

U.S.-Japan-China: Developing Stable Trilateral Ties

by
Jane Skanderup and Brad Glosserman

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United States-Japan-China: Developing Stable Trilateral Ties

Executive Summary

What are the common interests and objectives that the United States, Japan, and China have to build a more cooperative three-way relationship in the 21st century? Can historic suspicions and recent tensions be overcome? Or will differing world views, opposing concerns about offensive and defensive missile developments, and rising nationalist tendencies create barriers to more effective cooperation between and among these three major Asian powers? It was with these questions in mind that the Pacific Forum CSIS joined together with the Tokyo-based Research Institute on Peace and Security (RIPS) and the Beijing-based China Institute for Contemporary International Relations (CICIR) in July 2001 to convene the second of three dialogues aimed at fostering positive trilateral relations. Participants met in Beijing against the backdrop of a handful of troubling political and security issues. Yet the dialogue was frank and productive, and provided participants with useful insights about the perceived strengths and weaknesses of their country's respective policy approaches toward these bilateral relationships.

Our conference took place in the weeks prior to U.S. Secretary of State Colin Powell's first visit to China, with considerable expectation that the visit would go well following the tension triggered by the EP-3 incident in April. Yet concerns about the Bush administration's policy toward China permeated the discussions, with much debate over the meaning and significance of terms such as "unilateralism" and "strategic competitor." A point of contention was whether the Bush policy was still evolving or already set in stone, and whether China's actions will be a determining factor in the Bush policy approach.

The meeting also took place in the midst of troubled Chinese expressions over a Japanese history textbook and a month before Prime Minister Koizumi Junichiro's planned visit to the Yasukuni Shrine. Although these issues were touched upon, they did not provide the grist for a downturn in Japan-China relations. Instead, considerable discussion revolved around Japan becoming a "normal" country, with much debate about how this would affect regional security. This is a natural progression in Japan's national development, many argued, and Japan's greater regional and global involvement will add a positive dimension to security issues.

Beyond these broad themes, discussions focused on three particular areas. First, what are each country's views of the bilateral relationship of the other two countries in this triad? Second, participants examined the issue of energy security and found a common ground for agreement on problems to solve, many of which are multilateral in nature and point to the need for joint action. Third, participants examined differing views of the regional security framework together with measures that could promote trilateral trust and cooperation. Below are some of the highlights of two days of discussions.

- Chinese participants repeatedly endorsed the view that the future of U.S.-China relations would be principally, if not almost exclusively, determined in Washington. For them, Beijing's intentions were clear and it was up to United States to decide if it wanted a partner or a punching bag. American participants stressed that the Bush administration had made no decisions about the final shape of its China policy and encouraged Beijing to shape U.S. perceptions of China in a positive way. This was, argued one American, "an opportunity for China to influence U.S. policy." The reverse is also true: negative Chinese actions shape the relationship as well.
- Many Chinese participants repeatedly noted that Japan's new interest in playing a greater regional and global role could tempt Japan to go its own way without the traditional postwar restraints on militarization. Japanese attendees dismissed that scenario, insisting that Japan's attempts to become a more "normal" nation were part of a natural progression of national development. "A revival of Japanese militarism is impossible domestically, impossible internationally," one Japanese participant explained, while another commented that "Japan is not trying to be a pole in a multipolar world. The post-Cold War world is not made of poles but roles."
- Throughout the discussions, participants from all three countries jointly lamented the role of sensationalist media in creating misunderstanding and misinterpretation of official policy. Analysts in all three countries must be careful to not fall prey to hasty examinations of media reports of official actions and statements. Even among sophisticated observers, comments and views are sometimes shaped by a cursory examination of stories and a reliance on interpretation by reporters rather than a careful look at official statements.
- On energy security issues, there was broad agreement that rising energy demand in the Asia-Pacific region, but particularly in China, presents more opportunities for cooperation than conflict. Energy security is a multidimensional problem that lends itself to joint solutions. China itself is just beginning to think about a comprehensive energy strategy. Two focal points are developing a national reserve stockpile and interest in a regional reserve stockpile. Regarding the former, China's reserves are currently very poor, with estimates varying from seven to 18 days, considerably below the recommended 90 days. Japan and South Korea are the only countries to have met this international standard in Asia. Recently, the Chinese government has adopted a stronger commitment to developing an energy stockpile; positive signs include visits to U.S. reserve facilities through a collaborative program with the U.S. Department of Energy. It was noted that given the Bush administration's priority on domestic energy policy, there seems to be a natural commonality of interest and the Chinese participants were urged to build on this opportunity for bilateral cooperation.
- There is also new momentum in discussions to develop a regional energy stockpile. At the Brunei 2000 meeting of the Asia Pacific Economic Cooperation

(APEC) forum, there was agreement to explore this at the working-group level. Because APEC is comprised of producers (Canada, Mexico, Australia) as well as consumers (notably Japan, South Korea, and most of ASEAN), there have been disagreements about what constitutes energy security: producers stress conservation efforts and consumers focus on a regional stockpile. As the APEC discussion proceeds, there are still calls for some kind of Asia-Pacific energy consortium that would strengthen consumers' voices as well as develop joint oil reserves and unify the Asian energy market.

