC: Brookings Institution, 1996.
intermediate, and heavy industries to produce the electronics, computers, and automobiles that are synonymous with East Asia today.

The structuring of national institutions to allow for “shared growth” turned out to be a critical complement to these “export-led” strategies and reflected the corporatist approach to state-society relations that distinguishes many East Asian states from their Western counterparts. This approach, in effect, relied on the state (as a benign Leviathan) to institute procedural arrangements with critical groups in civil society, such as big business. These arrangements, in turn, helped to integrate weaker, but more numerous, sections of the populace through the development of relatively stable institutions, rules, and procedures that both limited the capriciousness of the state in matters of economic policy and encouraged rapid private economic growth. As part of these structural arrangements, political liberties (in the Western sense) were often traded off for economic rewards; these rewards were distributed not in the form of simple, transitory, entitlements but rather in the more durable form of expanding avenues for mass upward mobility and ongoing “opportunities to reap long-term, lasting benefits from the resulting economic expansion.”

4Campos and Root, p. 2. Unfortunately, the structure of the national arrangements that produced the “Asian miracle” also had certain weaknesses, some of which have become more visible in the context of the recent currency crises in Southeast Asia. All directed economies invariably immunize themselves against the discipline of the market and since the Asian economies, to one degree or another, were products of an effort at engineering growth in support of certain national objectives rather than being arrangements governed predominantly by internal market discipline, it should not be surprising to see occasional episodes of trouble. The recent financial crisis, which at root remains a product of bad lending practices resulting from a sheltered and politicized banking system that operated amidst an endless flow of cheap capital, remains a good example of how structural weaknesses can afflict even an otherwise successfully directed economic order. These problems, however, need to be put in perspective. The currency crisis, while shaking regional confidence, does not imply the end of the Asian miracle so long as the key ingredients that drove the miracle still persist: security provided by the United States; continuing access to global resources, wealth, and markets, especially in the United States; and national elites who, recognizing the nature of the challenge, respond appropriately to the task. Although the last element today may be the scarcest ingredient of all, the current crisis may well turn out to be a useful crisis if it forces the Southeast Asian states to recognize, as one commentary put it, that the Asia-Pacific region today is “entering the brave but infinitely duller world of trade-offs, a world of much harder choices and limited
As long as an Asian state, therefore, had a rational and calculating political leadership and responsive economic institutions, its ability to not only survive but actually thrive was all but assured under the international economic and political regimes created with the intent of maintaining American preeminence.

Assured security and unimpeded access to American markets in the presence of calculating nationalist elites and corporatist structures at home, then, created the Asian miracle. The first two elements of this mixture were produced as part of a deliberate American policy, while the third cluster of elements was tolerated throughout the Cold War as a “lesser evil” that must be permitted to preserve a robust Pax Americana capable of defeating the Soviet Union. This “grand strategy” succeeded brilliantly in that it contributed to the collapse of the Soviet Union and the reinvigoration of American allies and important neutral states. But it also produced another less desirable effect over time: the relative decline of American power. This phenomenon is often perceived to represent a real, long-term threat to U.S. preeminence, and it is precisely this perception that undergirds several of the more recent American arguments for new “fair trade” regimes as well as greater “burden sharing” in alliance defense. Irrespective of whether these calls are ultimately justified, the fact remains that the grand strategy that so successfully maintained American preeminence throughout the postwar period now threatens to undermine it. The provision of assured security and the traditional refusal to employ the “no-patsy” principle have given rise to a set of new, economically powerful actors such as China and Japan, who could use their emerging economic and military capabilities—under some circumstances—in ways that may not enhance American strategic interests.

This reality by no means constitutes a criticism of U.S. grand strategy during the Cold War. That strategy was in fact appropriate for its possibilities, a world Latin America entered a long time ago.” Henny Sender, “Now for the Hard Part,” Far Eastern Economic Review, September 25, 1997, p. 54.

time. It worked just as intended, even if it set in motion forces that could undermine the success of that strategy over the secular period. What is required now, therefore, is not despair about the wrath of some “iron laws of history” but rather a clear understanding of what U.S. interests in the region are today so that potentially unfavorable developments can be discerned before they occur and so that the requisite set of policy countermeasures can be developed to neutralize them in a timely fashion.

**Surveying U.S. National Security Interests in Asia**

The rise of new Asian powers clearly requires the United States to reflect anew on its core national security interests in the region. These interests will of necessity span many dimensions, but perhaps the best way of concentrating attention is to divide the several goals pursued by the United States into two categories: “vital interests,” or those interests that “the people of a nation . . . must defend at the risk of their lives,”6 and “significant interests,” which (while valuable) do not compel quite the same intensity of public commitment.

The United States has three vital interests in Asia. Each is listed below in decreasing order of importance.

The first vital interest is to prevent, deter, and reduce the threat of attack on the continental United States and its extended territorial possessions. That this objective constitutes the principal American interest should not be surprising. After all, the state itself exists primarily for the production of internal order and the provision of external security. Preserving the security of the United States against foreign threat constitutes a first, obvious interest even though its remote consequences may not always be either apparent or uncontroversial.

In the simplest sense, this interest has two components. The first and most important involves preserving the continental United States (CONUS) and its possessions from threats posed by weapons of mass destruction (WMD) in Asia. These weapons can inflict extensive damage. The United States must pay careful attention to

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the mature nuclear, biological, and chemical (NBC) warfare programs in Russia and China as well as the evolving programs in North Korea, Pakistan, India, Iran, and Iraq. It is equally important to pay attention to the sophisticated delivery systems, such as ballistic and cruise missiles and advanced attack aircraft, deployed today by the WMD-capable states and to prospective delivery systems that may be acquired by other Asian states over time. This includes spin-off technologies emerging from space and commercial aviation programs as well as other kinds of nontraditional, covert delivery systems.

The second component of this vital interest is to protect the CONUS and its possessions from conventional attack. Because of the vast distances involved in the Asia-Pacific region, this requires paying attention to the power-projection capabilities—both sea and air based—that may be acquired by some of the Asian states. In the time frames considered here, it also requires paying attention to other, newer approaches to conventional war-fighting such as strategic information warfare and the technologies and operational practices associated with the “revolution in military affairs.” In all instances, U.S. interests require preventing potential adversaries from acquiring such capabilities; if prevention is impossible, deterring their use becomes the next logical objective; and, if even deterrence is unsuccessful, attenuating their worst effects through either extended counterforce options or effective defensive measures finally becomes necessary.

The second vital interest is to prevent the rise of a hegemonic state in Asia. Any hegemonic state capable of dominating the Asian land mass and the lines of communication, both internal and external, represents an unacceptable challenge to the safety, prosperity, and power position of the United States. For reasons well understood by geopoliticians since Sir Halford Mackinder, Asia’s great wealth and resources would serve its possessors well in the struggles endemic to international politics. If the region’s wealth and resources were secured by any single state (or some combination of states acting in unison), it would enable this entity to threaten American assets in Asia and, more problematically, in other areas such as the Middle East, and finally perhaps to challenge the United States itself at a global level. This entity, using the continent’s vast resources and economic capabilities, could then effectively interdict the links
presently connecting the United States with Asia and the rest of the world and, in the limiting case, menace the CONUS itself through a combination of both WMD and conventional instruments.

Besides being a threat to American safety, a hegemonic domination of Asia by one of the region’s powers would threaten American prosperity—if the consequence of such domination included denying the United States access to the continent’s markets, goods, capital, and technology. In combination, this threat to American safety and prosperity would have the inevitable effect of threatening the relative power position of the United States in international politics. For these reasons, preventing the rise of a hegemonic center of power in Asia—especially one disposed to impeding American economic, political, and military access—would rank as a vital interest second only to preserving the physical security of the United States and its extended possessions.

This interest inevitably involves paying close attention to the possible power transitions in the region, especially those relating to China in the near-to-medium term and to Japan, Russia, and possibly India over the long term. In any event, it requires developing an appropriate set of policy responses—which may range from containment at one end all the way to appeasement at the other—designed to prevent the rise of any hegemony that obstructs continued American connectivity with Asia.

The third vital interest is to ensure the survival of American allies—critical for a number of reasons. The first and most obvious reason is that the United States has treaty obligations to two important Asian states, Japan and South Korea. While meeting these obligations is necessary to maintain the credibility of the United States in the international arena, it is consequential for directly substantive reasons as well. In both instances, the assurance of U.S. protection has resulted in implicit bargains that are indispensable to the American conception of stable international order. Thanks to American security guarantees, South Korea and Japan have both enjoyed the luxury of eschewing nuclear weapons as guarantors of security. Should American protective pledges be seen as weakening, the temptation on the part of both states to resurrect the nuclear option will increase—to the consequent detriment of America’s global antiproliferation policy.
Equally significant, however, is that Japan, and possibly South Korea as well, would of necessity have to embark on a significant conventional build-up, especially of maritime and air forces. The resulting force posture would in practice be indistinguishable from a long-range power-projection capability possessing offensive orientation. Even if such forces are developed primarily for defensive purposes, they will certainly give rise to new security dilemmas regionwide that in turn would lead to intensive arms-racing, growing suspicions, and possibly war.

What is finally problematic with this sequence of events is that even the least troublesome of these possibilities would result in the destruction of the East Asian “miracle.” While such an outcome would certainly affect the strategic prospects of the East Asian region, the United States would not by any means be immune to its extended consequences. Since a considerable portion of American growth is directly tied to the vitality of the international trading system, the preservation of the East Asian economic regime would eventually lead to a diminution of American growth rates and, by implication, the quality of life enjoyed by its citizenry. For all these reasons, ensuring the survival of American allies in Asia represents a vital interest to the United States, an interest grounded less in altruistic considerations than in the hard realities of self-interest.

Promoting this interest requires that the United States pay close attention to the evolution of the threats facing its allies in Asia and take steps to meet such challenges expeditiously and after due consultation with the allied states. Ensuring allied security also involves paying requisite attention to the needs of those other states (mostly in Southeast Asia) that do not have treaty obligations with the United States but nonetheless rely on the U.S. presence in Asia for security. And, in the most demanding extension of all, ensuring allied security also requires that the United States be attentive to the prospect of securing new allies, especially because the imminence of regional power transitions may imply that today’s allies—formal and informal—may not be friends tomorrow.

Besides these three vital U.S. interests in Asia, interests which should not only sustain American concentration but also engender a willingness to expend blood and treasure, it is possible to identify three
other significant interests that merit attention on the part of policymakers and planners.

The first such significant interest involves preventing, minimizing, or neutralizing the proliferation of weapons of mass destruction and their associated delivery systems in Asia. There is little doubt that WMD represent the principal means by which national security can be threatened on a large scale. Because these weapons can cause great damage in fairly compressed time frames, American policy has generally sought to prevent the further proliferation of these weapons and the systems used to deliver them. The emphasis is correct and ought to be continued even though there may be rare exceptions when regional security may actually be enhanced by tolerating some level of proliferation.

The Indian subcontinent may be one such example and, if so, it should be treated as truly the exception that tests the rule. The South Asian region constitutes an arena where high systemic insecurities coincide with few palpable American interests. As a result, the United States has few incentives to make the security commitments that might obviate the desire of the regional states for nuclear weapons. Nuclear weapons, therefore, might offer some modicum of security, but even if they do not, the United States has relatively little leverage to alter the prevailing trends in this area of the world. The challenge for the United States in this instance is twofold. On one hand, it may find it worthwhile to tolerate some movement on the part of the South Asian states toward low but relatively stable levels of nuclearization, if that is seen to enhance local stability. On the other hand, such tolerance must not be allowed to impede larger U.S. antiproliferation policy either by increasing the level of laxity displayed toward the general problem or by hasty conclusions about antiproliferation strategies having reached the limits of their success before such judgments are truly warranted. In any event, tolerating a nuclear South Asia as the exception remains a significant U.S. interest in Asia, particularly because Southeast and Inner Asia as well as the Near East may confront similar problems in the distant future.

The second significant interest involves preventing and possibly ending the outbreak of major war in high-risk areas. Because national security is generally indivisible, a fact captured by the phrase “anarchy is seamless,” an important American objective in
Asia should be the prevention or termination of major conflicts, whenever possible. This interest applies even in those areas where American interests may not be directly engaged by a local conflict. The rationale for U.S. activity with respect to prevention or termination of conflict in these cases in not merely humanitarian, though such considerations may well exist. Rather, it is first and foremost power-political. All conflicts have “demonstration” and “contagion” effects. The former refers to those effects that provide inspiration for future behavior as, for example, when Saddam Hussein’s unfettered use of chemical weapons (CW) against the Kurds presaged both the later use of CW in the Iran-Iraq war and the current efforts at acquiring such weapons on the part of Iran. The latter refers to those advertent and inadvertent effects that may be precipitated in third countries as a result of war between two others—for example, when Palestinian pressure groups in Jordan effectively constricted Jordan’s strategic choices after the successful Iraqi invasion of Kuwait. If one or more of such effects are seen to have consequences that imperil some long-range U.S. interests in the continent, it may be worth at least some investment of U.S. diplomatic energy and resources to prevent the wars that could give rise to such consequences.

Preventing or ending the outbreak of “distant wars” may also be worthwhile for other reasons. For one, a conflict could change the local balance of power in a given area down the line. Thus, even if a conflict does not engage U.S. interests or the interests of its allies immediately, American attention and possibly intervention—by diplomatic or other means—may still be warranted if the outbreak or persistence of such conflict threatens to tilt the local balance of power to the disadvantage of the United States at some future point in time. A Sino-Indian conflict or a renewed Iran-Iraqi war would be pertinent examples in this regard. Another important case where U.S. intervention may be warranted is when conflict between two third countries threatens to involve WMD. Here, a breakdown of the evolving taboo against WMD use as well as the pernicious demonstration effects that would surely accrue from successful WMD use remain sufficient reason for speedy U.S. efforts at preventing (or, if prevention is unsuccessful, rapidly terminating) such conflicts even if no tangible American interests are seen to be immediately at risk.
An Indo-Pakistani war would be the best example of such a possibility.

The third significant American interest in Asia is sustaining political stability of key regional countries and promoting democratization whenever possible. There is a compelling argument to be made for focusing American attention, resources, and support on a few key “pivotal states”\(^7\) rather than on whole swaths of territory indiscriminately. Pivotal states are important states “whose fate is uncertain and whose future will profoundly affect their surrounding regions.”\(^8\) By this definition, it is clear that the Asian continent hosts the largest number of pivotal states—Russia, China, and Japan among the more developed countries and India, Pakistan, and Indonesia among the developing tier. The former category is noteworthy for obvious reasons: Russia continues to be a nuclear power of consequence; China is a rising state that not only possesses nuclear weapons but will probably be the world’s largest economic power sometime in the next century; and Japan is not only an American ally but a significant trading state, the center for technological innovation in Asia, and the fulcrum for any policy of effectively managing China. The latter category is important for less-well-understood reasons. Pakistan and India are both nuclear-capable states: While the former may affect the global balance “if only by collapsing,”\(^9\) the latter stands poised to become the world’s fourth largest economy early in the next century. Indonesia is not only a large and populous state whose stability conditions the entire fate of Southeast Asia; it also lies astride the critical chokepoints that control transit from the oil-rich Southwest Asian states to the energy-hungry economies of East Asia. Every one of these states—in both categories—faces an uncertain future, yet each is in different ways “so important regionally that its collapse would spell transboundary mayhem” on one hand, while “its progress and stability would bolster its region’s economic vitality and political soundness”\(^10\) on the other hand.

\(^8\)Chase et al., p. 33.
\(^10\)Chase et al., 37.
The issue of promoting democratization both in these states and outside them remains dear to the liberal world view within the United States. Yet the effect of democracy for ensuring international stability is murky and, at any rate, not sufficiently well understood. For this reason, the goal of promoting democracy—when pursued as part of American foreign policy—should not be absolutized, but rather should be tested like any other strategic goal. That is, its potential costs and benefits should be assessed against comparable values associated with other competing or complementary policies.

**Key Structural Trends in the Asian Region**

Having identified what are (or should be) the vital and the significant U.S. national security interests in Asia, we next focus on identifying the key structural trends the continent exhibits as whole. Understanding these trends is critical because they point to the kinds of challenges that will confront those American strategic interests identified previously. Equally important, they condition the kinds of conflicts that the continent may be expected to witness, all of which are identified in each of the subregional or country sections following this overview and detailed in the appendix.

The structural trends in Asia that should concern the United States can be summarized in two propositions. First, the Asia-Pacific region will become the largest and perhaps the most important concentration of economic power in the next century both as far as the United States is concerned and on its own terms. Second, despite its formidable economic power, the Asia-Pacific region will remain a relatively turbulent region beset by internal conflicts and political transitions and subject to persistent insecurity flowing from a changing external environment and new kinds of military technologies.

The proposition that the Asia-Pacific region will become the largest and perhaps the most important concentration of economic power in the next century is justified by four constituent trends.

First, the region is characterized by some of the highest rates of sustained economic growth in modern history, rates that are likely to remain at relatively high levels for at least another two decades. So long as the region does not experience a major war that disrupts both
trade and domestic growth, and so long as the stabilizing effects of American regional presence more or less persist, it is likely that the region as a whole will continue to average growth rates in the region of 6-8 percent annually. With the exception of Japan, which, as a mature economy, will grow at about 2.5 percent, the four “tigers”—Hong Kong, Singapore, South Korea, and Taiwan—are expected to grow at about 6.5 percent, the Association of Southeast Asian Nations (ASEAN) states at about 8 percent, and even the late industrializers—China, India, and Vietnam—are expected to grow at between 6.5 percent and 7.5 percent over the next two decades.\footnote{International Monetary Fund, World Economic Outlook, Washington, D.C.: IMF, May 1994. Although these forecasts were developed prior to the current financial crisis in East Asia, there is little reason to doubt the validity of these projections over the secular period. In fact, to the degree that the current crisis provides an opportunity for the regional states to reform their financial sectors in an orderly fashion (perhaps under the aegis of external supervision), their prospects for robust growth over the long term will only be enhanced.}

Such growth rates suggest that by the year 2010, the East Asian region alone will account for over 34 percent of the world’s total output, with Western Europe and North America following with 26 percent and 25 percent respectively. If the output of the South Asian sub-region is added to the East Asian total, the share of Asian output rises even more—closer to 40 percent—relative to Western Europe and North America. The data for world trade show similar Asian dominance. East Asia alone is expected to contribute almost 40 percent of the world’s trade, with Western Europe and North America following with about 37 percent and 20 percent, respectively.\footnote{Noordin Sopiee, “The Revolution in East Asia,” Strategic Analysis, Vol. 19, No. 1, April 1996, pp. 5–25.} This high sustained growth will continue to be fueled by high rates of domestic savings, increased intra-Asian economic integration, increasing investment in infrastructure and human capital, a decreasing rate of population growth, and continuing export-led growth.

Second, the wealth and prosperity of the United States will remain dependent on continued linkages with the Asian economies. The Asian continent today represents the most important locus of American economic engagement. The 1993 data for merchandise trade, for example, show that the United States imports over 42 percent of its goods from the Asia-Pacific region, in contrast to about 20 percent...
from Europe, about 19 percent from Canada, about 12 percent from the rest of North America, and about 5 percent from the rest of the world. The story is similarly revealing where merchandise exports are concerned. The Asia-Pacific region accounts for about 30 percent of American merchandise exports; Europe accounts for about 25 percent, Canada for about 21 percent, the rest of the Americas for about 16 percent, with the rest of the world accounting for about 5.6 percent of the total. When trade in invisibles and services is considered, a similar picture emerges: the Asia-Pacific region remains the single most important destination for the United States, a fact reflected by the data in Tables 5 and 6 below.

The Asia-Pacific region will also remain the most important arena for the export of American services as well as for direct investments in the oil, natural gas, minerals, and forestry industries. U.S. investments in infrastructure and advanced consumer goods will increase, and, thanks to the higher rates of return from investments in Asia (relative to the United States and Europe), the Asia-Pacific region will become increasingly important for U.S. manufacturing as well.

<table>
<thead>
<tr>
<th>Region</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>152</td>
<td>417</td>
<td>+265</td>
</tr>
<tr>
<td>Japan</td>
<td>154</td>
<td>225</td>
<td>+71</td>
</tr>
<tr>
<td>Hong Kong, Taiwan, Korea, and Singapore</td>
<td>98</td>
<td>268</td>
<td>+170</td>
</tr>
<tr>
<td>China</td>
<td>-2</td>
<td>23</td>
<td>+25</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>47</td>
<td>57</td>
<td>+10</td>
</tr>
<tr>
<td>Others in Asia-Pacific</td>
<td>4</td>
<td>18</td>
<td>+14</td>
</tr>
<tr>
<td>Europe</td>
<td>1,707</td>
<td>221</td>
<td>-1,486</td>
</tr>
<tr>
<td>Canada</td>
<td>565</td>
<td>487</td>
<td>-78</td>
</tr>
<tr>
<td>Mexico, Central and South America</td>
<td>1,838</td>
<td>193</td>
<td>-1,645</td>
</tr>
<tr>
<td>All other nations and international</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>organizations</td>
<td>214</td>
<td>58</td>
<td>-156</td>
</tr>
<tr>
<td>World total</td>
<td>4,777</td>
<td>1,967</td>
<td>-2,810</td>
</tr>
</tbody>
</table>

Table 6
U.S. Services Trade by Region
(1995 flows in U.S. $ millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>122,479</td>
<td>145,579</td>
<td>+23,100</td>
</tr>
<tr>
<td>Japan</td>
<td>15,607</td>
<td>32,610</td>
<td>+17,003</td>
</tr>
<tr>
<td>Hong Kong, Taiwan, Korea, and Singapore</td>
<td>80,038</td>
<td>63,322</td>
<td>-16,716</td>
</tr>
<tr>
<td>China</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Australia and New Zealand</td>
<td>2,110</td>
<td>4,271</td>
<td>+2,161</td>
</tr>
<tr>
<td>Others in Asia-Pacific</td>
<td>24,724</td>
<td>45,376</td>
<td>+20,652</td>
</tr>
<tr>
<td>Western Europe</td>
<td>57,783</td>
<td>71,281</td>
<td>+13,498</td>
</tr>
<tr>
<td>Canada</td>
<td>12,605</td>
<td>18,129</td>
<td>+5,524</td>
</tr>
<tr>
<td>Mexico, Central and South America</td>
<td>25,013</td>
<td>30,825</td>
<td>+5,812</td>
</tr>
<tr>
<td>All other nations</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>World total</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>


particularly in the electronics and automobile industries. In summary, the Asia-Pacific region will be critical for U.S. prosperity, even as it will continue to function as the reason for both an increasing balance of trade and payments deficit and a steadily depreciating dollar.

Third, both China and Japan will become alternative centers of power in economic as well as military terms, with the former emerging as a potential peer competitor to the United States over the secular period. Both the Chinese and Japanese economies are already large and dominate the continent in many ways. Over the last two decades, Japan has initiated a makeover in its economy in an attempt to reduce the traditional structural vulnerabilities of its export-led growth. Investments have been directed at home in an effort to secure productivity increases, while assembly and manufacture in the United States has gradually edged out the previous emphasis on distribution. Japan has also sharply increased investments and foreign aid in the ASEAN region and within the East Asian “tigers” in an effort to gain cost advantages as well as to reduce
vulnerability. All these efforts have resulted in the appearance of a Japanese economic dominance of East Asia, but the visible consequences notwithstanding, the Japanese state remains hobbled by deep structural disadvantages. It continues to depend on external rather than internal markets, which means that its economic vitality is always dependent on good political relations with its trading partners.

China, however, will not be burdened by such constraints over the long run. Though currently dependent on export-led growth for its prosperity, it has the requisite population and natural resources (except for fossil fuels) at home to sustain autonomous economic expansion over the longer term. For this reason, Chinese military capabilities will be more consequential than Japan’s over the secular period, despite the fact that Japan today has the third largest military budget in the world. Japanese military forces today are unbalanced and even when fully developed will have to operate under the aegis of the United States if Japan seeks to maintain both continued access to its world markets and its newfound military power. China, in contrast, faces no such constraints over the long term and, hence, could become a true peer competitor of the United States in a way that Japan could not.

Fourth, the Asia-Pacific region is home to a large and increasing concentration of technological capabilities with some emerging centers of high-technology excellence. It is clearly important to recognize that the Asia-Pacific region does not host the merely labor-dominant economies of yesteryear. Increasingly, the Asian economies are becoming significant producers in a wide range of high-technology industries, and their dominance is most manifest in intermediate technologies. Today, Japan is the continent’s most technologically “complete” state in that its domestic base is both comprehensive and deep. Even Japan, however, does not focus predominantly on conducting basic research and achieving raw ideational breakthroughs as do Europe and the United States. Rather, the emphasis is still (although this is changing) on applied research, with a view to commercializing basic science and technology (S&T) breakthroughs for a mass market. The other Asian states lag even further behind, but the trends toward greater incorporation of medium and high technology are evident.
These trends will gather steam over time for a variety of reasons. To begin with, the increasingly high cost of labor amid diminishing population growth rates has created greater incentives for producers to substitute high technology—either imported or home grown—for labor as means of reducing cost and enhancing productivity. Further, the relatively high saturation of European and American markets has led many Western corporations to trade their high technology for the right to participate in Asia’s rapid growth, thereby leading to speedier technology diffusion than might have occurred otherwise. And, finally, the Asian states have increasingly begun investing in human capital and enhanced R&D efforts at home: more and more Asian students receive advanced degrees in the sciences from the United States; the Asian economies are increasingly investing in technical higher education; and Asian universities are consistently graduating a much larger fraction of science and engineering graduates in comparison to the United States. These trends taken cumulatively are not meant to suggest that the Asian economies are poised to overtake the Western economies as centers of leading-edge S&T. Rather, the processes of technology diffusion have reached the point where Asia is no longer synonymous with a labor-intensive economic regime, and technology surprises, especially in certain niche areas and in the military realm, are increasingly probable. It should not be startling, therefore, that Japan, for example, already feels confident about developing a stealth fighter as a follow-on to its Rising Sun (FSX) fighter; that India already casts the largest solid-fuel rockets outside the United States and Russia; and that China has already begun intensive efforts to assess how the “revolution in military affairs” might enable it to attain sophisticated military capabilities more rapidly.

