

The US Election, US-Japan Relations, and Implications for Korea

Gerald Curtis

I want to focus my comments today on what to expect in US foreign policy after the November presidential election, particularly with regard to East Asia. The point I wish to stress, and the one I will develop in my remarks this morning, is that US foreign policy strategy is not going to fundamentally change, no matter who gets elected in November. It is important to understand the factors that are driving US policy and not embrace unrealistic expectations, or unrealistic apprehensions, about the impact of the presidential election on US foreign policy. If the presumptive Democratic candidate, John Kerry, is elected there will be important changes, particularly in style, rhetoric and the value attached to consultation with allies. But in terms of basic goals and strategies designed to achieve them, what drives US foreign policy far more than the personality of the president is the perception of policy makers of the international environment within which the US must pursue its security and economic interests. That perception changed dramatically as a result of the terrorist attacks on September 11, 2001. If there is time, I will say a few words about Japan's foreign policy and US-Japan relations at the conclusion of my speech.

The US election

The honest answer to the question of who is going to win the election in November is that nobody knows. And that answer is meaningful. What it means, for one thing, is that George Bush—who lost the 2000 election in terms of the popular vote but ended up becoming president thanks to a 5-to-4 Supreme Court decision—has not in the subsequent three years increased his support to the point where one can say that his reelection chances are especially good. In the last few months in particular, his popularity has suffered a sharp decline as a result of the Administration's disastrous Iraq policy. It is now at its lowest point ever, down to about 42%.

One should not attach too much significance to the public opinion poll numbers, however. A lot can happen between now and November to move these numbers. But what does seem certain is that the election is going to be very close. Bush is not in a position where one can say he's going to win hands down unless something terrible happens, either in terms of a worsening of the situation in Iraq or some unexpected downturn in the economy. Neither should you believe he is in such trouble that a Kerry victory is likely. If the election were held this week, my bet would be that President Bush would be re-elected.

There are several factors that are working in Bush's favor in this election. One is that the economy is strong. After all, so-called pocketbook issues, the state of the economy as seen by the voters, are of critical importance in leading people to decide how to vote. The US economy is enjoying strong growth and in the last few months there has been a

substantial increase in job creation. The Democrats have had to drop the slogan “jobless recovery” in their attacks on Bush’s economic policies. The Democrats are focusing their attack on the Administration’s tax policies’ favoritism to the wealthy, on the alleged loss of jobs through out-sourcing to countries like India and China, and on the exploding budget and trade deficits. Bush is no doubt vulnerable on these issues, especially in certain regions, but an economy that is growing and creating jobs has to be seen as very favorable for Bush’s reelection prospects.

Furthermore, and this is critically important, the US is a nation at war. It is not just the Bush Administration but the overwhelming majority of Americans who believe that we are engaged in a global war on terror. It is a kind of third world war, but one in which the enemy is not a state but an unseen trans-national network of terrorist organizations. Fear instilled by an inability to identify and locate the enemy makes this war unlike any fought before. And it is a natural reaction when you are a country at war to be reluctant to change the commander-in-chief, to want to support the president.

George Bush understands this psychology all too well, which is why when he gives a speech, whether it be about health care, or gay marriage, or tax policy, or foreign policy, he always returns to the theme of the war on terror. “War on terror” has become a stock phrase in the campaign. Kerry is trying hard to convince the public that he would be a more effective leader in fighting this war. However, people tend to support the incumbent president in wartime and besides, public opinion polls show that the majority of Americans believe that Republicans are better at fighting wars than Democrats are. So the American public’s perception that we are a nation at war favors Bush’s reelection prospects.

Another advantage Bush has is that his likely Democratic opponent, John Kerry, has so far failed to instill a sense of excitement and enthusiasm among the electorate. He is reasonable and balanced but he has not been able to deliver a message to attract voters to shift their support away from Bush.

On the key issue of Iraq, Kerry is not arguing that the US should abandon the effort to bring stability and democracy to that country. What he is arguing is that tactics need to change to increase the chances of that effort being successful. Far from advocating a withdrawal from Iraq, Kerry has indicated that he supports an increase in US troop strength and an increase by 40,000 in the overall numbers of soldiers in the US Army. In other words, Kerry is not taking the position that the war is unwinnable and that we should get out. He is emphasizing the importance of convincing more countries to get in and strengthening the role of the United Nations. This is not a position that looks to the general public as a sharply defined alternative to the current administration’s policy. So even the increasing number of people who are unhappy with the Bush Administration’s decision to go to war and with its subsequent policies in Iraq are not necessarily attracted to Kerry’s stand on Iraq.

While support for Bush in public opinion polls is going down, there is not much evidence that positive support for John Kerry has been going up. Kerry may get a bounce in the polls when he chooses his vice-presidential candidate, particularly if

something dramatic happens, like Senator John McCain deciding to bolt the Republic Party and accepting nomination as the Democrat's vice-presidential candidate. There are a lot of people in the Democratic Party leadership who apparently would like to see this happen, but McCain has said repeatedly that he is not interested. I do not believe he will run.