- There was widespread concern about safety of the sea lanes. In general, participants were of the view that China's growing use of and reliance on sea lanes for energy imports should create a greater stake for China in their stability and safety; the assertion that China might cut off supply lanes in the Taiwan Strait, for example, ignores the vast exports and imports traversing the seas on which China is also reliant. Participants agreed that the growing frequency of piracy in sea lanes points to the need for joint monitoring and sea lane management, particularly in the South China Sea and in Indonesian waters. The challenge is creating a supra-national authority to deal with the problem; joint navy patrols was discussed as another measure, although no consensus was reached on this point.
- Attitudes toward multilateralism in the region are still evolving. While it is still premature to talk about a European-style security organization in Asia, a number of organizations and institutions have been created. The result is a multilayered diplomatic architecture and a fairly dense web of contacts at virtually every level. Thus, despite the region's short history of multilateralism, the outlook is changing. It was agreed by many participants that multilateral dialogues, organizations, and institutions should be narrowly focused. Participants also agreed that success would depend on focused initiatives, tailored to fit particular circumstances and interests. Modest agendas and limited expectations should be the rule.
- One element of building trilateral trust is to improve bilateral strategic dialogue between the United States and China, as well as between Japan and China. The U.S. and China in particular tend to focus on single issues for brief periods. The U.S. and China need to engage in a broad discussion of future visions of the region, U.S. force presence, and Korean Peninsula reconciliation, to name a few areas. Participants also endorsed the notion of non-official dialogue on the military-to-military relationship between the U.S. and China.
- Improved strategic dialogue requires greater transparency from all three sides. For example, it may be true that China needs to modernize its nuclear forces for safety and maybe other reasons, but it can ease worst case fears of strategic intentions by greater transparency on the role of missile modernization in military strategy, especially as Beijing increases the numbers of missiles aimed at Taiwan.

At the same time, Japan needs to better explain what it means by becoming a “normal” country, in particular by addressing its military past.

- All participants agreed on one guiding principle for trilateral coordination. There should be no gains for two of the parties that come at the expense of the third. As one Chinese participant noted, “balance in trilateral relations is an ideal, but it’s a fantasy. But we should not create further imbalances.” The best solution is obviously win-win-win, but even less optimal arrangements should not cause the third party to suffer.

United States-Japan-China: Developing Stable Trilateral Ties

Overview

The United States, Japan, and China have shared an uneasy relationship in the last decade. Although there was never a formal alliance among the three countries, they were quasi-united for nearly two decades at the end of the Cold War, working together to contain the Soviet Union. The collapse of the Soviet colossus eroded that “glue,” and tensions among the three countries have since reasserted themselves.

In the first half of the 1990s, at times it seemed that friction dominated relations between the United States and Japan. Trade was the chief culprit, although there were additional concerns in Washington about Japan’s willingness to support the bilateral security treaty. By the middle of the decade, however, problems between Washington and Tokyo were overshadowed by increasing tension in the Sino-U.S. relationship. Taiwanese President Lee Teng-hui’s visit to the United States in 1995 helped trigger Chinese missile tests a year later and a virtual crisis in the Taiwan Strait.

Washington and Beijing pulled back from the brink and worked to consolidate their relationship in the last years of the Clinton administration. Ironically, that prompted concerns in the third leg of the trilateral relationship as some in Japan began to fear that any significant improvement in U.S.-China relations – especially if it evolved into a Sino-U.S. “constructive strategic partnership” – would come at Tokyo’s expense. In fact, U.S. relations with Japan have improved markedly in the last few years. The agreement to modify defense guidelines and the remarkable U.S. economic performance have helped smooth over frictions in the relationship.

Meanwhile, U.S.-China relations have swung in the other direction. Some tension was inevitable: a new administration came to power, determined to reverse (or at least reinvent) some of its predecessor’s policies; a decision had to be made on arms sales to Taiwan; and the U.S. appeared committed to a missile defense program that potentially threatened Beijing’s nuclear arsenal.

The April 1 collision between a U.S. Navy EP-3 reconnaissance plane and a Chinese jet fighter that resulted in the loss of the Chinese fighter pilot, an emergency landing on Hainan Island by the EP-3, and the forced detention of the U.S. crew for 11

days tested relations with the new Bush administration. China's behavior confirmed the views of hardliners in Washington and elsewhere that China was not only a rising power but determined to flex its muscles and enlarge its sphere of influence in the Asia-Pacific region. From Beijing's perspective, U.S. policies sparked fears that the new administration was determined to contain China and keep it from assuming its rightful role in regional and global politics. Those divergent perspectives underscore the chief problem facing the three countries: dealing with the rise of China and integrating it to the regional and global order.

Much of the discussion regarding China's rise has focused on security issues, but intensifying economic competition between China and Japan is also a concern. This year has been littered with trade conflicts between Beijing and Tokyo. More can be expected as China continues to develop and modernize its economy. The significance of this development should not be understated: the foundation of Japan's postwar role has been its economic success and pre-eminent standing within the region. In that sense, China's rise is not only a challenge to the structure of regional politics, but to Japan's national identity too.

Yet despite the conflicts – or perhaps because of them – all three governments understand the need to cooperate on both bilateral and multilateral levels. Since the United States and Japan account for 40 percent of the world's economic output, policy coordination in that field is essential. As two of the world's five declared nuclear weapons states, the U.S. and China must make every effort to reduce the risk of nuclear war or accidents. Japan and China, Asia's two most powerful nations, must cooperate to foster a stable environment that will facilitate growth and prosperity throughout the region. Of course, in each of those endeavors, the third country has a role to play. And this list is not exhaustive: other issues include helping bring peace to the Korean Peninsula, promoting sustainable development, easing environmental destruction, and fighting disease, to name a few. Yang Bojiang, division director for Northeast Asian Studies at CICIR, summed it up in his paper for the conference, noting that “the trilateral relationship between China, the U.S., and Japan is a great power relationship that determines the trend of the pattern in the Asia-Pacific region in the 21st century.”

