Asia, America, and the Transformation of Geopolitics

American security and prosperity now depend on Asia. William H. Overholt offers an iconoclastic analysis of developments in each major Asian country, Asian international relations, and U.S. foreign policy. Drawing on decades of political and business experience, he argues that obsolete Cold War structures tie the U.S. increasingly to an otherwise isolated Japan and obscure the reality that a U.S.-Chinese bicondominium now manages most Asian issues. Military priorities risk polarizing the region unnecessarily, weaken the economic relationships that engendered American preeminence, and ironically enhance Chinese influence. As a result, despite its Cold War victory, U.S. influence in Asia is declining. Overholt disputes that democracy promotion will lead to superior development and peace, and forecasts a new era in which Asian geopolitics could take a drastically different shape. Covering Japan, China, Russia, Central Asia, India, Pakistan, Korea, and Southeast Asia, Overholt offers invaluable insights for scholars, policymakers, business people, and general readers.

William H. Overholt is Director of RAND’s Center for Asia Pacific Policy and holds the Asia Policy Research Chair at the Center. Previously Dr. Overholt was Joint Senior Fellow at Harvard’s Kennedy School and Asia Center. After eight years at a think tank consulting on national security issues, he ran investment bank research teams, mainly in Asia, from 1980 to 2001, and served as a consultant to several major political figures in Asia. He is the author of six books, including *The Rise of China* (1993), which won the Mainichi News/Asian Affairs Research Center Special Book Prize.
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William H. Overholt

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To William Alvin Overholt (1917–1996)

In 1980, when I departed from scholarship and became a banker, my father, a Methodist minister and university dean, summoned me and urged me not to waste my life in search of money. This book, and some of the experiences noted here, reflects my committed, albeit inadequate, response to his principles.
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# Contents

Figures ............................................................... xi
Tables ............................................................. xiii
Preface .............................................................. xv
Acknowledgments ............................................... xxiii
Overview ........................................................ xxv

## CHAPTER ONE
Introduction: The Inertia of Foreign Policies ................................................. 1

## CHAPTER TWO
Cold War Assumptions and Changing Realities ............................................. 11
The Truman Doctrine in Asia ................................................................. 14
The Asian Economic Miracle and Political Consolidation ......................... 16
Post–Cold War Developments and Architectural Changes .......................... 27

## CHAPTER THREE
Regional Trends ........................................................................... 33
Outbreaks of Nationalism ................................................................. 33
The New Phase of the Asian Economic Miracle ....................................... 43
The Geopolitics of the New Geoeconomics ............................................. 51

## CHAPTER FOUR
Asia’s Big Powers: Japan and China ......................................................... 63
Japan .............................................................................. 64
The Rise and Fall of Japan’s Economic Supremacy in Asia ......................... 65
Post-Bust Politics ........................................................................ 68
Post-Bust Foreign Policy ................................................................. 76

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Globalization and the Downgrading of Economic Priorities .............. 245
The Costs and Benefits of Promoting Democracy .......................... 247
The Need for an Attitude Transplant ......................................... 261

CHAPTER NINE
Scenarios for the Future ...................................................... 263
Scenario 1: Business as Usual .................................................. 265
Scenario 2: Cold War II ........................................................ 270
Scenario 3: Reversal of Partnerships ........................................ 271
Scenario 4: U.S. Disengagement ............................................ 278
Scenario 5: Revitalized, Peaceful, Balanced Globalization .......... 281
Scenario 6: Crisis of Globalization ........................................ 287
Surprises .......................................................................... 290
    China Sticks to Globalization Despite Globalization Collapsing
       Elsewhere ................................................................. 291
    Failure of Chinese or Indian Reform .................................... 292
    Emergence of an Aggressive India ...................................... 292
    Emergence of an Aggressive China .................................... 293
    Local Wars of Global Consequence ................................... 293

CHAPTER TEN
Conclusion ........................................................................ 295

Bibliography ..................................................................... 307
Index ............................................................................. 317
Figures

1. Key Elements of Asia’s Early Cold War Architecture .......... 16
2. Key Elements of Asia’s Architecture in 2005 .................. 29
3. Japan’s Long, Slow Road to a “Normal” Military .......... 83
4. South Korea’s Trade Relationships ............................ 159
5. Real GDP Growth in India ..................................... 191
6. Comparative Economic Growth in South Asia and China .. 195
7. Russia’s GDP Relative to Other Nations in 2004 ............ 211
8. Aid to Developing Countries in 2005 .......................... 240
9. Military Expenditures in Developed Countries in 2005 .... 241
Tables

1. Ratios of North and South Korean GDP and Population 155
2. Polls of Adult South Koreans’ Attitudes Toward Other Countries 161
4. Are Democracies More Peaceful? 199
5. Deng’s Priorities vs. Gorbachev’s Priorities 207
Preface

This study examines how the structures and attitudes left over from the Cold War fit the current pattern of international relations in Asia and whether the post–Cold War adaptations of those structures and attitudes are serving the interests of the United States and the world. Then, to stimulate thought, it considers some alternatives that might evolve.

