

Asia in the 1990s



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Asia in the 1990s
American and Soviet Perspectives

EDITED BY

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Acknowledgments

The chapters in this volume were originally presented as conference papers at the Ninth U.S.-Soviet Conference on Asia held in Monterey, California, April 18–21, 1990, and subsequently revised by their authors for publication. Although these conferences began in 1977 and have been held biennially in the United States and the Soviet Union since then, this is the first time the sponsors have thought it prudent to publish the proceedings. When the conferences began the Cold War was at its height, and the exigencies of the times persuaded the sponsors that the best results could be achieved through informal, nonpublic interaction between established scholars to enable them to address important issues without being under pressure to justify their respective national policies or fear of being quoted (or misquoted) in the next day's headlines. With the end of the Cold War and the dramatically improved atmosphere governing U.S.-Soviet relations, the two sides agreed that it would be useful to publish the papers with the two conference chairmen serving as coeditors.

All nine of the conferences have been jointly organized by the Institute of East Asian Studies (IEAS) of the University of California, Berkeley, and the Institute of Oriental Studies of the USSR Academy of Sciences. In conducting them each side has enlisted national delegations of leading scholars specializing on East, Southeast, and South Asia, thus bringing together highly respected authorities in each field. The first eight conferences were held under the joint sponsorship of the American Council of Learned Societies (ACLS) and the Academy of Sciences of the Soviet Union. The two sponsors have shared the cost of the meetings, with the host bearing in-country expenses and the visiting side paying for its international travel. They were funded, on the American side, by the International Research and Exchanges Board (IREX) and on the Soviet side by the USSR Academy of Sciences.

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Introductory Remarks

ROBERT A. SCALAPINO

Never has it been more difficult to assess political developments at the national and international levels. The pace of change at present is breathtaking. The unexpected is commonplace. Generalizations are hazardous, projections doubly so. Theories regarding politics and society, new and old, have a poor survival rate.

The Pacific-Asian region has been in the vortex of the global transformation now taking place. Asia's dynamic societies have exhibited rapid economic growth with accompanying social change for decades. They are the truly revolutionary societies of our times, with their problems as well as their achievements testimony to that fact. Even Japan is showing signs of the friction and instability produced by growing political pluralism and affluence unevenly distributed. Yet Japan has served as a model for those Asian states following it. The flying geese metaphor advanced by Japanese economists is apt. Like the leader, the followers pursued neomercantilist policies and an export-oriented strategy, gradually shifting from a reliance upon foreign loans to foreign investment, and in the more advanced cases, beginning to export their labor-intensive industries in favor of higher technology industries as labor costs climbed and new technology was acquired.

But not all of the Asian geese are in formation. The old Leninist states of Asia have been searching desperately for a way in which to meld a command and market economy. For them, internationalism is taking on a new meaning—not the brotherhood of the proletariat, but participation in the explosive interaction of the market economies so as to benefit from their capital, technology, and managerial practices. Yet the secret of successfully merging Stalinist-type socialism and the market remains elusive. Hence, the Asian socialists, although commencing the march toward inclusion, remain largely on the periphery of the new economic order.

Political trends in the Pacific-Asian region have naturally been deeply influenced by the socioeconomic developments just noted. The emergence of a borderless economy, with intensive economic interaction flowing across political boundaries, is having a profound influence, and one that governments are finding it difficult to control, assuming that they choose to do so. As is abundantly apparent, the Asian Leninist leaders, observing developments in Eastern Europe and the USSR, have been deeply fearful of political contamination from "bourgeois liberalism." Thus, as in the final decades of the nineteenth century, China's leaders of today want to take science and technology from advanced nations, but not their values or political institutions. In this they are joined by the current leaders of North Korea and Vietnam. In each of these states, the call has gone out to revitalize ideology and political training, curbing free thinkers and monitoring cultural relations closely.

The concern is understandable. Stability is desirable for any society, indeed, essential if economic change is to be effected without undue delay or cost. And these societies, especially China, have a history of chaos in the course of their earlier modernization efforts that remains deeply etched into people's minds. Yet in the final analysis, the ferment that lies below the surface of the major Leninist societies cannot be contained simply by applying rhetoric or imposing more extensive coercion. The legitimacy of governments is achieved less and less by an inculcation of faith and more and more through performance. The few exceptions today are to be found in the Islamic, not the Marxist, world. One religion is going down while another remains strong.

Mongolia is the exception to trends in the old Asian Leninist states at present. There, an entirely new and younger generation of leaders has come to power, with idealism regarding political pluralism and a market-oriented economy running strong. But Mongolia has been deeply tied since 1921 to the USSR, thus powerfully influenced by the tides of *glasnost* and *perestroika*. Will recent developments pertaining to the Soviet Union affect the Mongolians along with other Asian Leninists? Those developments, as is well known, indicate some retreat from political openness. Their extent and duration remain unclear, as does the precise mix of power-holders in Moscow at present. Clearly, the more liberal elements have retreated from the central government, with conservatives, both civilian and military, surging forward.

Those who expected a lineal progression toward democracy were always destined for disappointment. There will be many positional shifts as each society wrestles with the issues of modernization. In many cases, a thrust in one direction will bring with it clashes with underlying cultural values and, in addition, excesses that contribute to a growing dissatisfaction on the part of both elites and common citizens. Cumulative pressures from these sources will produce a countervailing tide until its excesses in turn create the momentum for an opposite discourse. No perfect equilibrium will ever be reached, accounting

for the dynamism that lies within every society and its basic structure. Correspondingly, no society can return to its starting point in this process.

The same broad traits innate to the social order characterize the non-Leninist states of Asia. One group of states, past and present, I have labeled authoritarian-pluralist. The politics of such states is authoritarian, with restraints upon competition and freedom, albeit, not as severe as under Leninism. Social institutions such as those pertaining to religion, education, and the family, however, operate with some autonomy from state control, the degree varying with place and time. And the economy is characterized by a strong market input, although the state plays a major role as planner and protector. In such states, political movements have rarely been lineal despite the fact that the broad direction has been toward greater pluralism, political as well as economic. A few have moved slowly, hobbled by problems of cohesion, leadership, or policy. Others, like South Korea and Taiwan, spurred by rapid economic growth, have raced forward, albeit, with occasional retreats.

The political problems within the Pacific-Asian states experimenting with democracy are scarcely less complex or difficult than those afflicting the hard and soft authoritarian nations. This is especially true, of course, where religious, ethnic, or regional divisions run deep. When the democratic system serves to exacerbate such cleavages and give them added capabilities for destructive action, it is certain to be challenged in one form or another. Few would doubt that democracy is being put to severe tests in India and Sri Lanka, as well as in the Islamic states of Pakistan and Bangladesh. Yet the first two of these South Asian states have managed to operate parliamentarism for a sufficient time to acculturate several generations to its requirements. And the Islamic states of this region appear repeatedly to return to democratic experimentation, reflective in no small measure of the continuing impact of British tutelage.

A broader political issue confronting democracy in Asia and elsewhere is that of the governability of a pluralist, open society in this age. Almost everywhere, democratic governments are weakening. Powerful domestic forces including the media vie with government in influencing public opinion. Without admitting it, they have become a very real part of governance. At the same time, economic internationalization together with cultural fusion is breaking down the traditional concepts of state sovereignty. And at lower levels, the town, city, and region are demanding greater autonomy. Thus, the question arises: Can the state survive, and in what form?

Meanwhile, the regional scene is also rapidly changing. As I write, the United States, with United Nations support, is engaged in a war with Iraq. The outcome is unclear in several senses because the military results will merely prelude to protracted political and economic readjustments in the Middle East, few of which will be easy or complete. Whatever may be the course, the current

conflict is graphic evidence that we have entered an age when regional powers hold the key to peace or war quite as much as if not more than the so-called major powers.

So it is in Asia. The risks of major-power conflict in this region are the lowest in the twentieth century. But there are a sufficient number of unresolved regional problems to cause concern—the Korean peninsula, Indochina, Kashmir, and Afghanistan among them. In a few cases, domestic or regional crises can be left to themselves, difficult although this may be for the peoples immediately involved, since they do not threaten the vital interests of others or the overall equilibrium. In other cases, it may be possible for several or more of the neighboring states, particularly those with leverage, to cooperate in achieving a solution or, at a minimum, a containment of the problem. But there may be some cases where a solution acceptable to the principal parties is not available and the perceived interests of one or more states are such as to induce their leaders to take higher risks. It is precisely in this possibility that the gravest threats of conflict lie.

In any case, no regional hegemon is going to appear in the Pacific-Asian region in the foreseeable future. The age of Pax Americana, to the extent it existed, is coming to a close. Obviously, the Soviet Union, the other “super-power” of the recent past, is in no condition to play such a role. Many factors, psychological and political, constrain Japan from Asian leadership, the fears of various other Asians notwithstanding. And China is not ready. Whether at some point in the twenty-first century it will seek the mantle of regional leadership cannot now be determined, but for the present, first priority must be given to domestic problems.

In South Asia, India has approximated a dominant power on the subcontinent, given its size, external connections, and aspirations. In all likelihood that will continue, with a projection of New Delhi’s power into the Indian Ocean, as, indeed, is already occurring. But can India hold together and govern itself effectively? In Southeast Asia, Indonesia and Vietnam both have certain capacities for regional influence going beyond their respective boundaries as has been vividly illustrated in the decades past. But both face daunting domestic problems, and if they attempt to project their power outward, resistance will be fierce, the product of historic and ethnic-cultural rivalries.

Thus, while Asia is not yet ready for hard regionalism, either economic or political, informal or loosely structured consultations and confidence-building measures—bilateral, small group, or regional—are in order, and in fact, are commencing.

It is not difficult to construct pessimistic scenarios for the future of this region: economic warfare among the major states and the exclusiveness of regional economic blocs; a breakdown in domestic order due to religious, ethnic, or sectoral strife; and the eruption of conflict among neighbors over unresolved problems. Yet on balance, a moderately optimistic scenario seems

more plausible, as a number of the chapters in this volume make clear. The likelihood of continued economic growth and fruitful economic interaction among the Asian states is high; domestic strife will continue, but only in few cases is it apt to be system-threatening; and while the danger of “neighbor’s wars” is real in some situations, the direct involvement of the major powers in such a manner as to make the conflict all-regional seems most unlikely. Meanwhile, science and technology will advance, making possible better lives for more people. It is the leadership, and in a broader sense, the political elite variable that remains unpredictable. Thus optimism, while justified, must be cautious.

Introductory Remarks

GENNADY I. CHUFRIN

During the last five years Soviet foreign policy in the Asia-Pacific region has undergone several fundamental changes. The reasons for those changes were both domestic and international. Among the former, economic modalities of Soviet development are usually mentioned, but that is only part of the truth. Moreover, such reasoning may even be misleading because if one proceeds from the premise that domestic economic difficulties mainly led the Soviet Union to change its foreign policy, then a logical assumption is that once those difficulties are overcome the Soviet Union will resume its military buildup in the Pacific.

This is not the case. The changes in Soviet foreign policy in the Asia-Pacific region were to a large extent motivated by an understanding that Soviet national interests there, including political, economic, and even security interests, cannot be achieved simply by increasing military strength. Moreover, the undue reliance on military methods placed the Soviet Union in a distinctly nonsplendid isolation in the area. By the mid-1980s the USSR found itself confronted by a hostile attitude not only from the United States but also from Japan and China, and many smaller Pacific countries expressed different degrees of suspicion toward the Soviet Union and its policy.

Such perceptions necessitated the deconstruction of the aggressive image the USSR had earned itself (rightly or wrongly) in the eyes of the Pacific community of nations. On several occasions the new Soviet leadership took pains to spell out the new economic and political priorities it had set for the Soviet Union in the Asia-Pacific region. It has also emphasized that to achieve those targets it will rely mainly on political and economic methods, reducing the USSR's military potential to the minimum level of defensive sufficiency.

This change in Soviet policy has brought positive results, including improvement of the Soviet Union's relations with almost all Asia-Pacific

countries (Japan remaining a notable exception so far) and, consequently, an overall reduction of international tension in the area. However, despite this lessening of international tensions in the region, numerous complicated and potentially explosive problems remain whose solution depends on all Asia-Pacific countries, big and small, irrespective of their sociopolitical systems and the ideologies their leadership advocates.

Clearly, the Soviet Union is prepared to contribute to further normalization of international relations within the region. And it expects to work with other countries there to find a constructive way of attaining peace, stability, and cooperation based on a balance of interests and consistent realization of coordinated confidence-building measures.

The overall change in the international climate in the last few years was to a large extent the result of improved U.S.-Soviet relations; and although the world is moving irrevocably from bipolar to multipolar arrangements, U.S.-Soviet relations will remain central in international life for the foreseeable future.

Now that the most obvious compromises have been achieved, we must think carefully about how we proceed. For that purpose we must single out joint, parallel, or similar interests of the Soviet Union and the United States in the Asia-Pacific region in political or military or economic fields and work out acceptable approaches to various existing or latent regional problems.

Among those problems the resolution of which is in the interests of both the Soviet Union and the United States are regional conflicts—already existing ones in Southeast Asia and on the Korean peninsula or those which might develop (e.g., in the South China Sea or the Indian subcontinent).

Another possible field of constructive cooperation between the two countries lies in trade and other forms of economic intercourse. The Soviet Union is highly interested in participating not only in bilateral but also in multilateral trade and economic cooperation schemes in the Pacific. The Soviet Union intends to become a full member of the Pacific Economic Cooperation Conference (PECC) and is genuinely interested in other newly established regional economic organizations. Here much will depend upon the attitude of the United States toward Soviet efforts to join regional economic activities and—as a consequence—the Pacific community will see either growth in Soviet-American cooperation or reversion to the old conflicts.

Standing on the threshold of the 1990s we must attempt to see clearly what challenges the two countries face in the Pacific. If we overcome those challenges in the spirit of constructive dialogue and growing cooperation—that will be a fundamental contribution to peace and stability in this important area of the globe. If we fail—then the destructive consequences will be felt not only in the Pacific but in other parts of the world as well.

Part I.
The Pacific-Asian Scene—Overview

1. Pacific-Asia in Transition

ROBERT A. SCALAPINO

Like many other parts of the world, Asia is in the throes of a multifaceted revolution—scientific-technological, economic, political, and strategic. For growing numbers of people, life is rapidly changing—a product of material improvements and massive cultural transfusions via the communications revolution. International relations are also undergoing dramatic transformations: Old categories of “opponent” and “ally,” once seemingly pure, are increasingly blurred. The sanctity of national boundaries and the traditional view of sovereignty are being challenged, not by political invaders but by an economic internationalism crossing ideological-political borders with impunity.

Let me deconstruct these global trends, exploring first the rapidly changing scenes in Asia’s Leninist states—Mongolia, North Korea, China, Vietnam, Cambodia, and Laos. Of these six, only Mongolia appears to have joined the political evolution to competitive politics now characterizing the former European Leninist states. Perhaps this move is not surprising. No Asian communist state has been closer to the Soviet Union in the past sixty-five years, always lagging behind in accommodation to the political changes emanating from Moscow—but eventually affected by them. Indeed, Stalin’s statue remained in front of the Academy of Science in Ulaanbaatar until the end of 1989, when Genghis Khan began emerging as a symbol of the new Mongolian nationalism. Nor was there any visible sign of political openness until recently. But at least two years ago, certain Mongol intellectuals were saying that if Gorbachev’s efforts continued, sooner or later they would be felt in Ulaanbaatar.¹

¹The author had discussions with Mongolian intellectuals and officials in the course of visits to the Mongolian People’s Republic (MPR) in 1985, 1988, and 1990.

Here, political changes—some of them still tenuous and uncertain in meaning—are taking place ahead of any fundamental economic alterations, again, bearing a close relationship to developments in the USSR. This trend would appear to indicate troubled times ahead. It can be argued that a political upheaval is necessary to bring the far-reaching criticism of the old economic order into the open, and in its course, shake up the power holders, including the entrenched bureaucracy. Perhaps basic change in Stalinist-type economies is possible only after political upheaval. Yet in the absence of economic progress, greater political openness is virtually certain to be destabilizing, releasing long-suppressed ethnic and economic grievances, which will feed upon one another. The political route of another group of Asian societies, as I shall shortly note, has been different: They retained political authoritarianism in one degree or another while experimenting economically. Significant political opening generally followed rather than preceded economic development.