Similarly, the proposition that despite its formidable economic power, the Asia-Pacific region will remain a relatively turbulent region beset by internal conflicts and political transitions and will experience persistent insecurity flowing both from a changing external environment and new kinds of military technologies can be decomposed into four constituent trends.

First, almost all the major countries of Asia are undergoing internal political transitions in both leadership change and societal transformation. It is rare in human history that such dramatic transitions have occurred synchronically within a given region, but the Asian
continent appears to be on the cusp of precisely such a wrenching transformation. China, for example, is experiencing a transition from the traditional form of command politics to a new, yet to be institutionalized, pattern of logrolling and strategic bargaining at the national level. This transformation coincides with the disappearance of the founding generation that created the modern communist state. Even as these patterns evolve, China is completing the first phase of its transition to a modern market economy wherein purely entrepreneurial capitalism must give way to more institutionally ordered forms of market behavior if its economic transformation is to be successfully completed.

Japan appears poised to undergo a transformation of almost similar magnitude, and its long-term effects are perhaps just as uncertain as the Chinese experiment. The era of one-party dominance seems to have come to an end. What the new form of parliamentary democracy will bring cannot be clearly discerned, except that neomercantilist growth strategies appear to be well and alive, at least for now. While the commitment to the U.S.-Japan Security Treaty appears to be fairly robust at present—in part because of the progressive adjustments made to the structure of U.S.-Japanese treaty obligations—the best analysis suggests that the current domestic realignment process “could also lay the foundations for repolarization by permitting the rise of a stridently nationalistic force, especially in the context of deteriorating economic relations with the United States.”\textsuperscript{13} Over the long term, therefore, the rise of a real participatory democracy as opposed to a bureaucratically dominant state would reopen difficult questions on the nature of Japan’s national economic strategy, the character of relations with China and Korea, and the future of security ties with the United States, including the relevance of nuclear weaponry.

Russia and South Korea are also undergoing similar transitions. Russia is struggling with its transformation to a Western-style democracy even as it attempts to restructure its economy from the command model to new market structures. Given its large nuclear arsenal and its significant latent power capacity, the direction determined by

\textsuperscript{13}M. M. Mochizuki, Japan: Domestic Change and Foreign Policy, Santa Monica, CA: RAND, 1995, p. xiv.
domestic Russian politics will shape the environment both in Europe and Asia. The Korean transition is perhaps less momentous in contrast but certainly just as complicated. South Korea is attempting to complete the transition from an authoritarian past to new institutionalized patterns of democratic rule in the face of continued threats of war from the North. The North itself increasingly faces the prospect of decay and possibly even a precipitous meltdown that may result in highly provocative international behavior and perhaps even war involving nuclear brandishing and, in the limiting case, nuclear use. The Korean peninsula thus appears to face the challenge of reunification in some form down the line, a political transition that only coincides with the rise of a new generation of Koreans who, having enjoyed prosperity and peace, now urgently clamor for new political arrangements that offer greater autonomy, freedom, and life outside of ties with the United States.

In the developing world, the transitions are similarly conspicuous and just as pronounced. Pakistan, India, and Indonesia are all experiencing profound leadership and societal changes. In each case, the founding generation is on the verge of passing away; there are increasingly clamorous calls for effective mass political participation; and all three states are making the transition from relatively controlled economic institutions to new market structures.

Second, the continent at large is faced with a morass of interstate conflicts over unresolved territorial and boundary issues as well as competing claims to sovereignty. This trend is not surprising given that most of the political entities in Asia inherited boundary disputes that often date back to the colonial era. These disputes have thus far remained unresolved only because the Asian states were relatively weak for most of the postwar period. In any event, the Cold War resulted in an enforced “pacification” of these disputes, even when these contentions might have been resolved in any given case. On both counts today, these constraining conditions have disappeared. The end of the Cold War has resulted in the demise of all systemic restraints, and the newly generated wealth in Asia has provided its possessors with even greater capabilities to attempt to enforce their claims. Not surprisingly, then, the specter of unresolved disputes leading to armed conflict once again stalks the Asian continent.
The spatial extent of these disputes is just as disconcerting as their intensity, because each country in almost every major dyad in Asia either mounts its own or is faced by territorial claims. With the exception of the North-South Korea dispute, which is more a quarrel about who rules over a certain territory than about territory per se, all major and several minor actors are embroiled in territorial or sovereignty disputes. These include the Sino-Japanese dispute over the Senkaku Islands; the Russo-Japanese disputes over the Northern Territories and the Kuriles; the Sino-Russian disputes over the Inner Asian boundary; the Sino-Indian border dispute over the Aksai Chin and the northeastern territories; the Indo-Pakistani dispute over Kashmir; the Chinese-Southeast Asian dispute over the Spratly Islands; and the sovereignty disputes over the Southeast Asian straits. The political dimensions of these claims in many instances are reinforced by the perceived economic value of the territory in question: As competition for resources becomes more critical, the salience of these disputes will only increase, even though—mercifully—most of these disputes appear to be placed on the back burner at the moment.

Third, the Asian continent at large is witnessing an increased militarization in the form of burgeoning conventional capabilities and new weapons of mass destruction together with associated delivery systems. The increased availability of wealth, rising fears about changing regional power capabilities, growing perceptions of long-term American disengagement, and the increasing incidence of boundary and sovereignty disputes are among the reasons why the Asia-Pacific region has witnessed growing arms procurement and force structure changes in recent years. Whereas the Indian subcontinent led the way in this regard during the 1980s, the locus of activity has shifted to East Asia proper during the 1990s. The rate of change has been truly astonishing, as is evident from the fact that between 1987 and 1992, defense expenditures grew by 125 percent in Malaysia, by about 100 percent in Singapore, by about 70 percent in Thailand, and by about 50 percent in the Philippines. China, too, continues its program of military modernization and is estimated to have increased its mili-
Increased military expenditures are only one aspect of Asia's militarization. Another interesting development centers on changing force structures and strategic orientation. Unlike the postwar period, when regional actors focused mainly on countering landward threats in close proximity to their international borders, the new focus of Asia's military modernization is on countering open-ocean contingencies some distance removed from the land boundaries of the contesting states. Thus, China has acquired new long-range air superiority aircraft such as the Su-27 together with production technologies, and it seeks air-to-air refueling capabilities even as it contemplates acquiring organic afloat aviation in the form of aircraft carriers. The Japanese have acquired potent anti-air warfare platforms built around the Aegis SPY-1 radar and threat management system, combined with new fighter ground-attack aircraft such as the Rising Sun. Malaysia has acquired new air combat aircraft such as the MiG-29 and the F-18 Hornet, together with the first active radar air-to-air missiles in Asia (the AIM-120); Thailand has acquired a vertical/short takeoff and landing (V/STOL) aircraft carrier; and Taiwan is in the process of acquiring new air combat aircraft such as the F-16 and the Mirage 2000 together with new sea denial capabilities centered on diesel-electric submarines. In South Asia, India is slated to acquire a contingent of nuclear-powered attack submarines, while Pakistan is already integrating new diesel-electric submarines which, in another Asian first, will be refitted with conventional air independent propulsion systems.15

The new maritime orientation in Asia is complemented by further distension in WMD capabilities. China is already a nuclear power, and India and Pakistan have active nuclear programs and have declined to join either the 1967 Nuclear Nonproliferation Treaty or the

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15A discussion of which military technologies in East Asia are truly “destabilizing” can be found in Ashley J. Tellis, “Military Technology Acquisition and Regional Stability in East Asia,” in Jonathan D. Pollack and Hyun-Dong Kim (eds.), East Asia’s Potential for Instability and Crisis, Santa Monica, CA: RAND, 1995, pp. 43-73.
Comprehensive Test Ban Treaty. These three states have both air-breathing and tactical ballistic missile delivery systems either operational or close to it. China's mature strategic nuclear capabilities are being increasingly supplemented by new theater and tactical nuclear systems. In the wings are increasing numbers of potential nuclear states such as Japan, South Korea, and Taiwan. A substantial number of Asian states are also suspected of pursuing chemical and biological weapons programs. Iraq, Iran, Syria, Taiwan, North Korea, Vietnam, Myanmar, China, Pakistan, South Korea, India, Indonesia, Afghanistan, Thailand, and the Philippines have been identified at one time or another as seeking chemical weapons (CW) capabilities, while Iraq, Iran, Syria, Taiwan, North Korea, Vietnam, China, Pakistan, India, and Laos have been accused of pursuing biological capabilities as well.  

Fourth, the inevitable long-term trend is that the traditional security regime that maintained order in the Asia-Pacific region will be increasingly at risk. This outcome is perhaps likely given the growing Asian wealth, military capabilities, and self-confidence conjoined with the relative decline of American power. Both traditional U.S. allies—South Korea and Japan—will seek to revise the terms of their security arrangements. Important Japanese elites have already issued calls for a new, more “normal,” Japan, while the South Koreans have held off similar calls for revision only because final closure on the reunification issue has not been achieved. China has already begun displaying increasing ambiguity about the desirability of future U.S. involvement in Asia, while other rising powers such as India have not displayed any compensating interest in moving under a U.S.-led security umbrella. The Southeast Asian states have been the most vocal champions of U.S. presence in the region thus far (though unwilling to act as hosts), but there is no evidence that such encouragement will continue after the Chinese rise to ascendancy is complete or that the Southeast Asian states would matter very much if major allies like Japan and South Korea lose faith in American guarantees.

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What do these trends, viewed cumulatively, imply for the United States? The Asian states will constitute the new core concentration of economic power in the international system for the first time since the rise of the modern era. This event may also presage a much more consequential development when viewed against the larger canvas of global history: It may signal the beginning of the end of Western pre-eminence and a return to the earlier condition when the European subsystem was simply one of several regional concentrations of political-military power. Irrespective of whether this outcome eventually obtains, the fact remains that the United States (and Europe) will experience further relative decline in the future just as Asia will experience further growth in political and economic power. This in turn implies that the Asia of tomorrow—if it successfully completes its internal evolution—will be a more confident entity, harder to influence and control, and much more aware of its own uniqueness and identity. The Asian states will seek to transform some of their new-found capabilities into instrumentalties that bequeath them greater control over their own destinies, even if in the final analysis a truly autarkic existence is neither possible nor desired.

This transformation will be, by most current indications, difficult for the United States. Perhaps the greatest challenge will be simply ideational, that is, getting American policymakers and security managers—many of whom, after all, are linked to Europe by historical experience, cultural affinity, and ideological predilection—to recognize that the strategic center of gravity in international politics may be steadily shifting from a familiar and recognizable direction to a “brave new world” with different languages, cultures, and belief systems that share less with the West than is usually expected.

**Prognosticating the Strategic Future**

The coming transformation of Asia is real, but until the year 2025 it is likely that the international political universe will still be defined by the United States as the single most important actor in global politics. American hegemony, as manifested in the period after World War II, will probably disappear, but the United States will still remain preponderant with the most balanced set of political, economic, and military capabilities among all states. This conclusion appears coun-
terintuitive, given previous discussion about Asian trends and the rising power of the continent. But the major Asian states individually still face considerable constraints on their ability to translate economic strength into politically usable power even though they will, as a bloc, have grown faster relative to Europe and North America and will constitute the largest single economic unit in the international system. This conclusion becomes salient when the causal drivers, the range of strategic possibilities, and the limitations facing the individual Asian states are sketched out.

Understanding the prospects for the triumph of certain strategic futures over others requires an understanding of the drivers—or the causes—that enable such triumph. In the Asian continent, it is possible to identify five such drivers.

The first driver will be the future U.S. role in Asia. Because the rise of Asia is itself a complex product of American preeminence, and because its prognosticated growth rates all implicitly assume that the global trading order and local peace will continue indefinitely, the choices made by the United States with respect to its global leadership will fundamentally determine the future of Asia. This of necessity will include decisions pertaining to preserving regional security (including that in Asia) and sustaining the international trading order (on which continued Asian prosperity depends so much).

The second driver will be the success of domestic transformations in the key Asian states. This variable will determine the nature of the international political objectives sought by the rising Asian powers as well as the levels of efficiency produced in their own economic institutions. It will also affect the changing patterns of state-society relations in each of the major Asian states and that, in turn, will condition the ability of elites to expand their state’s power in the face of other domestic claims on national resources.

The third driver will be the kind of indigenous technological capabilities developed in Asia. This variable will determine how much the Asian states will depend on the United States and the rest of the world. It will also condition the range of threats that various Asian states can mount against one other, against American forces and facilities in the theater, and, ultimately, against the United States itself.
The fourth driver will be the extent, kind, and pace of WMD and strategic conventional technology diffusion in Asia. Because WMD and strategic conventional technologies hold the promise of providing political autonomy as well increasing the levels of threat perceived by others, this variable will be significant in conditioning the future of Asia as a political space. It will also affect the success of America’s global antiproliferation policy and its conceptions of an ordered international system in general.

The fifth driver will be the political relations between the major Asian states. The relations between Russia and China, China and Japan, Russia and India, China and India, Russia and Japan, and Japan and India will be critical determinants of the future political order in Asia. The character of these relationships will determine whether Asia can become a more-or-less autonomous order-producing entity either through collective security arrangements or common ideational orientation, or through continental or maritime alignments that produce peace through a balance of power (which may require support from external actors for its success).

These five drivers taken together will determine which of the four principal alternate strategic futures facing Asia comes about. These futures are (1) continued American hegemony or Pax Americana; (2) American preponderance, but not hegemony, in the context of new, multiple, regional power centers; (3) regional dominance (either Sino- or Japan-centric) in competition with the U.S.; and (4) regional collective security arrangements with no U.S. participation.

It is quite likely that current American hegemony, a carryover since World War II, will persist in some form or another until 2015 or thereabouts. Thereafter, and most likely for at least another decade, the current preeminence could give way to a new strategic environment defined by American preponderance in the context of the new, multiple, rising regional power centers in Asia. Over the longer term—if current trends hold—Chinese regional dominance in the continental arena, coupled with systemic challenges at the global level, would slowly become manifest: This would in effect imply that China now functions as true peer competitor of the United States. What is simply unlikely at any point is the fourth possibility—regional collective security arrangements with no U.S. participation—because continuing rivalries between the Asian
powers coupled with more continuity than change in international politics imply that a liberal Kantian order is all but ruled out in the region.

The second future—American preponderance—appears most likely as an alternative to current U.S. hegemony because broad domestic support for continued American primacy will ensure that the United States will make the necessary adjustments to maintain its preponderance—even as the Asian powers continue to be stymied by multiple constraints. China, for example, seeks respect and security and will continue to acquire the appurtenances necessary for them, but any manifest exercise of such power will provoke a continent-wide balancing that would negate its nascent efforts at producing regional primacy. Moreover, the vast magnitude of its domestic demands will ensure that the bulk of its state resources will be allocated to developmental rather than power-political objectives for at least another couple of decades. Japan is in many ways a poor candidate for regional dominance. The historical evidence suggests that no trading state can ever maintain primacy in competition with large continental-sized states unless it has a secure empire it calls its own. Japan not only has no such empire today, it also has substantial resource constraints. Even those resources it does possess—skilled labor and large capital surpluses—are dependent on secure access to overseas markets that cannot be guaranteed by Japan’s own military capabilities for both historical and practical reasons. India is certainly an actor of potential importance. Before it obtains anything more than local dominance, however, it will have to demonstrate a capacity for more highly sustained growth rates than its historical record justifies. And, it will have to service its vast developmental responsibilities, just like China, before it can confidently embark on any continental role. For these reasons, the rise of India as a true Asian great power—one that marries political confidence with robust economic growth and significant power-projection ability—is several decades away at best.

Thanks to such constraints, the United States will continue to dominate the global international system, but as a preponderant power over the truly long term (beyond 2025) rather than as the hegemonic state it is today. While Asia will be stronger than it is currently, it will still not be strong enough either collectively or in the form of a single dominant Asian state at least until 2015 and possibly until 2025. The
relative weakness of Asia can then be summarized as a function of three particular characteristics: (1) the specific constraints facing each major Asian state; (2) the continuing rivalry between individual Asian states coupled with the lack of an effective political mechanism for ensuring coordinated collective action; and (3) the lack of balanced capabilities—political, economic, and military—in any single Asian state and continuing limitations of depth.

Therefore, for purposes of assessing the potential for conflict, each of the following regional or country sections treats the international system as continuing to be characterized by significant, though slowly diminishing, American primacy.

**CHINA**

**Introduction**

China is undergoing rapid and revolutionary change along every dimension of national power: economic, political, military, technological, and social. A systematic program of market-led economic reform and opening to the outside inaugurated in the late seventies has produced growth rates of nearly 10 percent per annum since the 1980s. This explosion in growth has resulted in major increases in living standards for most of the population, a loosening of political controls over society (and rising expectations of further change), strong and expanding economic and diplomatic linkages to nearby Asian countries, and a determined effort to construct a more modern and comprehensive military establishment. However, this growth has also created severe disparities in income, periods of high inflation, increasing numbers of displaced and unemployed urban and rural workers, lowered respect for political authorities at every level of government, and growing corruption throughout the polity and society. To complicate matters further, China is also facing an unprecedented transition to a new leadership generation. Although largely united in their commitment to the maintenance of economic

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growth and the enhancement of national wealth and power, these new leaders possess less authority and arguably less vision than their predecessors.

These events pose major implications for the future security of the Asia-Pacific region. Indeed, China today arguably constitutes the most critical and least understood variable influencing the future Asian security environment and the possible use of U.S. military forces in that region. If current growth trends continue into the next century and most of the problems mentioned above are overcome, China could emerge as a major military and economic power in Asia, capable of projecting air, land, and naval forces considerable distances from its borders while serving as a key engine of economic growth for many nearby states. Such capabilities could embolden Beijing to resort to coercive diplomacy or direct military action in an attempt to resolve in its favor various outstanding territorial claims or to press other vital issues affecting the future economic and security environment of the region. The possibility of military conflict across the Taiwan Strait in particular has become a more urgent concern in some quarters, largely as a result of rapid, and in many ways revolutionary, domestic changes occurring on both sides of the Strait.

The above developments could eventually reorder the regional security environment in decidedly adverse directions, producing various conflict scenarios. For example, a confident, chauvinistic China could apply unprecedented levels of political and military coercion against an increasingly independent Taiwan in an effort to reunify the island with the mainland, thereby prompting a confrontation and even military conflict with the United States and possibly Japan. Equally negative outcomes would likely emerge from a reversal or wholesale collapse of Beijing’s experiment in combining political authoritarianism with liberalizing market-led reform. National fragmentation, breakdown, and/or complete chaos could result, leading to severe economic decline and a loss of government control over the population and over China’s national borders. Such developments would almost certainly generate massive refugee flows and send economic shockwaves across the region, producing major crises for neighboring countries. A weak, fragmented Chinese political and social environment could also lead to the adoption of a highly xenophobic, anti-foreign stance by many Chinese elites and
social groups, possibly resulting in confrontations with the outside over a variety of territorial and other issues.

**Major Trends**

Trends in four domestic areas will likely exert an enormous influence over China's external stance in the future and provide drivers of possible conflict scenarios in Asia:

- The changing composition of the central and provincial civilian and military leaderships, the nature and extent of elite support for continued reform, and the open-door policy toward Asia and the West.

- Evolving public attitudes and behavior toward political reform, toward the authority of the communist regime, and toward divergent intellectual views of China's changing security environment.

- The effect of continued reform and development on the changing pattern of economic capabilities and controls, external economic ties, and the military modernization effort.

- The pace and composition of military modernization, especially in naval and air power projection, presence and denial capabilities, and China's overall stance toward greater transparency of its military intentions.

In addition, developments on Taiwan, particularly within the political and social spheres, could serve as a catalyst for various conflict scenarios with mainland China. Major trends in each of these five areas are presented below.\(^1\)

**Political Trends.** During the past 15 years, a wholesale transformation has taken place in the composition, outlook, and regional oriien-
Sources of Conflict in Asia

The civilianization and specialization of leading party and government figures, replacing the party-army political "generalists" of the past with development-oriented bureaucrats and technocrats.

The emergence of strong unifying forces among this new leadership, centering on a common pragmatic approach toward continued economic reform, yet complicated by increasing overall support for a highly chauvinistic, state-centered form of patriotic nationalism.

The existence of several potential causes of leadership conflict over the medium and long term, including both latent policy divisions and narrower power rivalries, and a resulting concern for order and stability. In the short term, the leadership structure will be primarily authoritarian in nature. In the longer term (e.g., 2025), however, a multiparty/faction coalition could develop, divided into three groups: a nationalist, neo-conservative group composed of military and civilian elites (businessmen, ideologues), united behind issues of national reunification, national dignity, and Chinese culturalism; an atavistic Communist group ("communism with a smile"), marked by suspicion of the West and a belief in social order but also pro-growth in economic outlook; and a third, pro-Western, democratic party with nationalist elements.19

The emergence of three major leadership and specialist approaches toward China's regional and global security environment and resulting national security strategy:

- A mainstream, balance-of-power, realpolitik approach that combines suspicion of the United States with a recognition of the need for continued cooperation with the West and the maintenance of a placid regional environment.

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19Lest this discussion imply that a future China will be more democratic and therefore less aggressive on national reunification issues such as Taiwan, it must be pointed out that democracies often have just as many difficulties dealing with sovereignty issues as authoritarian regimes.
— A more conservative variant of the mainstream that stresses increased regional turbulence and uncertainty and Western hostility toward China and draws upon the above-mentioned neo-conservative school of thought.

— A distinctly minority nonmainstream view that recognizes the growing importance of global interdependence and the consequent need to qualify or reject the realpolitik approach for a more cooperative approach to the West and more extensive participation in emerging multilateral forums.

Of the two latter approaches, the hardline, neo-conservative variant of the conventional approach, associated with elements within the military, is more likely to gain greatly in influence.

**Social and Intellectual Trends.** Five broad social and intellectual trends and features have the greatest implications for future adverse Chinese external behavior:

- Rising expectations of higher living standards among an increasing number of social classes, tempered by growing economic uncertainties and anxieties in some sectors and regions.

- Widespread political cynicism, passivity, and low class consciousness among the mass of urban and rural dwellers, combined with signs of increasing nationalist pride in China’s recent achievements.

- The absence of genuinely representative social organizations to mediate between state and society.

- A deep chasm between the attitudes and beliefs of the general populace and more politically aware social or intellectual groups, reinforced by a popular aversion to social and political disorder.

- Increasing movement of Chinese workers and social groups, both within China and to nearby regions in Asia.

These trends and features present some closely interrelated implications for overall social stability and government policy over the next 10–15 years and beyond:
• The danger of widespread social upheaval in the event of a weakened, paralyzed government or a significant, prolonged decline in economic growth levels.

• Increasing incentives for government policies keyed to further economic reform, combined with greater pressures to incorporate genuine social interests into the policy process, especially those of the urban middle class.

• Possible popular support for a more assertive and chauvinistic foreign policy that seeks to utilize the greater leverage provided by China's increasing economic, diplomatic, and military clout.

• The emergence of large Chinese enclaves in various sensitive areas near China's borders, including those previously controlled by the Chinese government, such as the Russian Far East.

**Economic Trends.** Five major positive and negative economic trends and features of the past decade will likely prove especially significant to future regional behavior:

• High national growth levels, through major increases in private and semi-private production, trade, and investment, largely resulting from economic reform.

• Major decentralization of economic decisionmaking and the emergence of significant levels of local government and enterprise autonomy over spending and investment.

• Rapid increases in personal income and savings levels and provincial growth rates, leading to significant disparities across key sectors and regions.

• Major decreases in state sector output and profitability and resulting declines in government revenues, combined with increasing public expenditures.

• Explosive growth in foreign economic relations, leading to growing economic linkages with global and regional economies, especially in China's coastal areas.

These economic trends and features suggest major changes in the composition, geographical focus, and pattern of control over economic development that have major direct and indirect implications
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for China’s future domestic stability and external behavior. Five implications are especially important:

- Deep-rooted structural incentives for further reform, combined with major obstacles to successful completion of its final stages.
- Increased potential for internal regional tensions, kept in check by continued growth.
- Possible constraints on long-term government financing of high levels of defense modernization.
- Growing Chinese dependence on foreign economic relations for continued domestic growth and social stability.
- A larger role for economics in determining cooperative or conflictual relations with nearby Asian nations.

Military Trends. In the military sphere, six key trends present major implications for China’s external behavior over the short, medium, and long terms:

- A new generation of more-professional military leaders has emerged during the past decade, largely replacing the military politicians of the revolutionary generation. These officers are younger, better educated, and more professionally trained than in the past. The attention of China’s emerging professional officer corps is now focused primarily on military modernization through continued economic reform, technological advancement, and improvements in force structure and operational doctrine, and the maintenance of domestic stability and unity.
- The emergence of a less immediately and seriously threatening, yet arguably more complex and uncertain, security environment has led to a significant transformation in China’s strategic outlook and resulting force requirements, from that of a continental power requiring a minimal nuclear deterrent capability and large land forces for “in-depth” defense against threats to its northern and western borders, to that of a combined continental/maritime power requiring a more sophisticated, flexible conventional and unconventional force structure.
- China’s diverse security concerns provide the foundation for a newly emerging post–Cold War defense doctrine, comprising
such modern concepts as “local or limited war under high-technology conditions,” and “active peripheral defense.” These concepts assume that local or regional conflicts or wars of relatively low intensity and short duration could break out virtually anywhere on China’s periphery, demanding a rapid and decisive application of force through high-tech weaponry. Many such conflicts are seen to pose the possibility of escalation and expansion in intensity, duration, and geographic area; Chinese military modernization goals are thus designed to prevent such developments.