The structure of this volume reflects some crucial tradeoffs. Analysis of all the forces—political, economic, cultural, geopolitical, military—that affect Asia’s strategic future could easily require the equivalent of a multivolume encyclopedia. The literature available for citation would fill a small library. Any attempt at such comprehensiveness would lose the main threads. Therefore I have chosen a relatively tight, provocative essay format. I have resisted the urge to elaborate many points at length and to put another three footnotes on every page.

Each section deliberately raises controversies that would require dissertations to resolve—and probably wouldn’t be resolved even then. A key task for anyone trying to probe the range of future possibilities is to question reigning assumptions, to provoke and widen our imagination. If some proposition is already generally accepted, I have usually either ignored it or challenged it. There is something in the pages that follow that will upset virtually everyone—Chinese, Japanese, American, conservative, liberal, scholar, government official, private-sector executive. I hope to hear from anyone whose favorite preconceptions are not offended by what I have written so that I can attempt to correct
the omission. It is my hope that disagreements will be mainly about interpretations rather than facts.

The intended audience is those who are sufficiently familiar with the conventional wisdom to be either interested in moving beyond it or sufficiently upset by the challenge of doing so to defend it in a way that moves our understanding forward.¹

In contrast to academic research that relies almost exclusively on published literature, this book relies heavily on personal experience in addition to the published literature. I lived in the Philippines for one year, in Hong Kong for 16 years, and in Singapore for a short period. I have had political involvements of various kinds in the Philippines, Thailand, Burma, Korea, and Hong Kong. Since 1972, I have had the good fortune to know many key Asian leaders, starting with Singapore’s Lee Kuan Yew, and much of the regional foreign-policy and economic-policy establishment. In the 1970s, Robert Scalapino and I gave more U.S. foreign-policy presentations for the U.S. Information Service to carefully selected Asian foreign-policy elites than any other Americans; these introductions provided the basis for friendships and conversations with Asian thinkers and decisionmakers that have persisted for decades. My responsibilities during the 1970s, at the Hudson Institute and as editor of a Columbia University publication, Global Political Assessment, which Zbigniew Brzezinski and I founded, included analyzing the implications of the Nixon Doctrine for future U.S. security policy in Asia, recommending future military deployments in Asia, consulting on Ferdinand Marcos’s land reforms in the Philippines, analyzing China’s trustworthiness for a potential Taiwan deal prior to Richard Nixon’s trip to China, preparing a book on nuclear proliferation and nuclear strategies in Asia following the 1974 Indian nuclear test, and many other assignments.

For three decades, I have benefited from a network of conferences with many sponsors but fairly predictable core attendance, where the principal thinkers about foreign policy in Asian countries come together.

In the 1980s and 1990s, I ran research teams for several investment banks, mostly from a base in Hong Kong. My research responsibilities required me to be in constant touch with policymakers and economic- and foreign-policy advisors in the principal Northeast and Southeast Asian countries, and I occasionally reversed roles and became an advisor myself. To take just one example, during the Asian crisis of 1997–1998, I was responsible for regional research for Bankers Trust, which was intensively involved in the crisis; for instance, it had the largest exposure of any bank to the Malaysian ringgit. Subsequently, I became head of economics and strategy for the Asian operations equity and fixed income of Nomura, Japan’s largest investment bank, and advised some of the world’s largest investors on how to handle the aftermath of the crisis. I followed developments in each country closely, sometimes writing far more detailed analyses than are available in the academic literature, sometimes supervising such research by others, always keeping in touch with people from the International Monetary Fund (IMF), the World Bank, and the appropriate finance ministries.

In short, I’ve spent three and a half decades working on Asian politics, Asian macroeconomic development, Asian financial issues, business strategies in Asia, and military issues in Asia.

This process was sufficiently intensive that I logged several million miles of air travel in the process of keeping in touch. That experience has provided the basis for some generalizations about views that are widely shared in Asia. Of course, personal experience is only useful to the extent that it is consistent with other kinds of evidence, but it can be crucial, because much of the real thinking behind policies never reaches print, and much of the passion is drained away by muted diplomatic language and spin doctors. Having spent much of my career in Asia, it constantly amazes me how different the assumptions in Japan or China about Washington are from the reality of American practice, and how different the assumptions in Washington about Asia so
often are from the reality of what the Japanese or Chinese or Thais are thinking.