Bilateral Relations in the Trilateral Context: Views of the Other

Conference participants took a different approach when examining the three sets of bilateral relationships. We had agreed to examine each country's views of the relationship between the other two countries, e.g., Japan's views of U.S.-China relations. The purpose was to identify positive elements as well as irritants in the “external”

bilateral relationship that help or hinder each country's efforts to develop stronger trilateral ties. It was an illuminating process. The perspectives revealed both the changes and continuities in a particular relationship, as well as the biases and filters at work in the third country. At the same time, however, using a third party acknowledged and emphasized the fact that this was a trilateral framework and that all three views would have to be considered when examining issues and solving problems.

While we speak of a trilateral framework, relations among the three countries are profoundly different. The bilateral relationships are not the same. The United States and Japan are members of a security alliance. Japan and China are bound by geography; they are Asian nations by definition. China and the United States are both members of the United Nations Security Council, have nuclear weapons, and have no doubts about their place on the international stage. Common characteristics create shared objectives between governments in a particular dyad, but they also introduce frictions into the bilateral relationship, as was evident throughout the 1990s. Yang explained the difficulties: "common interests are intertwined with conflicting interests that make it difficult for the three countries to simply and clearly define their strategic relations and interests among each other."

Several themes threaded through our discussions. First, it quickly became clear that each of the three governments was primarily focused on domestic issues and economic concerns in particular. The United States is beginning to grapple with the effects of its economic slowdown. The end of the longest expansion in the postwar era will impose restraints on Washington. National security decision making will not be exempt; force modernization and the planned deployment of a missile defense system are sure to feel the pinch. There is also concern that the downturn will renew economic tensions in relations with China and Japan.

Chinese participants worried that those frictions and Japan's efforts to take a higher regional security profile (at U.S. urging) would prove to be an explosive combination. If U.S.-Japan relations turn nasty (and the bases in Okinawa, "a time bomb" as one participant noted, are already a source of friction), Japan could be tempted to go its own way without the traditional postwar restraints on militarization. Japanese attendees dismissed that scenario, insisting that Japan's attempts to become a more "normal" nation were nothing to be concerned about. "A revival of Japanese militarism is impossible domestically, impossible internationally," one Japanese participant explained.

After a decade of stagnation in Japan, the chief preoccupation of the government of Prime Minister Koizumi Junichiro is restoring economic stability and providing a

foundation for growth. There are other items on the political agenda, but their significance is likely to be inversely proportional to the government's success in tackling economic problems. As reform efforts bog down, the government may turn to other issues to sustain or bolster its popularity.

China's chief concern is economic modernization. That is the foundation of its return to the international stage and an essential prerequisite to its role as a regional power. Chinese participants stressed at every opportunity the need for a peaceful and stable international environment to facilitate national growth. Reference was made to President Jiang Zemin's July 1 speech, celebrating the 80th anniversary of the Chinese Communist Party (CCP), which noted that diplomacy should serve the country's economic development. Any policy that introduced uncertainty or instability was to be avoided at all costs. Other participants noted that the need for external stability for domestic economic growth is key to any national strategy and is not unique to China. Instead, China should understand its role in promoting a stable regional environment for other countries as well.

Governments that condition political legitimacy solely on providing a better life for their citizens face real difficulties in tough times. A second recurring concern was that economic troubles will oblige governments to find alternative sources of popular support and legitimacy. The most obvious – and potentially most dangerous – alternative is nationalism. Murai Tomohide of Japan's National Defense Academy suggested that China's domestic problems – corruption, rising unemployment, a widening income gap – forced the Chinese leadership to take a hard line in the EP-3 negotiations. Murai argued that the need for political stability and the support of the military are more pressing than ever as the leadership prepares for the 16th Communist Party Congress. That meeting will mark the beginning of the formal transition to the fourth generation of leaders, who will be assuming their new duties over the next two years. During that period, both the party and the people will need to consolidate behind the new leadership. International tensions will not interfere with that process; they could provide a rallying point for the new government, however. No new administration ever scored points by being conciliatory toward potential adversaries.

The United States experienced its own transition this year, with the election of George W. Bush as president after eight years of a Democratic White House. Japanese and Chinese participants felt that the new administration had a new world view and approach to Asia. U.S. participants countered that there was more continuity than change in U.S. foreign policy and that the extreme language of the campaign had been replaced since the new team came to office.

Finally, Japan too has experienced a change in leadership, with Prime Minister Koizumi taking over from the hapless Mori Yoshiro. While many in Japan and the U.S. welcomed the newly invigorated government in Tokyo, Chinese participants were worried that it would prove to be too vigorous. “Japan won’t want to live in the shadow of the U.S. if it wants real power,” suggested one participant. “Dignity and prosperity depend on independence.” Again, Japanese participants dismissed those concerns. “Japan is not trying to be a pole in a multipolar world,” one responded. “The post-Cold War world is not made of poles but roles.”

Our third theme was the fear that realist concerns would prevail, despite most participants’ faith in the soothing effects of economic liberalism. Chinese participants worried that U.S. and Japanese fears of China would trump the three nations’ interests in smooth economic relations. The Chinese participants expressed concern over U.S. desires for Japan to play a larger role in the bilateral security alliance. They also worried that Japan’s attempts to become a more “normal” nation would propel it along the path of remilitarization.

The Japanese participants voiced concern over Chinese military modernization. Participants noted the 17.7 percent increase in defense spending in China’s most recent budget. Ironically, both Chinese and Japanese participants argued that the other country’s reference to their actions – Japanese complaints about Chinese defense spending, Chinese worries about Japan’s increasing participation in its alliance with the U.S. – was misguided. They claimed their government’s policies did not justify such a reaction. Each was convinced of the purity of its own nation’s intentions and asserted that this should have been enough for the other.