• China’s effort to create a conventional force structure with medium- and long-range force projection, mobility, rapid reaction, and off-shore maneuverability capabilities and a more versatile and accurate nuclear weapons inventory has achieved some significant successes. However, force modernization remains plagued by deeply rooted financial, organizational, technological, and managerial problems that suggest that the pace and extent of military advances will remain limited, at least over the next 10–15 years. Moreover, China’s senior leadership has not accorded the effort a high priority in China’s overall economic reform and development program, which remains keyed to civilian growth.

• The People’s Liberation Army (PLA) has been permitted to engage in a wide range of money-making activities, largely to make up for funding shortfalls resulting from the continued priority placed on civilian economic growth. As a result, military leaders have converted many defense industries to the production of civilian goods, established private enterprises—including many in the foreign trade, transportation, vehicle production, pharmaceutical, hotel, property development, textile production, and mining sectors—and invested heavily in key nonmilitary sectors of the economy. Such activities have come to play an important role in the defense modernization effort.

• The recent successes of Taiwan President Lee Teng-hui’s ongoing effort to achieve greater international recognition of Taiwan as a separate political and diplomatic entity from the mainland have apparently prompted Beijing to focus greater attention on acquiring more potent maritime air and naval capabilities for use in a variety of possible actions against the island. Such ac-
tions conceivably could include low-level intimidation through various military displays, a naval blockade, a limited missile or air attack, limited ground incursions, or even, over the long term, a full-scale invasion.

These major military trends present several implications for future Chinese behavior and capabilities in the Asia-Pacific region:

• It is unlikely that Chinese military modernization will decisively alter the strategic balance in Northeast Asia over at least the medium term (5–10 years), given both the above-mentioned internal modernization difficulties, the continued high priority placed on civilian development, and the clear military advantages enjoyed by other major powers in the region. However, a drastically heightened external threat environment could force a major reallocation of spending priorities in a variety of areas (see, for example, the discussion of Taiwan below).

• Nonetheless, China will likely display increasing confidence in its ability to use conventional military instruments to assist in resolving complex political, diplomatic, and territorial issues, even under conditions of rising regional concern over Chinese military modernization. Over the long term, sustained successes in Chinese air, naval, and ground force modernization could increase Chinese leverage and lower Chinese hesitation to press more aggressively to resolve regional issues in its favor. In the WMD area, medium- and long-term advances in China’s nuclear weapons arsenal probably will result in an improved second-strike capability (although still not on the scale of historical U.S. and Soviet/Russian inventories) against the continental United States and Russia (including the likely ability to penetrate a ballistic missile defense system); a possible preemptive first-strike capability against intermediate-range counterforce targets in countries such as Japan, Korea, India, and Russia; and the ability to employ a large number of short-range nuclear and

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20This will likely also include an ability to strike counterforce targets, including U.S. military facilities, with conventional warheads.
other WMD-armed missiles for preemptive or tactical use in a battlefield environment.\textsuperscript{21}

- A potential for increasing (and possibly adverse) military influence over the civilian leadership exists, despite a trend toward military detachment from politics. Military forces could become drawn into the fray in a post-Deng succession contest, to support contenders for power or to ensure overall stability. The military might also intervene to resolve policy debates in its favor. Alternatively, the military leadership might become completely paralyzed in such circumstances given an absence of clear directives from above and its own internal debates. Any form of military involvement in elite politics will likely accelerate the trend toward more patriotic nationalist, and possibly neo-conservative, policies, given the growing presence of such views within Chinese military leadership circles.

- However, the problem of military capabilities against Taiwan is the most likely flash point over at least the medium term (5–10 years). As a result of the recent tensions over Taiwan, China’s weapons programs will likely place an increased emphasis on acquiring capabilities designed to strengthen the credibility of Beijing’s military options against the island and to deter the United States from deploying aircraft carriers in an effort to counter such options.\textsuperscript{22}

\textsuperscript{21}Such WMD capabilities will not equate to a position of nuclear parity with the United States and Russia during the time period covered here, absent a major reduction of American and Russian warheads to levels below those proposed by a START III agreement. Moreover, China’s willingness to deploy its nuclear forces in the manner suggested above (e.g., to constitute a preemptive first strike) would require a change in its “no first use” and “no use against non-nuclear powers” doctrine.

\textsuperscript{22}Specific military systems relevant to such capabilities include (1) large amphibious landing craft, especially those capable of traversing wide, shallow mud flats as are found on the west coast of Taiwan; (2) medium-range fighter/interceptors and attack helicopters; (3) short- and medium-range ballistic missiles; (4) conventional attack submarines; (5) improved command, control, communications, and intelligence (C3I) and carrier detection systems; (6) long-range, stand-off, anti-ship weapons, including cruise missiles and anti-carrier torpedoes; and (7) fixed-wing and helicopter troop and equipment transports.
Trends on Taiwan. Dominant trends and features evident in five arenas will have the greatest impact on Taiwan’s approach to China policy and to foreign and security affairs:

• Lee Teng-hui’s accession to power as Taiwan’s first locally born and nationally elected president has furthered the Taiwanization of the political process. Within the ruling Nationalist Party, discussions of the status issue no longer assume that a “One China” solution is the only possible basis for a resolution of the conflict.

• Indeed, a broad consensus appears to have emerged that the current status quo—Taiwan’s de facto independence—is the baseline condition for a debate about Taiwan’s status.

• Significant foreign exchange reserves, investment in neighboring economies, the considerable role played in many countries by Taiwan capital, and the benefits in the industrialized world of a democratic image have given the island’s leadership greater confidence in its capacity to leverage wealth for political gain.

• Where one interest—the Kuomintang’s (KMT’s)—once defined Taiwan’s approach to the China issue, and two interests—the KMT’s and the Democratic Progressive Party’s (DPP’s)—eventually supplanted the old approach, multiple interests on the island now have distinct and often conflicting stakes in Taiwan’s mainland policy. Internal divisions muddy the KMT’s policy; DPP politicians appear to disagree on the credibility of the Chinese threat, the likelihood of foreign support, and the pace for a push toward independence.

• Taiwan remains highly trade dependent, the level of its offshore investment continues to accelerate, and the pace of restructuring its economy to a more capital-intensive focus remains slow. Business interests now include those with mainland investments to protect, as well as those at home facing stiff competition from mainland-relocated Taiwanese industry.

On the Taiwanese side, the most serious miscalculation would consist of a declaration of formal independence or some other action(s)
viewed by the Chinese as a prelude to independence. Most analysts believe that Beijing would almost certainly use military force against Taiwan under such circumstances.\textsuperscript{24} Moreover, such a Chinese resort to force would likely occur regardless of the state of the military balance at the time or the adverse consequences such action would pose for Chinese reform policies and Beijing’s relations with other powers. Such a Taiwanese miscalculation would probably be associated with the emergence to power of the DPP.

**Drivers of Conflict.** The above trends include a range of possible drivers or precipitants of conflictual or aggressive Chinese behavior in the Asia-Pacific region. These drivers could interact to produce four basic alternative Chinese security postures, as highlighted below.

**Continuity: Gradual Emergence as a Major Power, Yet Still Committed to Reform and the Open Door.** One set of drivers is associated with the continuation of several existing political-social, economic, and military trends and features. Even in the absence of highly adverse or alarming changes in Chinese attitudes and capabilities, the steady accumulation of Chinese influence and the strengthening of Chinese nationalist views—all part of China’s emergence as a major power in Asia—might precipitate a variety of conflict scenarios.\textsuperscript{25} This would prove especially true in the context of perceived external provocations designed to challenge or constrain China’s emergence as a major power or to deny the assertion of its interests, especially

\textsuperscript{24}Paul Kreisberg provides several examples of possible Taiwanese political actions that would probably drastically raise tensions or trigger a Chinese attack. (Paul Kreisberg et al., Threat Perceptions in Asia and the Role of the Major Powers: A Workshop Report, Honolulu, HI: East-West Center and Alexandria, VA: Center for Naval Analyses, 1993, p. 82.) In the same volume, also see “Conclusion,” p. 177; and Vernon V. Aspaturian, “International Reactions and Responses to PRC Uses of Force Against Taiwan,” pp. 140-142.

\textsuperscript{25}We are by no means predicting such conflict as an inevitable outcome of existing trends but instead merely point to such a possibility given that the central tenets of China’s regional security stance are not those of a status quo power. They assume the eventual expansion of Chinese influence or direct control over nearby territories claimed by other Asian countries, as well as a greatly increased ability to shape events across much of the Asia-Pacific region, through the combined use of more potent economic, military, and diplomatic instruments of national power. However, the continued Chinese need for a placid regional environment, and its growing economic linkages with foreign economies, suggest a basis for future Chinese caution and pragmatism toward both the Asia-Pacific region and the West.
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regarding territorial issues. Key drivers of a “continuity” trend line would likely include:

- In the leadership realms, the emergence of a stable, collective leadership structure dedicated to continued economic growth and social order. In the short term, this leadership structure will be primarily authoritarian in nature. In the longer term (e.g., 2025), however, a multiparty/faction coalition could develop (see political trends above).

- In the foreign policy realm, a continuation of the strongly status- and power-oriented (and potentially destabilizing) nationalistic impulses motivating China’s search for increasing power and influence in Asia.

- In the economic realm, the continuation of stable, reasonably high growth rates with manageable inflation.

- In the military realm, the continued, gradual improvement of Chinese rapid deployment and force projection capabilities, particularly in the areas of naval and air power.

- Externally, provocative actions taken by Taiwan, the United States, or several other Asian states could greatly increase the chances that existing domestic trends would result in conflict scenarios. On Taiwan, such actions might include:
  - A formal declaration of independence by Taiwan
  - Further expansion of Taiwan’s “pragmatic diplomacy”
  - Increased support for Taiwan’s “pragmatic diplomacy” in the United Nations
  - Significant support for Taiwan’s “pragmatic diplomacy” in the United States and Japan
  - DPP control of one or both major branches of Taiwan’s government: the presidency and the legislative Yuan
  - Some form of convergence between DPP moderates and ethnically Taiwanese KMT softliners
  - Further breakdown of the ruling Kuomintang, leaving the party a rump of its former self
— Shifts in Taiwan’s attitude toward the ongoing cross-Strait dialogue, especially in light of the increasing marginalization of “one China” absolutists, even within KMT ranks.

In the United States, such actions might include:

— The adoption by Washington of an explicit “two Chinas” policy toward Taiwan and the PRC
— A formal commitment to employ U.S. forces in the defense of Taiwan against a military attack
— The placement of U.S. forces on Taiwanese soil or the sale of major offensive or defensive weapons to Taiwan, including a theater missile defense (TMD) system
— A U.S. decision to deploy forces into North Korea in the event of a collapse of the Pyongyang regime.

Elsewhere in Asia, such actions might include:

— Major oil or liquefied natural gas (LNG) discovery in the Spratly Islands, especially in the Vietnamese areas
— Military buildup among ASEAN claimants, focusing on power projection capabilities (air and naval)
— Major military efforts by Southeast Asian claimants to secure control over large sections of the Spratly Islands in the South China Sea
— Increased dependence of several ASEAN states on the Chinese economy, emboldening China to pursue further aggressive moves in the region
— A Japanese decision to acquire significant offensive power projection capabilities
— Worsening of Sino-Japanese relations, based on fractious economic competition and historical fears
— Discovery of significant oil or LNG deposits in the disputed Senkakus
— Weakened or hostile U.S.-Japan relations
— Outbreak of chaos in North Korea
— Increased intervention and corruption in Hong Kong by mid- or lower-level bureaucrats, undermining confidence in the Hong Kong economy and possibly leading to demonstrations
— A serious downturn in the Hong Kong economy, either because of intervention by China or normal business cycles, causing severe economic pressures on the Chinese economy
— Severe internal disarray in Russia across all sectors (political, economic, military, social)
— Resumption of Russian influence over Central and East Asia (Russia overcomes problems)
— Decline of Sino-Russian rapprochement, in particular an end to military technology transfer
— Increased Chinese migration and settlement of the Russian Far East
— The rise of aggressive fundamentalist movements in Central Asian states along China’s borders, leading to transnational Muslim uprisings in Xinjiang
— Continued Indian naval buildup
— Expansion of Sino-Burmese military ties.

**Discontinuity One: A Highly Assertive China, Committed to Regional Dominance.** The likelihood of Chinese conflict behavior would increase significantly if several of the above trends and features produced major decreases in rates of Chinese regional power accumulation and, as a result, markedly more aggressive Chinese behavior, even in the absence of external provocation. Under this scenario, the priority emphasis on rapid civilian economic growth would give way to the state-centered nationalist goals of the defense of national sovereignty and territory and the attainment of big-power status. A combination of at least five domestic drivers would increase the chances of such a fundamentally adverse shift in Chinese foreign policy:
• Stable, high growth rates with manageable inflation
• A fiscally strong central government
• A high level of conservative (especially military) involvement in politics
• Accelerated, “crash” development of air and naval power projection capabilities
• The emergence of a highly conservative, hardline viewpoint on China’s security environment as the new “mainstream” view.

Discontinuity Two: A Weak, Insecure, and Defensive China, Concerned with Preventing Foreign Intervention and Social Chaos. A marked downturn in China’s internal fortunes could also precipitate more aggressive or assertive Chinese behavior. Several factors could drive such a downturn and a resulting defensive, hypersensitive Chinese regime:

• The failure of the successor leadership to establish a consensus on dealing with a range of obstacles to the final stages of economic reform, such as the future disposition of huge state enterprises, the establishment of a more effective national banking system, and an effective program of national tax reform.

• The inability to generate future growth through expansion of the domestic economy and utilization of China’s very high domestic savings, rather than a continued reliance on exports.

• A lack of confidence in the economy by China’s emerging entrepreneurs, manifested by slackening investment in the private sector. The first visible sign of this lack of faith would probably be an upsurge in the flight of capital.

• The failure to implement a genuinely effective program of national tax reform designed to ensure a stable and increasing level of revenue for the central government, commensurate with overall national growth levels.

• Prolonged, declining levels of official government spending on military modernization and other military-related activities, manifested either as a constant defense budget or a defense budget growing slower than military costs.
Discontinuity Three: A Chaotic China. Finally, an extremely chaotic domestic situation, resulting from a period of prolonged and very severe economic and social decline, exacerbated by unresolved (and possibly violent) conflicts among both civilian and military successor leaderships at the central level, could also produce conflictual Chinese behavior. Such a dangerous scenario could draw subnational elites into the conflict and might even lead, under certain circumstances, to the sporadic use of regional forces in support of contending factions.

The most critical domestic indicators of this adverse scenario would likely include those noted in Discontinuity Two, exacerbated by

- negative economic growth rates over several years;
- stockpiling and widespread shortages of goods moved in interprovincial trade, particularly those regulated by the center;
- a collapse of the tax collection system. Reactions to such a problem could include greatly accelerated inflation or sporadic and reduced pay for central and local government employees;
- an exchange rate in free-fall and the collapse of normal trade relations. China’s trading partners would become loath to extend credit and would insist on foreign currency; exporters would be scrambling to unload merchandise to acquire foreign exchange, preferably in an overseas account;
- accelerated efforts by individual provinces or regions to adopt independent or protectionist fiscal, trade, and investment policies, perhaps leading to
- prolonged, unresolved leadership conflict.

Conflicts. Given the above trends and drivers, the following conflict scenarios are most likely for each of the three time periods covered:26

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26 This listing is by no means exhaustive. It presents only three representative scenarios deemed to be possible under the three time periods covered by this study.

**Description.** Despite strengthening economic, cultural, and social contacts across the Strait, Taiwan’s domestic political process generates steadily increasing pressures for greater international recognition and a clearer domestic expression of de facto independence from Beijing. In this context, Taiwan’s highly popular president, leading a largely pro-independence political coalition, continues to chip away at the legal fiction of “one China” in a variety of ways, without actually declaring independence. A more confident, nationalist Beijing decides that it must either press Taiwan through military force to agree to some variant of its formula for peaceful reunification or take the island outright. Three alternative Chinese strategies are possible: (1) gradual pressure to provoke Taiwan; (2) blockade; and (3) sudden attack.

**Why Possible?** This scenario could conceivably emerge out of a continuation of present trends in China and Taiwan, including ongoing nationalism and Taiwanization, and Chinese air and naval modernization. Moreover, perceived provocations by the United States would greatly increase the chances of such a scenario. This scenario is also possible during the other two time periods covered in this study, and under the conditions of either a strong, assertive China or a weak, defensive China concerned with foreign intervention, given the critical importance of the Taiwan issue to questions of Chinese national unity and China’s emerging great-power status, and Chinese suspicions regarding foreign manipulation of the issue.

**Importance for the United States.** Chinese military pressure or an outright attack on Taiwan would present a major crisis for U.S. policy in Asia and would likely lead to the deployment of U.S. forces to the immediate area. This could result in a direct clash with Chinese forces. Depending upon China’s level of military development, such a clash could threaten U.S. carrier and air forces.


**Description.** Years of Chinese migration and settlement into Russian Far Eastern territories adjoining China have displaced many Russian residents and created local Chinese support for a reversion of much of the region to China. This sentiment is increasingly expressed by
local Chinese elites and through demonstrations in cities near the Russian border. A strong, prosperous, and unified Chinese government privately conveys its sympathy for the demonstrators, and Chinese small arms increasingly appear among Siberia's Chinese residents. Some Chinese leaders also privately speak with some bitterness of the "unequal" treaties of the 19th century that led to the "seizure" of Chinese lands by Imperial Russia. However, there are also hints of Chinese discussions with Moscow regarding a possible purchase of the "disputed" territories. A weak, economically strapped, and divided Russian government openly demands that China cease all efforts to foment secession in the Russian Far East and reinforces local police and military units. China responds by placing elements of several group armies closer to the Manchurian border with Russia.

**Why Possible?** This scenario could result from the resolution, over the medium term, of many of China's internal development problems and the emergence of a more militarily capable and nationalist regime, as well as the continuation of existing trends regarding Chinese immigration into the Russian Far East. Hence, both continuities in current trends and the first discontinuity outlined above could precipitate such a scenario.

**Importance for the United States.** This scenario would not present a major challenge to U.S. policy or forces in Asia. However, this scenario would likely promote major regional concern and demands for U.S. efforts to stabilize or contain any possible conflict.

**Long Term (2016–2025): Spratly Islands/Strait of Malacca Tensions.**

**Description.** Tensions in the South China Sea are sparked by a Chinese decision to expand its level of influence in the region through regular deployments of naval forces into the southern Spratlys and through the Malaccan Strait. Although the Chinese do not forcibly displace any of the other Spratly claimants from occupied islands, the rapidly increasing Chinese military presence sends shockwaves through the area, prompting major efforts from Indonesia, Malaysia, Singapore, and Vietnam to increase their forward-deployable air and naval assets. India also expresses great concern over the Chinese actions. These actions raise the level of tension in the area and produce some sharp exchanges with Chinese representatives at the
ASEAN Regional Forum (ARF) security dialogue. Privately, many Southeast Asian countries implore the United States to pressure the Chinese to reduce their activities to the pre-escalation levels.

**Why Possible?** This scenario, which could also occur during the medium term, could become even more likely over the long term as a result of the emergence of a more militarily capable and nationalist Chinese regime.

**Importance for the United States.** This scenario would pose a serious challenge to critical U.S. interests in the Asia-Pacific region, including a commitment to the peaceful resolution of disputes; to the stability and unity of ASEAN; and to unhindered maritime passage through a critical line of communication and commerce.

**JAPAN**

**Introduction**

As Japan approaches the 21st century, it finds itself at a crossroads, faced with critical choices concerning the future of its economy, its alliance with the United States, what roles it should play in the international system, and its relations with Asian neighbors. It also is entering into a period of great uncertainty in terms of its strategic environment. Both the manner in which Korean unification will unfold and what external stance a unified Korea will adopt are sources of considerable anxiety. Another source of apprehension concerns how long the United States will choose to remain militarily engaged in East Asia. But even more critical over the longer term, Japan faces the prospect of a dramatic power transition in favor of China over the next decade. Will a highly assertive China seeking regional domination emerge during the next three decades, or will China’s growing links with the international economy result in the emergence of a status quo Chinese state?

Given such uncertainty in its external environment, Japan is hedging in its security relations with the United States and in its relations with other Asian countries. Such behavior is highly convenient for Japanese policymakers, who wish to postpone difficult and controversial foreign policy decisions at present, given the fluid state of Japanese politics. The choices that Japan eventually makes in the
next five years, however, will have critical consequences for the re-
grand security environment and far-reaching ramifications for U.S.
Air Force strategy well into the next century.

**Major Trends**

**Political Trends.** The process of political realignment will likely result in a period of political instability and weak governments over the short term, but could result in stronger governments over the long term—with critical foreign policy implications. Japanese politics are undergoing a dramatic process of realignment and transform-

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27This process is discussed in greater detail in M. M. Mochizuki, Japan: Domestic Change and Foreign Policy, Santa Monica, CA: RAND, 1995.
debates now under way, each having major implications for Japan’s long-term relations not only with the rest of Asia, but also with the United States.

One critical foreign policy debate concerns Japan’s search for an appropriate role to play in international affairs in light of the power shift in its favor during the 1980s and the end of the Cold War. A second concerns how Japan should approach relations with Asia. A third revolves around economic development, including the liberalization and deregulation of the Japanese economy. While no consensus has yet been reached on any of these debates, their outcomes will have a decisive impact on Japan’s basic foreign policy and U.S.-Japan relations over the next 25 years.

Current political trends in Japan are highly critical for the U.S. Air Force, because they could both diminish the deterrent effectiveness of a U.S. presence and constrain U.S. en-route and in-theater operations in the event of a major regional conflict. As a result, Japan’s ability to respond to an international crisis in a timely fashion and render assistance to its ally, the United States, will be affected by today’s political trends. Even more problematic, political turmoil could affect whether Japan insists on “prior consultations” in the event of a breaking crisis in the Far East, thereby imposing severe constraints on the ability of U.S. aerospace power to function as a rapid reaction force. Any prolonged delay by the Japanese government, any attempt to place limitations on the use of U.S. military capabilities, or any exercise of veto rights in a worst case scenario would have critical consequences for the U.S. Air Force war-fighting capabilities and hence the outcome of a crisis. Political instability, in conjunction with the Japanese public’s strong “allergy” to Japan’s involvement in armed conflicts, could therefore have a decisive impact on

• whether Japan could be expected to insist upon prior consultations in the event of a crisis requiring the deployment of U.S. troops stationed in Japan;

• what types of logistical and other indirect support Japan would likely provide;

• whether Japan’s Self-Defense Forces would themselves directly participate in such a conflict;
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• what types of participation could be expected (minesweeping, escort duties, direct combat roles), if Japan responded positively to a crisis overseas; and

• what calculus potential military adversaries of the United States, its allies, and its friends would make in a crisis, given the uncertainty about how Japan would respond.

Japan’s response in the event of another major regional conflict in the Persian Gulf or in East Asia would also have great political significance. In the event Japan’s future response were seen in the United States as “too little, too late,” as it was during the Gulf War, strains on the alliance relationship would become severe. Repetition of a Gulf War situation would likely undermine American public support for the alliance if Japan again were seen to contribute little in “human” terms, while at the same time U.S. forces were sacrificed while defending Japanese security interests in the Middle East, Strait of Malacca, South China Sea, Taiwan Strait, and especially Korea. Moreover, in the context of ongoing economic friction and the lack of an overarching threat that the Soviet Union posed during the Cold War, the alliance relationship itself could prove domestically unsustainable in the United States. U.S. troops would be seen by the U.S. public as performing “mercenary tasks” for Japanese interests with few tangible benefits for the United States. This view in turn would also have devastating consequences for U.S. strategy in East Asia.

Economic Trends and Features. Low growth rates over the long term, with the possibility of a stagnant economy if Japan does not address critical structural problems. The Japanese economy is at a crossroads. Since the collapse of the “bubble economy” in 1990, Japan has been mired in a structural economic recession. While the Japanese economy has shown signs of a partial recovery—in part because of the recent depreciation of the yen, countercyclical measures designed to stimulate the economy (although basically “pork” in nature), and large trade surpluses—reports hailing recovery may be

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premature. Instead, the possibility remains of a stagnant economy in the long term. Problems that need to be addressed include a “hollowing out” of the Japanese economy; heavy debt among Japanese banks arising from bad loans made during the “bubble” years and a sharp decline in the value of equities owned by Japanese banks; inefficient service sector industries protected from foreign competition by excessive regulations; overcapacity in certain industries; long-term appreciation of the yen; and an aging population. At the very least, long-term growth rates are likely to remain low in comparison to Japan’s economic performance during the Cold War and in comparison to the growth rates of its rapidly developing Asian neighbors.

Future trends in the structure and direction of Japanese economic growth will play an important role in influencing the process of political realignment. A prolonged downturn of the Japanese economy could strengthen the position of those Japanese who argue for a more assertive form of economic nationalism, keyed to the expansion of links to Asian markets and a reduced reliance on the United States. Conversely, the resumption of stable and moderate growth levels could increase the chances for a more stable transition to a more liberal political leadership.