Personal experience is often very different from academic research, in several ways. First, facts. If one reads published documents, one comes away with negligible evidence of the powerful opinions on the Japanese right that a permanently divided Korea is a vital Japanese national-security interest; talking to people, one becomes aware of not only the intensity of the opinion on the right, but also the increasing breadth with which that opinion is held.

Second, judgment. Former British Hong Kong Governor Chris Patten was convinced that the way to ensure democratic reform of Hong Kong’s legislature and other institutions was to confront China publicly and refuse to consult Chinese leaders. The result was that he created a nationalistic backlash and made early reform of the legislature politically impossible. The second most important institution for Hong Kong’s freedoms was the Court of Final Appeal. In April 1995, I was spokesman for a deputation of Hong Kong executives (most of them Hong Kong Chinese) trying to get Chinese Premier Li Peng to reverse a critical decision about Hong Kong’s future Court of Final Appeal; we had a very difficult and in some ways unpleasant conversation, but we succeeded because we understood how to deal with China’s leadership. (You can’t be the least bit soft, but you can’t expect to make progress by publicly humiliating them, as Patten did.) At Nomura, where my senior Japanese colleagues were among the most impressive people I’ve ever met, three-quarters of my pay depended on their subjective interpretation of whether I’d understood and met their expectations. In the Philippine revolution and in Burma, many lives depended on my reading people and situations according to the way local people saw them. As a member of Corazon Aquino’s executive committee in the Philippine revolution of 1985–1986, I continually warned against starting her stump speech with a blanket denunciation of the military; I dug out historical examples of Mao Zedong denouncing a few bad apples or a small minority of bad officers. She responded, through American political advisors who agreed with her, that she wasn’t going to be a Jimmy Carter and change her views under pressure. When, a few weeks before the election, three of the kinds of threats I had warned
about actually arose, her brothers summoned me to Manila and asked me to take responsibility for keeping her alive. Based on connections and experience, I assembled a team that included a retired British Special Air Service (SAS) officer who had done a superb job setting up Saddam Hussein's personal security, the retired head of the Australian Secret Intelligence Organization, and others. Needing to rally opposition in the army, I reviewed the country’s top retired generals and made the call, over the opposition of many other advisors but ultimately on behalf of SCRAM, to General Rafael Ileto, who had been exiled as Ambassador to Thailand and had had several heart attacks. Aquino survived. The retired general who authorized me to use his name in making the call to Ileto became Aquino’s chief of intelligence. A firm I was associated with then took responsibility for her security for the first six months of her presidency.

It was experience in South Korea, Taiwan, and the Philippines as much as analysis that led me to argue that Deng Xiaoping’s strategy would succeed and Mikhail Gorbachev’s would fail and to make those arguments during the years when the conventional wisdom held exactly the opposite. Today, academics and young military officers may debate whether China sees itself as on the same side as the United States on the issue of stopping North Korean nuclear proliferation, but I have been discussing that issue with Chinese generals and officials for more than three decades, and their contempt for North Korean management and their fear that North Korea would create damaging instability have been constant and deeply felt themes throughout that time. When Kim Il Sung died, some Chinese officials celebrated and took

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2 SCRAM was the Senior Cavaliers’ Reform Army Movement, a group of retired generals who received less publicity than the Reform Army Movement (RAM), which comprised mostly active colonels and majors. The principal alternative to Ileto was General Manuel Yan, a superb officer, healthier than Ileto, a good ambassador to Indonesia, and an in-law of mine whom I greatly admired but who had defended Marcos too many times over the family dinner table to be an appropriate choice. The epotme of professionalism, he went on to serve presidents Aquino, Fidel Ramos, and Joseph Estrada well.

credit for a great victory; Kim Il Sung had just walked out of a confrontation with Chinese negotiators over his nuclear ambitions when he had a heart attack and fell dead. Those sentiments have resulted in China’s taking far stronger measures than the United States has to try to bring Pyongyang into line; Washington and Beijing have important differences over tactics, but nobody who knows China’s leaders can doubt that they and the United States are on the same side on the nuclear issue. Unfortunately, in some political and media circles, ideology and lack of experience overwhelm what every U.S. negotiator knows to be the facts about China’s interests.

These concrete situations create very severe empirical tests; if one is wrong, millions of dollars may be lost, lives may be lost, or one’s reputation as an analyst may be damaged in such a high-profile way as to be irreparable.