Most Leninist states of Asia are pursuing the latter course, but with the precise relation between economic and political change yet unclear. North Korea is presently the most militant defender of the old Stalinist order. Here is a living relic: a highly centralized, heavy industry-oriented, wholly statist economy strongly prejudiced against the consumer. A sharply pyramidal political system exists, capped by an all-powerful leader around whom has been created an awesome cult of personality. And the North Korean populace is still being kept largely isolated from the world around them.²

Yet even in the Democratic People's Republic of Korea (DPRK), there are some signs that change lies ahead, the only uncertainties being timing and scope. Pledges to turn outward economically, seeking trade, joint ventures, and

²Background works on North Korea include Robert A. Scalapino and Chong-Sik Lee, *Communism in Korea*, 2 vols. (Berkeley and Los Angeles: University of California Press, 1972); Dae Sook Suh, *Korean Communism, 1945–1980* (Honolulu: The University of Hawaii press, 1981); and Joungwon A. Kim, *Divided Korea—The Politics of Development, 1945–1972* (Cambridge: Harvard University Press, 1975). See also Robert A. Scalapino and Jun-Yop Kim, eds., *North Korea Today: Strategic and Domestic Issues* (Berkeley: Institute of East Asian Studies, University of California, 1983); Tai Sun An, *North Korea: A Political Handbook* (Wilmington, Del: Scholarly Resources, 1983); Young Whan Kihl, *Politics and Policies in Divided Korea* (Boulder, Colo: Westview Press, 1984); Chong-Sik Lee, *Korean Worker's Party—A Short History* (Stanford, Calif.: Hoover Institution Press, 1978); Robert A. Scalapino and Hongkoo Lee, eds., *North Korea in a Regional and Global Context* (Berkeley: Institute of East Asian Studies, University of California, 1986); Robert A. Scalapino and Dalchoong Kim, eds., *Asian Communism—Continuity and Transition* (Berkeley: Institute of East Asian Studies, University of California, 1988); Byung Chul Koh, *The Foreign Policy Systems of North and South Korea* (Berkeley and Los Angeles: University of California Press, 1984); and C. I. Eugene Kim and B. C. Koh, eds., *Journey to North Korea* (Berkeley: Institute of East Asian Studies, University of California, 1983). For current trends, see articles in *Asian Survey* and *Journal of Northeast Asian Studies*.

tourism are recurrently if timidly announced. Murky evidence suggests high-level debates over domestic economic policies, with frequent changes in the key governmental personnel who hold strategic economic posts one sign of this debate. For example, a new emphasis on producing consumer goods and housing has been repeatedly pledged recently.

The current economic picture remains unsatisfactory, however, and the North Korean elite are aware of the growing economic gap between the DPRK and the Republic of Korea (ROK; South Korea) as well as of the heavy toll military expenditures are taking. A small amount of unacknowledged trade between North and South is taking place, and the South seems poised to allow selective joint ventures and other forms of economic intercourse, but the North's response has thus far been largely negative.

On the political front, the situation is equally uncertain. Attention is increasingly focused on succession, always the Achilles' heel of Stalinist systems. No one has had a greater buildup than Kim Jong Il—and no heir-apparent has had greater doubts cast on his capacities. Will this privileged son of an all-powerful father survive at the top of North Korea's political system? Will the system itself survive in the midst of the momentous global changes elsewhere? No certain answers can be given, but the odds are against the simple continuance of the old order. In any case, the principal criterion for survival will be performance, not charisma as in the past. And the two elements of North Korean society to be watched are the military, wherein real power resides, and the younger, better-educated technocrats, including the thousands of individuals who have had some education in Eastern Europe and the USSR.

Internationally, North Korea's leaders have once again tilted toward China, seeking an ideological alignment to protect them against the adverse currents now present in European socialism and in particular, the dramatic moves in Soviet policy toward Korea, including the establishment of USSR diplomatic relations with South Korea. These developments have caused the DPRK to seek improved relations with Japan as well as to enter into an official dialogue with the ROK government. Even China has accepted only a pause, not a fundamental alteration, in its policy of expanding economic and cultural relations with South Korea.

Pyongyang's worries regarding its status in the world have grown enormously, although how to counteract the perceived threat remains serious. On the one hand, the logic of expanding its ties with the market economies, including South Korea, and broadening its general discourse with the major democratic nations is inescapable. On the other hand, the risks of "spiritual pollution," to use the Chinese phrase, have been brought home by developments in Beijing and elsewhere. But no political fortress is impregnable in this area.

In all of its current complexities, China most strikingly illustrates the difficulties confronting the contemporary socialist state.³ In the aftermath of the disastrous Cultural Revolution, Deng Xiaoping moved toward economic and political reforms, both to be conditioned by a continuing commitment to socialism in a modified Leninist form and to a system having “Chinese characteristics.” Reforms did ensue, and the early 1980s witnessed many advances. By 1987, however, storm signs on the economic front were abundant. Planning in China has always been highly inexact even when the broad goals have been reached or approximated. When to the proclivities of the Leninist system have been added certain Chinese attributes, first excess then retrenchment occurs. Serious structural imbalances persisted, with excessive currency in circulation, and inflation and corruption ensued. The search for an increased market role within a predominantly socialist economy and the reinvigoration of agrarian and industrial productivity through a new emphasis on technology and incentive continue, with decidedly mixed results. Some improvements have taken place under the retrenchment policies: Inflation is down; some of the most inefficient operations have been closed; corruption has been targeted. But unemployment is a rising problem; very low productivity has necessitated increased credit allocations; many industries remain heavily subsidized and unprofitable; as central factors, price reform lags, and the basic economic structure remains seriously unbalanced.

China seems destined to continue its zigzag economic path, with enclaves of relatively rapid growth concentrated primarily along its eastern seaboard. As one result, political regionalism will remain a powerful force with the reach of the center uncertain and often challenged.

The totalitarian model fits China poorly. Today, strict limitations on speech, the media, and genuine political choice are facts. Yet Chinese life—including what might be called Chinese political life—depends greatly upon one’s immediate reference group. In China the state does not have direct unimpeded access to each individual. The state, and the party, must go through the units of which the individual is an organic part. If the unit head is inclined to

³Scholarly books dealing with Chinese politics and economics since the June 4, 1989, massacre have not yet appeared, but numerous articles have been published in such journals as *Asian Survey* and *Pacific Affairs*. A post-Tiananmen account is to be found in Joyce Kallgren, ed., *Building a Nation-State: China after Forty Years* (Berkeley: Institute of East Asian Studies, University of California, 1990). The official PRC position is set forth in various issues of *Beijing Review*, among other places.

For excellent background studies, see Harry Harding, *China’s Second Revolution—Reform After Mao* (Washington, D.C.: The Brookings Institution, 1987); David M. Lampton and Catherine H. Keyser, eds., *China’s Global Presence—Economics, Politics, and Security* (Washington, D.C.: American Enterprise Institute, 1988); Yufan Hao and Guocang Huan, eds., *The Chinese View of the World* (New York: Pantheon Books, 1989); Samuel S. Kim, ed., *China and the World—Chinese Foreign Policy in the Post-Mao Era* (Boulder, Colo.: Westview Press, 1984); and Harry Harding, ed., *China’s Foreign Relations in the 1980s* (New Haven, Conn.: Yale University Press, 1984).

protect those under him or her, “freedom” for unit members is greatly expanded. Moreover, *freedom*, using this term loosely, is significantly greater in areas where the emperor is far away, to use a favorite classical phrase—in Shanghai or Canton, for example, as opposed to Beijing.

In sum, many Chinas exist today, a myriad of constituencies exhibiting a full range of political attitudes and behavior patterns. The central government is relatively weak, uncertain of itself, and apprehensive about its future. It knows its legitimacy with the educated, articulate classes is low, and that divisions abound, even within the military. Its greatest advantage is that most of its critics are fearful of *luan* (chaos), not wanting to return to the conditions that marked the height of the Cultural Revolution.

Virtually every articulate Chinese believes this period is transitional, with new leadership and altered policies soon to come. The renewed use of heavy-handed propagandistic methods of the 1950s and 1960s—reviving Lei Feng and to some extent, Mao—are not likely to work in the 1990s. They will probably breed ridicule in at least equal measure to belief, especially among urban students. It is by performance, not faith, that leaders will be judged in this as in other socialist societies. Herein lies the essence of the great revolution taking place in the old Leninist states.

But transition to what? It seems doubtful that China can operate Western-style parliamentarianism successfully, at least at this stage of its evolution. Total political openness would almost certainly result in unbridgeable fissures, possibly dissolution. Perhaps the Chinese would have benefitted from the earlier creation of multiple states as in Europe. But it seems too late for such a development now, at least in *de jure* terms, because the autonomy essential to such change would be bitterly contested by nationalists of many varieties (although a new era of warlordism cannot be ruled out completely).

More likely is a resumption of the pattern that was unfolding prior to the events of 1989—uneven evolution within an authoritarian-pluralist structure. On the political front, a greater separation between the party and state will unfold. The role of law will be somewhat enhanced, although without firm foundations; hence, men rather than law will continue to be the final recourse of the citizenry. Homage will be paid to civil rights and the so-called democratic parties, now eight in number, but in reality no fundamental challenge to the dominance of the Communist Party and its policies will be permitted. Nevertheless, other political messages will seep into the society from a variety of indigenous and external sources, and the Chinese Communist Party (CCP), itself factionalized, will struggle constantly to maintain its authority. On the social and economic fronts, meanwhile, pluralism will expand. Various institutions such as the universities and the arts will show greater diversity, and the role of the market will increase.

In international affairs also, China is in transition. The political suppressions of 1989 lost the government much goodwill in Asia as well as in the West.

Moreover, events in the European socialist states produced an ideological-political separation. China is threatened with isolation, and its political turn toward North Korea symbolizes that fact, together with the leaders' lament that the nation is confronting a Western-led campaign to overthrow socialism through "peaceful evolution."

Chinese leaders well know, however, that they cannot retreat into isolation. If they are to realize developmental goals, they must reduce tensions with the USSR and forge closer economic ties with the major market economies led by Japan and the United States. Thus, despite deep private resentment of Gorbachev and *glasnost*, they do not intend to open another public ideological debate. And despite bitter resentment of recent U.S. policies and pronouncements, they still seek American involvement in their modernization program. Moreover, in the recent past, China has concentrated on strengthening its position in East Asia, in the process establishing diplomatic relations with Indonesia and Singapore, opening a dialogue with Vietnam (and the Phnom Penh government), and improving relations with Japan. In many respects, the PRC position today in East Asia is the best since its establishment in 1949.

Speculation about future Chinese foreign policies is hazardous because much depends upon domestic developments. Future Chinese leaders, as in the past, are likely to believe China has the right to be considered a major power with its own sphere of influence. Hence, relations with the USSR may be normal, but they will not be intimate. Need for Japanese assistance will remain extensive, but Pan-Asianism is *passé*. And the tilt toward the United States will be resumed, albeit warily, for both strategic and economic reasons. China, moreover, intends to be an Asian power of consequence even if its strategic significance at the global level has been reduced by the end of the Cold War.

Elements of tension between China and Vietnam continue, and it is not clear whether the Cambodian problem is en route to a resolution. However, the ongoing dialogue between China and both Hanoi and Phnom Penh suggests that all parties want improvements in mutual relations, at least for the present. Meanwhile, the three states of Indochina are, in the broadest sense, following the Chinese model with respect to domestic policies. Like China, Vietnam has retreated at least temporarily from a thrust toward basic political change. Opposition to a multiparty system has been reiterated, and warnings about U.S. efforts to subvert the socialist system have been issued. Once again, the legitimacy of the old men who stand at the top of the political system is questioned by their subjects. As one sign of leadership response, at least one moderate politburo member has been jettisoned as the political hatches are battened down. Yet the depth of the crisis in Vietnam makes it impossible to enforce political controls tightly. Thus, a wide range of dissidence is tolerated, providing it does not become too blatant or too successful.

At the same time, efforts to encourage intercourse with the market economies have intensified, and at home, privatism in a variety of forms has

unfolded, particularly in the south. The economic situation has improved somewhat, especially in the south, although poverty remains Vietnam's chief characteristic. In sum, here is another society in transition.

Laos presents a somewhat similar picture on a simpler scale. Here, too, there has been a recent crackdown on those who have suggested greater political liberalization, and efforts have been made to tighten party control. But in the economic realm, the market is being given a larger role, and Thailand is having a greater economic impact.

In Cambodia, the Phnom Penh government seeks to demonstrate to a somewhat dubious world that it is not only independent of Vietnamese control, but is also encouraging a market economy, a restoration of Buddhism, and a wide range of enlightened measures. Yet the continuing civil war—and the persistent gap among the Khmer factions over the terms of a Cambodian settlement—keep the Khmer tragedy unresolved. Moreover, the government in Phnom Penh still champions one-party rule and close ties with Vietnam, making the prospects for harmony with Cambodia less than promising, especially when one takes into account the attitudes of the Khmer Rouge and China on the other side.

When the status of the Asian Leninist societies is surveyed—irrespective of current economic, social, and political conditions and the precise policies of present governments—we see a profound revolution under way with its climax not yet in sight. The present course may not lead to parliamentarianism or a market dominated economy, but the Stalinist model in both its economic and political forms is being abandoned, and its restoration is unlikely. A few societies, notably North Korea, lag behind in this process, but sooner or later they too will join. The signs can already be seen.

Equally important are the changes under way in that large group of Pacific-Asian nations I have labeled authoritarian-pluralist. Such systems constrict political freedom through dominant or one-party systems, military rule, and/or restraints upon civil liberties. In the social sphere, however, religious and educational institutions have considerable independence from the state. And in the economic theater, the market has priority although the state role is vitally important.

In the vanguard are states like South Korea and Taiwan that are already in transition toward parliamentarianism. Here, political upheaval is the product of economic success, not failure. The phenomenal economic growth of the so-called NIEs (newly industrializing economies) has resulted in the emergence of a significant "middle class." An ever-growing number of citizens has demanded inclusion in the political process. Governments, military or civilian, have acceded to those demands under considerable pressure. Yet the transition to date has been relatively bloodless. Moreover, considering its rapidity, the transition has been reasonably successful. Nevertheless, the scene is by no means trouble-free. For example, in the Republic of Korea recent political

developments have led to a quest for greater stability, culminating in the merger of the government party and two opposition parties to form a new Democratic Liberal Party, now the dominant force in South Korean politics. The model has clearly been Japan. Whether the result will be similar cannot be predicted now.

South Korean politics remains volatile as might be expected after a lengthy period of authoritarian rule. Despite the relative homogeneity of the people and the country's small size, regional cleavages run deep. Nor are the rules of the parliamentary system uniformly accepted. So-called radical students, currently lacking broad public support, take matters to the streets, Molotov cocktails sometimes in hand. Some conservatives, civilian as well as military, decry the absence of order and discipline implicit in democracy and demand "strong leadership." And a sizable number of citizens regards all old leaders as inadequate. Yet parliamentarianism appears to be gradually reestablishing its roots in this society.

The issue of North-South relations constantly hangs over southern politics. Is reunification feasible in the foreseeable future? What is the appropriate route? Both South and North have long ago advanced separate courses to that goal, and although some modifications in old programs have been proffered, the gap remains substantial. Currently North-South talks have resumed, with the talks between the prime ministers extended through the latter part of 1990. This dialogue is significant because it constitutes an implicit recognition of the legitimacy of the two governments. The degree of substantive agreement that can be expected, however, remains in doubt.

Up to date, *de facto* advances have preceded official bilateral agreements. Trade has commenced on a very modest scale. Personal contacts, largely in third countries, take place. Powerfully abetting these processes, the four major states with a strong interest in developments on the Korean peninsula are each pushing at different speeds toward expanded cross-contacts.

The threat of a 1950s-type Korean war seems remote, but the possibility of a breakdown of order, North or South, remains and might tempt the other party or some external force to get involved.