A rapid expansion of Japanese direct investment in Asia and transfer of production abroad, in large part driven by a rapidly appreciating yen, has begun a “hollowing out” process of the Japanese economy in such areas as textiles, consumer electronics, chemicals, and even in the automobile sector. The globalization of Japan’s production activities is also weakening Japan’s manufacturing keiretsu system, as manufacturing firms loosen and in some instances cut traditional ties with domestic subcontractors. Although some subcontractors have followed manufacturers overseas in order to survive, in many instances these subcontractors also work for other manufacturers (both Japanese and non-Japanese). Finally, a process of kakaku hakai (price destruction) driven by cheap foreign imports by discount stores is straining Japan’s distribution system, resulting in a changing balance of power between manufacturers and retailers, fa-

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vorring the latter. As a result, Japan not only may import increased amounts of finished products from the rest of Asia, but may even procure more manufactured components from South Korean and Taiwanese companies to remain competitive against U.S. and European rivals.

Japan’s process of structural adjustment is significant, because interstate conflict can arise from states seeking to protect declining industries from foreign competition. Labor and capital interests in declining sectors of an economy will tend to lobby for protectionist policies, while similar interests in internationally competitive sectors will tend to favor free trade. When the former are more powerful politically, their preferences for protectionist policies are more likely to be adopted and in turn lead to interstate political conflict. This risk of conflict is not only acute between Japan and advanced economies in the West, but also among Asian states themselves. Such conflict is significant, because it could harm alliance relations with the United States and exacerbate relations with traditional rivals (e.g., China and Korea).

Persistent and large trade surpluses with Asia (except China) and the United States. Despite early signals of a fundamental structural transformation under way in the Japanese economy, it is also possible that declining economic sectors in Japan, in tandem with bureaucratic interests seeking to maintain their influence over the domestic economy, may postpone or even attempt to derail such an industrial adjustment. Resistance will be especially strong if economic growth remains stagnant. As a result, growing trade imbalances between Japan and Asia may not be rectified, with the costs of adjustment foisted upon the United States—likely leading to rising conflict not only between Japan and other Asian states, but also between Japan and the United States. The reluctance of Asian states to further liberalize their economies could lead to a protectionist backlash in the United States. Continued U.S. trade imbalances could in turn increase domestic pressure to disengage militarily from Asia because of tensions arising from the usage of

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scarce financial resources to protect nations running large trade surpluses with the United States.

By running large trade surpluses, states pursuing neo-mercantilist trade strategies can further promote economies of scale for national industries and the accumulation of national wealth. Interstate conflict can therefore arise from persistent imbalances between trading partners. China and Japan account for most of the U.S. global trade deficit. Whether or not these two Asian powers liberalize their markets and serve as engines of growth for the region will be especially important in determining whether U.S. relations with the region are increasingly marked by cooperation or conflict and whether Asian states themselves can establish durable forms of economic cooperation.

On an aggregate basis, Japan continues to run a trade and current account surplus with the rest of Asia and the United States. Between 1990 and 1994, Japan’s trade surplus with Asia more than doubled, from $25 billion to $57 billion. Behind this large trade surplus lay Japanese exports not only of finished products but also of industrial equipment, components, and manufacturing technology. Although Japanese imports from the rest of Asia have steadily risen, Japan’s exports to the region have risen much quicker. In fact, exports from some Asian states to Japan have stagnated or declined in recent years. As a result, Japan in 1994 ran an even larger current-account surplus in trade with Southeast Asia than with Organization for Economic Cooperation Development (OECD) members. China is the only major country in East Asia that enjoys a large trade surplus with Japan.

While the collapse of Japan’s bubble economy and burgeoning economic growth in Asia (i.e., growing demand for Japanese machinery, components, and the like) provides a partial explanation for rising

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31 South Korea’s deficit with Japan continues to rise despite its own trade barriers, largely because of a reliance on Japanese machinery and components. Taiwan also has experienced a strong and increasing trade deficit with Japan in recent years.

32 According to Ministry of Finance trade statistics for 1994, Japan’s trade surplus with OECD members was $70.05 billion, versus $72.007 billion with SE Asia. Japan’s trade surplus with the United States was $54.9 billion, versus $60.868 billion with the Asian newly industrialized economies (NIEs). Japan’s trade deficit with China was $7.683 billion, however.
trade imbalances between Japan and the rest of Asia, both formal and especially informal barriers continue to limit Japanese imports of Asian manufactured goods, a particular source of friction between Japan and South Korea. Moreover, the structure of Japan’s trade with the rest of Asia still tends to be vertical in nature, with Japan typically supplying manufactured goods to Asia, while tending to import food and raw materials and textiles.

Further rounds of yen appreciation, however, could change existing trade patterns in Asia by stimulating increased Japanese imports from the rest of Asia, especially as the rising value of the yen is likely to spur a new round of Japanese manufacturing investment in China and Southeast Asia. Japanese companies are increasingly manufacturing products in Asia, not only for local consumption in other Asian countries and for export to Western countries, but also for re-export back to Japan. These developments might eventually ameliorate Japan’s large trade surpluses with the rest of Asia and generally heighten prospects for economic integration. But if these developments are not realized, then Japan’s political relations with the rest of Asia and especially the United States may be increasingly marked by discord.

Increasing rivalry over the locus of advanced technologies among Japan, its primary Asian competitors, and the United States. Competition over the locus of high-technology industries in the world economy could exacerbate political relations among Japan, other Asian states, Europe, and the United States. Technological innovations have facilitated flows of capital, goods, persons, and knowledge across borders and therefore may promote integration between economies. But politics need not adjust to technological change. Instead, interstate competition can undermine both technological innovation and the scope of international markets. Because technological innovation is not only important for long-run economic growth prospects in a nation but is often critical to its military power, states compete over leadership and control of advanced technologies.

34 EUGENE STALEY, THE WORLD ECONOMY IN TRANSITION, NEW YORK: COUNCIL ON FOREIGN RELATIONS, 1939, P. 52.
Accordingly, advanced states such as the United States and Japan are increasingly concerned with limiting the diffusion of technologies abroad for both security reasons and to maximize the “rents” obtained from possessing innovative technologies at the high-value end of the product cycle.\textsuperscript{35} The motivation for limiting technological diffusion to other countries can be benign (i.e., maximizing welfare gains at home). Or the motivation can be to maximize relative gains, because the possession of advanced technologies is critical to a state’s long-run power position in the world. For corresponding reasons, lesser-developed states seeking to move up the technological ladder and to establish a national presence in a given sector attempt to create an “artificial” comparative advantage through neomercantilist policies that de facto limit the monopolistic rents an innovator can obtain. The resulting rivalry over control of the commanding heights of technology, or over technologies further down the product cycle, can create severe tensions even among allies, and, especially, exacerbate political and economic conflict among traditional geopolitical rivals.

Japan, China, South Korea, Taiwan, and the ASEAN states possess complementary factor endowments, creating the potential for a self-contained Asian division of labor.\textsuperscript{36} But for economic and political reasons, other Asian countries are reluctant to accept a hierarchical differentiation of functions biased in Japan’s favor, including vertical patterns of trade and dependence on Japanese technology, along the lines of a “flying geese” pattern of development. Instead, Korea and Taiwan have sought to move up the technological ladder and to compete head-on with Japanese companies, not only in consumer electronics and automobiles, but even in certain high-technology sectors. Japanese companies have in turn responded to such competition by expanding industrial production in Southeast Asia to maintain competitiveness in their own domestic market and abroad. China and Southeast Asian states often insist upon technology transfers to local firms, just as Japan did vis-à-vis certain U.S. multinationals seeking to establish operations in Japan during the 1960s.


\textsuperscript{36}This point was made by Robert Gilpin, 1987, p. 399.
and 1970s. Japanese firms, however, have been generally wary of such transfers.

The danger of heightened technological competition among Asian states, or between Japan and the United States, lies in exacerbating other forms of rivalry already present. The degree to which such political conflict will be mitigated by the response of multinationals to such sectoral protectionism—foreign direct investment in the home markets of competitors or developing states—remains uncertain. What is clear, however, is that in a world of fragmented markets, many technologies—those that are costly to develop, involve large economies of scale, and hence require mass markets to provide a profitable return on capital invested—will not achieve their full potential. These limitations will in turn impede prospects for Asian growth and integration and hence have a negative impact on the potential for long-run regional stability.

Differential rates of growth favor Japan’s historical rivals, especially China. Uneven growth trends in East Asia could represent a major source of instability for the region. Shifts in the locus of economic activities in the global economy as a result of uneven growth will result in changes in the distribution of wealth and power among states. Under certain circumstances, where relative gains concerns are high, the attendant redistribution of power and its effect on the wealth of a given state can lead to conflict between rising and declining powers (in relative terms) as they seek to maintain or even improve their standing in the international system. In particular, China’s potential emergence as a preeminent regional power looms largest in the Japanese calculus, although the potential emergence of an unfriendly, unified Korea with close relations with China also remains a concern.

Uneven growth is especially significant when states expect that differential gains in power in another state’s favor will be one day used against them. States will therefore be reluctant to engage in cooperative endeavors with other states except as related to balancing behavior. However, in instances where states expect long-run, friendly interactions with another state, uneven economic growth is not necessarily destabilizing. But in a region marked by historical enmity and suspicions, sovereignty and territorial conflicts, as well as diverse cultures and civilizations, the potential for relative gains eventually
serving as a severe impediment to regional economic cooperation looms large.

At a time when Japan is experiencing anemic economic growth, China and South Korea have had average annual growth rates exceeding 7 percent. If one extrapolates from World Bank purchasing power parity estimates as a basis for projecting the future size of China's economy, China's Gross National Product (GNP) would be $4.34 trillion in 2002, while in 2007 it would be $6.09 trillion, or approximately one-third larger than Japan's projected GNP (projection based on expansion of China's economy at 7 percent annual rate and 2 percent annual rate for Japan). Given such a shift in China's favor, improving relations with Korea in Japanese calculations is vital. Japanese elites are understandably concerned over Korean unification, given extant historical enmity between both countries, the potential economic challenge a unified Korea would eventually pose for Japan, and uncertainty regarding the future alignment of a unified Korean state.

To the extent that Japan expects long-run peaceful interactions with China, such a power transition could be peacefully managed. Rising economic integration in the region could serve as an important stabilizing factor mitigating relative gains concerns. For example, Japanese relative gains concerns vis-à-vis China may be eased by China's continued dependence on external sources for technology and capital investments necessary for successful economic reform. However, to the extent disparities in growth rates exacerbate Japanese fears that a non-status quo Chinese power will eventually seek to dominate the region, continued economic integration and cooperation will be imperiled. Much will depend upon the extent to which China can be enmeshed within the international economy.

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37 World Development Report, 1994. China's GNP was roughly 2.37 trillion in 1992 (figures obtained by multiplying China's per capita GNP in 1992 of $1,910 (using 1992 dollars) by a 1992 population of 1.162 billion and then adjusting corresponding figure for 1995 dollars). The above growth figure assumes that China will continue its economic reform efforts and that obstacles to continued growth will be surmounted.

and regimes and, even more, upon the future evolution of Chinese reforms and internal politics.

The relative importance of Asia for the Japanese economy is growing, while the relative importance of Japan for most Asian countries is declining. Since the appreciation of the yen in 1985, Japanese direct investment in Asia has expanded more than fourfold. Japan has made a considerably high percentage of its Asian direct investments in manufacturing industries, even compared to its investment patterns in other regions. Asia's share of Japan's total direct investment abroad rose from 12.2 percent in fiscal 1989 to 18.4 percent in fiscal 1993, and rose to approximately 25 percent in fiscal 1994.39 Although the United States remains the single largest destination for Japanese exports and capital, Asia is rapidly replacing North America as the most important economic region for Japan.

Given Asia's superior growth prospects, Japanese capital flows into the region will likely continue to increase. The latest round of yen appreciation, which began in 1994, as well as Japan's increasing labor costs and decreasing labor supply, will hasten increased Japanese capital flows into the rest of Asia, as Japanese companies seeking to remain competitive with East Asian and U.S. rivals establish more manufacturing operations in the region.40 With further appreciation of the yen, foreign investment will be comparatively cheaper. Moreover, the anticipated rapid growth of Asian markets and profitability of Japanese investments there (compared with Japanese investments in North America) will further encourage such trends. As a result, Japanese banks, in search of potential sources for revenue growth and improved asset quality, are increasing their lending exposure to Asia.41

40This development will likely result in increased Japanese imports of manufactured products from offshore Japanese companies (as well as other Asian companies) and could alter the triangular pattern of trade that has developed in Asia since the mid-1980s and lead to more intraregional trade self-reliance as Japan and especially China serve as engines of regional growth.
Although Japan represents the single largest source of foreign direct investment (FDI) in Asia, Japan is unlikely to achieve a dominant economic position in Asia. The overall scale of Japanese FDI activity in the region is dwarfed collectively by that of other Asian countries, Europe, and North America. For example, Japanese FDI as a percentage of total FDI exceeded 40 percent in only three East Asian states between 1987 and 1991: Thailand (44.3 percent), South Korea (49.0 percent), and Indonesia (67.8 percent).\(^4^2\) In China, Japanese FDI accounted for only 10.4 percent of total FDI. As a percentage of gross domestic capital formation, Japanese FDI exceeded 3 percent in only three East Asian countries during this period: Thailand (5.6 percent), Malaysia (5.9 percent), and Singapore (8.4 percent).\(^4^3\)

The importance of Asia as a trading partner for Japan has also grown rapidly in recent years. In 1990, two-way trade with East Asia exceeded that with the United States. But because of the continued persistence of vertical patterns of trade between Japan and its Asian trading partners, Japan imports a small percentage of East Asian exports of manufactured products. Even if Japan continues to open up its economy to increased imports of manufactured products, the size of its market is simply too small to absorb surplus production in a rapidly growing Asia. Although the value of Japanese imports of Asian goods measured in dollars nearly doubled between 1987 and 1993, Japan's overall importance as a destination for Asian exports declined during from 15 to 12.4 percent. But this decline in the importance of the Japanese market for Asian exports should also be weighed against an even more significant decline in the relative importance of the U.S. market. Whereas the United States absorbed 27.3 percent of non-Japanese Asian exports in 1987, it absorbed only

\(^{42}\)Japanese FDI figures obtained from various years of International Monetary Fund (IMF), Balance of Payments Yearbook. Gross domestic capital formation figures obtained from IMF, International Financial Statistics.

\(^{43}\)Japan-led integration will also encounter a number of political obstacles. As Asian economies move up the technological ladder, as in the case of Korea and Taiwan, or attract Japanese FDI, as in the case of Southeast Asia, they are becoming increasingly dependent upon Japanese technology, machinery, and components. But for political reasons, Asian states, especially China, South Korea, and Taiwan, will likely be unwilling to accept excessive long-run economic dependence on Japan. Instead, Asian states will likely continue to encourage extraregional economic linkages with U.S. and European multinationals to balance Japan's regional influence, and to encourage the United States to maintain a military presence in the region.
21.6 percent in 1993. The main reason for the declining importance of the U.S. and Japanese markets was the rapidly expanding volume of intra-Asian trade (excluding Japan), which rose from 27.4 to 37.1 percent in the period.

Even with further import liberalization, changes in tax policy and other measures designed to enhance domestic consumption, and stronger economic growth in Japan, this downward trend in the importance of Japan’s market for the rest of Asia will likely continue given the rapidly expanding volume of intra-Asian trade. Thus, there is little evidence for the emergence of a Japan-dominated trading zone in Asia because of both the inherent limits in the size of the Japanese economy and a lack of willingness on the part of Japan to attempt such dominance as long as it continues to benefit from maintenance of the status quo in its trading relationships within and outside the region.

Japan’s expanding economic linkages with Asia, however, could pose certain challenges for the United States. Given such trends, Japan could adopt a more independent foreign policy stance apart from the United States. Even more critical, perhaps, China could replace the United States as Japan’s most important trading partner within the next decade if a relatively benign Asian security environment persists. Such an occurrence would in turn have a strong impact on Japanese crisis behavior in the eventuality of a regional conflict involving China, in turn constraining potential U.S. politico-military responses and reducing the deterrence functions of a U.S. presence. Finally, persistent U.S. trade deficits with Japan and its Asian trading partners could also inflame bilateral relations with Japan (undermining the trust necessary for alliance maintenance) and encourage Japanese elites to seek closer ties with Asia at the expense of trans-Pacific ties with the United States.

**Military-Security Trends.** Hedging behavior and an ongoing Japanese security debate concerning what contributions (including

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44 Europe’s importance as a destination for Asian exports remained at 16 percent during the period.

45 Supporters of the creation of a yen zone and an exclusive East Asian economic grouping, however, are increasing among Japanese firms, because of trade friction with the United States and rapid appreciation of the yen.
military) Japan should make toward maintenance of international order. In contrast to the Cold War era, when sharp cleavages existed in Japanese politics and society on critical foreign policy issues, including the U.S.-Japan alliance, there is now a remarkable degree of consensus supporting Japan’s security posture. But the present consensus is likely to erode in the next decade. As in Germany, a debate is under way in Japan (albeit less mature) concerning what roles Japan should play in the international system. Constitutional and other legal constraints severely limit the potential roles Japan could play in the event of a regional conflict. However, the scope of what roles Japan’s Self-Defense Forces (SDF) can perform within the context of both the alliance and the United Nations has broadened in recent years, in part because of a relaxation of public opinion following the end of the Cold War and widespread international criticism of Japan during the Gulf War. Nevertheless, public opposition to direct Japanese involvement in armed conflicts overseas remains strong, especially any conflict in which nuclear weapons could be used. Even more important, the Japanese public would be extremely wary of being dragged into any Northeast Asian conflict in which Japan itself could be attacked because of the presence of U.S. troops on Japanese soil.

Currently, most Japanese elites and public opinion support maintenance of the status quo in terms of Japan’s defense policy. In other words, they support maintenance of the alliance and a conventional interpretation of Article 9 of the Constitution as banning the right to exercise collective self-defense. This group, including most bureaucrats within the Foreign Ministry and Defense Agency, in part reflects bureaucratic inertia and satisfaction with a status quo that has adequately provided for Japan’s security for nearly 50 years. The group also includes former leftists, who view the alliance in a post-Cold War context as a “cap in the bottle” preventing a recurrence of Japanese militarism and providing a splendid justification for reducing the size of the SDF in a regional security environment lacking an overarching threat. Finally, the group also includes most

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46 The next three paragraphs are drawn from an unpublished paper by Courtney Purrington and Shigeki Nishimura, entitled “Redefining the U.S.-Japan Alliance for the Next Century.” The paper was presented at the Conference on U.S.-Japan Relations, Center for Strategic and International Studies, Washington, D.C., May 2, 1997.
Ministry of International Trade and Industry (MITI) officials, Finance Ministry officials, and business elites. Many within the Finance Ministry favor a reduction in the size of Japanese military spending to cope with a growing fiscal deficit and therefore view cost savings derived from alliance burdensharing in positive terms. During the Cold War, these elites supported alliance maintenance because it guaranteed Japan's integration into the U.S.-led world economy. They believe that Japan should maintain current patterns of security responsibility sharing with the United States.

A majority of these elites believe that Japan should become a “global civilian power.” This approach can be seen as a direct outgrowth of the so-called “Yoshida Doctrine” that guided Japanese foreign and defense policy during the Cold War. Such continuity, however, masks a hedging strategy in Japan. Over the short run, this vision would complement the international roles played by the United States, viewed as a declining global power. This vision would allow Japan to defer critical foreign and defense policy decisions until the eventual outcome of certain key issues becomes more certain. These issues include the future disposition of the Korean peninsula, the future of reform efforts in Russia, whether or not a friendly and status quo China emerges, and the future course of the “liberal” international trading system. Instead, Japan would simply assume a more prominent role in supporting the maintenance of international order over the near term. Should a benign regional security environment emerge and today's present globalization trends continue in the world economy, Japan's soft power resources would allow it to play a leading role in the shaping of both a new regional and world order. Over the longer term, these Japanese elites could be therefore characterized as holding a non-status quo view of the international system.

Advocates of a vision of Japan as a “normal” power generally support a redefinition of security responsibilities on a more equitable basis between Japan and the United States, as well as reinterpretation of the Constitution so that Japan could exercise the right of collective self-defense and participate in UN-sanctioned multinational forces. These elites, consisting of traditional pro-American academics and politicians, military strategists within the Foreign Ministry and Defense Agency, and some business leaders, do not necessarily desire Japan to become more independent of the United States. Indeed,
given uncertainty posed by China, many of them view a strengthened alliance with the world’s leading maritime power as vital to Japanese security interests. Nor do these elites desire Japan to become a “great” military power again. Instead, U.S. and Japanese armed forces would become more interdependent, and a “normal” Japan would assume more of the regional security burden.

Few Japanese elites at present support Japan’s emergence as a great military power. Barring the ascension of a nationalistic Japanese government (following a prolonged period of economic recession, political turmoil, collapse of global economic regimes, weakening in U.S.-Japan economic ties, and abrogation of the alliance), such a development will be unlikely, given the large benefits Japan derives from the present international order.

Growing dissatisfaction over the status quo in the alliance relationship among Japanese elites. Although there is no significant group that now advocates a dismantling of the U.S.-Japan security system, there is growing dissatisfaction over the present security framework. Those dissatisfied include not simply former leftists, pacifists, and Okinawa citizens (who assume a disproportionate share of the costs of hosting U.S. forces stationed in Japan), but even Japanese elites who are traditionally pro-American. Many traditional supporters of the alliance suspect that the United States wants Japan to remain a junior alliance partner, highly dependent upon it for security protection. They suspect that the United States either retains mistrust stemming from World War II and/or that the United States seeks to remain the dominant global power and is therefore reluctant to share leadership with Japan. They suspect that the United States simply wants Japan to ante up those financial resources necessary to support a weary global titan (“taxation without representation”) that is no longer financially capable of unilaterally bearing the costs of maintenance of the international order, in part because of its own fiscal irresponsibility. One popular explanation for U.S. behavior is that the United States is seeking to contain Japan because it suspects Japan may seek to become an independent great power and challenge U.S. leadership.

The “Asianization” debate among Japanese elites, including the relative importance of Asia versus the United States. Such resentment could eventually feed into anti-U.S. sentiment and even result in a
nationalistic backlash that would support further “Asianization” of Japanese foreign policy. In its most extreme form, the development of “malevolent Asianization” could take place as a concerted drive with other Asian states to exclude the United States from Asia. Whereas continuity is therefore likely in Japanese foreign and defense policy over the next five years, such resentment could result in significant changes over the longer term, especially within the context of Japan’s ongoing process of political realignment and restructuring of the Japanese economy.

A rediscovery of Asia is taking place within Japan, with parallels to the 1930s, in the context of debate over what roles Japan should play in international affairs in an era of post-American hegemony. At the popular level, this search for a national identity is reflected in an “Asia boom,” or rediscovery of Asia through travel and study of Asian cultures, history, and languages. This debate coincides with increasing Japanese economic interests in Asia. Mainstream elite debate revolves around whether Japan should encourage America’s integration into East Asia through support of U.S. regional objectives, or whether Japan should promote an exchange of Western and Asian values by leading Asia’s “restoration.” The debate includes the merits of Japanese civilization and whether Japan represents an alternative path to modernity that could serve as a model for the rest of Asia.

Many civilian power advocates believe that Japan should place more importance on relations with Asia or promote the “Asianization” of Japanese foreign policy. While somewhat concerned about the rise of China, these elites optimistically believe that deepening interdependence and common cultural ties in East Asia will result in a relatively benign regional security environment over the long term. Accordingly, they believe that multilateral security (e.g., UN and ARF) should play an increasingly prominent role in Japanese security at the expense of bilateral ties with the United States.

Slow growth in military expenditures in the absence of a clear regional threat. Although Japanese military expenditures continued to grow in the 1990s in absolute terms, they did so at a much slower rate than in the 1980s. The rate of annual increase in the Japanese defense budget has declined steadily since 1990, from a 6.1 percent increase
in that year to an increase of only 0.9 percent in 1994. Moreover, since 1991, the share of the defense budget devoted to weapons procurement has declined by 3.9 percent. This change reflects increased expenditures for certain components of Japan’s defense budget—including personnel, operations and maintenance, and support for U.S. forces—and stabilized procurement expenditures after the rapid increases of recent years. The change also reflects the impact of anemic economic growth, which began in the early 1990s, and the impact of a strong yen, which has lowered the price of imported weaponry.

Barring abrogation of the alliance or an armed attack against it, Japan is unlikely to increase its military expenditures dramatically in the next decade and acquire a large military force with major offensive capabilities. First, a majority of public opinion will likely continue to support keeping the size of the SDF at present levels (about 238,000 troops) or even reducing its numbers. Public opinion would also oppose the procurement of weapons systems that would enable Japan to project military power, including long-range bombers and missiles, aircraft carriers, long-range logistics support, and sufficient amphibious and airlift capabilities to mount an invasion of neighboring countries. Given such popular opinion and legal constraints, the Japanese government will most likely lack the political will to carry out a major expansion of Japan’s defense capabilities. Second, the number of young Japanese of military age will continue to decline, making it difficult to recruit enough volunteers to meet a recently reduced authorized ground troop personnel level of 145,000 (barring a severe economic recession). Moreover, public opinion would be highly opposed to any attempt to impose conscription. Third, slow economic growth and tight constraints on government spending will further make it unlikely that Japanese defense expenditures will exceed 1 percent of GNP—the traditional ceiling. Fourth, given slow budget growth prospects, it will be difficult for Japan to procure a large number of new major weapons systems; comparatively few fi-

47At the same time, the military expenditure’s share of GDP is expected to move slightly downward, from the traditional limit of 1 percent to 0.9 percent.