Another factor in Bush's favor is the possibility that Ralph Nader, who is planning to run as he did in 2000, will draw away just enough voters from Kerry to enable Bush to win. Nader's spoiler role will grow more likely if anti-war sentiment continues to grow stronger, as it is likely to do. The anti-war vote is not likely to go to Kerry. If Nader adds some of that vote to the support he gets from people who share his domestic and anti-globalization policy views, he can get just enough to deny the election to Kerry. It is no wonder that Kerry has been trying to get Ralph Nader to drop out of the race.

So there are a number of factors that strongly favor President Bush's reelection. There are other ones that work against him. First of all is Iraq. US public opinion has shifted dramatically on Iraq. A year ago, 68% of the US public thought going to war with Iraq was the right thing to do. Even after the Administration failed to turn up any weapons of mass destruction (WMD) or produce evidence of ties between Saddam Hussein and Al Qaeda, support for the President's decision to bring about regime change in Iraq remained high. The past months, however, have seen that support erode rapidly. The majority of the American public now believes that going to war was a mistake and that Bush does not have a strategy to succeed in Iraq.

At this point it is impossible to say how the Iraq issue will play in the election. It is still a long way to November and it is impossible to foresee what will happen in Iraq between now and the election. Sovereignty is being handed over the Iraqis on June 30th. Countries, such as France and Germany, that opposed the US decision to forcefully remove Saddam Hussein do not want to see Iraq collapse into chaos. If the situation becomes more stable and if the American public comes to the view that Bush has a coherent plan for dealing with Iraq, then Iraq will not become the defining issue in the campaign. On the other hand, if the Iraq situation continues to deteriorate, it can become the defining issue and it can result in a rejection of George Bush by the voters in November.

Another issue that may work against George Bush is what can be called the character issue. What bothers a lot of people is that the Bush Administration does not tell the truth and is too influenced by people whose values are not in the mainstream of American beliefs. The prison abuses at Abu Ghraib prison in Baghdad, the violation of civil liberties at home in the name of the war on terrorism, the lies about the nature and the imminence of the threat Saddam Hussein's Iraq posed to the United States, the influence of neo-conservatives and Christian fundamentalism on the Administration's policies, all of these things make many Americans uncomfortable and uneasy. In the end the election may be decided by the issue of which candidate is more trustworthy and more in tune with mainstream American values.

The price of oil may turn out to be a wild card in the election. Americans are peculiarly sensitive to the price of gasoline. Even now the price of gasoline is probably less than half what it is in South Korea, but for Americans, when that price goes over US\$ 2 per US gallon (KRW 2318.60 per 3.79 liters, or KRW 612 per liter), it makes people absolutely furious. Over the coming summer months Americans will be driving a lot and each time they fill their gasoline tank they will not only be reminded how expensive gasoline has become. Many people will also link it to the Administration's policy failures in the Middle East. So a continued rise in the oil price is likely to be viewed by many voters as a consequence of failed political policies and not seen just in terms of the economic hardships it imposes. Some cynics would argue, however, that as we approach November, George Bush will get Saudi Arabia and perhaps other oil producing countries to open the spigots wide and drive down the price of gasoline before Americans go to the polls.

I don't know how the election will come out. I personally believe we need a change in Washington, but as I said earlier, if the election were held now, I think George Bush would win. All we can say for certain is that neither Bush nor Kerry has much chance of winning big. The election is going to be very close.

New administration, new policy?

What difference is the presidential election likely to make for post-January 2005 US policy? If the Democrats come to power, surely there will be important changes in rhetoric. I think the Bush Administration has been unnecessarily antagonistic toward our allies and foreign countries generally. Its "you're either with us or against us" attitude comes across as arrogant and bullying. A Kerry Administration no doubt would try to change the tone and emphasize the importance of consultation with the countries whose cooperation we are seeking.

There would also be a change in rhetoric and in direction on domestic issues. George Bush wants to have a Constitutional amendment to make gay marriage illegal. There's a strong push to try to make abortion illegal. A Kerry Administration would take a very different line on these kinds of social issues, which loom large in American life. There also would be an attempt to shift to a more responsible fiscal policy to reduce the budget deficit and an attempt to reconstitute tax policy to reduce the tax cuts for the wealthy that the Bush Administration brought about.

Even if John Kerry wins the election in November, however, it is important to remember that in the American system of government, the President does not simply get what he wants. He needs the support of Congress which is difficult enough even when both Houses of Congress and the White House are controlled by the same party and all the more difficult when the President is of one party and the majority of Congressmen are from the other. Even if Kerry wins, the Republicans are almost certain to win a majority in the House of Representatives and they stand a very good chance of retaining their majority in the Senate as well. What will happen? Kerry will want tax reform. What will he get? Probably very little. One should not exaggerate the powers of the American President. Things do not happen just because the President wants them to

happen. As one famous student of the US presidency has written, the power of the President is “the power to persuade.” The President uses the bully pulpit and the media and tries to persuade the public. He cajoles and makes deals with Congress to get his legislation through. The American Constitution set up a system of checks and balances precisely to prevent power being concentrated in the hands of the President. The President, whoever he may be, will get less than he asks for and what he does get will depend on his powers of persuasion.