This book describes the situation the United States faced in the early Cold War, the strategies that were employed to achieve U.S. goals, and the institutions the United States created to win the Cold War. It then traces how the situation has changed, how key institutions have perpetuated themselves in an environment for which they were not designed, how the roles of those institutions have evolved in ways that in some cases would have surprised their creators, and how the strategies the United States is pursuing have changed in ways that often are not entirely conscious. Throughout, I have attempted to weave back into our understanding of geopolitics the central role of economic strategies and economic change. Economic development and economic rejuvenation constituted the core of the successful U.S. global strategy in the Cold War, but that central fact too often gets lost in the narratives of political historians and neglected, to a degree that has fundamentally changed America’s role in the world, in much of the work of contemporary strategists.

Chapter One describes how strategic doctrines and institutions tend to perpetuate themselves long after they have become obsolete. Chapter Two analyzes the way Cold War strategies and institutions related to a changing Asian environment. Chapters Three through
Eight elaborate changing regional and country trends. Chapter Nine provides some brief scenarios to stretch our imaginations about what the future might bring. Chapter Ten presents the conclusions drawn from the study.
Acknowledgments

This book is part of a RAND effort to understand the ways new international economic, political, and military trends might affect future strategic relationships in Asia. The study began with a conference at RAND headquarters in Santa Monica, where RAND’s Asia specialists communicated their views of their countries to each other. Participants included Evan Medeiros (China), Rachel Swanger (Japan), Olga Oliker (Central Asia), Rollie Lal (India), Norman Levin and Somi Seong (Korea), Angel Rabasa (Southeast Asia), Ashley Tellis of the Carnegie Endowment (methodology), and Nina Hachigian (United States). In addition, Nina Hachigian and Rollie Lal wrote papers on the history of U.S. Asia policy and on strategic trends in South Asia, respectively. None of these specialists is responsible for the views I have expressed here, which in all cases go off in different directions, but I have learned a great deal from them, not just from this one set of briefings but from many other interactions as well. I have also benefited from work by other RAND colleagues, including Roger Cliff, Keith Crane, James Dobbins, Mike Lostumbo, David Shlapak, Charles Wolf, Ted Karasik, and Chris Fair. Comments from colleagues, including James Dobbins, Dalia Dassa Kaye, Susan Everingham, and Greg Treverton, have been very helpful. I am particularly indebted to Rachel Swanger, Eric Heginbotham, and Ezra Vogel, whose detailed comments and thoughtful critiques have led me to reconsider and reformulate many points—not always to their satisfaction, but always to the reader’s benefit.

As noted elsewhere, I have benefited from years of attendance at many seminars sponsored by many institutions. Among all of these, I
want to single out Harvard’s Asia Center series of annual Asia Vision 21 seminars. The Asia Vision 21 strictures against quotation both facilitate uninhibited exchange and limit my ability to account fully for my intellectual debts.

The Korea Foundation provided a generous grant that supported work by Norman Levin and Somi Seong on the Korea-China relationship and thereby contributed substantially to our ability to explore one of the most important aspects of Asia’s evolving architecture.

Above all, I am indebted to the support of the RAND Corporation and its top management. It is always difficult to speak truth to power, and it is exquisitely difficult to do so when one’s budget depends heavily on power, as RAND’s does. The integrity of RAND in seeking the truth, and in articulating it to power, and the willingness of the U.S. government to support RAND’s sometimes disquieting efforts decade after decade are, so far as my admittedly limited knowledge can discover, unique in history. This book would have been difficult to write outside that unique environment.

None of these people or institutions is responsible, of course, for my habit of looking at things through a prism that is different from most.
America’s relations with Asia continue to rely on institutions that are a legacy of the Cold War. Since the Cold War was resolved long ago, it is important to inquire whether the same institutions continue to be appropriate. Is the post–Cold War situation equally amenable to the same institutions? Have those institutions evolved in ways that fit the new situation? Or have some sought to survive the advent of the new situation by evolving in ways that hamper attainment of U.S. interests?

Historical experience shows that when a foreign-policy era ends, the institutions, mindset, and interest groups that characterized the old era tend to persist into the new era, with inertia that often endures far longer than the institutions’ utility. This happened, for instance, with George Washington’s doctrine of No Entangling Alliances, which attempted to keep the new American nation free of dangerous involvements in foreign conflicts. The mentality of that 18th-century wisdom persisted through the middle of the 20th century, greatly hampering the country’s ability to confront in a timely fashion the challenges of fascism and communism that were emerging in Europe and Asia.