48For more detailed information on decreases in specific types of weapons systems, see, for example, “JDA Aircraft Buys Suffer,” Aviation Week and Space Technology, April 3, 1995, p. 64.
financial resources will remain for operations and maintenance, procurement, and research and development because of unusually high expenditures on personnel (about 44 percent of the defense budget) and host-nation support for U.S. forces (about 11 percent of the defense budget). Furthermore, procurement costs are much higher for indigenous systems, given a lack of economies of scale, leaving few financial resources to devote to research and development. As a result of these constraints, the Japanese government recently decided to cut back procurement of the FSX fighter, developed jointly with the United States, from 120 planes to 80 planes.

Despite such limitations, Japan nevertheless has the financial, industrial, and technological resources to become a major military power should its regional security environment worsen, international economic institutions collapse, and the alliance be abrogated. Japanese hedging against the possibility of a more hostile regional security environment and abrogation of the alliance can be seen in recent plans: (1) to improve the intelligence capabilities of the SDF, including the use of satellites; (2) to procure transport aircraft that can fly greater distances and carry more than existing C-1 and C-130 aircraft; (3) to acquire air-refueling tankers for patrol planes; and (4) to perhaps acquire “defensive” aircraft carriers. Moreover, Japan possesses stockpiles of near-weapons-grade plutonium. It could, therefore, become a nuclear superpower quickly, if it had the political will to do so. Choice of the nuclear card will remain unlikely, however, given the legacy of World War II, the enormous benefits Japan currently derives from maintenance of the status quo, and the continued willingness of the United States to extend a nuclear umbrella over Japan.

Drivers of Conflict and Regional Instability. The foregoing trends point to a range of potential drivers, or possible precipitants, of conflict between Japan and other regional states. Even more significantly for the United States and regional stability, these trends point to a range of drivers that would have an adverse impact on the maintenance of the U.S.-Japan alliance or impede the proper functioning of the alliance in the event of a crisis. In the absence of the alliance, a number of regional conflicts would become more likely, including several involving Japan, arising from long-standing animosities, divided nations, territorial conflicts, leadership transitions that could give way to more nationalistic and assertive regimes, and power
transitions in East Asia. The stabilizing functions of a U.S. presence would be negated if adversaries of the United States, its allies, and its friends calculated that Japan would not provide support for U.S. forces stationed in Japan or would not allow U.S. forces to conduct military operations against an adversary from bases in Japan. With a weakening of the deterrent function of the alliance, potential adversaries would view aggression as involving less risk, raising the potential for armed conflicts in East Asia. Moreover, the ability of the United States to wage war would be crippled against a major Northeast Asian aggressor, given the highly adverse effect that a weakened alliance would have on U.S. Air Force operations and logistical support.

The first potential driver of conflict or regional instability would be an extended process of political realignment and the emergence of a politically unstable and ineffectual Japanese government unable to cope with critical choices facing its economy and regional security environment. As already discussed, such a development would make it difficult for Japan to cooperate with the United States in a timely manner should an international crisis arise. If Japan’s response was expected to be “too little, too late,” it would affect the calculations of potential adversaries of Japan and the United States and also constrain the range of possible diplomatic, economic, and military responses the United States could make in a crisis. A weak and ineffectual Japanese government would also encourage China to be more aggressive in its pursuit of its claims to the Senkaku Islands.

The emergence of a series of weak governments would make it difficult for Japan to make hard choices concerning the restructuring and deregulation of its economy. Such indecisiveness in turn would encourage heightened economic conflict with the United States (unable to continue to absorb excess Asian production as it attempted to pay off its large, accumulated deficit) and strain the alliance. Maintenance of the alliance would become increasingly difficult to justify to the American public in light of its costs, especially if Chinese external interactions with its neighbors were relatively tranquil.

The second potential driver of conflict would be the emergence of great-power nationalism in Japan over the long term (2015–2025). Although a much less likely development, a combination of trends
already identified could produce such an outcome. This development would follow a period of prolonged political instability; failure to restructure and deregulate the Japanese economy, with highly adverse consequences for long-term economic growth prospects (stagnant or negative growth) and high unemployment; great strains in U.S.-Japan relations; development of an autonomous Japanese security policy and offensive conventional weapons; abrogation of the alliance; and a major shift in the locus of Japanese interests away from the United States and toward Asia. Most likely, Japan would become a state possessing nuclear weapons. Because of the legacy of past Japanese behavior in Asia, however, Japan’s neighbors would be alarmed by such a development, which also would increase the costs for the United States of maintaining stability in East Asia, if it still chose to do so.

Great-power nationalism likely would be accompanied by a revival of prewar Japan’s strategy of attempting to construct a coprosperity sphere primarily through coercive means, given Japan’s dependence on imported resources. This nationalism would involve a resurrection of Japan’s prewar goals toward the Asia-Pacific region, centered on the attainment, through either direct military seizure or indirect intimidation, of unchallengeable control over major sources of raw materials and markets throughout much of the region. Such a transformation in Japan’s relations with other Asia-Pacific countries would require the acquisition of highly sophisticated offensive and defensive conventional capabilities and a limited nuclear capability. It would become more likely not only as a result of a fundamental breakdown in the U.S.-Japan alliance relationship and global trading system, but also in response to strong insecurities associated with such events as the acquisition of nuclear weapons by a unified Korea, the breakdown of order in China, and the development of a Sino-Korean military entente.

Any Japanese attempt to achieve hegemony through military means would almost certainly prove quixotic, however. Traditional East Asian suspicions of Japan—in large part mitigated by Japan’s strong economic links with Asia, restrictions on the size of Japan’s armed forces, limitations on its procurement of weapons systems with power projection capabilities, and Japan’s lack of nuclear weapons—would be rekindled if Japan again attempted to become a dominant military power in the region. Japanese nuclear ambitions would
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likely set off alarms in other Asian capitals—particularly Beijing, Seoul, and Taipei—and risk undermining Japan's regional economic links, especially in the absence of a stabilizing U.S. military presence in the Western Pacific.

Any Japanese attempt to achieve hegemony through military means would most likely result in the creation of an anti-hegemonic coalition aimed at the containment of Japan and perhaps result in armed conflict with other states, including China, Russia, and even the United States. In the event of the implosion of China, a weakened Russia, and a more isolationist United States, all three states would remain major nuclear powers—a factor that would likely prove sufficient to prevent a reoccurrence of Japanese military aggression in East Asia. Even a nationalistic Japan would therefore be unlikely to attempt to resort to force to resolve its territorial conflict with Russia. Moreover, even a divided Korea is much more powerful than it was at the beginning of the 20th century when it was occupied by Japan. Finally, Japanese energy supplies from the Middle East would be highly vulnerable in the event of hostile relations with China. Any Japanese adventurism would therefore most likely be directed at Southeast Asia.

A third potential driver of conflict or regional instability would be a failure by Japan to liberalize its economy. The consequences of this development for U.S.-Japan bilateral relations, and alliance maintenance and trust in particular, have already been discussed. Economic conflict, whether between the United States and Asia or between Japan and its Asian neighbors (which have emulated Japan's economic development strategy), could lead to a protectionist backlash in the United States. Continued U.S. trade imbalances could in turn increase domestic pressures to disengage militarily from Asia because of tensions arising from the usage of scarce financial resources to protect nations running large trade surpluses with the United States.

A breakdown of U.S.-Japanese cooperation in international economic institutions could have even more critical consequences for global trade and investment and hence regional and world economic growth over the longer term. Lowered growth prospects in China and Southeast Asia could result in domestic political instability and increase the incentives for East Asian states to resort to war to
achieve their objectives. Sino-Japanese, Korean-Japanese, and Chinese armed conflict with a Southeast Asian state (with potential Japanese involvement) would all become much more likely, given preexisting historical animosities and overlapping territorial claims in the region.

The key economic challenge for Asia during the next 15 years, which poses critical security implications, is the question of who will absorb its exports. If the U.S. and European markets prove incapable of continuing to absorb Asian exports, given disparities in present growth rates and accumulated foreign debt in the United States, the importance of economic liberalization within Asia would be accentuated. The United States may be increasingly unable to serve as an engine for regional growth, given that it has become the world’s largest debtor state and has lost its former huge net earnings on foreign investment, and instead may need to run a large trade surplus to service its debt. Europe, faced with political pressure to open its market to Eastern Europe, also appears an unlikely candidate to further increase imports.

Japan’s support for a successful implementation of the recent Asia Pacific Economic Cooperation (APEC) free-trade commitment will therefore prove critical, because continued pursuit of neo-mercantilist strategies by East Asian states would eventually result in the alienation of each from all. Declining shares in world markets outside Asia could conceivably result in zero-sum, neo-mercantilist conflict between Japan and other Asian exporters. Only the emergence of huge consumer markets in the region, facilitated by trade liberalization, could compensate for possible stagnant or even declining exports to developed countries outside Asia. Furthermore, if Chinese economic growth should stall, economic liberalization in the rest of Asia would become even more important. Japan’s liberalization of its economy will therefore be critical to prospects for long-term stability in East Asia.

A fourth potential driver of regional conflict or instability would be an attempt by Japan to develop tight-knit economic, political, social, and even military ties with other Asian countries and exclude U.S. influence from Asia. Trends that could lead to this development include Japan’s growing economic, political, and social ties with other Asian countries, the declining economic influence of the
United States in Asia, the declining salience of the shadow of the past between Japan and its Southeast Asian neighbors, growing desires for an East Asia economic grouping as a counterweight to trade friction with the West, and rising political friction between the United States and several East Asian regimes. This development would require the abrogation of the Japan-U.S. alliance and continuity in Japanese defense policy, including maintenance of Japan’s nonnuclear principles and nonpossession of offensive weapons, for Japan to avoid alarming its neighbors.

The significance of such “malevolent Asianization” lies less in its prospects for sustainability and more in the danger that could arise from miscalculation by Asian regimes and the United States, each pursuing hedging strategies or short-sighted bargaining positions that in the end could result in an outcome that would not be in the long-term interests of any Asia-Pacific country. A process of malevolent Asianization, directed at the United States, would ultimately consume itself and lead to a breakdown of Asian economic cooperation, to Sino-Japanese rivalry, and perhaps even war, or a form of hegemonic dominance by China or Japan.

Anticipating Conflict in East Asia. Based on the general trends and the specific drivers identified in the previous discussion, it is possible to envisage the following military conflicts involving Japan directly or indirectly (as an ally of the United States):

Short Term (Present Year–2005): In this time period, Japan is extremely unlikely to become involved in a major military conflict that it provokes with its neighbors. Reasons include a probable continuation of the alliance during this period, a lack of incentives to resort to force as the Asian power benefiting most from maintenance of the status quo, and probable continuity of public opinion in favor of maintaining Article 9 of the Constitution and opposing the possession of offensive and nuclear weapons.

Japan is also unlikely to become involved in a dyadic conflict that one of its neighbors provokes during this period, both because of the

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49The only exception is the disposition of the Northern Territories. The potential costs of armed conflict with a nuclear-armed Russia would, however, greatly exceed any gains from seizure of the islands.
deterrent qualities of Japan’s alliance with the United States and because of Japan’s preeminent economic position in Asia. As long as China continues to place a high priority on economic development, China will be unlikely to attempt to resort to force to resolve its territorial dispute with Japan over the Senkaku Islands, especially given the importance of Japanese technology and capital for China’s modernization efforts. This conflict would be unlikely even in the event of prolonged political instability in Japan. An attempted seizure of the Senkaku Islands would also solidify the Japan-U.S. alliance, provoke a nationalist backlash in Japan, and encourage the formation of a grand Asian alliance led by Japan and the United States against China. Moreover, reunification with Taiwan represents a much higher priority for China. Japanese-Korean military conflict is also highly unlikely during this period, except for the possibility of minor skirmishes over conflicting territorial claims in the Sea of Japan.

The most likely conflict scenarios involving Japan in this period would be conflicts resulting from Japan’s being dragged into a conflict by virtue of its alliance with the United States. An armed attack against Japan (including the possible use of WMD) by either North Korea or China could stem from Japan’s provision of logistical support to the United States and/or because Japan allowed U.S. forces to conduct direct military operations against an adversary from Japanese soil. Japan might also be attacked if it provided air and naval support for U.S. forces against an East Asian state, although such support would be questionable in a conflict involving China. These conflict scenarios would most likely take place in the event of the emergence of a strong Japanese government and a revitalization and redefinition of the alliance relationship with the United States.

As already discussed, the most significant trends in Japan with major consequences for regional stability for the near term are (1) those that could have an adverse impact on the deterrent qualities of a U.S. regional presence by encouraging greater risk-taking behavior by other Asian states, or (2) those that could result in Japan placing severe limitations on the conduct of U.S. military operations from Japanese soil.

Medium Term (2006–2015): In this time period, Japan would continue to be unlikely to become involved in a dyadic conflict for reasons identified above. Toward the end of this period—should trends
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and events result in the emergence of Japan as a major military power following the abrogation of the alliance, in conjunction with a neo-imperialistic scramble for resources among the great powers following a breakdown of the liberal trading system—Japan could become a party to resource conflicts in Northeast and Southeast Asia, especially those involving energy resources.

Although the chances of conflict would remain low, barring a breakdown of global and regional trade patterns, Japanese-Korean relations could also become more problematic during this period, which would be especially likely under three conditions: (1) The United States withdraws its military presence from Asia; (2) a more confident and nationalist Korea emerges following unification (especially if it possessed WMD capabilities); and (3) no true atonement for past Japanese behavior has yet taken place. Nevertheless, aside from possible minor skirmishes over fisheries and other resources in the Sea of Japan, Japanese-Korean armed conflict would be unlikely during this period. In the face of a relative power shift in China’s favor, Japan would be wary of encouraging the development of a Sino-Korean entente or alliance directed against itself. Armed conflict between Japan and Korea would be most probable in the event of a conjunction of four developments: (1) U.S. disengagement from Asia; (2) a breakdown of the global trading system; (3) the eventual ascendance of great-power nationalism in Tokyo; and (4) the emergence of a chaotic China—all of which would create opportunities and incentives for Japan to undertake aggressive actions against its neighbor.

Prospects for dyadic Sino-Japanese armed conflict would be low during this period, although a weak and insecure China could attempt to seize control of the Senkaku Islands during this period for “rally ‘round the flag” purposes. Such an event, however, would be more likely in the subsequent period examined by this study. Dyadic Sino-Japanese conflict over Taiwan could become possible toward the end of this period, but only in the event of the emergence of a chaotic China, or a weak and insecure China, in conjunction with the ascendance of great-power nationalism in Tokyo.

The most striking development that could take place in this period—with profound implications for regional security and U.S. policy—would be the emergence of a Sino-Japanese entente in the context of
malevolent Asianization discussed earlier. Although Asian nationalism could serve as a unifying force against “unreasonable” U.S. demands and actions, such pan-nationalism could only supplement and not substitute for real common interests on the part of Asian states.

Sustained Sino-Japanese cooperation would be difficult in the absence of a U.S. regional military presence as a stabilizing force, given historical enmity and geopolitical considerations. Sino-Japanese collaboration would be inherently unstable, because it would involve a pairing of a non-status quo China seeking to increase its overall ability to shape regional events and a nonnuclear and defensively oriented Japan. The same constellation of domestic forces in Chinese politics that would support confrontation with the United States—that is, a high level of conservative (and possibly military) involvement in politics—would also likely adopt an aggressive stance on the South China Sea and Taiwan issues. Moreover, such conservative elements would be especially suspicious of Japan’s regional ambitions, if Japanese politics again become dominated by those elites favoring a “continental” Asia strategy and also in view of Japan’s past historical conduct in Asia. Adoption of a pro-Japanese foreign policy by conservative elements in China would at best represent temporary pragmatism on their part.

In the absence of an alliance with the United States, Japan would likely view rising Chinese power with alarm, especially if China’s economic growth continued at rates nearly double or triple those in Japan. With some parallels to the 1930s, the same right-wing or left-wing groups favoring an exclusivist Asian vision for Japan would also likely favor a great-power vision. If Japan, however, chose to procure nuclear weapons and considerably upgrade its force projection capabilities, it would alarm China and other Asian neighbors. As a result, China and Japan would compete for economic, military, and political influence in Korea, Taiwan, and Southeast Asia.

**Long Term (2016-2025):** In this time period, conflicts involving Japan would resemble those that could occur toward the end of the last time frame. In the face of the emergence of a highly assertive China, committed to regional dominance, Japan could seek a maritime alliance with ASEAN, India, and perhaps Russia. The geographic scope of possible clashes between China and Japan would
expand to include not only Northeast Asia but also Southeast Asia and the Indian Ocean. Sino-Japanese rivalry over Korea especially would become acute.

THE KOREAN PENINSULA

Introduction

At century’s end, the Korean peninsula is poised for another major transition based on an acceleration of systemic atrophy in North Korea and attendant political-military outcomes. Although it is difficult to forecast the timing and magnitude of change going into the “unification tunnel,” stability could be affected through one or more of the following developments: regime collapse or replacement by force (i.e., a military coup); breakdown in command and control hierarchies (either between the party and the military or within the military); civil unrest or uprisings coupled with refugee flows; variants of state collapse; enhanced low-intensity conflicts; and the possible outbreak of major war.

It is important to recall that throughout most of the Cold War era, stability on the peninsula was maintained largely through three principal factors: tight military alliances, a balance of forces between the South and the North, and strong domestic regimes. A major contributing factor toward stability on the peninsula during the Cold War was that simultaneous transformations did not occur in each of the three factors noted above. Incidents such as the discovery of tunnels under the Demilitarized Zone (DMZ) in the mid-1970s, the 1976 tree-cutting incident in the DMZ that resulted in the deaths of several U.S. and ROK personnel, the assassination of President Park

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50 The official term for South Korea is the Republic of Korea (ROK); North Korea is the Democratic People’s Republic of Korea (DPRK). The official acronyms as well as the terms South and North Korea are used jointly in this chapter.

51 The term “unification tunnel” refers to the development of events on and around the Korean peninsula that will ultimately result in the formation of a unified Korean state. It does not follow, however, that the process will be linear or without conflict.

52 It should be emphasized that future scenarios and developments on the Korean peninsula that are depicted in this study are not predictions or forecasts. Rather, certain scenarios are developed to look into the potential political and military implications.
Chung Hee in 1979 by his intelligence chief, the 1983 Rangoon bombing by North Korean agents that caused the death of 17 high-ranking ROK officials, and the initial eruption in 1993–1994 of the North Korean nuclear crisis all contributed to rising apprehension on the peninsula. Nevertheless, although tension rose significantly after each of these events, no direct military clash occurred between South and North Korea.

With the end of the Cold War, not only have shifts taken place in each of these areas but a new factor has emerged with potentially profound implications for stability on the peninsula and Northeast Asia—regime atrophy and the possibility of collapse in the North. Stability on the peninsula could be affected by a volatile mix of the following developments: (1) accelerated economic decline in the North (the North Korean economy registered its seventh consecutive year of negative growth in 1996, or about a 30 percent contraction since 1989); (2) dwindling or narrowing strategic options for the Pyongyang regime; (3) the unwillingness or inability of China or Russia to extend long-term economic assistance; (4) shifting political dynamics within the Kim Jong Il regime; and (5) continuing concern surrounding North Korea’s weapons of mass destruction (WMD) capability.53 The key question is whether efforts by South Korea and the United States to foster long-term stability on the peninsula through a combination of deterrence and engagement toward the North will ultimately bear fruit in the form of moderated North Korean behavior. The critical danger, however, is not whether a policy of engagement is appropriate or even if it is politically viable. Rather, the key issue is whether systemic atrophy will reach such a

53Despite the Agreed Framework of October 1994, which was put into place to freeze North Korea’s potential nuclear weapons program, doubts persist on whether North Korea has given up its nuclear ambitions. Hwang Jang Yop, the former central committee secretary for international affairs of the Korean Workers’ Party who defected to the South through Beijing in April 1997, stated in a press conference in July 1997 that while he had no concrete evidence that North Korea had nuclear weapons, it was his belief that North Korea was prepared to launch an invasion against the South and that he was working on the assumption that North Korea probably had nuclear weapons. However, notwithstanding the significance of Hwang’s testimony (since he is the most senior North Korean official to defect to the South), his belief that North Korea has already successfully developed nuclear weapons has not been verified by either the U.S. or South Korean governments.
stage that, irrespective of U.S. and South Korean incentives, the system in the North will ultimately collapse under its own weight.

If internal dynamics in North Korea can be construed as the nucleus of South-North stability, fundamental change within the North Korean system cannot but affect the peninsula’s center of gravity. Most problematic for U.S. and ROK security and defense planners, however, is that as the internal situation in the North continues to worsen, the net utility of “timely corrections” is likely to become increasingly marginalized to the extent that North Korea may be tempted to fundamentally alter the correlation of forces on the peninsula through selective or full-scale applications of force. Alternatively, if a “hard landing” occurs in the North, it could result in potentially serious military spillovers.

Critics of the hard-landing school (or proponents of the soft-landing school), however, emphasize that precisely because of the looming specter of a North Korean collapse and all of its negative and destabilizing aftershocks, the United States should take the lead in fostering peaceful change on the peninsula. From a conceptual and even a policy perspective, promoting a soft landing in the North makes eminent sense because it is not in the interest of the United States, South Korea, Japan, or other regional power to foster a North Korean collapse. But if North Korea collapses, it is likely to do so independent of the strategies employed by the United States and South Korea. Diplomatic engagement, economic assistance, and even political breakthroughs could postpone a North Korean collapse, but are unlikely to prevent it, since the root causes of collapse are entrenched within the North Korean system. Moreover, the very prescription that proponents of a soft landing have called for—such as economic reforms along the lines of China or Vietnam to prevent a North Korean collapse—will, in all likelihood, have the opposite outcome of accelerating the regime’s demise given the extremely high political and social-control costs associated with enacting any wide-ranging and meaningful economic reforms.

From a historical perspective, three key developments on the Korean peninsula over the last 100 years have had international consequences. First, in the aftermath of the Sino-Japanese War of 1894–1895 and the Russo-Japanese War of 1905, Japan displaced China as the dominant regional hegemon. The outbreak of these two
wars can be traced to a confluence of factors, but retaining, denying, or extending control over the peninsula was a major determinant. Second, and some five decades later, the outbreak of the Korean War in 1950 resulted in the globalization of the Cold War. Equally significant, it added a fourth major power—the United States—directly into East Asian power politics by extending U.S. security guarantees to Japan and South Korea. Third, mounting political and economic challenges in North Korea, coupled with Pyongyang’s limited diplomatic maneuverability, are likely to result in another fundamental transformation on the Korean peninsula at the tail end of the 20th century—with substantial regional repercussions.

This history does not suggest that contingency planning has not taken into account the range of threats emanating from the North such as multiple forms of low-intensity conflict, ballistic missile proliferation, and infiltration/insurgency operations. Nevertheless, political and military disruptions short of full-scale war (otherwise referred to as operations other than war or OOTW) have not received the attention they deserve by the defense communities in either Seoul or Washington. To be sure, the specter of a North Korean collapse or implosion, or at the very least, significant political shakeout, did not fully register until the collapse of East Germany in 1989–1990, the breakup of the Soviet Union in 1991, and the passing of Kim Il Sung in 1994. However, with the emergence of new sources of instability, conceptualization of future contingencies and realistic policy options must begin anew. Traditional approaches to security on the Korean peninsula such as deterrence and defense will continue to be relevant until such time that a military threat ceases to exist or is superseded by events. But the net utility of those approaches to security going into the unification tunnel is likely to decline as transformation dynamics impose new demands on U.S. and ROK strategies.

Seen from this perspective, an emerging challenge lies in the ROK’s articulation of a long-term national security strategy. Clearly, managing the North Korean problem will consume the lion’s share of South Korea’s attention until such time that the military threat from the North is reduced substantially or a more enduring peace mechanism is formed. Nonetheless, if unification occurs at an accelerated pace, the ROK and the major powers could find themselves in the post-unification era sooner than currently
expected. Therefore, how the ROK envisions its own future role in Northeast Asia, the impact of domestic political forces on shaping key foreign and defense policy platforms, future force modernization objectives and programs, new alliance management dynamics with the United States, and other major security issues will rise to the fore. Since the post-Korean War era, the ROK's defense posture has been strongly tied to the U.S.-ROK alliance—including, but not limited to, the presence of some 37,000 U.S. forces in South Korea. As the ROK heads into the unification tunnel, however, it has to begin the process of laying out a security blueprint for the post-unification era. For its part, the United States has noted on several occasions that U.S. forces could continue to be deployed on the peninsula after unification, since Korea would be the only mainland Asian country where the United States could have a forward presence. In the short to mid term, domestic political developments in South Korea could also complicate security planning dynamics, including alliance management with the United States.

Over the long run, however, post-unification deployment of U.S. forces could become increasingly affected by domestic politics both in Korea and in the United States, in addition to a unified Korea's overall foreign and security policies. The question of U.S. troop deployments would be one of a range of major security issues to be broached by the two governments, although political pressure could increase in the U.S. Congress to withdraw U.S. ground forces from Korea after unification. At the same time, increasing nationalist sentiments in a unified Korea and the desire for greater autonomy could result in a significant reduction in the size of U.S. troop deployments. In addition, the possibility cannot be ruled out that China might pressure a unified Korea to disallow stationing any U.S. troops. Beijing could react extremely negatively to the possibility of a continuing U.S. military presence in Korea after the disappearance of the North Korean “buffer zone.” The specific attributes of post-unification deployment are difficult to pinpoint at this juncture, although a unified Korea's overall security would be enhanced by a strong defense relationship with the United States given the specter of a rising and more influential China and other changes in the regional balance of power. From an operational perspective, if some U.S. forward presence is maintained in a unified Korea, the role of
the U.S. Air Force could increase if there is a significant reduction in ground forces or alternative basing modes.