What about foreign policy? There will be less change than many people expect. National interests don’t change the day after an election. There is continuity in the way in which the nation sees its interests. If you look at US policy in East Asia, what is most impressive is the continuity of policy across administrations. Every new administration comes in saying it’s going to do things differently than the previous one. Bill Clinton came to office and said, “George Bush coddled the butchers of Beijing” and that he was going to be tough with the Chinese. Within two or three years, he had turned 180 degrees and by the time he left office he was talking about an emerging “strategic partnership” with China.

Similarly, George W. Bush came into office saying that Clinton was too soft on China and that he would take a tough line. He rejected the Clinton Administration’s strategic partnership rhetoric in favor of emphasizing the US’s strategic competition with China. Three years later, the Bush Administration is pursuing essentially the same strategy toward China as the Clinton Administration. Developing a positive relationship with China is in the vital national interests of the United States and that is what imparts continuity to US China policy.

On Japan, Bush came into office saying that the Clinton Administration had tilted too far to emphasize relations with China and did not give enough attention to nurturing closer relations with our most important ally in Asia, Japan. He promised to reverse that trend and emphasize a “strategic dialogue” with Japan. I give Bush credit for following through on putting an emphasis on a closer relationship with Japan. But if Al Gore had been elected president, chances are he too would have adopted a similar approach to Japan. The blueprint for the Bush Administration’s approach to Japan was set out in something called the Armitage Report, named for the man who subsequently became undersecretary of state. What some people forget is that when the Armitage Report was issued, it was widely referred to as the Armitage-Nye Report, reflecting the fact that it was the product of a bipartisan committee led by Republican Armitage and Harvard Professor and Democrat Joseph Nye. If Gore had won and Nye had the job that Armitage now has the “Nye Report” would in all likelihood have been treated as the blueprint for US policy toward Japan. The point is that the US has a vital interest in a strong relationship with Japan and now that Japan’s supposed economic threat has become a matter of the past and tensions in the relationship something that have to be addressed, the Japan policies pursued by a Republican or Democratic President were bound to be similar.

On North Korea, George Bush came in to office determined to take a much more hard line policy than the Clinton Administration. Clinton’s Secretary of State had visited

Pyongyang and Clinton himself was contemplating making a visit in the closing months of his Administration to meet face to face with Kim Jong Il. When he was elected President, Bush not only said he had no interest in visiting Pyongyang, he made it clear that he had no intention of negotiating with the North Koreans until they gave up their nuclear weapons development program. There was a lot of talk about North Korea being part of the axis of evil and of the need for regime change.

But that is not the position of the Bush Administration today. It has moved to a position that is getting close to what would have been the approach to dealing with North Korea by a Gore Administration. In the six party talks, the US is trying to signal that there are positive benefits for the North to be derived from abandoning the effort to become a nuclear weapons state. There are bilateral conversations on the sidelines of the six party talks and although the goal is the complete and verifiable and irreversible nuclear disarmament of North Korea, there seems to me a new willingness to first of all negotiate a freeze and provide positive incentives to the North while negotiations on the nuclear issue proceed. This is very far from where the neo-cons started out.

On the other hand, some of the most hawkish people in Washington, DC, on North Korea are those who were closely involved in negotiating the Agreed Framework in the first place and feel they were betrayed by the North Koreans. No one trusts the North Koreans to keep their word and a Kerry Administration is not going to be soft on North Korea. Kerry is emphasizing the importance of initiating bilateral talks with North Korea, something the Bush Administration, at least in principle, continues to reject. Bill Clinton gave a speech recently in which he said that the Bush Administration's approach to North Korea is wrong. He said that we should have bilateral talks and that if the North Koreans do not agree to what we want and attempt to sell nuclear materials abroad, then we should do whatever is necessary to disarm them, including implicitly the use of military force. This is not all that different from the position of the Bush Administration. In the end, both Democrats and Republicans advocate a strategy that includes both incentives and sanctions to encourage North Korea to give up its nuclear weapons quest and have exactly the same goal of North Korea's complete, verifiable nuclear disarmament.

A new policy...

In the absence of any major external shock, continuity in US foreign policy is what to expect. But there has been an extraordinary external shock and it has precipitated a fundamental shift in US foreign policy. It is difficult to exaggerate the importance of September 11, 2001, on the way Americans think about national security, about relations with allies, and about the strategy that the US should use to protect its citizens from terrorist attacks in the future.

Here in South Korea, you have lived with the danger of war and with a sense of vulnerability for half a century. In postwar America, until the morning of September 11, 2001, people simply did not believe that there was a realistic danger that the US might be attacked. Only if there were a war with the Soviet Union was the possibility of an attack on the US homeland earlier considered to be a realistic possibility, and after the

Cuban missile crisis, the belief that deterrence would prevent such a war from occurring gave Americans a unique sense of security.

It is this assumption that America is safe from attack that made September 11th such a huge shock. In my view it has had a more profound impact on US thinking than even the Japanese attack on Pearl Harbor. That attack broke the back of American isolationism and brought the US into the Second World War. But it was an attack on US military facilities on an island territory in the Pacific. It was not an attack on civilians working in office buildings in Manhattan. The key word underwriting US foreign policy now is “vulnerability” and the key objective of policy is “homeland defense.” These words are new to the lexicon of American foreign policy.