Many participants blamed the media for contributing to this victory of image over reality. There was agreement that the international media is headline-happy and tends toward sensationalism. Even among sophisticated observers, comments and views are sometimes shaped by a cursory examination of stories and a reliance on interpretation by reporters rather than a careful look at official statements. This has long been a concern in the U.S. and Japan. Chinese participants agreed that it was becoming an increasing concern for Chinese journalism as well, especially among the newer media outlets.

Finally, and fortunately, it was clear from our discussions that all three sides favored cooperation over confrontation. Most of the Chinese participants were determined to see the U.S. behavior in the best possible light. For example, Ding Kuisong, vice chairman of the China Reform Forum, argued that apart from Taiwan, “I don’t see the two nations can and should clash on any other issues in East Asia.” For

those participants, the EP-3 was “an isolated incident” and their government was ready to put it “in the past.” U.S. discussants pointed out the while the incident itself was over, its effects would linger. They noted that Beijing’s behavior confirmed the views of hardliners in the United States and cost China considerable goodwill, and they suspected that the reverse was also true. It will take some time to undo that damage.

Chinese participants expressed the view that U.S.-China relations would be principally, if not almost exclusively, determined in Washington. For them, Beijing’s intentions were clear and it was up to U.S. to decide if it wanted a partner or a punching bag. U.S. participants tried to disabuse that notion, stressing that the U.S. had made no decisions about the final shape of its China policy and encouraged Beijing to do what it could to shape American perceptions of China in a positive way. As policy is still being formulated, this is “an opportunity for China to influence U.S. policy,” since positive as well as negative Chinese actions will equally shape the relationship.

Energy Security in Northeast Asia: Domestic and Regional Strategies

The outlook for Northeast Asia energy security in the coming years and decades will in large measure be shaped by unpredictable changes in energy consumption and production in China. There are projections of a significant rise in energy demand throughout the Asia Pacific, and Japan and South Korea play critical roles in the supply and demand equation in Asia. Yet the sheer numbers projected for new car owners, electricity consumers, and industrial processes in China translate into a hungry appetite for energy that will increasingly rely on imports. China’s imports of crude oil in 2000, for example, totaled about 78 million tons, which is expected to almost double to 150 million tons by 2010. The implications are tremendous for increased usage of sea lanes, for increased competition for resources, particularly crude oil and natural gas, and even for China’s preparedness for the increased likelihood of oil spills as more ships laden with crude oil ply its coasts and rivers.

Yet participants from all three countries agreed that scenarios that depict greater political competition and even conflict erupting from China’s new status as a significant player in global energy markets are outmoded. The era of energy as “high politics” is no longer relevant, asserted CICIR’s Yang Mingjie; the globalized nature of energy markets creates a complex web of inter-reliance that raises common stakes in stability, whether in the Middle East or in the sea lanes. The broad trends, outlined below, strongly suggest that energy issues will trigger greater integration and not divisiveness in the Asia-Pacific region.

It was also observed by many participants that China has not had an energy strategy *per se*, with a comprehensive and long-term set of policy objectives and plans to implement them. This lack of a strategy is natural for countries that rely on internal sources for the bulk of energy needs, but China is reaching the threshold of external reliance and a strategy will become critical. The Chinese government has realized that it needs to develop a broad-based energy strategy, and in some areas it is working with other countries in this effort. At least one participant welcomed an open, cooperative approach from China on energy issues, instead of the familiar Chinese approach that often views such issues as zero-sum.

Discussion highlighted that strategies for energy security are in transition. Part of the new focus is on strengthening competitiveness within domestic energy markets – including deregulation, privatization, and streamlining of distribution networks. States are also pursuing a diversified mix of import sources. China has production partnerships with Venezuela and West Africa. In the Middle East, Japan deals more with Iran and Kuwait, while China deals with the Caspian Sea states as well as Oman. In addition, states are pursuing a more diversified mix of energy usage among crude oil, natural gas, coal, hydroelectric, nuclear, and wind power. All of these trends point to increased openness to foreign investment in domestic energy sectors.

In addition to improving the flexibility of domestic markets to manage rising demand, participants also agreed that cooperative efforts in selected areas can advance national energy goals and spur action on cross-border problems. Energy security issues are multidimensional in nature and offer areas for multilateral solutions. Participants pointed out that national and regional petroleum stockpiles have long been a concern, yet there is new recognition of the need to address both of these issues. Piracy on the seas is an increasing problem that also would benefit from joint monitoring and management. Joint development of natural gas pipelines – such as Japanese cooperation with Russia to build the Sakhalin pipeline – can be a confidence building measure, creating economic and security interdependence. Finally, the safety of national nuclear energy programs is an important area for cooperation, given that waste management and operational safety could have devastating affects on neighboring states.

Strengthening competition in domestic energy markets. Domestic energy markets are slowly being restructured to finance, produce, and distribute energy resources more efficiently. Throughout Asia, the energy sector is traditionally dominated by government – from public companies that dominate production, transportation, and distribution networks, to regulation of oil and electricity prices. Governments need to shift more of the whole energy chain to the private sector, with the government’s primary

regulatory role in environmental standards and developing strategic stockpiles (see below). Japan, for example, has the highest electricity prices within the members of the Organization for Economic Cooperation and Development (OECD). The publicly-owned Japan National Oil Company (JNOC) has been said to contribute minimal energy security at considerable cost and was recently targeted for privatization by Prime Minister Koizumi.