Given this historical pattern, it is appropriate to question whether the great institutions of the Truman Doctrine and the Cold War are likely to remain appropriate for coming decades. The great Cold War institutions proved remarkably adaptive and resilient to different conditions during the Cold War era—the period of Sino-Soviet alliance, the period of Sino-Soviet antagonism, the periods of peace, and the times of the Korean and Vietnam wars. From time to time, however, aspects of
those institutions outran their utility—as occurred, for instance, when policies that had proved successful in Western Europe, Japan, South Korea, and many other places produced traumatic failure in Vietnam. That outcome is characteristic: Old doctrines that have become fully or partially obsolete generally continue rolling forward like bowling balls until they smash into a new reality, usually at great cost in lives and treasure. It is to be hoped that by examining changed conditions and comparing new conditions with the assumptions embedded in current doctrine and policies, we can reduce the costs of future collisions between doctrine and reality.

Any analysis of U.S. relations with Asia must be undertaken with historical consciousness of the caricatures that arise and suddenly collapse. For the first half of the 20th century, Americans perceived China as an angel and Japan as a devil. For the second half, these images were reversed in American consciousness. Anyone who had suggested prior to 1945 that we would end up allied with Japan against China would have suffered ridicule. Anyone who today suggests that old images contain obsolescing, dangerous caricatures likewise risks offending powerful convictions and interests. But this volume takes that risk. When I was writing the speeches and papers that led to the book *The Rise of China*, the conventional wisdom was that Deng Xiaoping’s China would collapse and that Mikhail Gorbachev’s reforms would bring the Soviet Union into the modern world. President George H. W. Bush was even advised that China was on the verge of collapse. Fortunately, that misreading of reality, based on such ideological assumptions as the need for successful political reform to precede and undergird economic reform, only led to minor humiliations for the U.S. president. It could easily have led to calamitous miscalculations. At the time, my view that Deng Xiaoping’s strategy was a recipe for success and that Gorbachev’s political priorities constituted a recipe for Soviet collapse was so unpopular that some reviewers charged that these opinions could be held only by someone who had been bought by his employer to write such nonsense.

The U.S. and Western victory in the Cold War emerged from a strategy of nation-building and reconstruction. The strategy sought to build bulwarks of freedom by creating strong polities and economies in
Western Europe, Japan, Southeast Asia, and elsewhere. To accomplish this, American leaders created the Marshall Plan for Europe; encouraged the economic revitalization of Japan; funded aid and institution-building programs through the Agency for International Development (AID), the peace corps, education programs, and many other efforts; and, with their European allies, created major global institutions—the World Bank, the IMF, the General Agreement on Tariffs and Trade (GATT) (later the World Trade Organization, WTO), the Asian Development Bank, and other development banks—to stabilize the free world. The military protected the allies and others while this nation-building strategy gradually proceeded.

Without the military, the strategy would never have had time to succeed. Without the nation-building strategy, military defense was unsustainable. One need only look at Korea, where from 1954 to at least 1975, the North appeared stable and powerful, the South weak, impoverished, and politically unstable. Or one could look at Indonesia in the early 1960s, then a politically and economically hapless home to the world’s largest Muslim fundamentalist movement (indeed, probably larger than all the other Muslim fundamentalist movements combined) and the world’s third largest Communist Party, to understand the bleak prospect for U.S. policy in the absence of the Asian economic miracle that followed. Today’s travails in Iraq would be minor compared with what would have happened if Indonesia’s 15,000 islands, with between 100 and 200 million people speaking more than 600 languages, had disintegrated instead of experiencing an economic miracle.

The Asian economic miracle, supported both by U.S. aid and institution-building programs and by the vast regional expenditures that accompanied the Korean and Vietnam wars, contributed to U.S. victory in the Cold War in two ways. First, the economic takeoff gave citizens of Asian countries a stake in the stability and success of their countries, while giving governments the resources to build national administration, national infrastructure, and effective national military and police forces. From Japan to Indonesia, this drained the motivation for ideological extremism while endowing governments with the
administrative, police, and military capacity to suppress the residues of that extremism.

Second, the Asian economic miracle changed the international priorities of most Western-oriented Asian governments. For centuries, the only path to wealth and power had been territorial aggrandizement; wealth and power were obtained by grabbing neighbors’ territory, seizing their golden temples, and taxing their peasants. This was the world that gave rise to John Mearsheimer’s now-obsolete observation that the emergence of a new power was invariably accompanied by violent upheaval. In the new world of the Asian miracle, a focus on domestic economic reform could lead to wealth and power at a speed unimaginable in the old era. Britain incorporated half the world on the basis of 2 percent annual economic growth. Now, Pacific Asian countries are routinely growing at 6 to 10 percent annual rates. Meanwhile, modern military technology made the use of military violence for territorial aggrandizement self-destructive. Countries that followed the old strategy, such as the Soviet Union and North Korea, collapsed, while those that followed the new strategy, such as South Korea and Singapore, came to tower over their neighbors. China, and eventually Vietnam, avoided the Soviet outcome by changing sides and joining the U.S.-led Asian economic miracle. Japan became recognized as a great power in the 1980s while still militarily neutered. China became recognized as a great power in the wake of Deng Xiaoping’s strategy that began by cutting military expenditures from 16 percent of gross domestic product (GDP) to less than 3 percent and long before the country had any significant capability to project military power overseas.