September 11th changed the American understanding of what it means to be an ally. Before September 11, 2001, having a security alliance with South Korea, for example, meant the US was committed to defend South Korea in the event it were attacked, and to do what was necessary to try to prevent that from happening. But nobody expected the South Korean military to come help defend Los Angeles in the event that the US were attacked. Similarly, the fact that the US alliance with Japan is asymmetrical, that the US has an obligation to defend Japan but Japan has no reciprocal obligation to the United States, was not a matter of great concern before 9/11.

But after September 11, 2001, the idea that an alliance is a relationship in which countries help each other when they are in trouble has become the new American common sense. Put in the starkest terms, the US is at war and a country that does not help it win this war is no ally.

I think Japan’s Prime Minister, Junichiro Koizumi quickly and instinctively understood this reality and realized that Japan would have to do something to demonstrate to the United States that it was America’s ally in its war against terrorism. That is why he responded with anti-terrorist legislation to enable Japan to provide rear area support to the United States for its military campaign in Afghanistan and why he decided to send units of the self defense forces to Iraq. Koizumi is not a strategic thinker in the style of former Prime Minister Nakasone, but he has well-honed political instincts and those instincts told him that Japan had to do something to demonstrate to the United States its reliability as an ally.

Much the same can be said for the government of President Roh Moohyun. Although this government is regarded by some as being somewhat anti-American and wanting to lessen South Korean dependence on American military power, President Roh also understood that an alliance could not be all take and no give and went ahead to authorize the dispatch of military units to Iraq despite the unpopularity among Koreans of American policy there.

The terrorist attacks of September 11, 2001, by changing the American definition of what it means to be an ally, pose a difficult problem for America’s allies, namely how to demonstrate that they support the US on issues that Americans consider to be in their vital national interest without at the same time appearing to be subservient to US policy.

A skillful American diplomacy would be sensitive to this issue and seek to find ways to secure cooperation without appearing to be demanding capitulation to American demands. The Bush Administration approach, however, rather than subtle and skillful has been flat-footed and off-putting to even the closest friends of the United States.

9/11 also undermined American assumptions about the efficacy of deterrence. Deterrence works where the opponent is a state bent on survival. It works against even so-called rogue states as long as the leadership of that state wants to survive and understands that an attack would be met with overwhelming and devastating retaliation. In that sense, as long as one is confident that the Kim Jong Il regime wants to survive and understands that if it were to use nuclear weapons the consequence would be the utter devastation of the country, then deterrence works vis-à-vis North Korea as well.

But deterrence does not work against people who are ready to die to hurt you. Deterrence does not work against terrorists. The belief that deterrence is insufficient to deal with terrorism is not simply a Bush Administration view. It is a widespread American view. And it means that preemption is now an integral part of US defense strategy regardless of the party in power.

If John Kerry becomes president, and receives intelligence—hopefully accurate intelligence, unlike that on Iraq—that there is a terrorist group located in place X that is planning an attack against US interests, do you think that the President would wait until the attack took place before responding? There's not a chance in the world that would happen. The US would try to take out that capability before it is used, and probably even before it became undeniably "imminent." When to use preemptive action is a policy decision based on an assessment of the facts on the ground and there is plenty of room for disagreement. But on the principle that the US should destroy an enemy before that enemy has an opportunity to bring death and destruction to Americans, I do not believe there is any difference in the views of Republicans and Democrats in the post 9.11 world.

9.11 not only convinced Americans that our nation is engaged in war with terrorism. It also convinced people that this war will last for a long time, that it is not going to be won in some decisive battle but will threaten and challenge the US for many years to come. And that has led to new thinking about how the US should deploy military forces around the globe. Needless to say, this reconfiguring of US global military strategy impinges directly on the disposition of US forces in South Korea.

During the Cold War, American military strategy was to position forces in defensive positions on the front lines of the Cold War, up close to the enemy, as we did in western Germany and in South Korea. If the Russians were to move into Germany, or if the North Koreans were to initiate hostilities against the South, American troops were right there, a tripwire that would trigger an automatic response. American global military strategy now emphasizes the importance of having light, mobile forces not locked into defensive positions but able to move quickly to wherever they are needed. Also, reflecting the enormous advances made in the technology of war, it is a strategy that focuses on capabilities and missions in a way that makes it conceivable to do more with

less manpower. Plans to reduce the US troop presence in South Korea are part and parcel of this global repositioning of US military forces.

If John Kerry is elected in November, is the United States likely to abandon this new strategy and reaffirm the strategies it used in the Cold War and before 9.11? There is not the slightest chance of that happening. The strategy may be modified this way or that but the fundamental strategic approach that the US is pursuing today is not going to change because of a change in administrations. Foreign countries need to recognize these new realities of American foreign policy and global military strategy and decide how to adjust their own policies accordingly. It would be a great mistake to postpone such decisions in the hope that a change at the top of the US government might lead to basic change in US thinking about how to protect American interests in the post 9.11 world.