A unified Korea's strategic choices would have to deal with other crucial issues. For example, if it turns out that North Korea did succeed in developing a small number of nuclear weapons, those weapons and delivery vehicles and any other weapons of mass destruction would need to be dismantled. In essence, the ROK has to begin serious deliberations on post-unification dynamics, the role a unified Korea would play in the Northeast Asian balance of power, the foundations for a forward-looking alliance with the United States, longer-term force modernization goals, and a national security strategy that takes into consideration the likely strategies and policies of its more powerful neighbors. The United States also has a critical stake in future outcomes on the Korean peninsula and resultant implications for Northeast Asia's strategic balance. Owing to the convergence of fundamental challenges such as near- to mid-term developments in the North as well as managing unification dynamics, security planning between the United States and the ROK may have to be revamped substantially over the next several years.

**Strategic Trends and Drivers**

In sharp contrast to geopolitical dynamics on the Korean peninsula during the Cold War, prospects for instability and conflict have increased through the convergence of four major trends: (1) accelerating systemic decline in the North coupled with narrowing strategic options for the North Korean leadership; (2) increasing political clout of the already formidable North Korean armed forces by determining and driving key strategic goals and the potential for enhanced political struggles within the apex of the North Korean political-military structure; (3) a fundamental reappraisal of the major powers' strategies and policies toward the two Koreas with greater attention to crisis management dynamics and prospects for increasing Chinese activity vis-à-vis developments in North Korea; and (4) a hardening of South Korea's overall position toward North Korea on account of increasing political uncertainty in the North coupled with Pyongyang's attempts to enhance its strategic space through insurgency, terrorism, or a full-scale conventional war.
These four trends strongly suggest that, in whatever form they may ultimately materialize, military stability on the Korean peninsula could be disrupted. To be sure, accounting for some type of a military conflict has always been at the center of contingency planning on the part of the ROK and the United States. Nevertheless, the stakes are greater today than at any other time since the end of the Korean War in 1953, given that internal developments within the North are likely to drive strategic dynamics on the Korean peninsula. The point here is not to argue that war is inevitable, only that the most desirable outcome—peaceful and democratic unification through a mutually acceptable political process between Seoul and Pyongyang—is the least likely outcome. As a result, despite expectations that diplomatic negotiations will ultimately bear fruit on such fronts as South-North dialogue and the four-party talks, unification of the two Koreas based on genuine negotiations between the South and the North could ultimately prove to be ephemeral despite the best of intentions. Moreover, unless and until one side is willing to make fundamental concessions, prospects for a negotiated settlement will continue to remain limited.

The biggest threat to stability on the peninsula over the next several years stems from strategic calculations the North Korean leadership will make to regain its political and military momentum. Many have argued that North Korea’s errant behavior over the last several decades (but particularly since the end of the Cold War) reflects its deeply imbedded sense of insecurity. If South Korea, the United States, Japan, and other actors provide adequate assurances—in the form of diplomatic engagement, economic assistance, and military confidence-building measures—Pyongyang will not only negotiate in good faith, it will enact meaningful and much-needed economic reforms. Nevertheless, the concept of a “soft landing” is fundamentally flawed since it assumes that North Korea in its present form has the political capacity to undertake pragmatic economic reforms without political fallout or fundamental threats to regime survival. Many proponents of the soft-landing school argue strongly for greater engagement with the North in the belief that stronger institutional linkages between North Korea and the outside world will constrain North Korean behavior, build political support for the technocrats within the system, and compel the North to craft a more pragmatic, nonthreatening exit strategy from mounting domestic
challenges. Nevertheless, given the absolute personification of state and regime in the form of the ongoing Kim dynasty, pragmatic shifts in North Korea are not only highly unlikely but would unleash forces detrimental to regime survival. In a nutshell, the key dilemma confronting the North Korean regime is that if the state is to survive, measures must be taken that could ultimately result in its demise. And, conversely, strengthening the regime is likely to weaken state capacity even further to the extent that maintaining centralized control is likely to become increasingly problematic, if not volatile and violent.

The window of time is narrowing in earnest in the North. From Pyongyang's perspective, offsetting worsening economic conditions with an influx of foreign aid and direct investment but without political side effects is not only the preferred approach, it is, in many respects, the only viable approach. However, this strategy is unlikely to succeed because any significant amount of economic aid is likely to be linked with promises of positive behavior on the part of the regime. Perhaps more important, structural decay has reached a point where current and expected foreign assistance is unlikely to fundamentally improve North Korea's economic crisis and may ultimately lead to state collapse.54 No foreign country, either individually or collectively, is willing to provide the North with a “mini-Marshall Plan.” Even if such a comprehensive aid package were to materialize, it would cause severe political problems for Pyongyang, so that ultimately it would not be able to digest any massive influx of foreign economic aid or investment. If the aforementioned analysis is correct, Pyongyang is unlikely to enact meaningful economic reforms for fear of disrupting the regime's hold onto power. But as domestic pressure mounts, coupled with only marginal support from the outside, the regime may calculate that the only viable means to

54Conceptually, the very idea of a collapse is open to various interpretations. Within the range of possible regime transitions in the North, three basic models can be considered: (1) replacement or elimination of Kim Jong II and his core group of supporters from the nomenklatura, (2) a change in the fundamental political and ideological characteristic of the regime (for example, renunciation of socialism and a centralized planned economy), or (3) severe atrophy and ultimate breakdown of the North Korean state along the lines of the former Soviet Union. Moreover, other variations from these three basic “collapse models” could also be considered, but in its basic form, a North Korean collapse would correspond to one or more of the outcomes noted here.
correct the correlation of forces on the Korean peninsula is through military provocation against the South, ranging from enhanced insurgency operations (as evinced by the infiltration of North Korean commandos in a mini-submarine in mid-September 1996), selected terrorism (such as the likelihood of North Korea's involvement in the assassination of a South Korean diplomat in Vladivostok in October 1996), sporadic low-intensity conflicts, or full-scale war. A more detailed assessment of the four major trends followed by key drivers and prospects for conflict on the peninsula is provided below, although primary emphasis is placed on systemic transformation within North Korea given its broader implications.

Trend One: Acceleration of a “funnel phenomenon,” marked by entrenched systemic decay or atrophy in North Korea. The most pronounced aspect of such a decline is in the economic sector. Although economic stagnation in and of itself is unlikely to result in a North Korean collapse, a prolonged downturn compounded by increasing food shortages (because of the failure of collectivization and severe side effects from unprecedented floods in 1995 and 1996), a de facto breakdown in the all-important ration system, acute shortage of energy and oil supplies, and inability to rejuvenate key industrial sectors other than defense industries cannot but affect political stability. In 1996, the North Korean GNP was about $23 billion and its total trade volume was estimated at $2.1 billion. In contrast, South Korea's GNP in 1996 was $450 billion with a total trade volume of about $200 billion.

North Korea’s economic decay poses several challenges to the Kim Jong Il regime. To begin with, it has become impossible for North Korea to compete with the South in economic terms. (The North Korean economy until the mid-1960s outperformed that of South Korea’s because of the concentration of natural resources in the North and the initial successes of postwar reconstruction in North Korea. However, since the South Korean economy began to take off in the early 1970s, the gap has grown between the two economies.) Notwithstanding longer-term structural problems confronting the South Korean economy, the South-North economic competition has clearly ended in favor of the South. In addition, North Korea's economic decline has coincided with Kim Jong Il's rise to the center of North Korean politics. Just as Kim Jong Il's control over the party, the military, and the intelligence agencies began in earnest in the
mid to late 1980s, decades of economic mismanagement, a sharp decline in Soviet and Chinese economic assistance, and structural problems associated with overinvestments in the military sector began to surface.

Indeed, Kim Il Sung’s death in July 1994 created a crucial dilemma for Kim Jong Il: While the entrenched structural problems of the North Korean economy were based on the economic policies instituted by his father, Kim Il Sung, since the 1960s under the all-consuming ideology of Juche (self-reliance), he could ill afford to blame North Korea’s economic woes on his father since such a move would be equated with his own delegitimization. Therefore, the ability of North Korea to enact meaningful economic reforms ultimately will be decided not on an economic but a political rationale. Kim Jong Il is unlikely to depart from the status quo even as the overall situation continues to worsen at an accelerated pace. The relevant drivers here are twofold: deteriorating economic conditions and the regime’s inability to arrest, control, or fundamentally alter economic decline. As the economic situation worsens and as the regime’s strategic options begin to dwindle in earnest, even stopgap measures such as attracting much-needed foreign economic assistance and direct investments are unlikely to fundamentally alter the health of the North Korean economy.

**Trend Two:** Increasing political influence of the military and its impact on strategic choice. Perhaps no other state in the world is as militarized as North Korea, which has a standing army of 1.1 million troops, and some 4.5 million reserves (500,000 of which could be called into active service in a relatively short time) and paramilitary forces, and is a police state second to none. That the military enjoys political prestige and exercises considerable political influence is certainly not surprising. However, its overall political influence has increased substantially with the death of Kim II Sung, and the military plays a crucial role in buttressing Kim Jong Il’s regime. Unlike his father, Kim Jong Il has no military background and although he is the supreme commander of the Korean People’s Army (KPA) and has formally assumed the position as general secretary of the Korean Workers Party (KWP), it remains to be seen whether he will be able to maintain effective control over the military in the long run or in a major political or military crisis.
In this respect, three key issues need to be examined. First, even as
the core leadership in the armed forces remains loyal to Kim Jong Il,
increasingly intrusive political control and interference by Kim could
contribute significantly to resentment within the professional officer
corps. If Kim Jong Il further tightens political control to stamp out
real or imaginary opposition “grupas” (or groups) in the KPA (as has
been reported but not confirmed) and opts to enact wide-ranging
and potentially bloody purges, opposition within the top military hi-
erarchy could develop and strengthen. Second, while conventional
wisdom dictates that the KPA is unlikely to directly challenge Kim
Jong Il (it is the major beneficiary of his regime), the KPA’s survivabil-
ity is not dependent on Kim Jong Il. For Kim Jong Il, however, regime
survival without the KPA’s backing is virtually impossible to imagine.
Thus, while the KPA can live without Kim Jong Il, he cannot survive
without the military. Third, how will the KPA influence key strategic
choices as North Korea’s window of opportunity begins to narrow?
Currently, it appears that North Korea has little choice but to hunker
down domestically and to ride out its economic difficulties. How-
ever, as the regime’s strategic options continue to narrow and the
costs associated with maintaining the status quo heighten, pressures
will mount within the system. Corrective measures may well be
taken to alleviate acute shortages, but, again, wholesale reforms are
unlikely.

It is at this point that North Korea will have to seriously address key
strategic options with increasing input from the armed forces. It ap-
ppears that the North has the following options:

**Option 1:** Maintain the status quo on political, military, and eco-
nomic fronts with even firmer political control.

**Option 2:** Introduce partial economic reforms while retaining cen-
tralized planning mechanisms with no change in the Leninist party
structure. Variations include (1) enacting gradual but ultimately fun-
damental economic reforms along the Chinese model (e.g., retaining
the current leadership structure but with a “gentler and kinder”
face); or (2) implementing wide-ranging and fundamental economic
reforms with some loosening of party controls, (e.g., partial decen-
tralizing of decisionmaking process and more open debate within
the higher councils of government).
**Option 3:** Oust Kim Jong Il and his extended family through a military coup and install a pragmatic leadership willing to undertake key economic reforms while retaining the central role of the armed forces and the party.

**Option 4:** Undertake destabilizing actions against targets within South Korea through insurgency operations, terrorism, and selective military strikes short of an invasion (such as an artillery attack on a South Korean military unit or launching one or more ballistic missiles against an industrial or energy plant in the South), in the hope that internal cohesion can be strengthened without inviting a foreign response.

**Option 5:** Launch a full-scale war against the South through blitzkrieg operations and threaten the employment of nuclear, biological, or chemical (NBC) weapons, in the belief that such a move would deter the United States from sending timely reinforcements to the South.

Even as the domestic situation in North Korea worsens, Pyongyang is likely to reject the second option because of the key political costs associated with introducing meaningful economic reforms and the military’s objection to wide-ranging budget cuts. If North Korea is to undertake realistic economic reforms, the inordinate amount of resources it devotes to the KPA must be curtailed, but Kim Jong Il is unlikely to do so in the face of the KPA’s role as the backbone of his regime. The litmus test for North Korea will come when its strategic options become exhausted when its systemic atrophy will reach unmanageable levels. This turning point will confront the regime with its most difficult challenge since 1948, not unlike the situation surrounding Erich Honecker in the final phase of the German Democratic Republic. Therefore, the possibility of conflict on the Korean peninsula could grow as North Korea’s viable strategic options begin to narrow at an accelerated pace and the military is tempted by the need to use its assets—the only remaining “force multiplier” available to the North—to safeguard the regime. To summarize, the key driver here is the army’s increasing political influence as North Korea’s strategic options begin to narrow in earnest; in other words, the key driver is the army’s ability to define viable options in military terms, including the need to regain the strategic initiative through the use of force against the South.
**Trend Three:** As the situation in the North continues to worsen, the strategies and policies of the regional powers—the United States, China, Japan, and Russia—will reflect crisis management dynamics. Nevertheless, the overtones are likely to be very different from previous crises on the Korean peninsula given the likelihood for some type of a military intervention in North Korea by one or more regional powers. Although any direct military involvement of the regional powers in North Korea would be highly situation-specific, it stands to reason that developments in the North could precipitate active Chinese responses. For example, assuming some type of a collapse occurs in the North but prior to the ROK’s establishment of political control there, the possibility cannot be excluded of a significant “transfer” of KPA forces into China and the creation of a political enclave with some political influence, particularly if Beijing renders its support for a provisional DPRK government within China’s borders. This would pose key problems for the ROK and the United States, particularly if China decides to intervene militarily “at the request of the DPRK provisional government” to “maintain social and political order.” This specific scenario is perhaps far-fetched, but the possibility cannot be discounted. The real issue here is that active crisis management strategies must be developed by the regional powers for the first time since the outbreak of the Korean War. Problems ranging from refugee flows (with implications for China, Russia, and Japan), potential military disruptions (such as sporadic skirmishes along the Russo-North Korean and Sino-North Korean borders), ballistic missile threats (Japan), and even all-out war will have to be considered by the major powers as events begin to rapidly unfold in the North. The key driver here is the degree to which Chinese and Russian decisionmakers will feel threatened by a North Korea either on the verge of collapse or in the aftermath of collapse and will feel the need to take preemptive action to safeguard Chinese or Russian interests along their respective borders with North Korea.

**Trend Four:** Finally, domestic political factors, including a range of political realignments, could affect South Korea’s crafting of a consistent and effective North Korea policy. In addition, if structural economic problems continue to worsen in South Korea—including slower economic growth, sustained currency devaluation, and rising foreign debt—political stability could be affected. To be sure, regard-
less of whether the ruling party or the opposition wins the December 1997 presidential election, the overall strategy of engagement and deterrence is unlikely to be revamped fundamentally. Nevertheless, if an opposition candidate emerges as the victor (such as Kim Dae Jung), new initiatives toward the North are likely. Proposals could include an early inter-Korean summit, major economic assistance to the North in return for its full participation in the four-party talks, an arms control package, significant modification of the National Security Law, and extensive opening of economic and social exchanges with the North. Such initiatives, however, could contribute to a polarization of the public debate on relations with the North. Moreover, the engagement strategy that has been largely shaped and led by the United States could come under increasing political attack in South Korea. Indeed, serious political divisions could occur if the new government forges ahead with extensive economic assistance to the North without linking such aid to progress in South-North talks or if U.S.-North Korean ties improve without reciprocal change in the inter-Korean relationship.

Ultimately, the key political test in South Korea will rest in the extent to which the government can craft an effective but politically acceptable North Korea strategy in terms of domestic politics, alliance relations with the United States, and ties with other major powers. In summary, the key driver here is the potential for increasing polarization of the security and unification debate within South Korea, particularly if events begin to accelerate in North Korea. If North Korea continues to ignore South Korea while cultivating its ties with the United States or even Japan, South Korea is likely to respond to the engagement strategy with even greater ambivalence.

**Military Implications**

When the Berlin Wall crumbled in November 1989, a remarkable development was Gorbachev’s unwillingness to prop up the East German regime and the relatively passive reaction by the German Democratic Republic (GDR) armed forces. (To be sure, Honecker did contemplate the use of force to quell the uprisings, but in the end, the GDR army did not respond.) Indeed, throughout the period leading to formal unification in October 1990, there was no military clash between the Bundeswehr and the GDR forces, or for that mat-
ter, between the Group of Soviet Forces Germany and NATO forces. Moreover, the rapid demobilization of the East German army (including virtually all of its senior military staff) proceeded without any major problem. In contrast to German unification, however, political change on the Korean peninsula is likely to be more volatile, with the possibility of some form of a military clash. There are conflicting reports on the overall combat readiness of the Korean People's Army, but the fact remains that a 1.1 million strong military is likely to react very differently than in the German case. Moreover, the KPA enjoys significant political clout, and the degree to which its senior leadership exercises real influence should not be underestimated.

While the ROK ground forces will have the major task of blunting a major North Korean invasion, border incursions, and other forms of low-intensity conflict, the picture becomes more complex once a variety of elastic and unconventional scenarios are considered. Depending on the pace and depth of political-military change in the North, the following sets of events could be considered.

**Peacetime Activities.** 1. Enhanced Political-Military Deception. Not unlike the period immediately preceding the outbreak of the Korean War in June 1950, North Korea could accelerate a series of inter-Korean dialogue proposals (such as economic cooperation, exchange of separated families, scholarly exchanges, etc.), comprehensive arms control initiatives, and a high-level political meeting (inclusive of a summit between the two leaders). At the same time, however, Pyongyang could also intensify intelligence operations within South Korea with a special focus on progressive or pro-North Korean student groups, labor unions, and political activists. As in the past, such activities will surge prior to major elections (parliamentary and presidential) or at times of domestic political turbulence in the South.

2. Limited Probes and Provocations. With increasing openness in the political, security, and unification debate in the South, North Korea will take advantage of probing and influencing public opinion, media coverage, and elite opinion in South Korea. Initiatives designed to elicit a negative response from the ROK government—such as direct party-to-party talks, abrogation of the National Security Law, and the unconditional release of “patriots” with pro-North Korean senti-
ments—could be set into motion. At the same time, assuming that relations between North Korea and the United States (as well as Japan-North Korean ties) improve, Pyongyang will call for direct negotiations with the United States to replace the armistice agreement with a permanent peace treaty. Pyongyang realizes that decoupling South Korea from the United States is virtually an impossible task. Therefore, it will attempt to maximize its diplomatic leverage by emphasizing that only direct negotiations between Washington and Pyongyang will result in the type of positive change desired by the United States.

**Internal Turmoil and External Deflections.**

1. **Tighter Military Control.** Assuming that the political and economic situation in the North continues to worsen, the KPA will have a greater say not only over military policy but over grand strategy toward the South. Like the People’s Republic of China (PRC), where the PLA has acquired increasing influence over the last several years, the KPA profile has been on the rise. However, the KPA’s role in sustaining the regime is greater than in China’s case given the greater concentration of political power at the apex of the party leadership and the regime’s critical dependence on the army for maintaining domestic control (and quelling any opposition to the regime), and because the KPA is the largest recipient of government funds, up-to-date technologies, and crucial energy supplies.

2. **Partial Breakdown of Command Authority.** As the military’s influence increases with greater political turmoil, a side effect is divisions in loyalty within the KPA and the major internal security organizations. For instance, whereas the army will do the bidding of the top leadership to maintain public order, sentiments within the rank and file may not always coincide with the top military or party leadership. The major danger is not that the army will ignore the party leadership per se, but that critical orders may not filter down within the system. Moreover, if sharp divisions emerge with increasing frequency in the politburo, the army may begin to set its own agenda. If the top military leadership has to choose between preserving Kim Jong Il in power versus retention of the army’s overall position, it may well opt to preserve its own interests. The net external result will be conflicting signals with increasingly ambiguous party-military relations.
3. Military Coup. The most direct means for the army to salvage its position in a deteriorating political situation is to take direct control through a military coup or to install a leader of its own choosing. Although military coups are extremely rare in communist countries, the highly centralized nature of the North Korean system dictates that any major power vacuum would be filled by the most influential player. While the origins are admittedly quite different, the South Korean army's decision to launch coups in 1960 and 1979 following a major weakening of civilian authority could be repeated in a North Korean version. However, even if the army assumes direct control, it does not imply that it will pursue a more reformist line. Indeed, this is the central dilemma for the KPA, since assuming power on its own would have to translate into some perceived benefits by the population at large, especially in economic terms. Within the spectrum of possible events, the army could choose to promote economic reforms through the promotion of technocrats within the party and the bureaucracy, but ultimately any major attempts at reform would have to consider a partial, if not a substantial, reduction in the army's budget as well as its share of increasingly rare technological and energy resources.

Enhanced Operations Against the ROK. 1. Sporadic Border Incursions and Clashes. Assuming that political relations between the two Koreas worsen over a period of time with specific breakdowns (such as the nuclear agreement between the United States and North Korea), the North could opt to undertake military probes in the form of selected border incursions. It could also increase surveillance flights close to the border or sorties that make quick penetrations of the Korean Air Defense Zone. Exchange of fire across the DMZ in such an instance cannot be ruled out. Pyongyang could also increase the combat readiness of some of its forces deployed along the DMZ. If such incursions persist, the United States and the ROK would have to consider appropriate response options, but given the overriding political constraints, it remains in doubt whether the U.S.-ROK Combined Forces Command (CFC) would commit to take specific retaliatory military action. The primary objectives of North Korea in such an instance would probably be threefold: (1) testing of response reflexes by U.S. and ROK forces and their respective command, control, communication, computers, and intelligence (C4I) systems, (2) psychological warfare
against the ROK, and (3) indirect pressure on the United States to enter into direct negotiations with North Korea over a number of issues such as the signing of a peace treaty.

2. Infiltration and Sabotage. North Korean sabotage was most evident in the mid to late 1960s when, among many operations, it mounted an unsuccessful raid on the Blue House in 1968 and then captured the U.S.S. Pueblo in 1969. In the 1970s, North Korea deemphasized sabotage operations and shifted its emphasis to underground tunneling below the DMZ and political recruiting in the South. (However, this does not mean that North Korea did not undertake any sabotage or assassination operations against the South during this period. President Park Chung Hee was the target of an assassination attempt in August 1974 and the First Lady was killed.) In the early 1980s, North Korea began a comprehensive infiltration campaign targeting politicians, journalists, businessmen, student and labor movements, and even sections of the armed forces.55

Military Operations. 1. Selective Targeting and Destruction of ROK Air and Naval Assets. One of the most difficult military challenges confronting the CFC is the specter of limited military strikes by the North short of an all-out invasion. Clearly, whether North Korea would choose to initiate limited military strikes is highly situation-specific in the face of the theoretical retaliatory options available to the ROK forces and the U.S. Forces, Korea (USFK). However, under rapidly deteriorating South-North relations, the North may opt to employ limited strikes because the political constraints on launching retaliatory strikes would be extremely high in South Korea as well as in the United States. For example, elements of the North Korean navy might use midget submarines to target a small number of ROK

55After the assassination of President Park Chung Hee by Korean Central Intelligence Agency (KCIA) Director Kim Jae Kyu in October 1979, there was a wholesale purge within the KCIA by the then Martial Law Command through its Defense Security Command. An unfortunate side effect of this purge was that the counterintelligence office was gutted. The net result was that by the late 1980s, as North Korea began to mount extensive infiltration operations in the South, counterintelligence faltered. Another major factor was the changing political environment in the South after democratization, when redirecting the nation’s intelligence operations became a major political issue. As a result, while the National Security Law remains in force, its provisions have been weakened and an Intelligence Oversight Committee has been created within the National Assembly.
patrol craft or launch a limited artillery attack on an ROK military base or facility near the DMZ. At the same time, an ROK reconnaissance aircraft or helicopter could be fired upon. While the ROK and the United States would have to seriously ponder the appropriate military response, the major challenge is the inherent risk in escalation, a point that the North Koreans have exploited throughout the post-Korean War period. Beyond direct but limited military strikes, North Korea could opt to undertake sabotage operations against selected ROK targets such as major industrial and power plants or communications facilities.

2. Preemptive Invasion of the ROK. In the foreseeable strategic window, North Korea could also decide to launch a major conventional and unconventional attack on the South, especially as the domestic political situation worsens. Ironically, the threat of major war could increase at a time when North Korea’s overall position vis-à-vis the South continues to decline. Therefore, if the North calculates that regime survival can be increased (at least in the short run) through conflict, the leadership may decide to take preemptive action. To be sure, an all-out invasion by the North would most likely result in the regime's ultimate collapse, but it would also destroy much of the progress South Korea has made since the post-Korean War era.

Conclusion

While a majority of the scenarios depicted here may not materialize, it would be extremely naive on the part of the political leadership in the United States and the ROK to believe that change on the peninsula will be evolutionary, nonviolent, and most important, manageable at an acceptable cost. Clearly, it is extremely difficult to forecast just how North Korea will evolve over the next several years, but most of the debate on the future of North Korea boils down to two contrasting schools of thought—the “negotiation school” and the “collapse school.”

At its heart, the negotiation school believes that with the right incentives, North Korea will gradually reject its most orthodox policies and ultimately join hands with the South. Throughout the period leading to the signing of the Agreed Framework in October 1994, political leaders, policymakers, and analysts who subscribed to this school ar-
gued that force and pressure would only convince Pyongyang that unification by force was the sole remaining and viable option. In the aftermath of the accord, major proponents of this school argued that having successfully capped the nuclear threat, the next step was to freeze other key security threats such as North Korea’s robust ballistic missile program.