The process that resolved the Cold War transformed the conditions under which Cold War-era institutions had been founded. In 1954, Japan seemed doomed to languishing as an economic backwater with unstable politics and the persistent risk of communist revolution. By 1989, it seemed on the verge of leading an Asian century in which it would overshadow the United States. Then the resurgence of a more entrepreneurial U.S. economy coincided with a dozen years of Japanese economic stagnation and with Chinese implementation of the most far-reaching economic reforms of the modern world. Thus emerged an
Asia substantially governed by Sino-American decisions, notwithstanding the strengthening of the U.S.-Japan military alliance. During this period, the United States towered over all other countries in economic size, military power, and cultural influence, but, paradoxically, from the Asian crisis of 1997–1998 onward, U.S. influence in Asia steadily declined, with China the principal beneficiary of that decline.

The Cold War phase of the Asian economic miracle had been dominated by mobilization systems loosely adapted from the Japanese system, with heavy state guidance of the economy, reliance on state-guided bank loans to implement that guidance, considerable nationalism toward foreign investment, and emphasis on giant state-supported industrial firms at the expense of smaller entrepreneurial and service firms. From the time of the Japan-Taiwan financial crisis of 1990 and the Asian crisis of 1997–1998, the Japan–South Korea–Thailand mobilization model, which was perfectly adapted to postwar reconstruction and to initial economic takeoffs but ill-adapted to the post-reconstruction era, suffered, and the more entrepreneurial, foreign-investment-friendly model of Taiwan, Hong Kong, Singapore, the overseas Chinese communities of Southeast Asia, and, increasingly, China itself became more successful. This heavily shifted not only the economic balance but also the political balance of the region from Japan and its followers to the entrepreneurial overseas Chinese who increasingly influenced Chinese policies. As in the past, a sharp economic shift led immediately to a sharp political shift.

After the Cold War, Japan, China, Taiwan, and the two Koreas rapidly evolved increasingly assertive forms of nationalism. Japan and China, and Japan and the two Koreas, adopted increasingly antagonistic postures toward one another. In Taiwan, Lee Teng-hui systematically cultivated Taiwan nationalism and antagonism toward China; his successor, Chen Shui-bian, built on that foundation an unsuccessful attempt to move sharply in the direction of formal independence. As this book was being written, there were signs of possible self-correction in both the Taiwan-China and the Japan-China surges of nationalism, but it remained unclear whether the upsurge of national assertion or the corrections would dominate the future.
The late–Cold War regional trend toward emphasis on stability in the interest of economic development, and the corresponding de-emphasis on territorial aggrandizement over land borders, consolidated and began to spread beyond East Asia. China, prior to 1979 an ideological subverter of most of its neighbors, became a leading promoter of regional stability and by 2006 had resolved all but two of its 14 border conflicts to the satisfaction of the other parties. Vietnam, once the region's most aggressive power, followed this change of behavior. Indian and Pakistani leaders started recognizing in their rhetoric the imperative of economic priorities and peace with neighbors; after going to the edge of nuclear conflict, the two principal South Asian powers engaged in mutual visits, opened some transport links, and negotiated over an oil pipeline from Iran through Pakistan to India. India also became warmer toward China. It seemed possible that South Asia would begin to follow East Asia’s lead toward an emphasis on peaceful economic development, but how fully this trend will develop in South Asia remains to be seen. Some Indian policymakers argue that the narrow electoral margins on which continued power depends in a democracy preclude for India the kinds of territorial compromises that have stabilized China’s land borders.

In Pacific Asia, widespread resolution of disputes over land borders was partially offset by the increasing salience of conflicts over sea borders and a competitive search for energy security through national control of sources of oil and gas. Such conflicts became increasingly severe in Northeast Asia, with Japan twice on the edge of confrontation with South Korea over Tokdo/Takeshima Island in 2006 and also in an increasingly tense competition with China. China began drilling in undisputed seabed, but into a potential pool of oil and gas that might overlap into territory disputed between Japan and China, and Japan responded with warnings and with plans to drill in a disputed seabed. In Southeast Asia, however, the risks of confrontation dissipated as China, after initially making moves seen as aggressive (such as building shelters on Mischief Reef, which is claimed by the Philippines), led the region into a widely accepted Code of Conduct for mutual development.
The rising expressions of nationalism and the rising salience of seabed and territorial-waters disputes notwithstanding, in the year 2000 there seemed little reason for the region not to continue on its path toward rapidly improving prosperity and declining international conflict. Disputes about water are no less solvable than disputes about land, and the weight of history is light; the problem is that the world hasn’t cared enough until now to evolve clear principles and procedures and precedents for resolution.