I believe that the US decision to reposition forces in South Korea away from the border with North Korea to south of Seoul and the Han river and to reduce their numbers by as much as a third makes sense militarily. The question is whether it makes sense politically and whether it is being implemented in a timely manner and in a way that does not raise questions in the minds of North Korean leaders and perhaps even more so in the perception of South Koreans about US intentions.

The global repositioning of American forces strategy is based on the understanding that the Cold War is over and that a tripwire is not what is needed to deal with threats to security. But the Cold War is not over on the Korean peninsula. It is crucially important that North Korea understands that the repositioning of US forces in South Korea does not signal a reduction in the US commitment to defend South Korea.

It is equally important that the US is able to convince South Koreans that these adjustments in troop levels and deployments do not reflect a downgrading of the American commitment to the security of South Korea or of the importance attached to alliance with South Korea or are intended to demonstrate US displeasure with the Roh government. Yet the lack of adequate consultation with South Korea and the abrupt was in which the US government announced its plans seem to be raising precisely such concerns in Seoul. The unilateralism and failure to adequately consult that characterizes the foreign policy of the Bush Administration in general unfortunately also characterizes the way it seems to be dealing with South Korea.

Japan...

With respect to Japan, I would emphasize that there is less real change going on in Japanese foreign policy than a lot of people think. There is no doubt a shift in the public discourse over foreign policy away from pacifism to a more realistic approach. Old taboos have rapidly disappeared, including the taboo on talking about constitutional revision.

But it is important to understand the context of the constitutional revision debate in Japan today and the constraints – constitutional, legal, political, and psychological – that

continue to shape Japanese foreign and defense policy. The great majority of Japanese are no longer opposed to revising the constitution. The taboo is gone and the issue of constitutional revision is now emerging as a major item on the political agenda. That is important of course, but what is more important is that there is no consensus on how to revise Article Nine or anything else in the constitution and little chance that a consensus will be forged anytime soon. The debate over the substance of constitutional revision has barely started and it is likely to take many years before agreement on revision is able to obtain the two-thirds support of both houses of the parliament and majority support in a public referendum that the constitution requires for constitutional changes to be made.

Prime Minister Koizumi has had a mixed record in so far as his leadership of foreign policy is concerned. He has been steadfast in his unambiguous support for the US in its war against terrorism and its decision to use force to bring regime change to Iraq. That support has been recognized and appreciated by the Bush Administration. In my view the war on Iraq was a terrible mistake but I find it very hard to argue that Japanese national interests would have been better served had Koizumi not supported the US in its Iraq policy. He has apparently forged a close personal relationship with President Bush. The Japanese public in general is critical of American foreign policy under President Bush but nonetheless supportive of Koizumi's decision to support Bush and to give priority in Japanese foreign policy to strengthening Japan's relationship with the United States. Japanese perceive a direct and serious threat from North Korea and that makes them all the more anxious about the need for a strong relationship with the United States.

Prime Minister Koizumi does not, however, seem to have a clear strategic sense of where he wants to drive Japanese foreign policy. Economic relations with China have been growing rapidly and have deepened as Japanese businessmen have come around to the view that Sino-Japanese economic relations can be turned into a win-win game. Political relations, however, have been set back by Koizumi's decision to visit Yasukuni Shrine. He has given every indication that he intends to continue to visit Yasukuni in spite of Chinese protests.

On North Korea, I believe that the results of his visit to Pyongyang last Saturday were meager and reflected a lack of a strategic sense, too much of a willingness to do things without adequate preparation, and a readiness to treat foreign policy too much as a tool of domestic politics. All Koizumi accomplished as a result of his meeting with Kim Jong Il was to bring back five children of abductees who had been returned to Japan as a result of Koizumi's first visit to North Korea a year and a half ago. He failed to convince the American husband of another abductee to go to Japan with their two children and he got only a vague commitment from Kim to look into what happened to other people whom the North Korean regime had abducted.

Neither did he take advantage of the opportunity to meet face to face with North Korea's leader to discuss in detail North Korea's nuclear weapons and missile development programs. Koizumi is not a strategic thinker as, for example, former Prime Minister Nakasone was. He goes with his instincts and is not afraid to take risks. This

has played well domestically so far but whether it is a wise way to conduct foreign policy is another matter entirely.

There are two rather contrasting conceptions of Japanese foreign policy vying for support. One is to conceive of Japan as a kind of Britain in the Pacific, a country that is in but not quite part of Asia and that enjoys a special relationship with the United States. In this conception, a close relationship with the United States is not only an essential means for Japan to pursue its foreign policy goals but is itself Japan's primary foreign policy goal. The other is to conceive as Japan as being part of an evolving Asian community albeit one with an abiding interest in sustaining a strong alliance with the United States. In this conception, a great deal of importance is attached to strengthening regional institutions, to further integrate the economies in East Asia, and most importantly to engage China in a process of building a new regional security architecture and economic community.

All of these developments reflect the reality that Japanese foreign policy has become separated to a significant degree from its traditional moorings, making possible new departures in policy if circumstances are perceived to require them. But change is likely to be incremental and cautious. Japan's approach to foreign policy continues to emphasize the importance of identifying the major currents in the world system and riding them. This amounts to a reactive approach to policy: Japan's foreign policy goal is not to remake the world but to cope with it. I do not think you are going to see a major new thrust in Japanese foreign policy anytime soon.