Notwithstanding elements of success in the accord and follow-on measures, the key weakness in the negotiating school is twofold: (1) It does not take the endgame scenario into full consideration. For example, what will actually transpire once the North peels off its isolationist and aggressive policies and decides to join the community of nations? In other words, it places too much emphasis on extending fundamental change without taking into account the actual political, military, economic, and social fallout if and when the situation in the North begins to deteriorate sharply. Moreover, it argues that change within the North is dependent not upon the internal dynamics of the regime as such but how the regime chooses to respond to an array of external developments. As a result, the outside world, and not North Korea, has to create an atmosphere conducive to real reforms. (2) It assumes that the North Korean leadership is divided into “moderates” and “conservatives” as well as “technocrats” and “bureaucrats” and that so long as the “moderates” are able to emerge as the stronger group, meaningful economic reforms, a more open foreign policy, and a less threatening military posture are well within reach. It places an inordinate amount of importance on figures who allegedly support a “softer, gentler” version of North Korean communism and who, with the right incentives on the part of the ROK and the United States, will be able to ultimately dominate the policymaking process.

The major problem with the negotiating school’s logic is that whereas certain elements of North Korea’s behavior could be modified on the basis of negotiations [such as working with the Korean Peninsula Energy Development Organization (KEDO) and responding to U.S. requests on ballistic missiles and the missing-in-action (MIA) issue], it cannot alter the fundamental dynamics of North Korea power politics. Ultimately, almost everything comes back to the central question of how the Kim Jong Il regime and the nomenclklatura that supports it will choose to respond. Will they open up the regime at the expense of their own survival and authority? What are
the realistic possibilities of the KPA supporting genuine economic reforms? Can economic reform be seen as a central tenet and goal of the current regime? Regardless of the ultimate outcome of the series of bilateral U.S.-North Korea talks, future South-North dialogue, and potential multilateral diplomatic undertakings, fundamental and meaningful change in the North can only take place after substantial domestic political change in Pyongyang. But as the regime in the North grapples with its exit strategy, its overall options will begin to narrow at an accelerating pace, and with it, bring new and potentially more dangerous implications for defense planners in the United States and South Korea.

In this regard, the key threat to stability on the Korean peninsula is the potential for the outbreak of some type of a military disruption, including a range of low-intensity conflicts, operations other than war, sustained military probes and actions, military fallout from a North Korean hard landing (even civil war), and in the worst-case scenario, a full-scale conventional war launched by the North to offset its dwindling strategic options.

Despite worsening economic conditions in the North, which many believe is key in preventing North Korea from launching a major conventional offensive toward the South, if North Korea does undertake major military operations, they will be premised not on economic grounds (i.e., whether it has the ability to wage war for an extended period of time) but on strategic calculations premised on a “high-gain, high-risk” strategy. A complete bolt-out-of-the-blue surprise attack along the DMZ is unlikely, although the drivers that could result in a military disruption on the Korean peninsula are clearly visible today and may become increasingly clearer as the domestic situation in North Korea deteriorates. Ironically, prospects for military disruption on the Korean peninsula are the highest since the end of the Korean War. The world is confronted by an economically weak North Korea, uncertainty over the longer-term sustainability of the Kim Jong Il regime despite his current firm grip on power, potential for growing popular discontent, increasing international isolation, and loss of support from traditional allies. Nevertheless, it is crucial not to consider these factors as “objective” indicators of a severely weakened, disoriented, and deeply insecure North Korea that is unable to wage war against the South and is compelled to adopt pragmatic policy prescriptions. In the final anal-
ysis, the biggest security challenge does not lie in forging a strategy that will enable North Korea to prevent itself from collapsing, as is commonly perceived. If such a strategy did exist, there would not be a security dilemma on the Korean peninsula. The real challenge lies in thinking and planning for a range of developments that deviate substantially from preferred but unlikely options and outcomes.

SOUTHEAST ASIA

Overview

The Southeast Asia subregion is undergoing a remarkable transformation that includes growing regional prosperity and economic, political, and even social interconnectedness. Foremost among the major forces shaping a nascent Southeast Asian community is economic dynamism, including a rapid expansion in direct foreign investment, burgeoning intraregional trade, technological innovation and flows, and vigorous economic growth. Growing trade and investment links are in turn increasing the incentives for peaceful regional cooperation among Southeast Asian states, as expanding levels of economic interaction create shared interests in managing potential sources of conflict.

Even Southeast Asians’ perceptions of themselves are changing. Dynamic growth and expanding levels of economic interaction are contributing to an increasing sense of self-confidence and the formation of a nascent Asian identity. Expanding social linkages stem from closer intraregional communication and travel. Whereas ethnic and religious tensions exist both within and across national boundaries, domestic insurgencies are no longer a major threat to political order in most of Southeast Asia. These developments are positive for the United States in the sense that the likelihood for U.S. involvement in a regional conflict are significantly diminished, but they also portend declining U.S. influence in the subregion at a time when U.S. economic interests in the subregion are rapidly growing. Any dramatic diminution in the stabilizing influence performed by the United States could in turn have negative, long-term implications for regional stability, especially should U.S. influence decline precipitously before meaningful Asian integration is achieved.
Economic prosperity equates to a growing middle class, which is leading to greater pressures for meaningful participation in politics in many developing Southeast Asian states. As a result, the recent democratic transformations of South Korean and Taiwanese politics could be eventually replicated in Southeast Asia, increasing the prospects for extending the zone of peace and prosperity among advanced industrial democracies to include Southeast Asia.

One major reason for the remarkable “econophilia” sweeping the subregion is that the Southeast Asia security complex is no longer the object of great-power territorial ambitions. At the same time, however, the economic stakes of China, Japan, and the United States are rapidly growing in Southeast Asia. As a result, economic rivalry between the major powers over access to Southeast Asia’s labor, production, and raw resources remains a potential source of future discord. Nevertheless, while successful management of the triangular balance of power between China, Japan, and the United States remains a long-run challenge, the threat of conflict among the major powers in the Asia-Pacific region has at least temporarily receded. A less threatening regional security environment—as a result of the end of the Cold War, ASEAN’s success as a regional forum, lessened regional suspicions of Japan, increasing intra-Asian trade ties, and improved dialogue between China and its neighbors—has led to blustery output from some Southeast Asian elites, who publicly discount the importance of trans-Pacific security ties with the United States.

A relatively benign security environment has allowed Southeast Asian states to focus on economic development not simply for the purpose of building national power, but also for improving living standards and mitigating social pressures that stem from economic development. As a result, prospects should improve for stable political transitions, including more open and participatory regimes. Even more important, economic development will also create a strong and enduring interest among Southeast Asian regimes to maintain economic growth through expanding levels of external economic interactions, thereby furthering the development of a peaceful, regional security complex. As a result, the incentives for regional actors to resort to force to resolve myriad ethnic tensions and territorial disputes throughout the region are diminished.
For a benign and stable Southeast Asia security complex to emerge, security will eventually need to concern “flows of people, ideas, and goods within a context of shared views about how best to organize the participants’ economies, societies, and political systems.”\(^\text{56}\) Such a consensus of views is nowhere yet evident, and the potential resort to military force remains central to an understanding of regional security. Nevertheless, expanding levels of economic interaction are increasing the demand for institutions designed to promote confidence-building measures among potential regional rivals and manage conflicts that could disrupt or even undermine regional economic growth. These institutions include the ASEAN Free Trade Area (AFTA), ARF, ASEAN, and the ASEAN Post-Ministerial Committee (PMC). As a result, the region has witnessed what could be termed “institutional euphoria” after the Cold War, including a strengthening in the scope and membership of existing regional institutions and the creation of embryonic institutions.

Despite such promising regional dynamics, long-term prospects for peaceful regional integration are less than robust. Instead, Southeast Asia’s cultural and ethnic diversity, variety of economic and political systems, as well as smoldering historical legacies and rivalries among both subregional actors and extraregional major powers (especially China) could impede the emergence of a benign security environment. Nearly every ASEAN member has conflicting territorial claims with another Southeast Asian state. Similarly, demands for more open and participatory regimes by the region’s growing middle class could destabilize certain types of regimes (e.g., Indonesia) and weaken or undermine economic dynamism. Moreover, regional dynamism could erode the influence of the United States, which has historically played an important stabilizing role in terms of supplying both a large and open market for regional exports and a forward-based military presence in East Asia. No other country appears ready (or capable) to replace the United States and assume this role. While increasing financial, technological, and economic interdependence has altered the political calculus of states by both raising the cost of conflict and lowering the incentives to resort to war, many factors—including arms races, differential rates of economic growth, na-

Sources of Conflict in Asia

...nationalism, territorial conflicts, and relative gains concerns—could easily undermine future regional cooperation.

Despite a veneer of optimism among Southeast Asian regimes, the above concerns have led to hedging behavior on the part of many Southeast Asian states. Many Southeast Asian states are now increasing their level of military spending, although, as a percentage of GNP, military expenditures are generally declining or remaining constant. While no arms race yet exists, rapid economic growth has allowed many Southeast Asian states to upgrade aging weapons systems and procure the most sophisticated arms available for export (especially from those countries focused primarily upon the economic benefits of arms exports), resulting in increasingly lethal and sophisticated force structures.

The remarkable level of religious and ethnic tolerance in Southeast Asia (compared with other developing regions of the world) could be undermined by future regional developments. These developments could include growing economic disparities between certain ethnic and religious groups, economic recession, trade tensions among Southeast Asian states, and, most significantly, military tensions with those major Asian powers that have a significant diaspora in Southeast Asia (i.e., China and India). Tensions with China could lead to persecution of ethnic Chinese minorities in Indonesia and Malaysia, which could lead to economic stagnation and domestic political instability; conversely, domestic instability and economic recession could lead to the persecution of ethnic Chinese and hence military intervention by China. ASEAN political unity would be undermined by such developments.

**Trends**

The above discussion suggests the following trends in the Southeast Asia security complex:

**Domestic Political**

- Key leadership transitions in strategically significant Southeast Asian countries (Indonesia and Malaysia).
Sources of Conflict

- Rising aspirations for more meaningful political participation among Southeast Asia's growing middle class, leading to democratization or civil unrest.
- Growing irrelevance or resolution of domestic insurgencies.
- Growing nationalism, including pan-Asianism, linked to regional development achievements.

**Domestic Economic**

- Rapid economic growth.
- Economic development strongly influenced by foreign capital investment patterns.
- More-even income distribution, thereby mitigating conflict across ethnic and religious cleavages.

**Domestic Military**

- Significant military modernization through the acquisition of increasingly lethal and advanced conventional power projection capabilities and force multipliers (including land-based fighters, electronic warfare (EW), helicopter carriers, attack submarines, air refueling, and missiles).
- Strengthening of nuclear nonproliferation regime. However, should a menacing China develop and in the absence of a U.S. nuclear guarantee, a WMD and delivery system capability remains possible.

**Regional Security Environment**

- Strategic ambiguity. Elements of competition and cooperation coexist uneasily among Southeast Asian states, between ASEAN and China, and between Japan and the United States.
- Region not now an object of major-power competition, although it will likely again become an arena of competition among the major powers unless a benign Asian security environment emerges.
- Important regional power transitions under way: diminution of U.S. influence, growing influence of Japanese economic power;
differential rates of economic growth in China’s favor via-à-vis Japan and the United States, creating potential for high salience of relative gains concerns and long-term conflictual relations between China and other Asian powers.

- Uncertainty about long-term U.S. commitment to region.
- Despite high levels of uncertainty, absence of an arms race.
- Expanding levels of institutionalization of Southeast Asian security affairs.
- Expansion in membership of ASEAN to include all Southeast Asian states, strengthening its bargaining position but also likely impeding its ability to act in unison against outside powers.
- Many remaining conflictual territorial and resource claims.
- Hedging behavior toward the major powers and internal efforts by Southeast Asian governments in addressing security dilemmas.

Drivers of Conflict. The above discussion suggests possible drivers or precipitants of conflict involving Southeast Asia that will be critical for rapidly growing U.S. interests in the subregion. These drivers include: (1) the outcome of leadership and social transitions, especially in Indonesia; (2) ethnic and religious cleavages; (3) the long-term sustainability of economic growth, with implications not only for domestic political stability and the resources available for military expenditures, but also for the distribution of regional power (this driver will in turn be strongly affected by the next two drivers); (4) the future course of trade liberalization within AFTA and APEC by Southeast Asian states; (5) the availability of foreign capital for economic development and extraregional export markets; (6) the strength of the U.S. commitment to the region; (7) Chinese/Japanese/Indian calculations with regard to the region; (8) the acquisition of advanced weapons systems; (9) the long-term strength and durability of ASEAN, AFTA, and other subregional institutions critical to mitigating subregional economic and security conflict, as well as the strength of ASEAN’s bargaining position vis-à-vis larger Asian powers; and (10) the level of adherence to the Non-Proliferation Treaty (NPT) and other arms control and confidence-building measures among Southeast Asian states.
The long-term emergence of a stable subregional security environment would require as a minimum the evolution of

- stable leadership and social transitions in key Southeast Asian states,
- long-term sustainability of moderate-to-rapid economic growth, with requisite availability of capital and foreign export markets,
- low disparities in income distribution across social groupings,
- emergence of a free-trade zone in Southeast Asia,
- continued U.S. military presence and strong U.S. commitment to the subregion,
- emergence of a status quo China,
- Japan closely allied to the United States and acting in concert with the United States vis-à-vis the region,
- an understanding among major powers regarding competition over Southeast Asia,
- transparency in arms acquisitions,
- continued adherence to NPT norms by all Southeast Asian states, and
- a strong and durable ASEAN.

Given the likelihood that some of these drivers will fail to evolve in the above manner, a number of conflict scenarios in Southeast Asia become possible, including civil war, intra-ASEAN conflicts, and conflicts with an extraregional power.

SOUTH ASIA

For several millennia, the South Asian region existed more or less in splendid isolation. Separated from the rest of Asia by the Hindukush, the Karakoram, and the Great Himalayan ranges in the north and the Indian Ocean in the south, the Indian subcontinent developed a distinctive civilizational identity and structured relations between the various local political entities as the critical component of “high politics” for much of the region's history. To be sure, the subcontinent
was periodically invaded by outside powers, usually land invasions from West and Central Asia. Only in the latter half of the modern period did the subcontinent confront seaborne invasions mounted by various European colonial powers, one of which—Great Britain—eventually triumphed and ruled over the South Asian region for close to two hundred years.

Irrespective of the source of these invasions, however, the dominant patterns of strategic interaction remained the same. The local South Asian states interacted mostly with each other. The invaders either left the subcontinent after ransacking its wealth and riches or they stayed behind, were slowly absorbed into the local civilization, and proceeded to join other regional entities in jostling with one another as had been the case for hundreds of years. This pattern of behavior continued even after the demise of the British Raj left behind two new and independent states, India and Pakistan. The conflictual interaction between these two countries has dominated the strategic environment on the Indian subcontinent since 1947. To be sure, there were external interactions, mostly with the United States, the Soviet Union, and China. But these relations were mostly overlays that fed into the primary security competition between India and Pakistan. Despite all external intercourse, the Indian subcontinent thus remained a relatively autonomous enclave in international politics.

This section focuses on explicating the emerging trends that promise to integrate South Asia with the larger Asian arena for the first time in modern history and how the process of integration could lead to conflicts along the way. The first subsection identifies three crucial trends that define the current political-strategic landscape in South Asia. Flowing from these, the second subsection identifies the critical drivers of conflict that will affect war-and-peace outcomes in the region. The third and final subsection highlights the “worst case” scenarios involving deterrence breakdown, scenarios to which U.S. policymakers and strategic planners should be sensitive.

**Emerging Regional Trends**

The first salient trend is that all South Asian states are increasingly taking their bearings from strategic developments along a wider can-
vas than the local arena alone, and their responses will thus contribute to the elimination of the subcontinent’s traditional isolation.

For the first time in memory, the relative strategic isolation of South Asia appears to be on the verge of disappearing as the result of dramatic changes both within and outside the region. The Indo-Pakistani security competition, which was the most familiar feature of local politics, will continue, but it will be increasingly less a bilateral affair than a unilateral one. Pakistan, by virtue of its weakness, fragility, and continued fear of India, will attempt to “compete” with its larger regional neighbor to preserve its security and autonomy. Having lost its traditional Cold War supporter, the United States, Pakistan will increasingly attempt to rely on Chinese protection, weaponry, and technology in its struggles against India.57 India, in contrast, has changed direction completely. It still seeks the regional hegemony it believes is warranted as heir to an ancient civilization, possessing a large population and an extensive land mass, and having great economic, technological, and military potential. But, in a dramatic departure from its traditional grand strategy which sought hegemony at the price of direct competition with Pakistan, New Delhi’s new strategic orientation calls for the “benign neglect” of Islamabad.

Replacing the previous “Pakistan obsession” is a new effort to look beyond the constraining environs of South Asia to pursue the larger great-power capabilities that eluded India throughout the Cold War. This new approach, centered upon both internal economic reforms and concerted political attempts at making new friends—particularly among its neighbors in South Asia, with the “tigers” in East Asia and, of course, the United States—does not entail abjuring the quest for hegemony within the Indian subcontinent. Rather, this approach implies that the requisites for local hegemony will be treated as a “lesser included capability,” which automatically derives from India’s capacity to stand shoulder-to-shoulder with the great powers in Asia and beyond.

This reorientation in perspective is driven primarily not by an Indian desire to “beat” Pakistan this time around by an “indirect approach,”

but by fears of increasing dangers in the regional environment and by a recognition that continuing underdevelopment will make India only more insecure than before. The rise of China to the north is viewed with anxiety and apprehension because of what enhanced Chinese capabilities imply for the outstanding border disputes as well as for Sino-Indian political competition more generally. China’s transfers of nuclear and missile technologies to Pakistan and its gradual penetration of Myanmar are already perceived as a covert—long-range—effort at outflanking India. Coupled with the looming uncertainties in the trans-Caucasus, Central Asia, and the Persian Gulf—when Indian energy dependence promises only to increase—New Delhi’s fears of a deteriorating regional environment become more manifest at a time when old friends such as Russia seem to be truly enervated and new friends such as the United States have yet to live up to their expected promise.

All these factors taken together have forced a perception that the strategic isolation traditionally enjoyed by South Asia is steadily disappearing, and hence India has to pull itself up by its bootstraps to accommodate a much more extensive range of threats than previously encountered. These threats include the nuclear and missile threats mounted by both China and Pakistan, the theater ballistic missile capabilities resident in the Persian Gulf, as well as the evolving chemical, biological, and long-range conventional attack capabilities steadily proliferating around the Indian subcontinent. Not surprisingly, therefore, all the South Asian states, for different reasons, are increasingly condemned to take their bearings from strategic developments along a wider canvas; and, in the process, the subcontinent’s traditional isolation, too, is condemned to finally disappear.

The second salient trend is that there are critical regional power transitions under way in South Asia, transitions that will bequeath India local hegemony while increasing the intensity of Sino-Indian competition down the line.

Precipitated in part by fears of impending changes in the threat environment, all the South Asian states have begun a series of consequential economic reforms aimed at liberating their economic systems from the clutches of bureaucratic regulation and state control. India, Pakistan, and Bangladesh have all joined Sri Lanka (which began first) in embarking on wide-ranging economic reforms. The
results thus far have been spectacular. Growth rates have generally exceeded 6 percent per annum throughout the 1990s, and, on the expectation that current trends will continue, most analyses conclude that the South Asian region will be the “new growth pole”\textsuperscript{58} in Asia. The power political consequences of these developments are equally critical, implying a coming power transition that will make India, in particular, among the most important actors in Asia.

The studies undertaken at RAND by Charles Wolf et al.\textsuperscript{59} suggest that, assuming conservative growth rates of 5.5 percent, the Indian economy will grow from $1.2 trillion in 1994 to $3.7 trillion in 2015, an increase from 46 percent of Japan’s 1994 GNP to 82 percent of its GNP in 2015. Similarly, on the heroic assumption that China continues to grow at the present rate of 12 percent plus, India’s GNP is expected to increase from 24 percent of China’s total to 27 percent by 2015. Because the Chinese economy will in all probability be unable to sustain its present growth rates over the long term, the size of the Indian economy will be larger—relative to China—than these figures suggest—assuming, of course, that India can sustain a growth rate of 5.5 percent over the long haul. Other analyses suggest that this is not improbable. It is in fact estimated that the Indian economy could sustain an average growth rate of at least 8 percent per annum if the present reforms are successfully extended and more attention is paid to increasing investments in power and infrastructure.\textsuperscript{60}

Such growth in economic capability leads directly to increased military potential, as is evident from the fact that India’s military capital stock similarly shows dramatic improvement. From 79 percent of Japan’s 1994 stock, it is estimated to increase to 204 percent of Japan’s 2015 stock (assuming Japanese military growth does not exceed 1 percent of GNP). And India’s stock is expected to constitute 79 percent of China’s military capital stock by 2015 (assuming stable growth in China), and actually exceed China’s military capital stock


Sources of Conflict in Asia

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In summary, then, given current trends India will not only attain local hegemony in South Asia but will also become the world’s fourth largest economy some time in the first quarter of the next century. While it will remain the weakest of the Asian great powers (including China and Japan), India will nonetheless become the dominant entity along the northern Indian Ocean and will serve to diminish emerging Chinese power by functioning as a potent military threat along Beijing’s southern flank, assisting the Southeast Asian states in their efforts to preserve their autonomy against potential Chinese penetration and dominance, and possibly participating in some future U.S.-led containment strategy aimed at restraining China. As a consequence, India will increasingly play an important role in continental geopolitics thanks to the fact that it will “emerge as the only Asian power not seriously challenged regionally.”

The third salient trend is that internal instability could interact with changing military-technical and power political capabilities to make the incipient power transitions in South Asia relatively unstable.

The coming regional power transitions, like those occurring previously in history, could be accompanied by potentially serious instability. In the South Asian case, this instability could be even more problematic for both technical and political reasons. The technical reasons essentially center on the fact that the general power transitions unfolding in the background are occurring amidst the steady proliferation of weapons of mass destruction and the acquisition of new lethal delivery systems. WMD competition for the most part still centers on nuclear weapons, perhaps the most lethal form of WMD, and engages both the Indo-Pakistani and the Sino-Indian dyads. While the former is presently the most active strategic interchange, the latter will become the increasingly important one over time. This fact notwithstanding, the Indo-Pakistani interaction still promises to be the more dangerous interaction of the two for a variety of reasons. First, there are active political disputes between the two entities that have resulted in three past wars and currently involve an ongoing

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61 Wolf et al., 1995.
war waged by proxy. Second, the nuclear programs on both sides are currently in a state of precarious evolution; any weapons stockpile is likely to be relatively small and may be unreliable. The level of deterrent efficacy is uncertain, and the newer delivery systems exhibit some of the classic characteristics that could result in crisis instability.

Furthermore, Pakistan may find its own nuclear program inadequate as India begins to respond to the Chinese nuclear arsenal. The latter interaction will, in all probability, be less troublesome. China already possesses a substantial nuclear capability (at least relative to India), and all Indian efforts will be oriented to playing catch-up. The Sino-Indian nuclear interaction is thus unlikely to be violently unstable, as India will probably develop only a relatively small, mobile, deterrent force—either land- or sea-based or both—oriented toward countervalue attacks on a small, fixed, target set. Because the development and deployment of these capabilities will not take place simultaneously or interactively (as seems to be the case now in Indo-Pakistani interactions), and because India and China are both large land powers with less asymmetricality in their power relations (compared once again to the Indo-Pakistani case), the worst effects of a future Sino-Indian nuclear competition can arguably be escaped.

Because this optimistic expectation will be tested only over the long term, the problems associated with the current Indo-Pakistani nuclear transition will remain. These technical problems are complicated by the internal political transformations currently working themselves out on the subcontinent. The dominant political trends in India are threefold. First, the country is experiencing the slow demise of the Congress Party, which not only brought India to independence but also functioned traditionally as the critical mediator between the institutions of state and civil society. Second, the gradual demise of the “big tent,” represented by the Congress Party, has resulted in the rise of new regional, class-, and caste-based parties, spearheaded by a new generation of leaders who lack the stature of India’s founding fathers, are comparatively less catholic and cosmopolitan in outlook, and do not possess the support of a vibrant nationwide political base. Third, the old ideologies of secularism and class conciliation are increasingly under attack from a new set of political interests, represented, for example, by the Bharatiya Janata Party (BJP) and the Bahujan Samajwadi Party (BSP), which promise
to make Indian politics a much more chaotic environment. Logrolling over ideational and distributional issues will increasingly take place in the open as opposed to the closed confines of intraparty politics (as was the case when the Congress Party was still intact). These changes do not necessarily bode ill for India, but they do increase the levels of uncertainty in both domestic politics and international relations and may create opportunities for miscalculation on the part of India's competitors, thereby increasing the possibility of inadvertent conflict.

Pakistan, just like India, is also undergoing a domestic transformation, but the challenges facing it are immeasurably greater. The polity as a whole is struggling to come out from under the shadow of overt military rule, but its efforts thus far have been dogged by mixed success. This outcome is primarily the result of four factors.

First, the presence of feeble political parties, ineffectual civilian leaders, and weak democratic institutions has resulted in the dominance of patronage rather than issue-based politics; pervasive corruption at all levels of government and state; and infirmities in the legislature, the judiciary, and the institutions of civil society. Moreover, the preeminence of a few charismatic personalities who not only are beholden to a narrow ethnic and social base but also despise one another has resulted in all engaging in competitive efforts at wooing the military to intervene on their behalf.

Second, strong provincial centers and particularist loyalties reinforce either feudal social organization or ethnic affiliation over the demands of the national interest, as manifested by the episodic regional uprisings that occurred throughout Pakistan's history as an independent state and led to the 1971 war.