Meanwhile, the critical issues within the ROK economy are the maintenance of a growth rate sufficient to employ the new labor force that comes on the market annually, the economy's competitiveness in the international marketplace, and the containment of problems with Korea's most important customer, the United States. Without having fully satisfied its nationalist aspirations, the ROK has entered the new world of interdependence. Like most other states in its category, it finds a departure from protectionist policies painful and made more difficult by the rising democratic tides within its society. Yet the traditional arguments that it is poor, weak, and in debt are rapidly losing credibility. The external pressures for access, especially from the United States, are steadily mounting, and they will not cease. Meanwhile,

South Korea has launched its own internationalization drive, and is now an important part of Asia's regional economy.

Economic and security concerns bind South Korea and the United States, and at the same time, increasingly complicate the relationship. New generations on both sides, but especially in the ROK, have different experiences, hence, different images and attitudes. Anti-Americanism, although still the sentiment of a minority, has affected many in the younger generations, with issues like the U.S. military presence hotly debated. Meanwhile, the American image of South Korea derived from the Korean War is fading, replaced by a sense of dynamic economic force, audacious in its risk taking. Patron-client relations are giving way to those of aligned partners as each nation seeks to advance its position in the international division of labor. Much is fluid.

South Korea's contribution to its own defense and regional peace will grow in the years ahead as the United States readjusts its commitments, revising its strategy in accordance with the remarkable ongoing technological advances, its changing priorities, and the improved international climate. Fixed bases in foreign areas will generally exact a rising political cost, and rapid deployment, with aligned nations keeping the necessary facilities in readiness, is a more realistic, more feasible future strategy. But proper timing and adequate consultations are essential as is a retention of basic commitments. The United States must not mislead opponents or demoralize allies again, with the Korean peninsula a meaningful case in point.

Meanwhile, the DPRK excepted, South Korea's *Nordpolitik* has been a resounding success. Having had its contacts almost exclusively with the island states of East Asia for decades, the ROK is now reasserting its historic position as a continental nation. And in so doing, it is adding flexibility to its foreign policies as well as becoming a significant regional actor. The close alignment with the United States will continue for the foreseeable future for both economic and strategic reasons. But there are now many strings in the South Korean bow.

Does a greater Korea—a single nation encompassing the entire peninsula—lie ahead? Perhaps, but it does not seem likely in the near future. The logical peaceful route is that of a convergence of political and economic institutions as appears to be taking place in Germany, not the Asian Communist formula, "one nation, two systems." The latter approach guarantees mistrust and conflict. A one-party dictatorship and a multiparty, open political system can coexist peacefully only if they are not placed artificially within a common political framework. Thus, the real question is when will structural changes take place in North Korea enabling reunification to proceed?

Taiwan represents a similar case to that of South Korea: several decades of extraordinary economic success under authoritarian policies, and now the complex task of shifting to a competitive party system accompanied by a widening of civil liberties. As is well known, the political scene is further

complicated by the still existing cleavage between mainland refugees and Taiwanese and by the significant generational differences existing within both groups.

Taiwan's political future will be determined by a number of factors, chief among them domestic developments in China (and the fate of Hong Kong) and the capacity of prominent second generation mainlanders and rising Taiwanese politicians to work together harmoniously. The former have generally achieved office by appointment, the latter by election. Also important will be the future health of Taiwan's economy.

The prospects appear good on the economic front, but the political scene is likely to remain volatile for the near term at least. A compromise appears to have been reached on how to remove the old mainland representatives from the National Assembly, providing for a two-year final office-holding period, then pensions. But the thorny issue of constitutional revision lies ahead.

The independence issue looms over the political landscape. In *de facto* terms, of course, Taiwan is independent. It has a completely independent government exercising jurisdiction over some twenty million people, and has its own economic and social system. If it were not for fear of adverse PRC actions, and the knowledge that neither the United States nor Japan would recognize a Republic of Taiwan at this time, a solid majority of the people on Taiwan (85 percent of whom are Taiwanese) would almost certainly opt for formal independence. Under current circumstances, however, less than 15 percent of the electorate are inclined to take the risks. Even the Democratic Progressive Party (DPP) is divided on the matter. But this issue will not go away, woven as it is into the very marrow of Taiwanese politics.

Divided opinion on the issue of independence, however, has not inhibited the steady growth of economic and cultural contacts with the PRC in recent years. It is now estimated that more than one million residents of Taiwan have visited China, an astonishing number. Trade has mushroomed, heavily imbalanced in Taiwan's favor, and Taiwanese investment is entering Fujian and Guangdong provinces with minimal restraint—even after the Beijing bloodshed of June 4, 1989. Indeed, the Fujian-Taiwanese economic complex could become one of China's premier developmental zones, along with Guangdong-Hong Kong where Taiwanese economic involvement is rapidly increasing.

These contacts have not made Taiwanese more eager for reunification according to public opinion polls; on the contrary, those who have not been to the PRC are somewhat more supportive of reunification, although in neither case is the number high. As noted earlier, the "one nation, two systems" formula advanced by Deng and others has dubious prospects. Unless the basic structures of these two societies can move into greater harmony—which in fact means a shift on the part of the PRC—peaceful unification is unlikely.

Indeed, at present Taiwan is soliciting recognition, sometimes successfully, as the Republic of China from a number of small, impoverished

countries by offering economic assistance. More importantly, it is broadening its economic and cultural relations with European socialist countries including the USSR, and even with Vietnam. Within the Association of Southeast Asian Nations (ASEAN) community, Taiwan is now a major economic player. Indeed, in the Asian economic scene as a whole, Taiwan is big, the PRC small, complicating the question of membership in Asian regional organizations dedicated to economic cooperation. Few nations, however, including those heavily involved economically with Taiwan, continue to withhold diplomatic recognition from the PRC.

Certainly the Taiwan issue will not disappear. If it is relatively low on the PRC agenda at present, that is because the PRC faces more immediate problems. But the PRC will keep pressure on both large and small states to avoid a "Two Chinas" or "One China–One Taiwan" policy (despite adverse currents at present) and worry about the Taiwanese independence movement. Meanwhile, Taiwan will combine the travails of open politics with the slippery path of increasing economic internationalization. Thus far, the new course has been navigated reasonably well, although a chorus of complaints about the decline of civil order in Taiwan constituted one reason for the appointment of General Hau Pei Tsun as Prime Minister (another was the need to mend the Kuomintang's disunity; old mainland refugees had become progressively discontented with their status as the party moved in the direction of Taiwanization).

Other East and South Asia societies are still squarely pursuing the authoritarian-pluralist strategy. One is Indonesia, where the military have reasonably firm control, despite certain electoral mechanisms. President Suharto, now in power for twenty-five years, stands at the top of the military as well as the political structure. The government-sponsored party, Golkar, is largely his and the military's instrument, although occasionally, some independent voices are heard. Any individual in power long enough becomes a law unto himself, and so it is with Suharto. His individual authority now overshadows the military's collective power. Will he remain beyond his present term, with restiveness mounting? The timing of political change in this important society may determine whether it can be peaceful and evolutionary. Will Thailand represent a model? Or will the parallel be with the Philippines?

The "old democracies" of Asia are less than a half-century old, and in general, they are the product of Western tutelage rather than a verification of Marxian developmental theory. Such societies as India, Singapore, Malaysia, and Sri Lanka did not reach the democratic path as a result of having achieved a higher stage of economic development. And even Japan required the American Occupation to remove some of the impediments that caused the earlier failure of its democratic experiment.

In these societies, parliamentary institutions have now survived through several generations, habituating leaders and citizens in certain political attitudes and practices. Yet modern democracy is not without its problems in Asia as elsewhere. Japan provides an example. Governance in Japan has become more difficult as special interest groups grow in power and the media assume more assertive voices. The movement from elitism to inclusiveness within the parliamentary system is a growing trend of this age. And thus the question arises: Can leaders lead or must they follow wherever the loudest, best-organized voices direct, irrespective of their society's basic needs? An even more complex matter relates to timing. In a period of unprecedented rapid change, can the democratic society—with its premium upon the immediate—anticipate the issues that loom on the horizon and provide answers at the optimal time?

Clearly, populist politics lends itself to a greater genuine and sustained participation in the political process than at any time in history. Yet one sees evidence of a growing indifference or cynicism among the electorate. The tasks of maintaining civic values rather than merely self-centered interests, of electing leaders who warrant respect rather than contempt, and of rebuilding community in place of anomie and rootlessness are critical challenges confronting the modern democratic society.

Leadership remains the crucial issue. Intellectuals illuminate society's complexity. Political leaders must translate that complexity into terms meaningful to the average citizen without undue distortion. Yet few leaders can long maintain their popularity—hence, legitimacy—in the contemporary democratic world. Although the need for effective leadership has not diminished, the protections once afforded it—the pageantry, the aura of mystery, the charisma—have been largely stripped away. One can debate the risks of these assets for leadership, but it is clear that leaders *need* to be mobilizers as well as administrators. Only in death—in the long aftermath of history—are some leaders given the homage that would have served them so well in life.

In conclusion, I would note that certain issues cut across political systems, encompassing most if not all contemporary societies. First, the circumstances of this era demand a stretching of governance. The economic relations between and among states, or more precisely, their peoples, have increased geometrically, especially among the market economies. Yet the supranational institutions dealing with crucial economic relations remain largely ad hoc and relatively primitive, the European Economic Community excepted. Similarly, institutions relating to political and security concerns are weak. The results thus far indicate that the building of such institutions is likely to be lengthy and difficult. Clearly, regional developments will advance further in certain settings.

Meanwhile, citizens find their most pressing concerns close to home. Crime, pollution, housing, transport, and education demand attention, which

shifts the issues from quantity to quality of life. Thus, governance must be strengthened at local levels. The nation-state will remain the central source of authority and repository of legitimacy, at least for most citizens in advanced societies. Yet the growing needs for governance and further institutionalization at different levels, above and below the nation-state, ensure additional complexities. We will witness the conflicting appeals of localism, nationalism, and internationalism; the further reduction in the concept of inviolable national boundaries, hence, of sovereignty; and the end of isolation—but not of feelings of being separate and distinct.

Indeed, as we look to the future, the central issue is likely to be the redistribution of power, political and economic. For the Leninist societies, the challenge is especially complex. Some type of federalism or confederation is required if the USSR and China are to remain political entities in more or less their present form. Could one model be the varied political structure of the United States with its central government, states, localities, and affiliated units ranging from Puerto Rico, Guam, and American Samoa to the Federated States of Micronesia? Equally important will be the redistribution of economic authority between the public and private sectors, and the center, region, and locality—a transition already under way. Differing in degree but not in kind, these tasks also affect the small Leninist states of Asia.

The problems and needs of the authoritarian-pluralist and democratic societies are also urgent. As market-oriented economies are being internationalized at an accelerating rate, new or strengthened institutions necessary to provide both rules and greater opportunities are required. Even now, we are witnessing the rapid emergence of regionalism, and in the case of Europe, a regionalism political as well as economic. Hard regionalism is not in sight in the Pacific-Asian area, but the experiments reflected not only in ASEAN, the South Pacific Forum (SPF), and the South Asian Association for Regional Cooperation (SAARC), but also in the Pacific Basin Economic Council, the Pacific Economic Consultative Conference, and the Asia-Pacific Economic Cooperation Forum provide evidence of the broad trends. These and other developments at the global level such as the General Agreement on Tariffs and Trade (GATT) testify to the inroads being made on the traditional concept of the inviolate sovereignty of the nation-state. Meanwhile, at the bilateral level as well, such developments as the Strategic Impediments Initiative conducted between the United States and Japan illustrate the same point at a different level.

Another issue of far-reaching consequence is the need for new approaches to the security regime that will serve states, regions, and the global community. The old security doctrines of the major powers are for the most part outmoded, or becoming so. Military conflicts between major states are at the lower level of probability in modern times. But violence initiated by nongovernmental forces on the international stage, conflicts between and among lesser states, and a

wide variety of domestic struggles are all very much a part of the future—as witness recent events in the Middle East. How these can be prevented or contained is a central question that has thus far been handled with only limited effectiveness. Is there a future for international peace-keeping forces and for an enhanced UN role in these situations? Will major powers like the United States and the Soviet Union continue the contraction of their military forces outside natural boundaries and place a new emphasis on rapid deployment forces? In the new era, when alliances are being converted into alignments, past unconditional security guarantees will, with a few exceptions, be modified, and those nations with security problems will be expected to do more on their own behalf, in the economic and political realm as well as in direct security terms.

Finally, there is the matter of political values. It is commonplace to note that the role of ideology has declined in the contemporary world. With few exceptions, leaders and governments are now sustained not through faith but through performance, or sometimes, coercion. Yet without political values, a society risks becoming a predatory jungle, Hobbesian in nature. Significantly in many regions, religion—often fundamentalist religion—has emerged in the political realm to fill the vacuum created by the decline of political ideologies. How to provide secular political values in an eminently pragmatic age populated by an often frightened citizenry seeking simple answers now assumes critical importance and applies to every society irrespective of the ideology that has previously bound its citizens.

The promises of the future are on balance bright. The understanding of the key problems of the coming decades is better and the technical means of resolving them closer at hand than in any time in our history. The supreme challenge lies in elevating the psychological and intellectual capacities of individuals—singly and in communities—so that they can better adjust to a pace and complexity of life previously unknown.

2. Asia-Pacific Strategic Issues: An American Perspective

JAMES A. KELLY

American Strategy for the 1990s

Thoughts on strategy and geopolitics are meat and potatoes for meetings of American and Soviet analysts. Vigorous discussions have certainly engaged participants of the previous eight American-Soviet meetings on Asia. But the situation—East and West—in spring 1990 appears so different from former years that reassessment of “new thinking” would seem to be required of everyone. In America, politicians and much of the public expect change in the country’s response to a new world situation, but are not sure what to seek beyond some vaguely defined “peace dividend.” Even those who take pride in prudent assessment of risks and benefits recognize new circumstances are developing. Therefore, old strategies will have to be reformulated or will be swept aside by the flood of events.

Events have moved quickly. The strategy of containment has served its purpose. The prospect of attack by forces led by the Soviet Union across European borders is now remote. Germans now worry less about armored thrusts through the Fulda Gap than about the deutsche mark exchange rate for the monetary union of the two Germanies. Eastern Europe is bubbling with energy and optimism—both of which will be necessary to overcome decades of damage to local economies. The Soviet Union has its hands full with systemic economic problems compounded by seemingly intractable nationality conflicts within the Union itself. Different problems of newly unbound nationalism challenge the inexperienced leaders of Eastern Europe. Western Europe looks to 1992 and the promise of new prosperity, but wonders if Eastern Europe and a united Germany will complicate an already difficult task.

In East Asia, old problems—Cambodia, the South China Sea, divided Korea—are unsolved, but the burdens of prosperity are what is talked about. South Korea frets about “stagnation” with “only” a 7 percent annual GNP

growth rate. Japan worries about its stock market, higher interest rates, a weaker yen, and trade disputes with the United States. Even in less-developed states such as Indonesia, solid growth, now helped by higher oil prices, leads to reasonable optimism.

Despite so much good news worldwide, human and national rivalry, jealousy, and the potential for violence have not vanished from international politics. Threats of war or armed conflict have not disappeared. Caution and rationality in the reappraisal of U.S. strategy in East Asia are now called for. Clear thinking is needed before new thinking.

American objectives—based on fundamental interests and principles—may not need to change, but they must be reexamined to ascertain if they still apply globally, in Europe, and in Asia. Threat assessments also need review, and the answers are not always simple. Proliferation and the continued existence of thousands of nuclear weapons promise continued controversy over measures to defend against and/or deter their use.

The threat of war in Europe—based on the assumption of an attack led by the Soviet Union and its allies—has long driven worldwide American national strategy and contingency planning. That threat has certainly diminished, but the resulting implications for U.S. force structure are not the same in Asia as in Europe. American strategy in East Asia has to respond to a different array of threats, some of which have not changed at all.

This paper is intended to begin the process of reassessment of American strategy in East Asia. First, a set of U.S. objectives in the region for the 1990s will be postulated, with comment as to whether and how they differ from former goals. For comparison, hypothetical objectives in the region for a “new” Soviet Union will be outlined. Second, ongoing possible threats to regional peace and American national interests will be reviewed. Only then, as a third step, can strategic refinements, including those driven by domestic politics, be discussed.