Questions & Answers

Q Specifically, how can Korea strengthen its relationship with the US?

Q Japan's demographics are entering an era of the "double negative", an absolute contraction of population; depending on what number you wish to take, 125 million people will become 110 million, or some say 85 million. That is combined with an absolute and a relative contraction of the labor force. How do you believe these fundamental and prolonged contractions, in the sense of going over a period greater than 50 years, will affect growth prospects of the Japanese economy.

Secondly, Japan already has a very high GDP per capita, alongside the US. Relative to large, developed economies, the two of them stand out. If you assume there isn't a great degree of opportunity for GDP per capita growth, especially due to a shrinking labor force, let's hold that steady. Therefore a contracting population means a fundamental contracting contribution to the world economy. I'd be interested in your opinion.

Q You've given us a very useful perspective in terms of the near term. But when I look out over the next fifty years and think about the US troop deployments we've lived with around the world for the last fifty years, I view the role of those troops in creating a *pax Americana*, a peace in the world that has been unheard of, especially in a place like Europe which used to fight itself all the time. I don't think that fundamental characteristic has changed, unfortunately, because it's human nature. But the US presence there has been like a nanny in a kindergarten. It has kept peace. If there is a fundamental enough shift in US deployments, whether or not there is a visible enemy, its presence in a region that keeps everybody at peace with each other. If that changes, whether in Europe or Northeast Asia, I fear that we will return to what history has shown us for a thousand years, our propensity to fight with each other.

In Northeast Asia in particular, we see a gentle, subtle trend, though it won't happen, as you say, for the next decade, but over the next fifty years toward a re-militarization of that country. This will provoke China to be more protective and defensive, and therefore to also up its military position. I think that is a very unhealthy development for my children, and perhaps for all of our children. I'd like to hear your perspective.

Q I'd like to ask two questions to each professor. They are related, but they are two different types of questions. There is crisis and crisis management in the world, in economics and in politics. If you look at the monetary side of the world, right now, the daily transaction of foreign exchange exceeds US\$ 1 trillion per day. This is twenty to thirty times what it used to be a few years ago. If the trend continues, you can see where we're heading in the next ten or twenty years. There's no way we can develop the kind of stabilizing forces we used to have, like the IMF, when the world was much smaller. A lot of these things work on the psychological reactions to many small events. How can we continue to maintain order in the financial world?

Similarly, looking at the political side, we have tremendous military capabilities when you look at what we did with 150'000 men, knocking out one of the world's largest

armies in about one month. In the sense of conventional warfare, we've developed tremendous capabilities in the hands of the US. The problem is that the world is changing now and it's becoming a faceless war on terror, which we don't know how to have. Even a million-and-a-half wouldn't be enough soldiers.

While the world is developing tremendously, the possibilities of disorder are developing even faster. How do you see, in the long term, these things panning out, in terms of dealing with crises.

Q I have one comment to make and three questions. Either of you may want to answer.

First, as one of the most pro-US Koreans, I would see little difficulty in qualifying ourselves as one of you "allies", according to that definition you've given us. But given the fact that you have found no evidence that Iraq was preparing to launch a terrorist attack, or was harboring any weapons of mass destruction, we now realize the US administration has launched this war on falsified evidence.

Secondly, the various scandals of the prisoner abuses in that prison in Iraq, at the prisoner camp, has deprived the US of all the main soft power, because of which we were very comfortable in supporting whatever the US was going to pursue internationally.

Under the circumstances, I find it very difficult to advocate the US position, as far as Iraq is concerned. I think this is the general difficulty many of us here in Korea, or perhaps elsewhere in the world, are sharing, as one who is extremely pro-US.

First question, suppose that this Iraqi involvement of the US is prolonged in a way that has happened in the Vietnam situation. What is going to be the impact of this prolongation, or stalemate, on the US economy in the medium- or long-term perspective.

Secondly, there are various views in Korea about the current state of health of the current US-Korea relationship, or "alliance". But all official sources coming out of Washington, DC, say that they are very "sound". But somehow, as we see in body language, that's somehow not quite necessarily the truth. Now, you two do not represent the US administration or the government sector. What is your frank assessment of the current state, or health, of the US-Korea relationship? Is it fundamentally sound or is it in a very precarious state?

Thirdly, depending on the scenario and the evolution of the US-Korea relationship in terms of alliance, and so on, what could be the impact of that scenario on the performance of the Korean economy in the medium-term or long-term.

Q According to the US Defense Department's global posture review, Korea will be degraded to a main operation base, and in worse case a forward operation site. That means one battalion will be left here. Don't you think that the history repeats, but not the same way? The revival of the alliance would help Korea and the US. The concept of

allies has changed. The thinking of the US people have changed. But this retreat of the action line will make a disaster or take away from our optimistic way of thinking.

Dr. Patrick There were several questions about the US-Korea economic relationship. I think it is fundamentally sound. We are seeing some tensions that are, in some ways, healthy. Over the past few years the concern has been about a more equal partnership, how bases and security should be handled, in terms of how rules of conduct for US soldiers in Korea, and so forth. Those are important issues and they should be dealt with. We always have a tendency, in every country, to exaggerate the importance of the current problems. Fundamentally, I don't think this is a crisis situation.