When nationalism seemed in danger of becoming disruptive, partial corrective measures were taken. Beijing learned that its missile-throwing excesses toward Taiwan in 1996 created a global image of a militaristic, dangerous China and resolved not to repeat them. A few years later, in 2006, both Beijing and Taiwan acted to cool what had occasionally flared into risk of real conflict, and new Japanese Prime Minister Shinzo Abe’s conciliatory visit to Beijing was disproportionately reciprocated by a China anxious to reduce tensions. The central tendency seemed to be the gradual consolidation of peace and prosperity in East Asia and indications of its possible spread to South Asia.

Thus, if one projected forward from the year 2000, the likely scenario seemed fairly clear. The United States had the world’s preeminent economy, the world’s overwhelmingly preeminent military, the world’s preeminent ideology (free-market democracy), and the world’s preeminent cultural influence. Its principal opponent, the Soviet Union, had collapsed. Its other Asian opponents of note, China and Vietnam, had responded positively to the incentives to join the U.S.-nurtured global economic system and likewise had responded to the disincentives against persisting with border disputes, ideological proselytization, and subversion of their neighbors. Japan, a strong ally that nonetheless saw itself as competing with the United States for geopolitical preeminence in Asia, had suffered a decade of troubles, leaving it a loyal ally but no longer a serious competitor. Clearly, it seemed, Asia was headed for an era of U.S. dominance, reduced polarization, and consolidation of a 50-year trend toward peaceful economic cooperation at the expense of old geopolitical conflicts.

But that is not what happened.
What did happen was a series of strategic changes that are shaping post-post–Cold War Asia. (Post–Cold War Asia is a relatively straightforward continuation of the Cold War structure with the Soviet Union absent, a structure that has persisted for a decade and a half. The more interesting phase, post-post–Cold War Asia, is what comes next.)

First, China’s emergence triggered a reaction in the United States and Japan. China joined all the major economic institutions nurtured by the West in the Cold War, opened its economy far more than Japan did, resolved most of its border disputes to the satisfaction of its neighbors, and engaged in a very successful campaign for good diplomatic relations with most of its neighbors. All these seemed to support U.S. and Japanese interests, particularly in comparison with an earlier era when China was systematically attempting to destabilize its neighbors and spread communism globally. But its success challenged Japanese aspirations for regional leadership. In the United States, it evoked various theories that rising powers are inherently destabilizing and that undemocratic regimes are inherently aggressive and, more broadly, that since China is the only power that could conceivably challenge the United States, American military planning should focus on China. Given a thrust toward Taiwanese independence by Presidents Lee Teng-hui and Chen Shui-bian and China’s threatening reaction to their initiatives, along with U.S. policy of ensuring a peaceful resolution, tensions over Taiwan became a particular focus for the U.S. military, and the increasing difficulty of that assignment necessarily induced an obsession at the U.S. Department of Defense with the risk of Sino-American war. That obsession was greatly magnified by various interest groups that had much to gain from building new weaponry for war with China or from hampering trade with China.

While China rose, Japan slipped. Through 1989, Japan’s leaders were anticipating that the 21st century would be the Asian century and that Japan would dominate Asia. Japan’s economic superiority would achieve at the end of the second half of the 20th century what its military power had failed to achieve in the first half. It would eclipse American power, which Japanese strategists portrayed as in inevitable decline due to U.S. incompetence at economic management. But a dozen years of stagnation and financial crisis, together with U.S. eco-
nomic resurgence and China's superior economic growth and openness, ended that dream. Japanese leaders responded by abandoning the vision of regional leadership through economic diplomacy. Instead of articulating a new, forward-looking vision, ascendant leaders sought to build renewed national pride around a rewriting of the history of the 1930s and 1940s and adopted a resentful, threatened, defensive posture toward China's new eminence. Pressed hard by the United States, increasingly nationalistic Japanese leaders greatly broadened the scope and influence of their military while still confining military expenditures within 1 percent of gross national product (GNP), integrated their military more closely with the United States, formally designated China as a potential enemy for the first time, created military liaison with Taiwan, agreed with the United States to bring Taiwan under the umbrella of the U.S.-Japan alliance, and expressed a desire to amend Japan's Peace Constitution.