Objectives, Threats, and Strategy

Classic discussions of strategy have proceeded from a statement of national interests or objectives. To achieve those objectives a strategy is articulated. Then, threats to the strategy are analyzed and relative risks assessed. This discussion of the Asia-Pacific region strays from the classic approach. This is so first, because U.S. regional objectives are less clearly demonstrated than national or worldwide goals. Second, in an interdependent world in which goals evolve from maintenance of peace rather than as objectives of conflict, the strategy itself may be more a means for dealing with threats than for attaining objectives. Finally, in a coalition situation with multiple threats waxing and waning, risk assessment becomes a more difficult process, with strengths in meeting one risk posing complications in responding to another.

The response to threats to national objectives and interests—strategy—is not supposed to involve hopes or feelings. For each nation, and certainly for the United States, strategy must be based on careful examination of objectives and a related assessment of possible threats to those objectives. For a great power, this assessment is first done nationally, based on global conditions. Then, objectives and threats are examined regionally, and a responding strategy developed.

Recent political changes have not had equal effect in all regions of the world, particularly with respect to the United States and its vital relationships in East Asia and the Pacific. Whether new thinking or clear thinking is applied and whether American objectives and regional threats have changed sufficiently to require a new American strategy for the Pacific and East Asia need examination.

The global confrontation, centered on Europe, of two disparate economic and social systems, each of which generated a network of political and military alliances, has been the key feature of the international system for the past forty years. The Soviet Union and the United States are now, all can be pleased to note, much less likely to engage each other in direct combat anywhere. Without arguing how likely war ever was, a wide array of superbly armed military forces remains on both sides. But despite global competition, the heart of superpower confrontation was in Europe. Modern war can strike anywhere and anyone, but central Europe would have been the focal point at which conventional arms would have converged and clashed, where territory would have changed hands first, and where some sort of winner and loser would have been determined.

Had a conflagration involving the North American Treaty Organization (NATO) signatories and the countries of the Warsaw Pact (WTO—Warsaw Treaty Organization) occurred, East Asia and the Pacific would have been a sideshow. This seemingly flip expression should not be misunderstood. Major forces and vital Western interests would certainly have been involved in Northeast Asia. Millions of lives would have been at stake. But the conflict would not have been decided in Asia.

The Soviet Union is a European and Asian power. But it is much more the former—geopolitically, economically, militarily, and culturally. And, because this is so, a change in the nature of the East-West confrontation, centered on Europe, has less significance in East Asia than in Europe. However, because the changes in Europe have been so important, a worldwide reappraisal of U.S. objectives and possible threats to them will necessarily occur. A corresponding reassessment of the American posture in Asia and the Pacific will be inevitable.

The U.S. process for articulation of objectives and strategy is deliberate, and only recently has part of it been open to general viewing. Publication of a single-source U.S. strategy was a 1987 congressional requirement. Previously, strategy and objectives were spelled out in restricted guidance and directives, in

speeches or testimony by the president and senior officials, and in the Defense Department's annual Posture Statement.

National strategy was first explicitly articulated to meet this need in a White House publication in January 1988.¹ After being deferred by the new administration in 1989, a revised publication, *National Security Strategy of the United States*, was issued in 1990.² These publications express American strategy in national terms, to meet worldwide objectives. Those from the 1988 edition are summarized here:

1. With U.S. allies, to deter aggression by a hostile power or coalition, especially the Soviet Union. Should deterrence fail, repel attack, and end hostilities on favorable terms.
2. To respond to the challenges of the global economy. This recognizes that economics affects security. Examples include interdependence, vulnerability of supply lines, and the dangers of protectionism.
3. To advance democracy and human rights.
4. To help resolve regional disputes; when these are instigated by the USSR or its clients, they are a serious threat to the United States and its interests.
5. To build effective, friendly relationships with other nations.

These objectives are broadly drawn. Both 1988 and 1990 versions are comparable. The 1988 set recognized the global challenge the Soviet Union posed more explicitly than did the later version. But the objectives are viable with or without a Soviet challenge. The strategy publication also does not specifically state regional objectives, although it does discuss threats and strategy for different parts of the globe.

American objectives in East Asia have been consistent with global objectives, but with different emphases. They reflect that the United States is a maritime, or island, nation having vital economic and security interests and partnerships in East Asia. The United States seeks to create a stable atmosphere conducive to economic growth and to aid the development, where appropriate, of democratic political institutions.

Threats to American objectives in East Asia as they have developed through the 1970s and 1980s have been more diverse than elsewhere. The Soviet threat has been primary because of the global rivalry and because of its pronounced buildup in East Asia of conventional land, sea, and air forces, and land- and sea-based strategic nuclear forces. Moreover, the scope and speed of the Soviet buildup led to larger, more capable regional forces, directed primarily against China, but which Japan, Korea, and the United States could not ignore. As the

¹Ronald Reagan, *National Security Strategy of the United States* (Washington, D.C.: Government Printing Office, January 1988).

²George Bush, *National Security Strategy of the United States* (Washington, D.C.: Government Printing Office, March 1990).

Soviet Union's alliance with Vietnam proceeded and the base at Cam Ranh Bay was improved, and as Soviet naval forces appeared farther from traditional waters, the perception of threat broadened.

But threats to American objectives in East Asia were (and are) much broader than those Soviet forces pose. Perceptions of threat vary for each East Asian country in a fashion differing significantly from Europe. Local factors such as geography, clashing nationalism, racial or cultural tensions, and experiences with colonial and occupying powers have scarred East Asian and Pacific nations and still generate a diverse set of perceived threats. Such perceptions will continue, for these local factors have long been more important than ideology when people and governments in the Far East speak of what concerns them. Thus, for many Asian countries, regional and internal concerns rather than fear of Soviet expansion have been dominant for many years. Accordingly, the midterm results of Soviet reforms will have less effect in East Asia because there was less fear of the USSR before the reforms began.

Long-standing regional rivalries, on the other hand, continue to cause varying degrees of tension. Some could intensify. The Korean peninsula has been and remains the region's principal source of anxiety, yet North Korea directly threatens only South Korea. Some view China or Vietnam as threats and others are primarily concerned with internal problems. Although it is outside the Pacific Rim, India's increased assertiveness and growing military and naval capabilities have caught the attention of Southeast Asia and Australia.

The diversity of threats in East Asia, however, and the important differences from those perceived in Europe have made the situation in the area much more difficult for Americans to understand. Simple explanations have not done justice to a complex, asymmetrical system. As a result, policymakers in successive administrations faced with explaining strategy found that global concepts of anticommunism and containment of the Soviet Union were at hand and readily understood by public and politicians. This policy explanation was not wrong, but incomplete—an oversimplification. American policies were actually more complex. They were designed to implement a sophisticated and flexible strategy to provide a broad mix of benefits for the United States and its diverse set of friends and allies across the Pacific.

Given the changes in Eastern Europe and the Soviet Union and the further changes that are likely, any new articulation of American interests, policy objectives, and strategy for the Pacific and East Asia must be more comprehensive. And this task must be undertaken at a time when changes in Europe have generated pressure for rapid withdrawal and reduction of all overseas-based military forces. The oversimplified notions of NATO-WTO confrontation that carried over into American policy for Asia and the Pacific have disappeared.

What should U.S. objectives in Asia and the Pacific be for the 1990s? Do they need to be different from what they have been? At the same time, it might

be useful—given certain assumptions about the USSR—to postulate a set of objectives appropriate to that country's interests over the next decade. Whether these two sets of objectives will clash and where common interests might be found may suggest some of the problems the 1990s will usher in.

Certain assumptions are necessary, not for the objectives, but for the threats and strategy that must follow. First, given Soviet actions and directions in the Gorbachev era, and despite some legitimate uncertainty, we shall assume a lesser probability of armed confrontation and direct conflict between the United States and the Soviet Union. Second, we shall assume greater convergence of economic systems, which is a prerequisite for Soviet economic growth and participation in the global economy. Third, the United States, as the world's largest economy, and as a large "island nation," must be represented wherever its interests intersect with those of its allies and trading partners and are subject to potential threat. This requires appropriately sized and configured U.S. military forces located near its various trading partners and in other areas such as choke points and important sea lanes of communication where an adversary might apply force against those mutual interests.

U.S. Objectives in East Asia for the 1990s

American regional objectives draw on and amplify national objectives that apply globally. For example, promotion of democratic institutions and deterrence of attack on American territory are included in the national objectives. By focusing these regional objectives more precisely, threats can be determined and necessary strategy developed without confusion with global counterparts. U.S. East Asia objectives might be stated as follows:

- Maintain stability in the region, prevent the outbreak of major hostilities directed against the United States or U.S. allies and friends.
- Keep open the sea lanes and ocean trade routes that supply the economies of the United States and East Asia. This includes providing safe passage along routes from and to the United States or East Asia for shipment of essential raw materials, especially oil.
- Maintain a sound economic and security relationship based on cooperation and mutual interest with Japan. As the world's largest individual economies, the United States and Japan have a responsibility to themselves and their trading partners to manage their differences without unilateral measures that could threaten the largely open international trading system. The unique Mutual Security Treaty provides for a complementary sharing of responsibilities that is in both countries' interests, as well as those of other regional powers.
- Stay engaged and continue responsible participation on the Korean peninsula; maintain a sound bilateral relationship with the Republic of Korea.

- Continue to participate in China's modernization and facilitate the entry of that country, to the extent it chooses to do so, into the global economic system.
- Maintain friendly trade and political relationships with the countries of Southeast Asia.
- Continue the tradition of close ties to America's partner in the Pacific, Australia. Australia is the leader of Oceania, but it is also a part of East Asia and has special ties with Europe.

Soviet Objectives in East Asia for the 1990s

U.S. and Soviet objectives or strategy in East Asia cannot be symmetrical. The USSR is essentially oriented toward Europe. Moscow's economic and political influence in the Pacific and in East Asia is limited. Concern over China always must come first in the Far East for the Soviets. The Far East has been important economically to the USSR as a source of raw materials, such as timber and energy resources, and only secondarily important as a security outpost. Soviet population in Asia of about nine million is small by Asian standards, and development of infrastructure is badly needed. But competing requirements in the European parts of the USSR are more likely to receive priority. Accordingly, the prospects for diversion of significant quantities of scarce resources to upgrade basic infrastructure in the Far East are remote in the near to midterm.

Soviet national objectives have not been publicly defined as specifically as those on the American side. Therefore, in stating this hypothetical set of objectives, distinction among regional and national objectives necessarily blurs.

Soviet objectives in the 1990s for Asia might be stated as follows:

- Deter military attack against the Soviet Union and Soviet allies.
- Promote stability in East Asia and Pacific.
- Continue to seek stable and improving relations with China. This goal includes elements such as trade, participation in China's modernization, and the development of Siberia, as well as more important concerns involving the reduction of border tensions and threats to Soviet territory. Ensure the territorial integrity of Mongolia.
- Develop the economic base of the Soviet Far East so it may contribute to the national economy.
- Develop friendly trade and political relationships with the countries of East Asia.

U.S. and Soviet Objectives: Conflicting and Common Interests

Given the critical assumptions made, cursory examination will disclose little in these objectives that is in conflict. But the objectives are intended to go

beyond the “elastic” concepts of peace and prosperity that have characterized propaganda and wishful thinking in the past. For these objectives, if realized, will provide positive benefits for each nation. At the same time, the objectives do not assure conflict will not occur. To the contrary, occasional conflicts in the pursuit of objectives are likely. Mechanisms for resolving such disputes, however, are available and have been in use by both sides for years. The key point is that the suggested U.S. and Soviet objectives do not conflict in any fundamental sense.

Much less clarity attends whether the above objectives represent common interests and thereby deserve mutual support. Basic differences in the outlook and interests of great powers argue against such closeness. However, improved fora for discussion of issues are likely to provide opportunities to work together on particular issues. Even when consultation was infrequent, nuclear proliferation was an area where common interests became apparent and were addressed. Given a shared and broad objective such as the promotion of stability in East Asia, common ground between Washington and Moscow is likely to be found.

Threats for the 1990s: An American Perspective

Conditions that threaten peace in East Asia continue into the new decade. These threaten U.S. interests in different ways, often quite indirectly. Given that the seriousness and intensity of threats will vary, a description follows of several existing and potential trouble spots.

Soviet Military Forces in East Asia

Whatever can be said about appropriate and benign Soviet intentions, Moscow’s military forces in the Far East remain larger and better equipped than needed to respond to any direct threat. Despite announced reductions, conventional Soviet military forces may be stronger than before with increasing capabilities to project power. Scores of submarines, several aircraft carriers and numerous other modern surface forces, long-range aircraft with stand-off missiles or bombs, and many divisions of well-equipped troops are surely intimidating to countries of the region, especially Japan, and would allow the Soviet leadership to cut sea or air lanes, should they choose. Because security policy deals primarily with capabilities not intentions, these potent military forces remain an essential consideration.

The Korean Peninsula

Heavily armed North Korea remains unpredictable. *Glasnost* and *perestroika* remain foreign and, doubtless, feared concepts in Pyongyang. The Kims’ highly personal leadership and unstinting devotion to Stalinist orthodoxy are unshaken by cataclysms elsewhere. The Korean Workers’ Party remains the dominant force in North Korean society and brooks no challenge to its leading role. Outside the peninsula, the contest for world respect between

North and South is over, and Seoul has won. Recent economic openings to South Korea from China and the Soviet Union can only be salt in the wounds to North Korean pride created by Seoul's successful hosting of the 1988 Olympics. Envy can be dangerous in such a well-armed and isolated adversary.

Although self-sufficiency (as articulated by the policy of *chuch'e*) has Marxlike stature in North Korea, Moscow, compensating for its economic courtship of South Korea (as well as for receiving overflight and basing rights) has sold modern arms to Pyongyang. These include advanced surface-to-air missiles that can reach deep into South Korea as well as MIG-23 and -29 fighter and attack aircraft.

And compounding matters is a most uncertain political transition still to be faced. Seventy-eight-year-old "Great Leader" Kim intends to bequeath power to his son, Kim Jong Il, and distinguish North Korea as the first communist monarchy. Outside views into such a small leadership group are poor to nonexistent, but whether the younger Kim will maintain the support of the security apparatus and the army after the father passes is questionable.

Most seriously, danger of further North Korean dalliance with nuclear options persists. Press reports have noted worry over construction of possible plutonium reprocessing facilities.³ North Korean stonewalling on international nuclear reactor safeguards, as well as the existence of substantial ballistic missile capabilities, justify concern.

Taiwan Strait

June 4 at Tiananmen Square and recent Taiwan election gains by a vigorous opposition (including some advocates of Taiwan independence) bring into stark contrast the differences in political development between the Chinese governments on the mainland and Taiwan. The contrast is even more pronounced when relative economic performance is added to the picture. Despite a decade of impressive growth by the People's Republic of China (PRC), the Taiwan tiger is an island dynamo now holding foreign exchange reserves of over U.S. \$70 billion. Taiwan's wealth and its awareness of popular discontent on the mainland have brought a heightened desire for corresponding international political recognition. The Taiwan application for GATT (General Agreement on Tariffs and Trade) membership is typical of a younger group of technocrats who feel they have earned the right to international respect.

On the mainland, such seemingly mild measures generate great antagonism. Clearly visible in the recent and contentious reelection of Taiwan's President Lee Teng-hui was a remarkable Beijing nostalgia for the more predictable and ideological old guard of the Kuomintang (KMT) leadership.

In addition to tensions over the question of Taiwan's representation at multilateral economic fora, the ever-present question of foreign arms sales to

³John J. Fialka, "North Korea May Be Developing Ability to Build Nuclear Weapons," *Wall Street Journal*, July 19, 1989.

Taiwan remains an issue in Beijing and Taipei. The recent French reversal of a sale of frigates to Taiwan underscores both Taipei's desires to broaden its ties to suppliers and Beijing's willingness and ability to use its diplomatic weight to block such sales. Ironically, Taiwan's ability to obtain military equipment has contributed to the confidence that underlies the mainland contacts Taipei has allowed to develop.

Despite these issues, neither government is deliberately exacerbating tensions. But actions on either side—to arm dissidents or to inflame particular mainland localities—could threaten regional stability.

Vietnam-China

With Vietnam's reported pullout from Cambodia in September 1989, an immediate source of tension with China diminished. The border, where artillery barrages were a daily feature for ten years, is now more quiet. But China still provides arms and money to the Khmer Rouge. And Chinese occupation of several of the Spratley Islands in 1988 was to warn Vietnam that China is not afraid to keep up the pressure. China will continue to keep Vietnam off guard through direct and indirect pressure. Large-scale hostilities are in neither side's interest now, especially because Vietnam has begun to admit the cost of its military machine and is trying to attract foreign investment. But tensions, with occasional fighting, will likely continue.