In the natural gas sector, the lack of a domestic distribution grid in both Japan and China impedes the integration of regional markets and cross-border pipeline development. In China, the emphasis is in western and central China with a pipeline from Sichuan to Wuhan, and connecting north and east to Shanghai. But this could take a generation to build. In Japan, increasing the capacity and connectivity of transmission links would help increase competition among utilities for improved allocation of resources. But there are vested economic and political interests, from transport and shipping companies to local gas distributors, that will likely make privatization and deregulation a piecemeal process.

National and regional energy stockpiles. In the aftermath of the oil shocks of 1973 and 1979, the International Energy Agency was established and recommended that member states develop a “strategic energy reserve” of 90 days to cover shortfalls due to short-term price hikes or supply shortfalls. As a result, both South Korea and Japan have created national stockpile reserves that meet international standards – 80 days in South Korea and 90 days each for the public and private sectors in Japan (in the United States, there are 90 days of reserves, but private sector reserves are not counted). Yet Japan and South Korea are alone among Asian countries and given the interdependence of Asian economies this needs to be a shared responsibility.

China’s reserves are currently very small, with estimates running from seven to 18 days. Recently, China has adopted a stronger commitment to developing an energy stockpile. Part of this strategy includes visits to U.S. reserve facilities through a collaborative program with the U.S. Department of Energy. It was noted that given the Bush administration’s priority on domestic energy policy, there seems to be a natural commonality of interest and the Chinese participants were urged to build on this opportunity for bilateral cooperation. According to one Chinese participant, the goal is to develop a stockpile of 60 to 70 days at a cost of some \$40 billion, with 60 percent of the financing to come from the U.S., Japan, and Europe.

There is also new momentum in discussions to develop a regional energy stockpile. At the Brunei 2000 APEC meeting, there was agreement to explore this at the

working group level. Because APEC is comprised of producers (Canada, Mexico, Australia) as well as consumers (notably Japan, South Korea, and most of ASEAN), there have been disagreements about what constitutes energy security: producers stress conservation efforts and consumers focus on a regional stockpile. As the APEC discussion proceeds, there are still calls for some kind of Asia-Pacific energy consortium that would strengthen consumers' voices, as well as develop joint oil reserves and unify the Asian energy market.

But all agreed that national and regional stockpiles need greater attention and development. Stockpiles can help stabilize prices in times of shortfalls, but just as important, national decisions made by Asian leaders are shaped as much by perceptions of energy vulnerability as actual scarcity. Stockpiles can ease this sense of vulnerability and be an essential confidence building measure to reassure neighbors of energy stability during uncertain times.

Diversification of import sources. China and Japan have developed relationships with key energy producers in what is largely a complementary division of labor. Japanese companies dominate production of oil and gas in Indonesia, and have long-standing contracts with United Arab Emirates, Iran, Saudi Arabia, and Kuwait. China has joint development contracts with countries as far flung as Venezuela and West Africa, and with Yemen and Oman, and is beginning to expand energy ties with Iran and Saudi Arabia. China has long-standing ties with the Caspian Sea states, while Japan is beginning to explore energy contracts in this area. In addition to the desire among importers to diversify their suppliers, there is a nascent trend among producers to increase and diversify sources of foreign investment and exports to avoid over-reliance on one country or region. There are also opportunities for China/Japan cooperation, with some \$10 billion in Japanese loans to China for energy-related projects. All of these factors create a more integrated global and regional energy market, with any one player less able to dominate.

Safety of the sea lanes. Participants agreed with the view that China's growing use of and reliance on sea lanes for energy imports should create a greater stake for China in their stability and safety. The suggestion that China might cut off supply lanes in the Taiwan Strait, for example, ignores the vast exports and imports traversing the seas on which China also relies. Participants also noted the growing frequency of piracy in sea lanes and pointed to the need for joint monitoring and sea lane management, particularly in the South China Sea and in Indonesian waters. The challenge is in creating a supra-national authority to deal with the problem. Joint navy patrols was discussed as a

supplement to national patrols. Participants made note of the role India's navy could play in a regional monitoring mechanism.

A Japanese participant noted that China's offshore oil exploration has led it into the Sea of Japan, violating Japan's exclusive economic zone. It is important to agree on demarcation lines for oil exploration, perhaps utilizing the model of the bilateral fishing agreement.

Promoting Trilateral Trust and Cooperation

While there was disagreement on each country's intentions, there was consensus on the need for a framework for trilateral coordination and cooperation. There was also considerable agreement on the problems and limited prospects for such a mechanism.

The obstacles are formidable. First, unlike Europe, there is very little history in Asia – and virtually none in Northeast Asia – of successful multilateral organizations. The profound differences between countries have prevented the rise of the shared consciousness and sense of identity that is the foundation of successful regionalism. Instead, there is a preference for consensus-oriented mechanisms that are flexible and respect national particulars. That can cause problems for Western governments, in particular the United States, that expect more result-oriented regional institutions.

As a result, bilateralism has been the preferred mode of security relations. The United States has constructed a series of alliances that provide the foundation for its engagement with the region. The system has served U.S. needs quite well; it has also produced a hesitance about tampering with a successful design. The attitude in the U.S. is “if it ain't broke, don't fix it.” While the U.S. is not a reluctant multilateralist in Asia, it is a cautious one.