Third, a strong bureaucracy, both military and civil, stands behind the curtains of Pakistani politics. These bureaucracies, dominated by Punjabis and to a lesser degree Pathans, continue to possess disproportionate power in Pakistan's political life, especially in relation to elected institutions such as the National Assembly. While this power balance will hopefully change in the future, it is as yet unclear how the historically entrenched bureaucracies will respond to possible losses of power. The present leadership of the Pakistan army, however, represents a dramatic exception to the historical norm: Not
only has it welcomed a restoration of the proper balance between the
civilian and military arms of the state, it has also scrupulously stayed
out of active politics to focus on its professional obligations and
commitments and, in general, has been an exemplary voice of
moderation and restraint.

Fourth, radical Islamist parties participate in the episodic political
manipulation of Islam in political life in an effort to acquire and
maintain their legitimacy. It is in fact ironic that these groupings,
though poorly represented in elected institutions, often wield more
street power than established political parties do and have estab-
lished tentacles in all institutions ranging from the armed services to
the universities, thereby possessing the unique ability to constrain
the political center in more ways than pure electoral representation
would suggest.

The internal weaknesses of the Pakistani state are thus problematic
because severe economic vulnerability could interact with the
structural fissures and tempt other states, such as India or Iran, to
exploit Pakistan's weaknesses. Or, even more likely, certain seg-
ments of the Pakistani polity—especially weak civilian leaders—
might be tempted to control domestic discord by embarking on
diversionary brinksmanship with India.

**Drivers of Conflict**

The multiple trends identified above could give rise to problematic
possibilities that could result in armed conflict between the regional
states. These drivers include at least five specific factors that could
determine the prospects for war or peace.

The first driver is Indian, Pakistani, and Chinese decisions with re-
spect to supporting insurgencies in each other's territory. Clearly, the
dyadic competition between the first two states is often what receives
most public attention, in part because their low-intensity conflicts
are highly visible, have occasionally threatened to lead to high-risk
escalation, and take place under the shadow of relatively weak
nuclear capabilities. Despite these considerations, however, it is
important to recognize that low-intensity conflicts have occurred in
the Sino-Indian case as well. China has supported insurgencies in
the Indian northeast off and on for more than four decades, and
India, historically, has assisted the Tibetan insurgents in their struggles against Beijing.\textsuperscript{63} This pattern of interactions will become more significant over time, in part because geographic limitations constrain—but certainly do not eliminate—more conventional forms of military competition. Moreover, both India and China have relatively less-well-integrated, but nonetheless strategic, border areas that lend themselves as arenas for low-intensity war. In the near-to-medium term, however, Sino-Indian competition is likely to be muted as both states attempt to secure breathing space to complete their internal economic and political transformations.

It is in this time frame, however, that Indo-Pakistani decisions about low-intensity warfare will be crucial. In particular, two sets of decisions are pivotal. The first relates to the choices Pakistan makes with respect to the present insurgency in Kashmir. The Kashmiri rebellion has for all practical purposes reached the limits of its success. Whether Pakistan chooses to escalate by altering either the quantity or the quality of support offered to the insurgents will make an important difference to the future of Indo-Pakistani security competition in the near term. The second set of choices relates to the decisions made by the present government and its successors in New Delhi. Whether they choose to continue the Narasimha Rao regime’s strategy of forbearance or shift to a more aggressive strategy of playing “tit-for-tat” will also determine the future of security competition. Both Indian and Pakistani decisions are in some sense interdependent and, therefore, immediate Pakistani choices with respect to Kashmir will determine both the prospects for Indian conventional retaliation as well as the prospects for future Indian support for insurgencies in Pakistan.

The second driver is Indian, Pakistani, and Chinese decisions with respect to conventional and nuclear modernization. It is not an exaggeration to assert that deterrence stability on the Indian continent today is simply a function of the Indian, Pakistani, and Chinese inability to prosecute and win major conventional wars. As research elsewhere has demonstrated, India’s gross numerical superiorities

\textsuperscript{63}This problem might reassert itself, or may even arise outside of New Delhi’s control, as a younger generation of more restive Tibetan émigrés in India takes over the leadership of the exiled Tibetan community in India after the passing of the Dalai Lama.
vis-à-vis Pakistan are misleading and do not enable it to win a major war within a short period. The Sino-Indian balance along the Himalayas is similarly stable for now, because the Chinese do not have the logistics capability to sustain any major conventional conflict in support of their territorial claims, whereas the strong and refurbished Indian land defenses, coupled with their superiority in air power, enable New Delhi to defend its existing positions but not to sustain large-scale acquisition of new territory. Consequently, deterrence stability exists along this frontier as well.

What could change this status quo, however, are Indian and Chinese innovations in the realm of technology, organization, or warfighting doctrine. Such change becomes possible as China and India grow rapidly in economic terms. The resulting increases in prosperity will lead to increases in power as the state, availing itself of more resources than it had previously, acquires new military capabilities that, in turn, increase the range of feasible political choices, including war. Chinese improvements in logistics, air power (both defensive and offensive), communications, and the capacity to unleash accurate deep fires could tilt the balance toward deterrence instability along the Himalayas. Similarly, Indian improvements in the realm of combined-arms maneuver warfare, especially involving organization and warfighting doctrine and in the arena of strategic applications of air power, could tilt the current stand-off on the western battlefields toward India's favor, thereby making deterrence unstable if these military trends are not controlled by larger political considerations.

A similar set of transitions in the nuclear realm could drive instability. Most of these transitions will occur in the Indo-Pakistani case rather than in the Sino-Indian case for reasons explored earlier, and most of them will in fact occur even before the potential transformations in the conventional arena come about. The principal changes in question here center mostly on the kinds of nuclear weapons, the kinds of delivery systems, and kinds of deterrence doctrines that may be developed by both states. The issue of stability becomes particularly urgent, because both India and Pakistan are in the process of acquiring relatively short-ranged theater ballistic missile

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systems, some of which may not be survivable but may nonetheless be armed with (or, at any rate, be perceived as being armed with) nuclear warheads. The instabilities caused by such deployments were in many ways a staple of Cold War concerns but oftentimes do not appear to be publicly understood or discussed in South Asia. Mutual deterrence in the Sino-Indian case is today an oxymoron, but even when that changes, the transition is likely to be less troublesome than the Indo-Pakistani case.

The third driver is the future character of political regimes in India, Pakistan, and China. In the first two instances, the issue of the political regime essentially hinges on the survival and flourishing of moderate centrist parties in domestic Indian and Pakistani politics. In India, the centrist Congress Party has been battered to the point where non-Congress alternatives will probably continue to govern the country in the future. The key question, however, is which alternative. It is still uncertain whether strongly nationalist parties like the BJP have in fact peaked. Even if they have peaked, there is still a possibility that they could come to power as part of a coalition of regional parties that care less than the BJP does for international and security-related problems, and essentially give the latter a free hand in these issue areas. If this includes the pursuit of more radical agendas—both internally and externally—the stage could be set for greater regional confrontation than heretofore, although this is unlikely because the BJP would have to discover the virtues of moderation if it is to secure power and hold onto it. In Pakistan, it is unlikely that radical Islamist parties would come to power in the near term, but their ability to constrain the fragile centrist civilian regimes into following otherwise undesirable policies cannot be underestimated. There is a troublesome possibility of diversionary efforts at domestic mobilization, especially with respect to issues like Kashmir, which could lead to self-reinforcing spirals of escalation and conflict. Of perhaps greater concern is the structural viability of Pakistan as a state. Contrary to much popular commentary on the subject, however, it is important to recognize that Pakistan is not a “failed state” and is highly unlikely to become one. The real challenge facing Pakistan is not state failure but enervating stagnation—an end-product of severe macroeconomic imbalances coupled with simmering ethnic tensions, both of which could be exploited by external actors with deleterious consequences for stability. Both
these challenges can be successfully surmounted by Pakistan and, it is hoped, probably will be.

As far as China is concerned, the news is less reassuring. The best available analyses suggest that whether China has an authoritarian or a democratic government in the future, it is likely to pursue its agenda of “national reunification” without letting up. The specific character of this pursuit will vary in details, but the broad orientation seems clear: China seems intent on recovering those territorial areas it deems itself to have lost through weakness. Because substantial portions of Indian territory in the northwest and northeast are currently claimed by China, it appears that some form of territorial contest between these two Asian giants is inevitable down the line. The implications for regional stability are obvious.

The fourth driver is Indian, Pakistani, and Chinese responses to the power transitions around them. Power transitions occur as a result of the uneven growth in capabilities between states. Two such transitions may be imminent in the greater South Asian region: a dramatic, highly visible, and perhaps unstoppable increase in Chinese power; and a more muted, perhaps more precarious, increase in Indian economic strength. These twin developments will define the future structural environment in South Asia. The growth in Beijing’s capability, especially in military power, will result in an increased Chinese capacity for coercion that will affect Sino-Indian political relations, including the outstanding disputes between the two states. Growing Chinese capabilities will in all likelihood compel India to modernize and expand its effective military capabilities as a deterrent to potential coercion by Beijing. Such an increase in the level of direct Sino-Indian competition itself would also threaten to alter the prevailing balance between India and Pakistan—an outcome that could also occur if India chose to expand its military power simply as an autonomous consequence of its increased economic strength. These developments could lead to a variety of unpalatable possibilities that, though remote now, merit continual observation: increased Pakistani resistance toward India in the face of vanishing windows of opportunity; increased Indian truculence as a result of its growing strength; increased Sino-Pakistani collusion as a consequence of converging fears about a rising India; and increased Sino-Indian political-military competition along their common border and elsewhere in Asia. While domestic political developments in
each of these states will have a critical bearing on the outcome, the power transitions themselves—if improperly handled—could provide abundant structural incentives for continued conflict.

The fifth driver is Indian, Pakistani, and Chinese perceptions of the role of extraregional powers in any future conflict. Although extraregional powers such as the United States will remain critical and influential actors in South Asia, the nature of their presence and the way their influence is exercised will remain important factors for stability in South Asia. The United States, in particular, contributes to stability insofar as it can creatively use both its regional policy and its antiproliferation strategies to influence the forms of security competition on the subcontinent, the shape and evolution of Indian and Pakistani nuclear programs, and the general patterns of political interaction between India and Pakistan. The nominally extraregional power, China, also plays a critical role here both because of its presumed competition with India and because Beijing has evolved into a vital supplier of conventional and nuclear technologies to Pakistan.

The role of those states—and others such as Russia and Japan—and also the perceptions of that role thus become important for stability. If Pakistan, for example, comes to view American and Chinese interest in the region as providing an opportunity to settle old scores with India—on the expectation that one or both states would rush to its assistance in the context of a major war—the stage could be set for deterrence instability on the subcontinent. A similar logic applies to India. If India, for example, comes to view a deepening relationship with the United States as an opportunity to settle old scores with Pakistan—on the expectation that the United States would not penalize India for initiating conflict because of larger geopolitical reasons related to managing China—the stage could be set, similarly, for deterrence breakdown. Comparable concerns apply to China. If Beijing’s ascendancy creates expectations that the other major powers would increasingly defer to Chinese preferences, at least as far as its territorial and precedential claims were concerned, such expectations could lead to a more uncompromising Chinese stance with respect to political disputes with New Delhi and could, by implication, lead to an increased potential for conflict. Because Indian, Pakistani, and Chinese perceptions of the role of extraregional powers are thus critical, though in different ways, for
future decisions relating to the initiation of war, it is important that all extraregional powers—especially critical actors with a disproportionate impact on Asia such as the United States, Russia, and Japan—pay careful attention to the nature of the political signals transmitted to New Delhi, Islamabad, and Beijing in the context of their bilateral relationships with the greater South Asian states. In this context, it is equally important that all extraregional powers pay particular attention to their policies insofar as they relate to arms transfers and territorial disputes. To the degree that such policies suggest a willingness to countenance dramatic changes in the regional balances of power or encourage territorial revisionism through coercion or force, the stage would be set for serious discord among India, Pakistan, and China.

**Anticipating Conflict in South Asia.** Based on the general trends in the region and the specific drivers identified previously, it is possible to envisage the following conflicts in South Asia. These outcomes represent only remote possibilities, at least when viewed at the present time. Indo-Pakistani competition leading to deliberate major war is increasingly unlikely, because the political objectives that could be secured by war are rapidly disappearing. As the economic and political transformations in both states work themselves out, it is in fact likely that these South Asian neighbors will be forced to accommodate one another even if the outstanding issues between them are not resolved in their legal detail. This is because Pakistan, the weaker state, will be increasingly unable to resort to territorial revisionism through force of arms, while India, the stronger state, preoccupied with asserting its larger claims to continental and global recognition, will increasingly choose not to resort to force within the subcontinent. The future of Sino-Indian competition, however, is a different matter and it is as yet unclear what the forms of competition, or their intensity, might eventually turn out to be. These contingencies, being more significant, warrant close scrutiny by regional analysts.

With all these considerations, it is possible to map out the incidence of “worst-case” contingencies in South Asia in the following way.

**Short Term.** In this time period, extending from the current year to 2005, Indo-Pakistani border unrest will continue to be the dominant form of conflict, because neither state will possess the capabilities
required to pursue other more decisive forms of combat. Both could continue to support insurgencies in each other’s territory while relying on their opaque nuclear programs to prevent such provocations from mutating into full-blown challenges directed at one another. Unless moderated by internal actions or external constraints, South Asia will experience continued “ugly stability”—low-grade violence episodically interrupted by bouts of inadvertent escalation (as occurred during the onset of the 1990s’ crisis); efforts at deliberate retaliation (as embodied by Operation Brass Tacks in 1987); and more-or-less serious forms of nuclear brandishing (which also occurred in 1990). The Sino-Indian arena will be generally quiescent during this period.

Medium Term. In this time period, extending from 2005 to 2015, there are three possible kinds of Indo-Pakistani conflicts and one possibly emerging from a Sino-Indian conflict. The first kind in the former category is a premeditated conventional war launched by India if it begins to perform at a less-than-desirable rate economically and is faced with persistent, and ever more costly, Pakistani-supported internal insurgencies. The second kind is a war of desperation launched by Pakistan if India’s economic expansion implies the increasing neglect of Pakistan’s outstanding territorial claims by the international community (and especially by the United States). The third kind is war launched by Pakistan in the context of state breakdown as a result of relatively successful insurgencies within Pakistan. The only kind of contingency imaginable in the Sino-Indian category is a renewal of Chinese-supported low-intensity conflict in the Indian northeast and similar Indian-supported efforts in Tibet and Xinjiang.

Long Term. In this time period, extending from 2015 to 2025, Indo-Pakistani conflicts would continue to resemble those in the previous time frame, whereas the possibilities of direct Sino-Indian conflicts would probably grow. These could include either direct Sino-Indian border clashes along the Himalayan fronts or perhaps naval clashes (or “incidents at sea”) in the Andaman Sea or Southeast Asia as Chinese and Indian naval operations intersect more often in the northern Indian Ocean. None of these scenarios is by any means foreordained; they depend on the evolution of the Sino-Indian political relationship, the political and economic changes taking place in each country, and the nature of the relationships enjoyed by
each of these actors with third countries, especially the United States, Russia, and Japan.

REGIONAL CONCLUSIONS AND IMPLICATIONS FOR THE UNITED STATES AIR FORCE

This subsection attempts to synthesize some of the key operational implications distilled from the analyses relating to the rise of Asia and the potential for conflict in each of its constituent regions.

The first key implication derived from the analysis of trends in Asia suggests that American air and space power will continue to remain critical for conventional and unconventional deterrence in Asia. This argument is justified by the fact that several subregions of the continent still harbor the potential for full-scale conventional war. This potential is most conspicuous on the Korean peninsula and, to a lesser degree, in South Asia, the Persian Gulf, and the South China Sea. In some of these areas, such as Korea and the Persian Gulf, the United States has clear treaty obligations and, therefore, has pre-planned the use of air power should contingencies arise. U.S. Air Force assets could also be called upon for operations in some of these other areas.

In almost all these cases, U.S. air power would be at the forefront of an American politico-military response because (a) of the vast distances on the Asian continent; (b) the diverse range of operational platforms available to the U.S. Air Force, a capability unmatched by any other country or service; (c) the possible unavailability of naval assets in close proximity, particularly in the context of surprise contingencies; and (d) the heavy payload that can be carried by U.S. Air Force platforms. These platforms can exploit speed, reach, and high operating tempos to sustain continual operations until the political objectives are secured.

The entire range of warfighting capability—fighters, bombers, electronic warfare (EW), suppression of enemy air defense (SEAD), combat support platforms such as AWACS and J-STARS, and tankers—are relevant in the Asia-Pacific region, because many of the regional contingencies will involve armed operations against large, fairly modern, conventional forces, most of which are built around large
land armies, as is the case in Korea, China-Taiwan, India-Pakistan, and the Persian Gulf.

In addition to conventional combat, the demands of unconventional deterrence will increasingly confront the U.S. Air Force in Asia. The Korean peninsula, China, and the Indian subcontinent are already arenas of WMD proliferation. While emergent nuclear capabilities continue to receive the most public attention, chemical and biological warfare threats will progressively become future problems. The delivery systems in the region are increasing in range and diversity. China already targets the continental United States with ballistic missiles. North Korea can threaten northeast Asia with existing Scud-class theater ballistic missiles. India will acquire the capability to produce ICBM-class delivery vehicles, and both China and India will acquire long-range cruise missiles during the time frames examined in this report.

The second key implication derived from the analysis of trends in Asia suggests that air and space power will function as a vital rapid reaction force in a breaking crisis. Current guidance tasks the Air Force to prepare for two major regional conflicts that could break out in the Persian Gulf and on the Korean peninsula. In other areas of Asia, however, such as the Indian subcontinent, the South China Sea, Southeast Asia, and Myanmar, the United States has no treaty obligations requiring it to commit the use of its military forces. But as past experience has shown, American policymakers have regularly displayed the disconcerting habit of discovering strategic interests in parts of the world previously neglected after conflicts have already broken out. Mindful of this trend, it would behoove U.S. Air Force planners to prudently plan for regional contingencies in non-traditional areas of interest, because naval and air power will of necessity be the primary instruments constituting the American response.

Such responses would be necessitated by three general classes of contingencies. The first involves the politico-military collapse of a key regional actor, as might occur in the case of North Korea, Myanmar, Indonesia, or Pakistan. The second involves acute political-military crises that have a potential for rapid escalation, as may occur in the Taiwan Strait, the Spratlys, the Indian subcontinent, or on the Korean peninsula. The third involves cases of prolonged domestic
In each of these cases, U.S. responses may vary from simply being a concerned onlooker to prosecuting the whole range of military operations to providing post-conflict assistance in a permissive environment. Depending on the political choices made, Air Force contributions would obviously vary. If the first response is selected, contributions would consist predominantly of vital, specialized, air-breathing platforms such as AWACS, JSTARS, and Rivet Joint—in tandem with controlled space assets—that would be necessary for assessment of political crises erupting in the region. The second response, in contrast, would burden the entire range of U.S. Air Force capabilities, in the manner witnessed in Operation Desert Storm. The third response, like the first, would call for specialized capabilities, mostly in the areas of strategic lift and airborne tanker support.

The third key implication derived from the analysis of trends in Asia suggests that despite increasing regional air capabilities, U.S. Air Force assets will be required to fill gaps in critical warfighting areas. The capabilities of the Asian states, including those of U.S. allies and neutral states, have been steadily increasing in the last two decades. These increases have occurred largely through the acquisition of late-generation, advanced combat aircraft such as the MiG-29, and the F-15, F-16, and F/A-18 together with short-range infrared and medium-range semi-active air-to-air missiles. Despite such acquisitions, however, the states that possess these aircraft have not become truly effective users of air power, in part because acquiring advanced combat aircraft and their associated technologies is a small part of ensuring overall proficiency in the exploitation of air power. The latter includes incorporating effective training regimes, maintaining large and diverse logistics networks, developing an indigenous industrial infrastructure capable of supporting the variegated air assets, and integrating specific subspecialties such as air-to-air refueling, electronic warfare, suppression of enemy air defenses, airspace surveillance and battle management capabilities in a hostile environment, and night and adverse weather operations.

Most of the Asian air forces lack full air-power capabilities of the sort described above. The Japanese and South Korean air forces are, as a rule, optimized mostly for air defense operations. Both air forces are
generally proficient in all-weather defensive counterair operations, and they possess relatively modest day ground-attack capabilities as well. Because of their specific operating environments, however, the Japanese air force is particularly proficient in maritime air operations, whereas the South Korean air force has some close air support (CAS) experience as well. The Chinese air force (People’s Liberation Army Air Force, [PLAAF]) is still a predominantly daylight defensive counterair force with limited daylight attack capabilities, as are most of the Southeast Asian air forces, but the PLAAF has recently demonstrated an impressive ability to integrate its new weapon systems (e.g., the Su-27) much faster than most observers expected. The air forces of the Indian subcontinent have somewhat greater capabilities. Most squadrons of the Indian and Pakistani air forces are capable of daylight defensive counterair, a few are capable of all-weather defensive counterair, and several Indian units are capable of battlefield air interdiction and deep penetration-interdiction strike.

None of these air forces, however, is particularly proficient at night and all-weather ground attack, especially at operational ranges. They lack advanced munitions, especially in the air-to-surface regime. With the exception of Japan and Singapore, they lack battle management command, control and communications (BMC³) platforms as well as the logistics and training levels required for successful, extended, high-tempo operations.

The brittle quality of Asian air forces implies that U.S. Air Force assets will be required to fill critical gaps in allied air capabilities as well as to counter both the growing capabilities of potential adversaries such as China and the new nontraditional threats emerging in the form of ballistic and cruise missiles, information warfare, WMD, and possibly even the revolution in military affairs.

The fourth key implication derived from the analysis of trends in Asia suggests that there will be increasing political constraints on en-route and in-theater access. Problems of basing for en-route and in-theater access will become of concern as the Asian states grow in confidence and capability. For the moment, however, such problems have been held in check because of the continuing threats on the Korean peninsula and recent revitalization of the U.S.-Japanese security treaty. But these developments constitute only a reprieve, not an enduring solution. The availability of the Korean bases after
unification is an open question. Even if these and the Japanese bases continue to be available, their use will be increasingly restricted by the host countries for routine training operations and especially for nontraditional out-of-area operations. The recent difficulties caused by the refusal of the Gulf states to permit U.S. air operations against Saddam Hussein will become the norm in the Asia-Pacific region as well.

There are already some indicators to this effect. For example, constitutional and legal restraints in the form of Article 9 could prevent Japan from providing access, logistical support, and reinforcements in the context of crises in Asia. There is also relatively weak political support for all but the most narrow range of contingencies, as became evident in Japanese, Korean, and Southeast Asian reluctance to support U.S. gunboat diplomacy during the recent (1995–1996) China-Taiwan face-off. Even the Southeast states, which benefit most from U.S. presence and deterrent capabilities in the region, were conspicuously silent—and in some cases even undercut American efforts at restraining Chinese intimidation of Taiwan. Besides these growing political constraints, the fact remains that in some feasible contingencies the U.S. Air Force will have little or no access whatsoever to some regions in Asia. The absence of air bases in Southeast Asia and the northern Indian Ocean, for example, could threaten the execution of contingency plans involving either South Asia or Myanmar. The vast distances in the Asia-Pacific region could come to haunt Air Force operations, because existing facilities at Diego Garcia and in the Persian Gulf are too far away for any but the most minimal operations.

Increasing political constrictions coupled with the sparse number of operating facilities available imply that even such potentially innovative U.S. Air Force solutions as the “air expeditionary force” and “composite air wings” could run into show-stopping impediments beyond U.S. Air Force control. This, in turn, has four consequences. First, American policymakers should investigate the possibility of securing additional air base access in Asia. The most attractive candidate, especially in the context of a rising China, is Cam Ran Bay in Vietnam. Other alternatives, especially for contingencies in the Persian Gulf and the greater South Asian region, could include transit rights in India or Pakistan. Second, U.S. Air Force planners will have to devote relatively greater resources to mobility assets and support
platforms such as airborne tankers to keep a smaller combat force capable of long-distance operations. Third, planners must begin to give some thought to novel technologies capable of mitigating the access and staging problem. These technologies can include, at the more radical end, floating air bases of the kind proposed by RAND several decades ago, or at the more conservative technical end, more-efficient engines, longer-range aircraft, and the like. Fourth, U.S. Air Force planners must increasingly think in terms of joint operations not merely at the cosmetic level, as in the cruise missile strikes against Iraq, but in terms of a true division of labor, especially in the early stages of a distant contingency.

The fifth key implication derived from the analysis of trends in Asia suggests that WMD-shadowed environments will pose new operational challenges to air power. There is little doubt that the number of states possessing different kinds of WMD will increase during the time frames examined in this report. While Russia, China, North Korea, India, and Pakistan are the only nuclear-capable states in Asia at the moment, several other states likely are virtual nuclear powers (Japan, South Korea, and Taiwan), with Iran and Iraq in the wings. All these states are threatened by nuclear capabilities in some form, and many will be able to mount nuclear threats of their own at some point. Although nuclear capabilities concentrate the mind in a way that few other weapons do, chemical and biological weapons will also come in to their own, and their use for either operations or terror may be even more probable. All three forms of WMD, as well as radiological weapons, could be delivered by either ballistic or cruise missiles, advanced combat aircraft, or unconventional means of delivery. These regional operating environments will thus become more complicated over time.

In this context, the U.S. Air Force will require both new capabilities and new concepts of operations for successful combat in such environments. These new capabilities include better means of localizing WMD holdings at long range; better means of interdicting storage facilities, especially those relying on depth or dispersal for survival; and better means of effectively intercepting WMD carriers if their prelaunch destruction is not possible. New concepts of operations involve devising and using better ways to continue combat operations amidst a WMD environment, new forms of warfare including information warfare to subvert an adversary’s combat ca-
pability rather than physically destroying it, and, finally, new “nonlethal” weapons to attain results previously attainable by lethal means alone.