Japan-China

China continues to criticize Japanese investment, which it considers exploitative, and to object to even modest military modernization by Japan. China wants and needs Japanese capital but has been critical of the forms it has taken. The Japanese habit of providing tied loans (large portions of which must be used to buy Japanese-produced goods) and the practice of transferring little new technology irritate Chinese leaders. Many Chinese have long memories, and the occupation has not been forgotten. Japanese loan activity is resuming, but the political relationship is frequently testy. This situation has few near-term risks of escalation, but China will react strongly to any Japanese assertion of either political or military power, especially military power directed toward the South China Sea or points further south.

Vietnam-Thailand and Vietnam-Malaysia

Vietnamese tensions with its neighbors have lessened with its withdrawal from Cambodia. The exertions of Thai Prime Minister Chatichai and his willingness to increase economic ties with Hanoi have had a noticeable effect. But Vietnam is too large, too strong, and too poor to ease neighbors' worries for very long. Tensions over refugees, fishing, or oil lands, to name only three, could mount rapidly. Historic antagonisms between China and Southeast Asia are only in remission. China's close cooperation with and military equipment

sales to Thailand may be anomalous. Even more distant and more powerful, Indonesia plainly distrusts long-term Chinese intentions, especially over South China Sea seabed rights. Malaysia and Indonesia have tensions internally with their populations of ethnic Chinese. Either nation would be sensitive and quick to react to suspicion of PRC influence on domestic politics.

India-China and India-Southeast Asia

India is a growing military power, with increasingly visible regional ambitions and a new ability to project power. Reasonable observers do not question India's importance, or its right to be strong. But the combination of growing strength and political ambition have raised questions about India's intentions. Such questions might increase unless India better explains how it sees its role in the Indian Ocean, in Southeast Asia, and with respect to its immediate neighbors.

Internal Threats: The Philippines

Philippine leaders in recent years have focused on their country's internal problems. The government has infiltrated the communist insurgency and kept it largely on the defensive. Nevertheless, the New People's Army (NPA) remains a potent, determined threat to internal stability. Moreover, Aquino government response to enduring charges of weak leadership, mismanagement, and corruption has so far failed to include corrective measures. The United States and others provide Manila considerable external assistance, but such aid, in the absence of effective governmental action, can make only a limited contribution to solving these internal problems.

Internal Threats: Indonesia

Indonesia has enjoyed stability and a significant civil role for its armed forces since President Suharto supplanted Sukarno in the 1960s. For a very large country of islands with many different peoples, internal cohesion and improved living conditions have been a remarkable accomplishment. Resettlement of population has caused some tension. Many uncertainties also surround the transition from President Suharto that will occur in the 1990s, and internal stresses could reappear. As in the Philippines, outside powers have an interest in stability, but Indonesians must solve internal problems. Preventing external interference in internal affairs is part of the responsibility of Indonesian leadership.

U.S. Policy and Strategy in East Asia for the 1990s

In applying clear thinking to U.S. interests in East Asia, we see that American objectives for the region are little changed. The diverse set of threats is also not very different. American forces certainly have had missions aimed

at complicating Soviet Far East military planning. The American military still seeks to deny the USSR the ability to intimidate or attack American allies, cut vital sea lanes, or attack the United States or its interests from the sea. But American forces in Asia, unlike those in Europe, were never structured solely or primarily to engage Soviet forces. In Asia today, as for many years, the most serious potential flashpoint remains the Korean peninsula. Direct U.S.-Soviet conflict there has always been and remains possible, although the Soviets have indicated their intention to restrain North Korea, to the extent possible, from foolish action.

Even so, the conclusion must be that protection of American interests requires the presence of multipurpose U.S. forces in Asia and the Western Pacific. Precise force structure and levels can be determined in consultation with allies. These forces do not threaten legitimate Soviet interests.

Current U.S. conventional forces remain small relative to those of the Soviet Union. For example, American ground forces in East Asia, important because only troops can seize territory, consist of one Army Division and one Marine Brigade, both of which will undergo strength reductions before 1992. Even limited reinforcements are thousands of miles away. U.S. air forces in the Pacific now include no strategic bombers. Even with several aircraft carriers (two are normally deployed), the balance of modern fighter/attack aircraft between the United States and USSR in the Pacific would be about 7:1 in favor of the USSR. In considering the naval balance, comparative force levels for surface ships and submarines are closer, but why? The Soviet Navy, with no sea lanes to guard, except possibly those to Cam Ranh Bay, is supposedly a defensive force. U.S. naval forces are stretched across much longer sea lanes—sea lanes vital to the United States and its allies. The geographic realities of the two countries are central here—one is continental and the other maritime.

The United States has a leadership role in Asia supported by but going far beyond its military forces. Americans cannot wish away this role without immeasurable costs. And, above all, American leadership in Asia is welcome because no other power can lead without providing resentment or fear of domination. An American exodus from Asia would create a vacuum doubtless to be filled in some undesirable way. As Prime Minister Lee Kuan Yew of Singapore put it, "It is inherent in America's position as the pre-eminent economic, political and military power to have to settle and uphold the rules for orderly change and progress."⁴

The reality is that American forces help preserve stability—in Korea, for example—that is also in Soviet interests. The utility of a continuing U.S.-Japan security arrangement ought to be equally manifest. Such a partnership—amid plenty of economic competition—is necessary if Japan is not to feel insecure because of its geopolitical position, small armed forces, lack of nuclear

⁴Lee Kuan Yew, "Peace and Progress in East Asia," address to the Joint Meeting of the U.S. Congress, October 9, 1985, Embassy of Singapore publication.

weapons, or lack of power projection forces. Only an insecure or isolated Japan poses any real threat to Soviet interests. And once the Northern Territories issue has been resolved, there will be firm ground for an improved Soviet-Japanese relationship likely to hold no fears for the United States.

In Korea, present levels and positioning of U.S. forces continue to be needed although the exact structure and numbers can be varied in consultation with Seoul and other allies. Recent consultations indicate U.S. reductions are certain, but the administration seems determined to execute them in a cautious and measured fashion in full consultation with the South Korean government.

Arms Control in Asia

As was shown by the Intermediate-range Nuclear Forces (INF) Treaty, negotiations on strategic nuclear weapons can encompass East Asia within the worldwide context. In that case the worldwide "zero" for medium-range weapons, which included SS-20s in the Soviet Far East, proved critical to reaching an agreement and brought new interest in the arms control process from Asian countries. This broader context is now even more important as mobile land-based missiles, sea-based ballistic missiles, and supersonic long-range bombers can strike globally, not only from Soviet and U.S. bases, but also from unimproved areas on land or at sea anywhere. The Strategic Arms Reduction Talks (START) continue, and such weapons are included wherever based, as is appropriate.

Pursuing arms control within regions such as Asia has attracted considerable recent comment. Because U.S. and Soviet interests are asymmetrical in East Asia and because of a more complex strategic situation than in Europe, arms control issues that affect regional concerns are more complicated. The conventional arms talks in Europe have not been broadened to include American and Soviet forces in Asia. Enthusiasts decry this lack of movement and assert, in light of the changing strategic environment, that the United States must broaden the process to Asia.

Such assessments lose sight of too many important considerations. First, the geopolitical situation in East Asia is, as we have seen, quite different and the threats to peace much more diverse, many with little relation to U.S.-Soviet competition. Second, direct U.S.-Soviet conflict plays a subsidiary role in Asia. Europe remains the key point of potential confrontation. Finally, arms control enthusiasts inadequately note how much more important naval forces are to the United States than to the Soviet Union in Asia. After all, of the three classical objectives of arms control—to make war less likely, to make preparing for war less costly, and to make war less destructive if it comes—arguably changes in Moscow's external behavior and internal capabilities have already produced tangible results.

As one recent article put the point, "Military professionals are plagued by the question of why they should sign on to agreements that could erode military

advantages the U.S. has, without understanding how such agreements fit into a comprehensive arms control strategy that can compensate for such erosions.”⁵

Others choose to emphasize confidence-building measures (CBMs) as steps on the road to arms control. But arms control is best seen as a means, not an end. Here, as well, caution is wise. There is no reason to oppose confidence-building measures in principle because many are helpfully in effect now. From the 1989 military incidents agreement, and the earlier and very useful incidents at sea agreement, through the Japanese nonnuclear principles and that country’s rejection of any capability to project power, valuable CBMs are in force in East Asia now. But at the point of greatest real tension, Korea’s demilitarized zone (DMZ), CBM proposals from the UN side have been languishing for years. Crucial to such measures is mutual benefit, and when that can be seen, useful CBMs are not far away. But progress in this area cannot be forced without risking the very destabilization the process is intended to prevent.

Conclusion

The United States has been, remains, and must continue to be a leader in East Asia. American economic interests, as well as those of most countries of the region, have been well served by this leadership. The new economic strength of East Asia and the inevitable trade questions that arise represent the mature success of postwar American policy. Leadership requires energy and presence and the United States, despite voices of narrowness and isolation, will not forswear that mantle. The Soviet Union is far more likely to benefit from this kind of Asia than lose by it. Clear thinking will provide the vision to see the opportunities. If the Soviet Union engages productively in the region, it too will share in the rewards.

⁵James R. Blaker, “Naval Arms Control: The Opposition,” *Arms Control Today*, February 1990, p. 20.

3. Soviet Defense Strategy in the Asia-Pacific Region in the 1990s

GENNADY I. CHUFRIN

Since the mid-1980s the world has backed away from the brink of nuclear catastrophe, a move made possible because of the historic turn from confrontation to constructive dialogue in Soviet-American relations. This dialogue was resumed in November 1985 and led to a number of highly important results not only for Soviet-U.S. bilateral relations but also for the overall international climate.

The conclusion of the Intermediate Nuclear Forces (INF) Treaty in late 1987 was one of the first tangible results of this dialogue. Another important step was taken during the Soviet-American summit at Malta two years later when the presidents of two great powers agreed to expedite and to sign agreements to limit strategic nuclear arms, chemical warfare weapons, and conventional armed forces by 1990.

The impact of these decisions on the situation in the Asia-Pacific region was quite favorable. Tensions started to diminish, and regional political and economic cooperation began to develop. And although this process is not yet uniform and broad-based, if it continues, it will benefit all regional countries, big and small, irrespective of their sociopolitical systems and the ideologies their leadership advocates. For that purpose all of them must contribute and cooperate on the basis of a balance of interests and consistent realization of coordinated confidence-building measures. However, the responsibility of the great powers to keep the process moving remains, of course, crucial.

In speaking about the Soviet Union's role, one must emphasize recent dramatic changes in Soviet military thinking that made it possible to shift the focus of Soviet military doctrine toward a more defensive posture. Although the political dimension of this doctrine had always been an exclusively defensive one, the military-technical dimension until recently was more

offensive in nature, focusing as it did on armed forces capable of sustaining offensive operations, such as paratroops and aircraft carriers.

The shift toward a new military doctrine based on the principle of defense sufficiency began in the Soviet Union in 1987–1988 when military spending was frozen and reductions in defense budget allocations for 1989 of 14.2 percent and for 1990 of 8.2 percent were announced.^{1,2} Further cuts will reduce the military's share in the national budget, now equal to 14.5 percent of total budget expenditure (in 1984, 15.6 percent), by up to one half by 1995.³ In fact the reduction in actual Soviet military expenditure since 1987 was much greater than the above data may indicate because they do not reflect the impact of inflation on the Soviet economy in general and on armaments production in particular. The inflation rate in the Soviet economy during the last decade averaged over 6 percent annually, and was growing even faster by the end of the 1980s, reaching 7.5–8.4 percent in 1988–1989.⁴ By late 1990, the Soviet armed forces will have been reduced by 500,000 servicemen (from 4,258,000 to 3,760,000), including 200,000 in the Asian part of the country and allied countries.

From 1987 the Soviet navy began to reduce its exercise activity and the extent of distant deployment. As a result the Soviet Pacific fleet, the largest of four Soviet fleets, has sharply reduced out-of-area operations, that is, away from their defensive mission locations in the Sea of Japan, the Sea of Okhotsk, and the waters around the Kamchatka peninsula. The number of days spent by the Soviet Pacific fleet units in out-of-area operations was halved over the past three years, and the sortie rate of Soviet naval aviation has also substantially declined during this period.

Thus, in practice, the principle of defense sufficiency means the restructuring of Soviet armed forces and their redeployment in line with strictly defensive objectives as well as the reduction of military expenditure and production.

Aiming at the demilitarization of the Sino-Soviet border and in line with neighborly relations developing now between the Soviet Union and China, the Soviet Union has already begun reducing armed forces deployed along the border.⁵ In 1989 the Soviet Union started to pull out a substantial part of its troops currently stationed in Mongolia—almost three quarters of the total, including all Air Force units. A few months later the Soviet and Mongolian governments agreed that the remaining Soviet troops, including infantry units, over 430 tanks, 375 guns and mortars, 400 APCs and armored cars, will be completely withdrawn by 1992. And it was officially announced in January

¹*Pravda*, January 1, 1989.

²*Izvestia*, December 16, 1989.

³*Pravda*, November 2, 1989.

⁴*Pravda*, January 28, 1990.

⁵During the state visit of Chinese Premier Li Peng to the USSR (April 1990) an agreement was signed providing for further troop reduction along the Sino-Soviet border.

1990 that the Soviet government had decided to withdraw all MIG-23 and TU-16 aircraft from Cam Ranh Bay in Vietnam leaving an Air Force group of only six to ten aircraft.⁶

In line with the new Soviet military doctrine of reasonable defense sufficiency not only military budget expenditure and armed forces have been reduced, but also the structure of Soviet troops based either in its allies' territory or in Soviet national territory is now strictly defensive. Additionally, up to 60 percent of Soviet military-related industry will be converted to civilian production.⁷ Conversion, however, is a complicated and costly process, and it may take some time before civilian technologies are introduced and production lines are changed accordingly.

Having stated the already established decisions of the Soviet government and the Soviet parliament in the military sphere, I suggest new major steps of a similar nature may be expected in the foreseeable future. In the Asia-Pacific region they may include a demilitarization of the Kurile Islands. The already promised and long-awaited transfer of a naval base from Vladivostok to another place may soon become a reality. And, of course, the size and extent of air and naval military exercises will be further reduced.

All these trends and changes in Soviet defense strategy and policy in the Asia-Pacific region may be expedited or, on the contrary, slowed down depending upon the response to Soviet actions from other countries of the region, especially from the United States, China, and Japan.

One should not forget that there remain unsettled regional conflicts and areas of excessive tension in the Asia-Pacific region, and many Asia-Pacific countries are still building up their military capabilities and increasing their military budgets. Among them is Japan, whose military budget is now the third largest one in the Pacific. The emphasis in Japan's military buildup seems to be on increasing its air and naval capabilities so as to project its military force throughout the Pacific by the end of this century.⁸

Similarly, the U.S. refusal to negotiate on naval armaments continues to be a matter of serious concern to the Soviet Union. Even according to American sources, the United States has a more than 3:1 superiority in major surface combat units such as aircraft carriers, battleships, cruisers, and destroyers; and a 9:1 superiority in carrier aviation over the Soviet Union in the Asia-Pacific region.⁹ The U.S. Third and Seventh Fleets are plying the waters of the Asia-Pacific region (the Seventh Fleet in direct proximity to Soviet borders), and the United States has over 300 military facilities, including 83 major bases and over 135,000 servicemen in the Pacific.

⁶*Pravda*, January 18, 1990.

⁷*Pravda*, January 1, 1989; *Krasnaya Zvezda*, February 7, 1989.

⁸*World Military Expenditures and Arms Transfers 1988* (Washington, D.C.: 1989): 31–67.

⁹*US/Soviet Military Balance. Statistical Trends. 1980–1988* (as of January 1, 1989) (Washington, D.C.: 1989): 157.