Bilateralism has maximized the U.S.' freedom of action. It has also constrained Japan's room for maneuver; Tokyo has been reluctant to take actions that might clash with U.S. prerogatives given the constraints on Japan imposed by its Peace Constitution. China has also been reluctant to accept limits on its actions. In theory, that has meant absolute support for noninterference in the domestic affairs of sovereign nations. In practice, it has resulted in a reluctance to embrace multilateral fora and agreements that might constrain China's freedom of action. Bilateral diplomacy, in which China's size and status can be brought to bear against negotiating partners, has been preferred.

Finally, profound differences among the many countries in the region have made it difficult to find the common ground that is essential to successful multilateralism. David Finkelstein of the Center for Naval Analyses noted that “in Asia, a large and diverse region, threats have been ephemeral, and even common threat perceptions equally elusive... the political, economic, cultural tensions among the various and diverse nations of Asia make common cause a sometimes difficult undertaking.” The point was driven home by James Kelly, assistant secretary of state for East Asian and Pacific affairs, in recent congressional testimony. He noted that Asia does not yet have “a collective sense of identification and of common cause.”

When the Asian nations do sit down, culture has had an impact on their approaches to problem-solving. Thus far, Asia has put far more emphasis on consensus building and dialogue for dialogues’ sake. It has been a frustrating experience for Western governments that expect more results, faster. They are being forced to learn the virtue of patience. It has not been easy.

These obstacles have not blocked multilateralism entirely. A number of organizations and institutions have been created and several have emerged in recent years: APEC, the ASEAN Regional Forum (ARF), ASEAN Plus Three, the Asia-Europe Meeting (ASEM), and most recently the Shanghai 5, now known as the Shanghai Cooperation Organization (SCO). In Northeast Asia, there is the Korean Peninsula Energy Development Organization (KEDO), and the Trilateral Coordination and Oversight Group (TCOG), which brings the United States, Japan, and the Republic of Korea together to coordinate policy toward North Korea. At the track-two level, there is the Council for Security Cooperation in the Asia Pacific (CSCAP) with participation by member committees from 20 Asia-Pacific countries.

The result is a multilayered diplomatic architecture and a fairly dense web of contacts at virtually every level. Thus, despite the region’s less than inspiring history of multilateralism, the outlook is changing. It is still premature to talk about a European-style security organization in Asia, and especially in Northeast Asia. Nonetheless, a foundation has been established.

The newly christened Shanghai Cooperation Organization, formerly the Shanghai 5, was mentioned several times as a breakthrough. The SCO was born earlier this year, when Uzbekistan joined five other countries – China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan – in their efforts to fight terrorism and extremism. The organization is based on shared interests and does not target any third country. Chinese participants

stressed that last feature and argued that it should serve as a model for any future arrangement in the region.

Significantly, SCO is focused on security issues and China is a member. According to David Finklestein, “whereas in the past, China had been very skeptical about participating in even the most anodyne multilateral security dialogues, we now see China as a signatory to, if not a key locomotive of, a new multilateral security arrangement that includes military confidence building measures (CBMs) and perhaps even combined military operations ... China can no longer categorically state that it does not participate in multilateral security arrangements.”

A number of lessons can be drawn from Asia’s experience. The first is that cooperation on economic issues has outpaced that on security matters. It is easier to be *for* economic growth and prosperity than *against* a particular security threat. Yamamoto Yoshinobu, professor at the University of Tokyo, argued that “there exists a common understanding about the importance of economic cooperation not only for economic’s sake but also for its positive implications for security affairs.” He continues “it is the basic consensus in the region that economic cooperation, and the benefits (economic development) accruing to economic cooperation, is the crucial factor for regional security cooperation.” That understanding provides the foundation for ASEAN, APEC, and even KEDO, which, while driven by security concerns, is best thought of an economic/energy project.

A second lesson is that every institution, organization, or mechanism must be narrowly focused. That is common sense: Asia’s consensus-oriented approach requires agreement on each issue. The larger the issue, the longer that process takes. The broader the scope, the more room for disagreement. Consequently, participants agreed that success would depend on focused initiatives, tailored to fit existing circumstances and interests. Modest agendas and limited expectations should be the rule. A U.S. participant argued that APEC’s failures were the product of its failure to respect that principle. “APEC suffers from an inability to decide whether it is a dialogue or a system. It needs to focus on its roots as a dialogue consensus-building process.”

This poses a fundamental question about evaluating the success of any such mechanism. Dialogue is open-ended. Confidence building is an unceasing process. A Japanese participant cautioned that the use of benchmarks to measure progress would shift the focus of any institution, which could create resistance because it would create an independent yardstick to evaluate a nation’s actions. At the least, it implies judgment and criticism. At its most extreme, it could justify external intervention.

That logic leads to a third lesson: a nonconfrontational approach is essential. Dialogue moves forward when there is a sense of shared purpose. The EP-3 incident has made clear that pointing fingers and assessing blame gets in the way of confidence building and dispute resolution. Indeed, it is arguable that the exchange of charges is not a dialogue at all. While we credit our Chinese colleagues for making this observation, the Chinese charges that any deterioration in relations between Beijing and Washington should be attributed solely to U.S. actions seems, well, unhelpful (and ironic).

At some future date, it may be desirable for trilateral dialogue to graduate to the official level. Several opportunities were missed during the Clinton administration, but it was observed this was perhaps due to China's perception that it might be "ganged up on," while some in the U.S. felt that China would use the opportunity to drive a wedge between the U.S. and Japan. Participants agreed, however, that official trilateral dialogue now seems premature. Yet there are important steps that can be taken to build trust and cooperation. Traditional CBMs are meant to avoid military conflict, observed one participant, but that is not the case of trilateral ties where there is no danger of war. Rather, the goal is to enhance trust or at least reduce mistrust.