In terms of the economic relationship, clearly we're seeing a transformation, as direct exports to the US market become less and less important, and indirect exports to the US through China become more and more important. Fundamentally, what is important is this new China factor in what one might call a "trilateral" economic relationship: Korea-China-US. It is rather natural, and desirable, to see trade moving more from Korea to China, more Korean investment in China. On a whole, this is healthy. It does not undermine the fundamental relationship. In some ways, it diversifies Korea's economic base, which is probably always a healthy thing.

Technology is very important. The US will always be an innovator and generator of technology. It will be joined, increasingly, by Japan, and now Korea and other countries too. In capital flows, our financial institutions are very effective global players and I expect that will continue. The fact that a substantial portion of the Korean stock market is owned by foreign institutions, is, on the whole, healthy for Korea. It provides additional assets, additional ways of thinking about valuations. It puts additional pressure on corporate governance and responsibility, which are long-run desirable trends for Korea. So on the economic dimension, what's evolving is evolving naturally and is not in a crisis mode.

On Japan and the long-run demographic characteristics, Japan is, indeed, the first of the advanced economies to have its population leveling off and declining. The absolute number of people between the age of 15 and 64 started to decline in 1995. We're already beginning to see this transition.

As a mature economy, we must consider three sources of growth. What's the rate of labor force growth going to be, labor hours worked? That's going to be negative. Japanese labor input may decline by about half a percent per year from about 2010 onward.

A second factor is how much more physical capital per worker will be created. Savings and investment rates are fairly high in Japan. I think there'll be some positive increase in capital per worker, but probably less effectively and less substantively so than in the past.

The real issue is what will be the rate of technological progress. The world has benefited over the last two decades from the microelectronic revolution. That's raised productivity

everywhere: the retail sector, not just in IT, etc. I remain quite optimistic looking ahead to technological progress. It will probably happen more in the biotechnology, genetic health areas. It seems to be not unreasonable that output per worker will increase about 2% per year.

The number of workers in relation to the size of the population will go down a bit. So that would imply that the long-run growth rate of Japan would be 1%-1.5% per year, in terms of potential capability, increasing an already very high level of income.

Though total GDP will not be growing fast, because there are fewer workers, total GDP growth is really an international relations “relative power” sort of story. We know that total GDP has not been the major indicator of one country over another country. From an economist’s perspective, we’re not interested in total GDP. We’re interested in GDP per person, preferably at purchasing power parity. We’re interested in our standard of living. That’s going to continue to rise. Japan is rich now. It’s going to be even richer. Korea will be getting rich, and will be even richer, just at a slower growth rate because the catch-up has already taken place.

As for crisis management and hedge funds, certainly as you get new entrants into financial markets, they shake things up. If no foreigners were allowed to invest in the Korean stock exchange, it would be a different market. But it would be a lower valued market. The more players you have, the more disruption you have initially, perhaps with higher volatility, but the more efficient markets become.

We’re seeing increasingly efficient financial markets. That does force us to adjust. But you could argue that because they’re more efficient, they smooth the adjustment process of both bad and good news. Rather than having it hit all at once, the market smoothes the adjustment process. Financial markets react to disruptive news in a shocking way, because the news is shocking. They help smooth it out. I see increasingly integrated, increasingly efficient financial markets as being beneficial to the world economy, even though there may be considerable periods of volatility. We have to accept that as an inevitable part of life. Volatility exists, also, when markets are closed, but we just don’t talk about it as much.

What would happen if the US gets stuck in a very expensive Iraq quagmire? What would happen to the domestic economy? Well, any war is costly, in terms of resources. It’s a wasteful use of resources. In that sense, it would probably be a harmful thing. Many in the US feel that getting rid of Saddam Hussein, who was a terrible dictator, was in itself good. Going to war, winning the war, was a good thing. Our problem was that we haven’t known how to win the peace. We have had a disastrous strategy and approach about peace.

One of the most interesting aspects is how often fundamental events take place because of a mistaken assumption. The North Koreans attacked South Korea in 1950 because they didn’t think the US would respond. The US going into Iraq thought American soldiers would be welcomed as friends and heroes. That didn’t happen. Bombs were thrown. The fundamental assumptions that can dictate policy can be disastrous. That has

been the problems with the US administration. How it gets out of it, I will let Gerry tell us.

Dr. Curtis I may be wrong, but I do not believe that the US military is going to be in Iraq a year from now. I don't think the US public would support policies that leave us in a kind of quagmire, such as we had in Vietnam. I don't know how we get out. Ideally, it would involve turning over responsibilities to the UN and involving other countries more while the US presence is reduced. The idea we're going to be in Iraq ten years from now is unrealistic. I cannot imagine that the American people would support such a policy. We've opened Pandora's Box in the Middle East with this war in Iraq. Since it's a Pandora's Box, you don't know what's going to pop out next. But the worse it gets, the more the pressure will grow for the US to get out.