American plans for arming its Pacific ships with long-range sea-launched cruise missiles (SLCMs) greatly destabilizes the strategic situation in the region. It is generally recognized that these missiles are one of the main components of offensive naval forces and a first-strike weapon. The range of Tomahawk SLCMs supplied to U.S. warships is 2,500 km., and a new generation Stealth SLCM will have a range of up to 4,250 km. These new missiles are to be equipped with devices for choosing the safest and shortest way to the target and an improved homing system during the flight's final leg. The missile will have a calculated error probability (CEP) of no more than a few meters (200 meters in the current Tomahawks) and equipment for assessing the situation in the target area. This means that if the potential target has already been destroyed, the missile will automatically reprogram to hit another target.

Under the Soviet-U.S. INF treaty, each side will destroy all ground-launched medium- and shorter-range missiles, including cruise missiles. According to the treaty, the Soviet Union is to destroy in the Asia-Pacific area 162 intermediate-range and 140 shorter-range missiles capable of delivering up to 600 nuclear warheads in a single launch. The United States pledged not to deploy in the region (in Alaska) 100 nuclear warheads on intermediate-range missiles and a certain number of additional shorter-range missiles. It was a vital international document, but mass deployment of long-range SLCMs on U.S. surface ships and submarines will undermine the treaty by replacing the destroyed ground-launched missiles with more dangerous and unpredictable sea-launched ones.

Although Soviet and U.S. leaders agreed at the Washington summit in December 1987 to establish ceilings for long-range SLCMs and to search for methods of effective verification, that agreement is just paper because of the nullifying U.S. actions.

Soviet and foreign experts note that any agreement to halve Soviet and U.S. strategic offensive weapons depends to a large extent on the limitation of SLCMs. Otherwise, the likelihood of Soviet-U.S. military confrontation, including in the Asia-Pacific region, may remain serious.

Seeking to solve the problem, Soviet Foreign Minister Eduard Shevardnadze informed Secretary of State James Baker during their meeting in Jackson Hall, Wyoming, in late September 1989, of a Soviet proposal to settle the SLCMs issue not within the framework of the agreement on strategic offensive armaments but within the broader context of naval armaments. But the United States still has not expressed any readiness to discuss naval reductions. Among the latest official U.S. pronouncements to this effect was a statement Undersecretary of Defense Paul Wolfowitz made in April 1990 before the Senate Armed Services Committee in which he repeated that the

U.S. government remains “strongly opposed to Soviet proposals for naval arms control.”¹⁰

Among the reasons usually given by opponents to negotiations on banning long-range SLCMs are that these weapons are small, deployed on a variety of surface ships and submarines, and difficult to verify. However, not only Soviet but also U.S. experts suggest various verification schemes that will cover long-range SLCMs, above all nuclear SLCMs, at least those on surface ships, thus greatly reducing the possibility of a nuclear confrontation between the two superpowers.¹¹

However, the problem of SLCMs is not the only stumbling block to the improvement of the strategic situation in the Asia-Pacific region.¹² In the present situation it seems expedient to apply such confidence-building measures as prior notification of troop redeployments and military maneuvers, exchanges of visits by warships, the reduction of naval activity, and the elimination of military bases on foreign territories. A package of military-technical confidence- and security-building measures could be complemented by a commitment to annually exchange plans of military activity. Verification of this activity could be carried out both by national means and through a system of international inspections.

As to the naval armaments that have a special significance for the balance of forces in the Asia-Pacific region, the Soviet Union maintains that their limitation and subsequent reduction may be achieved on a stage-by-stage basis. This process can be started by reaching an understanding between the USSR and the United States on such issues as guaranteeing the security of international sea lanes, prenotification of military exercises in sea areas, prohibition of naval forces operations in areas close to international straits or areas of intensive international shipping and fishing.

The shift toward the doctrine of reasonable defense sufficiency in Soviet military thinking does not mean, of course, that the Soviet Union has stopped being a Pacific power or that it has abrogated unilaterally its right to defend its interests in the Asia-Pacific region, including defense of the Soviet Far East and safety of sea lanes in international waters. However, first, our military presence in the Pacific will in no way be projected against any country there unless that country is openly hostile to the Soviet Union. Second, Soviet naval

¹⁰Statement of Paul Wolfowitz, Undersecretary of Defense for Policy, before the U.S. Senate Armed Services Committee, April 19, 1990.

¹¹See, for instance, “Dispelling Myths About Verification of Sea-Launched Cruise Missiles,” *Science* 246 (November 1989): 765–70.

¹²The problem has not changed much even after another round of Soviet-U.S. negotiations held in Moscow in mid-May 1990 between U.S. Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze. And although a political statement was made regarding voluntary ceilings on the number of SLCMs, the participants to negotiations failed to reach an agreement on verification.

operations according to the already existing pattern will also be conducted mostly in home waters, and the proportion of Soviet naval forces operationally deployed in distant areas will remain small—in all likelihood, be further reduced. Third, although the Soviet Union will proceed to upgrade its navy, it does not plan to replace decommissioned ships on a one-for-one basis, thus effectively reducing the total size of its Pacific fleet. (It is worth noting here that fifty-seven warships were decommissioned recently in the Pacific fleet without any replacement.) Neither does the USSR plan to follow up every military program the United States starts or to recreate every weapons system the United States introduces. And, fourth, nuclear-powered ballistic missile submarines (SSBNs) will remain the backbone of Soviet strategic naval force in the Pacific. Being equipped with long-range submarine-launched ballistic missiles (SLBMs), they can operate successfully not only from the open sea but also from Soviet coastal waters.

In the past and even more so today, the geostrategic position of the Soviet Union has greatly influenced Soviet naval doctrine, according to which the navy's principal task has been to defend our country against possible aggression from the sea side. This doctrine is reflected in the structure of the Soviet navy and in our shipbuilding programs. The present structure of the Soviet navy is best suited to repulse enemy naval attacks and to defend the home territory from aggression from the sea side, but it is ill-equipped to conduct offensive operations against another country. The number of Soviet amphibious landing craft is insignificant, and the Marine Corps is several times smaller than the American one. And although the Soviet Union has recently added four aircraft carriers of the Kiev and Tbilisi types to its navy, it is prepared to limit their number in accordance with principles of defensive sufficiency.

Another important aspect of Soviet military doctrine and, in fact, of overall Soviet policy in the Asia-Pacific region, is connected not only with direct safeguarding of Soviet national security but also with creating better conditions for preserving peace and stability throughout the entire region. For this purpose, one of our first priorities is to help resolve regional conflicts there and to prevent new ones.

Without analyzing regional conflicts in the region, it is worth mentioning that besides the obvious trouble spots in Cambodia and the Korean peninsula, other conflicts in this vast and complex region are quite likely. There is already, for instance, a territorial dispute over the Paracel and Spratly islands among China, Vietnam, Malaysia, and the Philippines, which causes regular armed clashes. There is also the issue of the decolonization of New Caledonia and other French possessions in Oceania, an issue that may well lead to major destabilization in this part of the Asia-Pacific region.

The existence of some regional conflicts and the possible emergence of new ones underlines the need for all countries to exercise restraint. The great powers in particular may, through their political and military might, create a highly

destabilized situation of global significance by involving themselves in these regional conflicts.

One of the common instruments of the great powers' interference in local conflicts is arms sales to conflicting parties. And among the largest sellers of arms to Third World countries at present are the Soviet Union, the United States, France, and China (in that order).

The issue of arms sales (or arms transfers) is, of course, a very sensitive one because it is connected with the obligations of great powers to their friends and allies. Yet the volume of arms transfers has assumed dangerous proportions recently and reached U.S.\$37.2 billion in 1987. The sale of most modern military equipment to Third World countries has led to a highly undesirable proliferation of weapons of mass destruction and of the means for their delivery.

Under such conditions it is imperative that all major arms exporters reassess their present policies and arms transfers practices. In the Soviet Union this issue is broadly discussed and has invited much criticism among the general public and in the parliament. As a result, in 1988 the volume of arms exported by the Soviet Union was reduced by 47 percent over 1987 exports. Planning to adhere to this line in its own arms sales policy in the 1990s, the Soviet Union expects a positive response from other major arms exporters too. It is their responsibility as well to help curtail arms trade and reduce the possibility of armed conflicts.

The enumeration of these military-technical factors incorporated in the present Soviet military doctrine should in no way obscure another dimension of this doctrine, that is, the growing importance of purely political methods to ensure the Soviet Union's national security as well as international stability. The use of these methods received an obvious prominence in the activities of the Soviet leadership during the last five years and was specifically spelled out by President Mikhail Gorbachev in his Vladivostok (July 1986) and Krasnoyarsk (September 1988) speeches with regard to the Asia-Pacific region. That fundamental approach toward the basic issues of peace and security on the global scale as well as in the Asia-Pacific region will undoubtedly remain in the center of Soviet foreign policy and its defense aspects in the 1990s.

The basic elements of the Soviet Union's Asia-Pacific security concept may include: a complete ban of nuclear tests in this area by all nuclear powers; the freezing of all military activity there with subsequent reduction of military budget expenditure, curtailment of the size and scope of military exercises, partial or total withdrawal of foreign troops from Asia-Pacific countries; the refusal to create new military blocs and alliances or to enlarge those in existence; the declaration by nonnuclear states of the region of their allegiance to the three nonnuclear principles; and the conclusion of an international convention on the nonuse of force among countries of the Asia-Pacific region.

Part II.

**Mutual Perspectives—Major Power Relations in
Northeast Asia: U.S. and Soviet Policies in
the Pacific Asian Region**

4. Peace, Security, and Cooperation in Asia and the Pacific: A View from Moscow

EVGENY IVANOV

I think we all agree that people today live in a more secure world than they did a few years ago. We are witnessing the assertion and evolution of an antinuclear trend, an imperative shaping today's political thinking and behavior. We see much progress toward the political settlement of regional and other conflicts. Confrontation increasingly yields to the concept of intensified cooperation among states based on the recognition that law takes precedence over politics and that freedom of choice should prevail. There grows an awareness of the world's integrity and unity, of indivisible international security, and of the absolute value and priority of universal human interests.

At the same time, we are far from lapsing into euphoria, or underestimating the urgent, and sometimes dangerous, nature of the problems with which we are faced. We believe these current heartening developments have yet to reach a point of no return. This holds true of worldwide processes and of the situations evolving in various regions, including Asia and the Pacific.

The Soviet Union's policy toward Asia and the Pacific is one of its priorities. Moscow assumes that Asia and the Pacific are increasingly important in the world's economy and politics. We believe the social and economic developments now under way in Asia and the Pacific are no less—and, perhaps, even more—far reaching than those that affected Europe and North America a few decades ago. And the population of these regions exceeds that of the rest of the world.

The Soviet Union is an integral part of Asia and the Pacific. Over three-quarters of its territory is in Asia, which holds vast deposits of natural resources. Moreover, *perestroika* calls for faster growth rates in the Soviet Union's Asian regions, in particular the Soviet Far East, than anywhere else.

The Soviet Union's integration into the dynamic processes under way in the region is an essential component of its new political thinking, which projects

the policy of *perestroika* into the foreign policy field as it were and seeks to overcome our isolation from the world economy, to renounce confrontation, and to seek constructive, flexible approaches to international problems.

We would like to see effective foreign economic relations between the Soviet Far East, Siberia, the Soviet Central Asian republics and Kazakhstan, and countries of Asia and the Pacific that would promote social and industrial development in these parts of the Soviet Union and in the entire Asia-Pacific region. This objective is a long-term one for us, not a time-serving one. This goal is strategic, not tactical.

The states of Russia, Kazakhstan, the Soviet Central Asian republics, and the Asia-Pacific nations have much in common in terms of culture, history, population, and environment. Their differing political systems notwithstanding, we believe comprehensive joint cooperation is needed to combat poverty and environmental pollution; to improve energy production, farming, and public health; and to explore outer space for peaceful purposes.

It is an open secret in Asia and the Pacific that the Soviet Union's participation in the region's economic affairs will be a subject for discussion only after it has become a major trading and economic power in the world. This point is well taken, but it also makes sense to establish ties now in the light of an increasingly fast-paced economic reform under way in the USSR.

Next, we realize that no progress toward international security is possible unless international tensions are reduced in Asia. The Soviet Union assumes that Asia and the Pacific—the world's largest region—can and must become a zone of political stability and economic cooperation through the collective, bilateral, and individual efforts of all the states concerned.

Gorbachev's Vladivostok Initiatives

Drastic revamping of the Soviet Union's policy toward Asia and the Pacific dates from the Soviet program for peace, security, and equitable and mutually beneficial cooperation announced by Mikhail S. Gorbachev in Vladivostok in the summer of 1986. Without recounting its contents—for the program is public knowledge now—I would like to emphasize that the Vladivostok program for peace and security in Asia and the Pacific is based on objective processes under way in the region, is comprehensive, and devoid of confrontational tactics.

As Gorbachev stated in his speech, delivered in Vladivostok on July 28, 1986,

The Soviet Union is also an Asian and Pacific country. It is very much aware of the complex problems facing this vast region. They concern it directly. This is what determines its balanced and comprehensive view with regard to this huge part of the world where a large number of different nations and peoples are concentrated. Our approach to it is

based on a recognition and understanding of the existing realities in the region.

At the same time our interest is not a claim to privileges and a special position, or an egoistic attempt to strengthen our security at someone else's expense, or a search for advantages to the detriment of others. Our interest is in the pooling of efforts and in cooperation, with full respect for the right of each nation to live as it chooses and resolve its problems on its own in conditions of peace.¹

In terms of traditional diplomacy the four and one-half years that have elapsed since the Vladivostok address are a short time. However, we believe that much has been achieved during this period. After a break of many years, the Soviet Union initiated a "turn toward the Pacific," which yielded substantial positive results in bilateral relations with the majority of the countries of that region and improved the overall climate in Asia and the Pacific.

However, one may conclude, regrettably, from a general analysis of developments in Asia and the Pacific over the last two to three years that although positive processes have gained considerable momentum, no radical, qualitative changes have occurred to improve the complex political and military situation in that region, which is dramatically evident when seen against the backdrop of the overall global warming in the political climate.

The nature and essence of the follow-on initiatives contained in Mikhail S. Gorbachev's Krasnoyarsk address in September 1988 were based on an unbiased analysis of the ever-changing regional situation and of the need to boost the positive processes under way in Asia and the Pacific. Allow me now to recapitulate the five major groups of ideas advanced in Krasnoyarsk, which we believe warrant serious discussion.

First, those proposals were made with a view to promoting disarmament in Asia and the Pacific, which lagged behind such movements elsewhere. The Krasnoyarsk address urged the United States and the other states of the region with major military potentials to discuss Soviet, and other, proposals aimed at ensuring progress toward arms reductions, including confidence-building measures. Thus, Gorbachev noted that "relaxation of tension, arms reduction and subsequent revision of policies in the military sphere are a key element in improving the situation in this region, just as elsewhere in the world. The first breach in military confrontation here was also largely due to the INF [Intermediate-range Nuclear Forces] treaty. For Asia, where atomic weapons were used against a civilian population, this event has special, symbolic meaning. And we are prepared to continue searching for new approaches to move in this direction."²

¹Speech by M. S. Gorbachev in Vladivostok on July 28, 1986, *Pravda*, July 29, 1986.

²Speech by M. S. Gorbachev in Krasnoyarsk on September 16, 1988, *Pravda*, September 17, 1988.

Second, the Krasnoyarsk initiatives seek settlement of regional conflicts, which are intense and ongoing in Asia and the Pacific. Understandably, a peaceful political solution to the Afghan problem is the focal point of our efforts. The Soviet Union and the Republic of Afghanistan have maintained a record of full compliance with their obligations under the Geneva agreements. The developments following the withdrawal of Soviet troops from Afghanistan provide convincing evidence that no alternative to a peaceful political settlement in that country exists. Afghanistan's continued agony requires vigorous efforts to translate the idea of a settlement into a political reality.

Both the Soviet side and the president of the Republic of Afghanistan have made wide-ranging proposals for an Afghan settlement. Those proposals contain a number of key provisions, including the initiation of an internal Afghan dialogue with the participation of *all* Afghan factions, an all-Afghanistan forum or peace conference, as well as a call for international consensus among the countries most involved in Afghan affairs. A conference with the participation of those countries, the UN Secretary-General or his representative, as well as representatives of all Afghan factions would be the ideal forum for expressing that consensus. We favor a cease-fire in one form or another, and we also advocate the cessation of arms supplies, irrespective of their origin, to all warring factions, which could be followed by the withdrawal of the remaining stocks of arms from Afghanistan as a prelude to establishing that country as a demilitarized and neutral state.