Major changes occurred in U.S. relations with the region. American policy, which for a half-century had protected China from Japan by keeping Japan disarmed and protected Japan from China by allying with Japan, tilted toward an emphasis on consolidating the military alliance with Japan, pressing for a revival of Japan's military, and overtly targeting China as the object of the alliance, even formally bringing the Taiwan conflict under the purview of the alliance. This led China, which had long tacitly supported U.S. bases and alliances in the region because they facilitated the peace and stability necessary to China's economic revival, to change its view of American bases and alliances, increasingly perceiving them as hostile.

In this way, post–Cold War developments polarized big-power relations in Asia rather than, as would have otherwise been expected, reducing polarization.

These changes were driven in part by several major changes in U.S. priorities. The role of the military and the emphasis on spreading democracy (and allying with democracies) rose, and emphasis on economic development and building regional institutions declined.

The Association of Southeast Asian Nations (ASEAN), disillusioned with the U.S. response to the Asian crisis by the Clinton administration and with the abandonment of economic priorities under George
W. Bush, and South Korea, in revolt against U.S. policies toward North Korea and against increasing U.S. reliance on Japan, both distanced themselves from U.S. policy. They still emphatically wanted a U.S. military presence to balance North Korea, China, and Japan, but their relationship with the United States became more distant than it had been, and their relationship with China became much warmer than before. The war in Iraq increasingly drained U.S. resources, attention, and prestige. Controversies over Guantanamo Bay, Abu Ghraib, and the definition of torture diluted American moral authority. Deprived of previously strong U.S. support, regional institutions that included the United States, such as the Asia-Pacific Economic Cooperation (APEC), went into decline, creating a vacuum that was increasingly filled by institutions and initiatives such as the Shanghai Cooperation Organization (SCO), the East Asia Summit, ASEAN+3 (10 ASEAN countries plus China, Japan, and South Korea), ASEAN+3+3 (adding India, Australia, and New Zealand), the Chiangmai Initiative, and others that excluded the United States. Japan and China sought competitively to build regional institutions that they could lead, while collaborating to build regional institutions that excluded the United States, like the East Asia Summit. For most Asian countries, including strong traditional allies like South Korea and Singapore, the degree of U.S. hostility toward China seemed gratuitous. The U.S. view that democracies were invariably more peaceful and better at development was inconsistent with the Asian experience, and the smaller countries of Asia mostly saw the differences between China’s post-socialist, post-Leninist regime and themselves as developmental, whereas the United States saw a Manichean divide. Given China’s rising influence relative to Japan and the unpopular U.S. shift toward emphasis on military power and democratization at the expense of its earlier focus on economic development and regional institution-building, these trends severely weakened U.S. influence in Pacific Asia.

The U.S. role is also shaped by a widening divergence between its increasingly exclusive military reliance on the U.S.-Japan alliance and its increasing political and economic reliance on its relationship with China. As noted, the United States has moved from a relatively balanced policy that protected both Japan and China from each other to
one that emphasizes building up Japan’s military and combining with it to target China. On the other hand, the United States copes with the war on terror, North Korea, regional crime and drugs and human trafficking, and Southeast Asian stability primarily through a bicondominium with China. The principal economic issues are being treated likewise: Regional free trade and regional freedom-of-investment drives are led by the United States and China, with Japan and India reluctantly coming along part of the way. Genetically modified food, an increasingly important issue, effectively involves a U.S.-Chinese alliance against Japan, India, and Europe. Among major regional issues, only on Taiwan and Afghanistan are U.S.-Japan ties more important and more cooperative than U.S.-China ties. The tension between military-ideological alignments and political-economic interests is increasingly severe and probably presages profound geopolitical change in the near future.

Closely related, there is increasing tension between vastly improved U.S.-Chinese cooperation on regional political-economic issues, including Taiwan, where Presidents Bush and Hu Jintao have shared a closer understanding than any of their previous counterparts, and the dynamics of the arms race in the Taiwan Strait. Both sides’ military commanders have difficult tasks, the Chinese generals to ensure that Taiwan can never break away to full independence, the Americans to ensure that aggression is impossible. As they focus on every conceivable possibility, they easily come to fear and believe their worst-case scenarios. As Chinese forces become more capable, U.S. forces have no alternative to integrating themselves more closely with the Taiwan military. Within a few years, a choice may have to be made between abandoning the mission and accepting a degree of integration with Taiwan’s military that would effectively reinstate the pre-1979 U.S.-Taiwan alliance. That would provoke a political crisis with China. This military logic has a dynamic all its own, quite independent of the determination of Washington, Beijing, and the center of gravity of Taiwan’s politics not to risk a crisis. If this dynamic becomes dominant, Asia’s politics take a quite different form from the one they take if policymakers are focused on economic competition and cooperative resolution of problems like energy security, terrorism, North Korea, and regional crime.