A handful of recommendations were debated. One element is to improve bilateral strategic dialogue between the United States and China, as well as between Japan and China. The U.S. and China in particular tend to focus on single issues for brief periods, as compared to Sino-Russia dialogue, for example, which is broad-based and on-going. The U.S. and China need to engage in a broad discussion of future visions of the region, U.S. force presence, and Korean Peninsula reconciliation, to name a few areas. After the EP-3 incident, there is increased uncertainty in Washington about Beijing's strategic intentions; for example, what does China assert its airspace to be? Regarding China-Japan dialogue, both countries have been consumed with domestic economic issues and other problems, while the history issue remains ever-present. It is important to overcome parochial nationalism in both countries to improve relations.

It was argued that China can ease worst-case fears about its strategic intentions through transparency. It is generally acknowledged that China needs to modernize its nuclear forces for safety and maybe other reasons, yet the lack of transparency about the role of missile modernization in military strategy decreases confidence, especially with increasing numbers of missiles aimed at Taiwan. China could easily increase confidence with greater transparency.

Japan needs to better explain what it means by becoming a "normal" country, in particular by addressing its military past. Japan should do this not merely to satisfy

questions from neighbors, but for Japan's own development as a "normal" country. For example, concerns were voiced by Chinese and South Koreans over Prime Minister Koizumi's planned visit to the Yasukuni Shrine on August 15, but Japan had yet to provide an explanation as to the purpose of the visit. It was broadly agreed that Japan's assertion that it is an internal matter is not enough. The question really is not whether Prime Minister Koizumi visits the shrine, but what he should say once there. Many see the proposed visit as evidence that Japan is unable to deal with its past; that is not necessarily true. The visit can be part of the healing process for Japan and its neighbors, if Koizumi expresses sympathy not only for the victims, but also expresses his nation's heartfelt apology for the deeds of the war criminals. These kind of remarks might lead to more constructive dialogue in the future.

All agreed that when disputes do arise, it is important to listen to each other's arguments objectively without filtering them through nationalist sentiments, cultural predispositions, or sensationalist media reporting. Two cases were discussed that highlighted how legitimate concerns by one party can be misinterpreted and inappropriately politicized. One case involving U.S.-Japan relations was the alleged rape by a U.S. serviceman of an Okinawan woman in May 2001. Japanese media portrayed the delayed U.S. turnover of the alleged perpetrator as a version of an "unequal" treaty. It accused the U.S. of having a double standard on human rights and raised the spectre of soldiers as killers and claimed that the U.S. bases were to blame. American concerns about the Japanese legal and criminal justice systems were not addressed; most media did not explain that there are fundamental differences with the U.S. system, which the U.S. was trying to negotiate. The differences include an extended period of detention in Japan, a reliance on confessions for convictions rather than evidence, the absence of an attorney during interrogations, and the fact that the interpreter was provided by the government rather than the defense. A Japanese participant observed that this inflamed a nationalist interpretation of U.S. actions, and did not present an objective review of U.S. concerns about turning over the serviceman to Japanese authorities.

The second case that illustrated the need to listen objectively involves the tension in Japan-China relations over the history textbook issue. Chinese concerns about the Japanese interpretation of history are legitimate and the two countries should not refrain from debate. But these questions should be examined through a dispassionate private exchange of views in search of the truth, rather than become politicized in the diplomatic arena, argued one participant. A joint study group on historical issues, that removed all taboos, could be convened in the interest of seeking the truth. There needs to be a deep-rooted understanding of the dynamics that led to Japanese aggression in China, with the aim of developing a relationship that will ensure that the past is not repeated. The

suggestion was made to conduct a joint writing of textbooks – but this would also require China to accept Japanese views of Chinese history textbooks, asserted a Japanese participant. Lessons from Europe might be instructive; a German-Poland commission laid out common guidelines for textbooks, for example, recognizing that there is a need for give and take among differing interpretations of history.

One CBM that received strong endorsement was non-official military-to-military dialogue between the U.S. and China. This channel is the first to suffer during crises and the last to recover, it was argued, and more consistent discussion on professional military matters could build mutual understanding and trust. Other CBMs that participants discussed include the creation of an international center for peacekeeping operations, for search and rescue exercises, and for a crisis prevention center that has the capacity to deter accidents and increase communication links. The suggestion by a U.S. participant that the Taiwanese navy be included in such a center was controversial. A Chinese participant commented that if the U.S. were to interfere less in the cross-Strait issue, it would become less complicated.

All participants agreed on one guiding principle for trilateral coordination: there should be no gains for two of the parties that come at the expense of the third. As one Chinese participant noted, “balance in trilateral relations is an ideal, but it’s a fantasy. But we should not create further imbalances.” The best solution is obviously win-win-win, but even less optimal arrangements should not cause the third party to suffer. That creates some difficulties when two of the three countries are in a formal alliance, but they are not insurmountable. Creative diplomacy and continuous dialogue should be able to offset Chinese concerns that it is the target of U.S.-Japan actions. China can facilitate that process by being forthcoming on its own and by helping to reduce uncertainty about its own intentions and capabilities.

APPENDIX A

**China Institute for Contemporary International Relations
Research Institute for Peace and Security
Pacific Forum CSIS**

U.S., Japan, China Relations: Developing Stable Trilateral Ties

July 10-12, 2001
Beijing, China

AGENDA

Tuesday, July 10

Participants arrive

Opening dinner

Wednesday, July 11

9:00 Opening remarks
 China: Lu Zhongwei
 U.S.: Ralph A. Cossa
 Japan: Tatsumi Okabe

9:15-10:45 Session I: Perspectives on Bilateral Relations and
 Impact on Trilateral Ties

Objective: To examine each country's views towards the other two countries' bilateral relationship to identify positive elements as well as irritants in the "external" bilateral relationship that help or hinder each country's efforts to develop stronger trilateral ties. The issues of Japan's legitimate security role and evolving autonomy, and Chinese perceptions about Japan's lack of independence from the United States, are among the issues that could be discussed.