The main objective now is to provide the necessary conditions to enable the Afghans to negotiate an agreement that would ensure a free and democratic expression of the will of their people and lead to the establishment of a stable, broad-based government.

In that context, a just and equitable settlement would require that the interests of all Afghan factions and the political realities of that country be taken into account. It is unrealistic and unacceptable to demand that President Najibullah and his entourage withdraw from the political scene as a precondition of a settlement. That demand is neither just nor viable, particularly because the present leadership of Afghanistan continues to consolidate its position.

Recent events in Kabul demonstrate that conspiratorial, extremist elements inside and outside of Afghanistan cannot promote a solution and are doomed to failure. Those events have reaffirmed the stability and viability of President Najibullah's government and the hopelessness of any military attempt to resolve Afghanistan's problems.

In summary then, Eduard Shevardnadze, USSR Foreign Minister, pointed out in *Izvestia* in February 1990, "The Soviet Union is willing to hold a constructive exchange of views with the USA, Pakistan and Iran on all aspects of the Afghan settlement including those on practical steps leading to it. The Soviet side does not renounce either the idea of having a dialogue with field

commanders, with leading figures of Peshawar—based as well as other groupings with a full understanding that such contracts shall not be misconstrued as recognition of the ‘transitory government.’ Moscow is also open for discussion with Mr. Zakir Shah, his entourage and with all those desirous to bring about the solution of the Afghan issue.’³

The Soviet concept of strengthening international security in Asia and the Pacific also provides for a comprehensive political settlement of the conflict in Cambodia. Although this long-standing regional problem is extremely complex, a new strategy for unblocking that situation has recently taken shape in the form of a plan for establishing a transitional UN authority in Cambodia, worked out by representatives of the five permanent members of the UN Security Council. We believe the implementation of that plan could serve as a basis for a future Cambodian settlement.

Third, the Soviet Union has put forward major new ideas on developing and intensifying cooperation among states in Asia and the Pacific to solve a broad range of problems in such fields as environmental protection, promotion of cultural contacts, tourism, and so on.

Today problems of security, stability, and economic prosperity are inseparable from cooperation in humanitarian and cultural fields. We in the USSR are now paying much more attention to this view. Regulations governing contacts with foreign citizens and travel abroad are being relaxed. In recent years many delegations from Asia-Pacific countries have visited Vladivostok. In the long run, this city may become a center of cooperation in the Pacific.

Fourth, the Soviet Union reiterates its readiness to intensify further its efforts to expand mutually beneficial and equitable bilateral relations with all countries in Asia and the Pacific, regardless of their size and sociopolitical systems. In recent years the Soviet Union has intensified its political dialogue with various Asian-Pacific countries, and our contacts and ties at all levels, including the highest governmental levels, are regular, substantive, and intensive.

Cooperation in the political, trade, and economic areas as well as between parliamentary, public, scientific, cultural, and sports organizations has now become more varied. A graphic example of the above—and it is noted with particular satisfaction—is the steady progress of Soviet-Indian relations. The 1986 Delhi Declaration embodies the ideas of peace free from nuclear weapons, from violence, fears, and suspicion.

In his interview with the Indonesian paper *Merdeka*, Gorbachev described the Delhi Declaration as “an entirely new example of political and philosophic approaches to the fundamental problems of interstate relationship. This document transcends bilateral or regional frameworks, since it embodies the

³E. A. Shevardnadze “Afghanistan—a Difficult Road to Peace,” *Izvestia*, February 14, 1990.

aspirations of all humanity, although it is the result of the development of relations between the two countries.’⁴

In this context I would emphasize the willingness, in real terms, demonstrated by the USSR and India, to translate into practice elements of new political thinking. Also along these lines we see relations between India and China being normalized—a process which is, no doubt, positive. And the current normalization of Soviet-Chinese relations is of a similar nature.

A Soviet-Chinese summit took place in May 1989 in Beijing, and has had a profound and wholesome impact on the Asia-Pacific region. Having made a step toward one other, the two neighboring socialist states have refuted speculation that lingering enmity between them is inevitable. They have jointly eradicated the hotbed of tension in the Far East, which reasonably concerned the Asian peoples.⁵ The summit led to fully normalized relations between the two nations and improved the situation in Asia and the Pacific and the world at large. Chinese Premier Li Peng’s recent visit to the USSR has also contributed substantially to this positive development.

The development of ties between the USSR and China neither adversely affects third countries’ interests nor hinders relations with them. We stress this point for the benefit of all Asia-Pacific states irrespective of their size or sociopolitical systems.

Because China has been mentioned, I would like to say particularly that Moscow views with satisfaction the constructive contribution China has made to the development of favorable processes in Asia and the Pacific in recent years. We welcome the growing positive trends in China’s policy toward Asia and the Pacific. We believe the development of good relations among the three powers—the Soviet Union, India, and China—is of paramount importance for ensuring peace and security in Asia and the world as a whole.

Soviet-Japanese relations, which developed in a difficult and at times zigzag fashion in the postwar period, have on the whole greatly improved. There are signs of gradual transition from confrontation to dialogue, from ultimatums to flexibility and to mutual recognition of the other party’s interests.

The fifth grouping of ideas Gorbachev advanced at Krasnoyarsk embraces a wide range of measures to make the Soviet Union’s trade relations with all countries of the Asia-Pacific region more dynamic and to strengthen the region’s international economic security. These Soviet efforts presuppose the involvement of all countries in the region. The problem of developing countries’ foreign debt could also be discussed in the context of this dialogue. The Soviet Union’s position on this issue was outlined by Gorbachev in a UN

⁴M. S. Gorbachev’s replies to questions put by the Indonesian newspaper *Merdeka*, *Pravda*, July 22, 1987.

⁵V. Ovchinnikov, “Catalyst of the All-Asian Process,” *Pravda*, July 3, 1989.

speech in December 1988. Wide-ranging and mutually beneficial non-discriminatory trade and economic ties among countries of the region undoubtedly would constitute a solid foundation for stable and secure relations in Asia and the Pacific.

The Soviet Union, aware of the importance of economic processes under way in the Asia-Pacific region, has made no secret of its desire, on the one hand, to make its own contribution to solving regional economic problems and, on the other hand, to speed up economic development of its Far Eastern regions by taking an active part in the regional division of labor.

Recently, the Soviet Union has taken vigorous steps to expand and intensify its involvement in economic and scientific-technical ties with other countries of Asia and the Pacific. The Soviet national committee on Asia-Pacific economic cooperation (SOVNAPEC) has been established and is functioning. It includes representatives of Soviet governmental, economic, foreign economic, public, political, and scientific organizations. This committee is called upon to contribute to the development of mutually beneficial ties between the Soviet Union and countries in Asia and the Pacific. We intend to join the Asia Development Bank, to take part in the activities of the General Agreement on Tariffs and Trade (GATT), and to request admission to the Conference on Asia-Pacific Economic Cooperation and to other influential regional organizations. But things are moving slowly.

Numerous steps have already been taken to establish extensive commercial, economic, scientific, and technological ties between the USSR and most countries of the region—a factor unduly neglected until recently. Commercial and economic ties between the USSR and the Association of Southeast Asian Nations (ASEAN), Australia, and New Zealand are expanding. The first steps have been taken to establish dynamic and direct commercial and economic links between Soviet nongovernmental organizations and South Korean companies.

The USSR closely follows the merging trends toward integration in this region and emphasizes that the formation of closed, isolated groupings may hamper multilateral economic cooperation, which must develop on an open, nondiscriminatory basis.

Soviet policy in Asia and the Pacific is ultimately aimed at establishing a solid and comprehensive structure for stable and interdependent cooperation between countries and peoples, a structure that would harmonize the political and economic interests of all of its members.

These are the main points of our thinking about ways of strengthening peace, security, and cooperation in Asia and the Pacific. Our approach is far from being speculative; it takes into account the real situation, the processes, and trends prevailing in the region.

The Political Face of Asia

Today's political face in Asia and the Pacific, as we see it, is determined by two trends, one positive, one negative. On the one hand, possibilities are opening for a stabilizing, continuous improvement in the region's political climate, an unblocking of old conflicts and the strengthening of bilateral relations. On the other hand, the United States continues strengthening its own military forces and those of its allies in the region.

I would like to dwell on Soviet efforts to support and develop arms reduction in the area. The USSR decided to include its medium- and shorter-range missiles based in its Asian states—436 missiles in all—in the agreement on the elimination of nuclear arms of this type. In fact, this is the first step toward nuclear disarmament in Asia and the Pacific. Moreover, we expressed our readiness not to increase the number of any type of nuclear arms in this region.

The USSR was also the initial nuclear power to sign the Rarotonga Treaty, which institutionalized the first nuclear-free zone in Asia and the Pacific. We have agreed to become a guarantor of its status. We highly appreciate that a similar decision has been taken by the People's Republic of China. Unfortunately, at present these two are the only nuclear powers supporting the initiatives of the countries of the South Pacific.

The Soviet Union stated its readiness not to increase the number of nuclear-capable aircraft in its Asian region provided the United States does not deploy additional nuclear missiles capable of reaching the Soviet Union. We also suggested that the Soviet and U.S. fleets reduce their activity in the Pacific, and following the signature of the INF Treaty, we reduced—unilaterally—the operations of the Soviet fleet in the Pacific.

The situation in Asia and the Pacific has been positively influenced by the Soviet withdrawal from Mongolia, an obligation assumed in Vladivostok, of 75 percent, and eventually of all its troops, as well as by the Soviet proposal to reduce commensurately forces on the Sino-Soviet border. Within the framework of the initiative M. Gorbachev advanced in 1988 before the UN, the USSR will reduce the number of its troops in its Asian region by 200,000, and in the Far East by 120,000.

As we have previously examined, the processes in Asia and the Pacific were strongly influenced by the withdrawal of Soviet troops from Afghanistan under the Geneva agreements. At the same time, we do not turn a blind eye on the existing problems in relations between states of South Asia. We are convinced, however, that they can be resolved on the basis of goodwill, neighborliness, and cooperation.

The signs of a possible reduction of tension on the Korean peninsula give rise to new hopes. There are also encouraging signs of changes in the political climate of Asia and the Pacific. Lately we have witnessed the erosion of

outdated clichés in relations between nations. Confrontational stereotypes are gradually giving way to new partnership attitudes.

Action Plan for a Nuclear-Free World

It is increasingly evident that problems can be resolved only through political means. In this context I would like to recall the “Action plan for ushering in a nuclear-weapons-free and non-violent world order by the year 2010” advanced by India in 1988, which in many respects is consonant with the main ideas of a statement of Gorbachev’s made on January 15, 1986, concerning a transition to a nuclear-free world. We also believe reductions of the Chinese armed forces have had a positive impact on the situation in Asia and the Pacific. Efforts by ASEAN countries to establish a zone of peace, freedom, and neutrality in Southeast Asia are welcome as well.

Other positive factors in the area include a proposal for withdrawal of nuclear weapons from the Korean peninsula, the New Zealand antinuclear legislation, the desire of many in the Philippines to be rid of foreign military presence, and the support by a number of countries in Asia and the Pacific for a complete ban on nuclear tests and for nonplacement of nuclear weapons in outer space. We view as useful the Australian idea to initiate a dialogue between the USSR and the United States on security concepts and problems in the North Pacific, as well as Australian disarmament proposals.

Within the overall situation in Asia and the Pacific, one must mention the situation in the Indian Ocean. The first 1990 session of the Special United Nations Committee on the Indian Ocean had a rocky beginning, but its work—mandated by a UN General Assembly resolution in 1972 that called for an international UN conference to develop an international legal status for a zone of peace in the Indian Ocean—must go on. Such a peace zone, understandably, presumes the littoral states’ sovereignty over their natural resources and guarantees of the security of sea lanes.

The prevailing situation is paradoxical: Statements by top U.S. leaders contain varying renderings of the Carter Doctrine. For example, the *Washington Post* published in February 1989 excerpts from a new military manual that reflect growing concern over the increased U.S. reliance on oil imports, noting at the same time that protection of oil fields (from whom?) “is more important than protection of South America and Africa.” Much is said in that document about maintaining uninterrupted oil supplies from the Middle East. But every seaman knows it is impossible to completely protect sea lanes by military means. So, the problem must be dealt with by political means. In a speech before the Indian Parliament in November 1986, Mikhail Gorbachev said, among other things, that the Soviet Union was prepared to start negotiations to develop security guarantees for maritime communications in the Indian Ocean, including the Persian Gulf, as well as guarantees for the littoral states’

sovereignty over their natural resources.⁶ Here the issues of protection of oil fields and of uninterrupted oil supplies were addressed politically, not militarily. The Soviet proposal is still valid.

Many observers in Indian Ocean countries note that since 1986 the situation has entirely changed and that negotiations on the peace zone issue would now have a good chance for success. Of course, the idea of such negotiations in no way replaces the preparatory work for an international conference on the Indian Ocean, which reached its decisive phase this year; it is only in addition to such work.

U.S. Forces in the Pacific

Along with all of these positive processes in Asia and the Pacific, there exists, as we noted earlier, another trend, a negative one, which aggravates and destabilizes the situation in the region. The United States continues to build up and modernize its armed forces in the Pacific and Indian oceans and strengthen its military allies in the region. The United States keeps in Asia and the Pacific its second largest grouping of armed forces, in terms of combat strength, the major part of which is located in the immediate vicinity of the Soviet Union (totaling some 140,000 troops, 500 combat aircraft — including nuclear delivery systems — and 34 major combat ships).

The U.S. press acknowledges that the composition, infrastructure, and training of the U.S. forces in the region are patently offensive. A formidable capability was created for strikes from the sea against targets in the USSR. Operational training of U.S. forces in the immediate vicinity of the Soviet Far East has significantly increased. Every year in the Far Eastern and Southeast Asian regions more than 120 military exercises of varying scale are conducted. They include up to 15 exercises of land forces, about 80 of air forces, and more than 30 of the navy.⁷ In 1989 the largest military exercises in the postwar period—Pacex-89—were conducted with participation of the armed forces of major U.S. allies in the Far East.

In accordance with the advanced naval deployment concept, U.S. military leaders extended in 1987 the operation zone for the Third Fleet to areas adjacent to the Kamchatka peninsula. Aircraft carriers, battleships, and missile ships operating in conjunction with strategic aircraft have been regularly sent there.

An extensive modernization program of the U.S. Pacific forces is under way, including procurement of the most sophisticated weapons systems. As Secretary of Defense Richard Cheney announced in the summer of 1990, the U.S. carrier *Midway* will be replaced by the newer and more sophisticated carrier *Independence*. The Seventh Fleet ships are now being equipped with

⁶Speech by M. S. Gorbachev to the Indian Parliament on November 27, 1986, *Pravda*, November 28, 1986.

⁷M. Moiseev, "The Sources of Tension," *Pravda*, May 4, 1989.

nuclear-armed, sea-launched cruise missiles and with the Aegis system. Procurement of the F-16C and F-16D for the U.S. Air Force has been completed. A major rearmament program for U.S. allies in the region—Japan and South Korea—is under way. Within the next few years Seoul, for one, will receive U.S. arms worth \$7 billion.

This military buildup cannot but cause us concern, particularly against the background of the ongoing limitations and reductions of the Soviet armed forces in the Far East.

U.S. and Soviet naval activity in Asia and the Pacific continues unabated, which is all the more dangerous, as the border between some contending states in that area runs precisely where opposing naval forces are confronting each other. Recent U.S. Defense Department reports to Congress appraised the military balance in Asia and the Pacific as favorable to the United States and its allies in the long term.⁸ So, the U.S. approach is clearly dominated by a special interest inertia.

The continuing militarization in Asia and the Pacific is exacerbated by the lack of a pan-regional negotiating mechanism for dealing with proposals related to the region's security. We believe that establishing such a mechanism is now necessary as was stressed in Gorbachev's Krasnoyarsk address. This objective has not lost any of its urgency or relevance. And possible ways of attaining it are now emerging. Considering the local conditions and the multipolar nature of Asia and the Pacific, the establishment of a negotiating mechanism on a pan-regional scale in the Asia-Pacific region largely depends on generating a dialogue on a bilateral and regional basis. Certain progress has already been made, which is attested to by the improved relations among the USSR, India, and China; the first steps toward setting up a negotiating framework in the Soviet-Japanese relations; the Southeast Asia-Indochina dialogue developing in the context of the Jakarta process; and the resumption of a dialogue on the Korean peninsula. The above examples form a substantial basis for further negotiations.