The danger then is not that we get drawn into an Iraq quagmire and stay there indefinitely. The greater danger is that we retreat from Iraq having failed to bring stability and democracy there. That could well generate a new isolationist mood in the United States and a retreat into a kind of fortress America. It is important to find a way to get out of Iraq without creating pressures for the US to withdraw from playing the important leadership role in world affairs that only it can play.

About the role of US troops, I share your basic view. It contributes to a *pax Americana*. But there are two things to be said. One is that at least in one part of the world, the danger of war really does not realistically exist any more. That is in Western Europe. After all, NATO was founded with two purposes. One was to defend Western Europe against the Soviets. The second was to embrace Germany in a regional security organization and thereby prevent its re-emergence as the dominant power in Western Europe that might again use military power to pursue national objectives. That's no longer an issue. No one worries about a war between France and Germany.

This leads to a very important point about something that is very popular with the right wing of the Republican Party and the left wing of the Democratic Party. They both believe that if you can spread democracy, you will eliminate the dangers of war. This has been traditionally the Democratic view on the importance of human rights and democratization. It goes back to Woodrow Wilson's decision to have the US enter the First World War to "make the world safe for democracy," the idea being that the spread of peaceful democratic states would keep the world safe.

The right wing of the Republican Party, the so-called "neo-cons", put an additional spin on this. They believe you can spread democracy through the use of military force to bring about regime change. One consequence of the Iraq debacle has been to show how dangerous and unrealistic this thinking is. One good thing that has come out of the Bush Administration's Iraq adventure has been to discredit the view that you can use military force to spread democracy and therefore spread peace.

In Northeast Asia, we do not face the danger that the US is going to withdraw militarily. Something else is happening in Northeast Asia, which is very important. We are increasingly emphasizing the military alliance with Japan, and putting less emphasis on

the military role of the US in South Korea. I think this trend is likely to continue. For one, Japan is an ideal base for the kind of forward deployed, light mobile forces that the US is going to emphasize in the coming years. Secondly, it is a base for countering long term Chinese power.

The question is how the region will react as the US emphasizes the importance of Japan in its global strategy, and as Japan develops its own ballistic missile defenses and military capabilities. If China perceives these developments as having the objective of containing a so-called China threat, then it is surely to react in a way that will spark an arms race in East Asia. So it is crucial to engage the Chinese in dialogue and confidence building activities.

As far as Korea is concerned, I am not aware that there is serious consideration being given in Washington to the full withdrawal of forces from Korea. A reduction of the US presence by 12,000 still leaves more than 20,000 US forces in Korea. From everything I have been able to learn, moving forces south of Seoul and the Han River makes military sense. The question is whether repositioning is being implemented in a manner that does not convey the wrong signal to the North Korea regime about the US commitment to the security of the South. Another question is whether it being done in a manner that does not raise questions among South Koreans about US intentions. I do not believe it is being undertaken as part of a downgrading of the alliance with South Korea or because of unhappiness with the Roh government or to give the US a freer hand to take a harder line policy toward the North, yet one hears speculation along all of these lines in Seoul. This goes back to the Bush Administration's penchant for unilateralism and failure to adequately consult.

Finally, in Northeast Asia, it seems to me that it is important now to move forward more aggressively with the creation of a regional security forum. America's bilateral alliances will continue to be critically important in East Asia but there is a need for a kind of bilateralism plus in the form of regional institutions concerned with security matters to complement the regional institutions that already exist on the economic side. The six party talks on North Korea may provide the model for the kind of institution building that is needed. In addition, it is in American interests in my view for countries in the region – China, Japan, and Korea – to develop a security dialogue that does not necessarily involve the United States directly. There is such a dialogue on the sidelines of the ASEAN plus ten meetings, but a more formal annual summit among the leaders of these countries would be a useful innovation. The point is to find ways to encourage greater transparency and dialogue as the East Asian and world situation evolves.

Concerning allies, as I said in my speech, there is a need to find ways to demonstrate support for the US on issues that Americans consider vital to their national interest without at the same time simply appearing to their own publics to be taking orders from Washington. Personally, I was opposed to the Iraq war from the onset, as I am opposed to it now. Yet I think Japanese and Korean policymakers made the right choice supporting the US in a war which should not have been undertaken. Doing otherwise would have seriously threatened the US-Japan and US-Korean relationship.

On the current US-South Korea relationship, my view is that it actually quite good. The public is not critical of South Korea. The so-called neo-cons in the Bush Administration are unhappy with the South Korean government's sunshine policy and soft-line on North Korea but these differences are being managed. There's some tension, but again, the Korean troops in Iraq are appreciated.

In any case there is not much talk right now about policy toward East Asia because there are no votes in making East Asian policy an issue in the presidential campaign. There are votes in Iraq and in how the US deals with Israel and Palestine and the Middle East in general. But neither Bush nor Kerry see much advantage in talking much about East Asia and so neither is doing so. Kerry does refer occasionally to the need to initiate bilateral talks with the Kim Jong Il regime and he also is making something of the issue of outsourcing to China and India as a way to appeal to the labor union vote. Otherwise, East Asia does not exist as an issue in this election. That's nothing new. That's almost always the case in US presidential election years. It won't be until after November that the newly elected president, whoever he is, starts to think hard about the important and difficult issues the US faces in East Asia.