Chair: Lu Zhongwei

Paper Presenters

China on U.S.-Japan relations: Yang Bojiang
Japan on U.S.-China relations: Tomohide Murai
U.S. on Japan-China relations: Brad Glosserman

Discussants

China: Su Ge
Japan: Tatsumi Okabe
U.S. Ralph A. Cossa

10:45-11:00	Break
11:00-12:00	Discussion
12:00-13:30	Lunch
14:00-15:45	<u>Session II: Contrasting Views on Regional Security Architecture</u>

Objective: To examine each country's vision of the future regional security architecture, including views toward the role of regional states in that architecture. The question of bilateral alliances; unipolar and multipolar systems; as well as the role of multilateral organizations (such as ARF) can be examined. It is possible that economic issues, both bilateral and multilateral (such as APEC, WTO) can be included in this session. In addition, the role of evolving South Korea-North Korea relations, as well as cross-Strait relations, in shaping trilateral relations and broader regional security can also be discussed.

Chair: Ralph A. Cossa

Paper Presenters

China: Ding Kuisong
 Japan: Yoshinobu Yamamoto
 U.S.: David Finkelstein

Discussants:

China: Yuan Peng
 Japan: Akio Watanabe
 U.S.: Don Gross

15:45-16:00	Break
16:00-17:00	Discussion
18:30-21:00	Dinner

Thursday, July 12

9:00-10:30	<u>Session III: The Future of Energy Security</u>
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Objective: To examine the future patterns of energy consumption and impact on security and economic relations. In coming years, the current largest energy consumers in Asia – Japan and South Korea – will be overtaken by demand from China and India. Meanwhile, the United States continues to increase dependence on imports for its energy needs. How can Japan, China, and the U.S. prevent conflict or competition from impinging on

security relations, and in what ways might cooperative mechanisms might assure energy supplies or additional resources?

Chair: Akio Watanabe

Paper Presenters

Japan: Kazuya Fujime
U.S.: Jane Skanderup
China: Yang Mingjie

Discussants

U.S.: Ralph A. Cossa
China: Wang Zaibang
Japan: Seiichiro Takagi

10:30-10:45 Break

10:45-11:45 Discussion

12:00noon Lunch

14:00-16:00 Session IV: Confidence Building Measures to Develop Stable Trilateral Ties

Objective: To discuss measures that each country could take to ease tensions and misunderstanding, and increase transparency, including in the political, economic, and military arenas. Discussion could include the pros and cons of building toward an official trilateral dialogue, at the head of state level, or below, and the conditions necessary for a official trilateral dialogue and how those may evolve.

Chair: Lu Zhongwei

Presenters

China: Liu Liping
Japan: Seiichiro Takagi
U.S.: Bonnie Glaser

APPENDIX B

**China Institute for Contemporary International Relations
Research Institute for Peace and Security
Pacific Forum CSIS**

U.S., Japan, China Relations: Developing Stable Trilateral Ties

July 10-12, 2001
Beijing, China

PARTICIPANT LIST

China

Prof. Lu Zhongwei
President
China Institute of Contemporary
International Relations

Prof. Su Ge
Vice President
China Institute of Contemporary
International Studies

Prof. Ding Kuisong
Executive President
China Reform Forum

Prof. Wang Zaibang
Vice President
China Institute of Contemporary
International Relations

Prof. Liu Liping
Director
Center for U.S.-European Studies
China Institute of Contemporary
International Relations

Prof. Yang Mingjie
Director, Division for Arms Control
China Institute of Contemporary
International Relations

Prof. Yang Bojiang
Director, Division for Northeast Asian
Studies
China Institute of Contemporary
International Relations

Prof. Yuan Peng
Deputy Director, Division for North
American and Latin American Studies
China Institute of Contemporary
International Relations

Japan

Prof. Akio Watanabe
President
Research Institute for Peace and Security

Prof. Tatsumi Okabe
Professor
Senshu University

Prof. Takagi Seiichiro
Director, Second Research Department
(Area Studies)
National Institute for Defense Research

Prof. Yoshinobu Yamamoto
Professor of International Relations
University of Tokyo

Prof. Tomohide Murai
National Defense Academy

Mr. Kazuya Fujime
Managing Director
Institute of Energy Economics

United States

Mr. Ralph A. Cossa
President
Pacific Forum CSIS

Dr. David M. Finkelstein
Deputy Director of Project Asia
Center for Strategic Studies
The CNA Corporation

Ms. Bonnie Glaser
Asia Consultant

Mr. Brad Glosserman
Director of Research
Pacific Forum CSIS

Mr. Donald G. Gross
Attorney at Law
Kim & Chang Law Office (Seoul)

Ms. Jane Skanderup
Director for Programs and Development
Pacific Forum CSIS

Observer

Mr. Yukio Oshida
Director, First Project Operation Division
Center for Global Partnership (Tokyo)
The Japan Foundation

APPENDIX C

About the Authors

Brad Glosserman is Director of Research for the Pacific Forum CSIS in Honolulu and a contributing editor to *The Japan Times*.

Jane Skanderup is Director of Programs and Development at the Pacific Forum CSIS in Honolulu.