We believe we must now extend to Asia and the Pacific the positive trends taking shape in the international arena and work together to tap the potential of new thinking, realism, and common sense to settle the region's problems. We assume relations among states should be based on broad political, economic, and humanitarian cooperation, rather than confrontation between military and political groupings. Such is our approach as regards the countries of Asia and the Pacific, and it is precisely this approach that forms the basis of our strategy to achieve comprehensive international security.

⁸Statement of the U.S. Undersecretary of Defense for Policy Paul Wolfowitz before the Senate Armed Services Committee, April 19, 1990.

5. Major Power Relations in East Asia

DONALD S. ZAGORIA

We are obviously at an important turning point in postwar international relations when communism in Eastern Europe is collapsing, the traditional Soviet system is being modified in revolutionary ways, and Moscow seems to be suffering from a bad case of imperial fatigue. To overcome the profound economic, social, and imperial crisis now confronting the Soviet Union, President Mikhail Gorbachev must drastically cut Soviet military expenditure. To do this, he needs arms control agreements with the United States. To reach those agreements, and to obtain badly needed Western technology, trade, and credits to revitalize the stagnant Soviet economy, Gorbachev is seeking to create a totally new international atmosphere and a stable relationship with the United States.

The Bush administration, after an initial period of skepticism about Gorbachev's intentions and about his chances for survival, has now come to believe it has a considerable state in *perestroika*. Thus the stage is being set for a substantial improvement in Soviet-U.S. relations. The Soviet Union and the United States are now close to achieving several major new arms control agreements and to establishing a new, more cooperative and stable relationship.

Meanwhile, the Soviet Union and China have ended their long period of estrangement. Both countries need a long period of international calm while they concentrate on internal reforms. Soviet-Japanese relations will also probably improve after Gorbachev's visit to Tokyo next year. The Soviets need Japanese capital and technology, and they also need Japanese goodwill if they are to play a more active role in the Pacific. For its part, Tokyo does not want to be left out of the worldwide rapprochement with the USSR, and if political relations improve, there could be substantial opportunities for Japanese businessmen in the USSR.

In sum, the broad trend among the major powers in East Asia is toward easing tension, improving economic and cultural relations, increasing efforts to resolve or contain regional conflicts, and creating a more stable international environment more conducive to concentrating on internal problems.

Still, there are many uncertainties. The basic international and domestic structures established after World War II and the old relationships based on those structures are now called into question. Yet new structures and new relationships have not yet been developed. A period of some difficulty in moving toward a new post-cold war structure of international relations is almost inevitable. Periods of transition are always fraught with difficulty.

Also, the future of *perestroika* in the USSR is still clouded because of the Soviet Union's deepening economic and ethnic crises. If, to prevent the unraveling of the Soviet state, Gorbachev uses force to suppress the Lithuanian independence movement, recent progress in Soviet-U.S. relations could be seriously jeopardized.

Moreover, U.S.-Chinese relations have suffered a serious setback since the Tiananmen Square tragedy last June, and although Beijing and Washington share a desire to end the present chill in their relationship, any thaw could be constrained by domestic politics in each country.

Finally, only modest progress has been made in reducing the region's extensive militarization. Although the United States and the Soviet Union are readjusting their military forces in Asia, and the Soviet Union and China are now talking about arms reductions on the Sino-Soviet border, the pace of disarmament in Asia is likely to be much slower than in Europe. There is still no multilateral arms control forum in Asia comparable to the conventional arms reduction process in Europe (CFE—conventional forces, Europe). The asymmetries between Soviet and American forces in Asia will make arms control trade-offs difficult. Moreover, so long as so many heavily armed indigenous powers exist in East Asia—the Soviet Union, China, North Korea, and Vietnam—the United States will have a strong interest in maintaining a robust naval presence in the region to reassure its allies and friends and to help maintain stability.

Soviet-U.S. Relations

During the past year, a substantial improvement in Soviet-American relations has occurred. Beginning in May 1989, after a long review of U.S. policy toward the USSR, President Bush declared in New London, Connecticut, that it was time to move "beyond containment" and to integrate the Soviet Union into the community of nations. Two meetings between U.S. Secretary of State James A. Baker and Soviet Foreign Minister Eduard Shevardnadze, one in Moscow last May and another in Wyoming in September, made considerable progress on a conventional arms reduction agreement in Europe and on a strategic arms reduction agreement. These two meetings cleared the way for the

informal summit in Malta between Presidents Bush and Gorbachev in December. At Malta, there was an unprecedented degree of convergence on most agenda items, and at the meeting's conclusion, both leaders declared in almost identical language that their two countries were "at the threshold of a new era." Throughout 1990, the Soviet Union and the United States moved closer on a whole range of issues, from nuclear and conventional arms control to reducing regional conflicts, including unprecedented cooperation on the Persian Gulf crisis that erupted in August.

A number of factors have contributed to this new *détente* in Soviet-U.S. relations. First, both powers have a substantial stake in improving relations. Because of the severity of the Soviet Union's economic crisis, and Gorbachev's need to cut military expenditures drastically if he is to have any hope of coping with this crisis, the Soviet leader has made it his highest priority to create a totally new international atmosphere in which there will be stable relations with all the major Western powers, especially the United States. During the past year or two, to achieve this goal, Gorbachev has withdrawn Soviet forces from Afghanistan, made several arms control concessions, initiated a number of unilateral arms cutbacks, and taken several steps to help resolve regional conflicts.

On the U.S. side, although President Bush and his foreign policy advisors had initial doubts about Gorbachev's intentions and were deeply skeptical about his chances for survival, by late last year the U.S. administration had concluded that Gorbachev's success was in America's fundamental interest. It had been inclining in that direction since last summer. But the collapse of communist domination of Eastern Europe in fall of 1989 made a crucial difference. It provided dramatic evidence of a fundamental change in Soviet national security policy, evidence that was much more concrete than the barrage of Soviet writing and speeches about "new thinking." The developments in Eastern Europe reinforced a Western perception that real strategic opportunities now lay ahead, not just in arms control but in establishing new political arrangements that could lay the groundwork for a unified, free, and more stable Europe in the interests of both the United States and the Soviet Union. The United States and other Western powers now saw it in their fundamental interest to help the East European countries make the transition to stable democracies.

A second factor that has contributed to the new *détente* in Soviet-U.S. relations is the substantial change that has taken place in the American image of the Soviet Union. As a result of *perestroika* and *glasnost*, there is a general perception in the United States that revolutionary changes are now sweeping the communist world, that communist parties and Marxist doctrines are collapsing, and that 1989 was the year in which the West won the cold war. From a U.S. view, the Soviet "threat" has therefore been greatly diminished.

There is little inclination in the United States to gloat over the crumbling of the Soviet empire or take satisfaction from the Soviet Union's domestic crisis. On the contrary, there is now a strong belief that the West has a stake in the success of *perestroika* and that Gorbachev's survival is a key to sustaining the benign global trends that now exist.

So far, the Soviet-U.S. rapprochement has been centered on arms control and Europe. But the general reduction in tensions is almost certain to have a spillover effect on the Soviet-U.S. relationship in the Pacific. Both powers are already readjusting their force posture in Asia; both formal and informal dialogues are taking place on how to reduce tensions on the Korean peninsula; and there is the beginning of what could be an extremely useful dialogue between high-ranking Soviet and American naval officers.

Still, as mentioned earlier, the pace of arms reduction in Asia is likely to lag behind the pace in Europe. Under prevailing geopolitical circumstances, none of the four major powers in Asia are likely to make drastic cuts in their armed forces. A variety of confidence-building measures are probably the best that can be expected at this juncture. Before more substantial cuts become realistic, there will have to be a settlement of the various regional conflicts, the establishment of a regional arms control forum, and, perhaps most important, greatly improved relations between the major powers.

U.S.-Chinese Relations

U.S.-People's Republic of China (PRC) relations have experienced a sharp setback since the Tiananmen Square tragedy last June. The United States has imposed a number of sanctions on China, including the suspension of high-level exchanges, postponement of all new loans to China by international financial institutions, and suspension of U.S. military exchanges and arms deals with the PRC. Other Western governments and Japan have also imposed economic sanctions, and the Paris-based Coordinating Committee for Multilateral Export Controls (COCOM) has canceled a plan for further reductions of restrictions on exports to China of sensitive, dual-use technology.

The Chinese government has reacted to these sanctions by claiming that the Western governments, especially the United States, are seeking to undermine socialism and the leadership of the Chinese Communist Party and to encourage a "peaceful evolution" to capitalism in China. The PRC contends the West is interfering in its internal affairs and it has done nothing wrong for which it has to ask Western forgiveness.

In the United States and in China, domestic politics are now becoming a major factor in relations between the two countries. In the United States, China has once again become an emotional issue. The dramatic television images of the bloody suppression on the democracy movement in China have strongly affected American attitudes, and those who have long advocated closer relations with China are now on the defensive.

Still, two schools of thought in the United States on how to conduct relations with the PRC exist. One body of opinion, arguing that past U.S. policy was based on exaggerated estimates of shared strategic interests, is calling for even tougher sanctions against China. This school is particularly strong in Congress, and there is likely to be a big congressional debate later this year over whether to renew most favored nation (MFN) privileges for Chinese exporters.

Another school of opinion argues that China's important position in global and, particularly, Asian affairs means it is in American interests to preserve the relationship. It also contends that the underlying conditions for reform in China are still strong and that external powers cannot force much change in domestic Chinese politics. Moreover, an isolated China would be even more dangerous.

In China, too, there are indications of differences within the leadership over how to proceed in relations with the West. Some leaders evidently want to take a much tougher and more defiant stand. Others do not want to jeopardize a relationship that has been extremely useful during the past decade in helping China to modernize and to improve its standard of living.

So far, the dominant trend is that the U.S. and Chinese governments are trying to limit the damage to their relationship and to await prospects for improvement. President Bush sent his national security advisor, Brent Scowcroft, to China last July and again in December. The December visit came after trips to China by former president Nixon and former secretary of state Kissinger.

A good indication of the Bush administration's thinking on post-Tiananmen China was provided by Deputy Secretary of State Lawrence S. Eagleburger in testimony before Congress last February. Eagleburger expressed the president's view that it is not in the American interest to see an isolated China return to a "spoiler role" in Asia. And, said Eagleburger, China's strategic significance should not be seen through the narrow prism of the so-called strategic triangle. Instead, China's strategic significance lies in its "potential role in an increasingly multipolar world." A modernizing China at peace with itself and its neighbors "is critical to stability in East Asia."

The United States has recently taken some modest steps to improve relations with China by resuming basic human needs loans by the World Bank and licensing commercial satellites for launch on Chinese rockets. The dispatch of the Scowcroft mission was another such gesture. China has responded by lifting martial law in Beijing, providing certain assurances to the U.S. on its sale of missiles, releasing several hundred detainees, accrediting the Voice of America correspondent in China, and moving toward resumption of the Fulbright program.

In a speech given on February 22 before a congressional committee, Richard Solomon, assistant secretary for East Asian and Pacific Affairs, said these steps "do signal a desire on the part of Chinese leaders to sustain a

working relationship with the United States and to keep the door to the outside world at least partially open." But, said Solomon, the Chinese authorities have yet to take "the steps necessary to heal the wounds of last June's tragedy" by ending the climate of repression and resuming the reform process. He referred specifically to tighter restrictions on study abroad; the fact that Fang Lizhi, a leading Chinese dissident, is still taking refuge in the U.S. Embassy; the continued jamming of VOA; and continuing U.S. concern about reports of Chinese weapon sales to "unstable parts of the world." U.S. intelligence reports say Beijing may be providing Soviet Scud B missiles to North Korea, helping Iraq get centrifuge material, and providing missiles to Iran.

Both Washington and Beijing will have to gauge the costs of a more confrontational relationship if they do not overcome the present chill. For China, this would mean giving up its grand strategy of the past two decades, which has been to downgrade ideology for the sake of the global geopolitical balance and economic modernization.

For the United States, a long estrangement with China would also be costly. By heightening tension in Asia, such a development would adversely affect the strategic environment, make China less willing to cooperate with the United States on the solution of regional conflicts, increase Chinese opposition to American military presence in Asia, and possibly lead to increased Chinese arms sales to the Third World.

Given the stakes both sides have in preventing any further deterioration of relations, efforts to overcome the chill in relations seem inevitable. The United States has already sent two high-level diplomatic missions to China. And Beijing, despite its harsh criticism of Western attempts to pressure China on its internal policies, has kept open the major channels of contact with Washington, has insisted it intends to press on with the open door policy, and has continued to seek Western trade and investment.

In a relatively conciliatory speech on March 21 before the annual meeting of the National People's Congress, Chinese Premier Li Peng said it was necessary to preserve world peace and to create a long-lasting peaceful international environment. While criticizing "certain big powers" for wantonly interfering in the internal affairs of other countries, he did not specifically name the United States. And, in two brief paragraphs on Sino-U.S. relations, he said relations between the two countries had expanded during the past ten years and could be "restored and furthered" if both sides adhere to the principles of noninterference.

Given the costs both sides would incur if relations deteriorate further, it seems likely they will seek to overcome the present chill. But the pace of progress is likely to be slow.

Sino-Soviet Relations

The summit meeting between Gorbachev and the Chinese leadership last May ended thirty years of Sino-Soviet estrangement. By withdrawing from Afghanistan, promising to withdraw from Mongolia completely by 1992, announcing a substantial reduction of troops from Soviet East Asia, and encouraging Vietnam to withdraw from Cambodia and seek a political settlement there, the Soviets have met China's "three conditions" for normalization of relations. At the summit, both governments agreed to negotiate further on arms cuts along their common border and to seek a settlement of their disputed boundaries issues.

Sino-Soviet trade has increased considerably over the past few years—about \$3 billion—but still accounts for only 4 percent of China's total trade and less than 2 percent of the USSR's. The Soviet Union agreed to lend China \$82 million in the form of construction materials for use in completing a railway line linking China's Xinjiang area to Soviet Kazakhstan by 1992. And the two sides are launching a number of new joint ventures and discussing several cooperative projects in Soviet Siberia.

So far, progress on arms control and on the border dispute has been slow. The two sides have yet to reach a border settlement, and privately each blames the other for not being prepared politically to move forward. With regard to arms control, China's premier, Li Peng, is shortly to visit Moscow in an effort to clarify the principles for reducing forces along the border. The Chinese will probably insist that reductions be asymmetrical because of the much larger number of Soviet forces along the border and that they include a substantial drawdown of Soviet nuclear forces arrayed against China. There will be many difficult problems. What will the Soviets do with their equipment and their military infrastructure? How will the reductions be verified? How, at a time of substantial reductions in Soviet forces from Eastern Europe, will the Soviets demobilize tens of thousands of officers from the Chinese border and then find them adequate housing and civilian jobs?

Although both sides have a considerable stake in improving relations in order to concentrate their efforts on economic modernization, Sino-Soviet relations are not likely to be intimate in the years ahead. There is a long border between the two countries and no buffer zone. The Soviets must have mixed feelings about the rise of a great power armed with nuclear weapons on their sparsely populated and geopolitically vulnerable Siberian border. Chinese memories of past dealings with the USSR are quite mixed, and suspicions of Soviet motives in wanting a more active role in East Asia are still strong.

The two sides are also bound to have reservations about the growing divergencies in their political outlooks and orientations. While Gorbachev presses ahead with reforms that are substantially diluting the leading role of the Communist Party in the USSR, the Chinese leadership continues to equate socialism with Communist Party dominance. Privately, the Chinese have

voiced great concern over the collapse of communist regimes in Eastern Europe and the direction in which Gorbachev is moving. Some Chinese even say they consider Gorbachev's *perestroika* and *glasnost* a "negative example" for China. In their view, by letting political reforms outpace any economic improvement, Gorbachev is undermining socialism and creating a chaotic situation within the USSR. The Chinese see the mounting Soviet crisis and the dismantling of communism in Eastern Europe as proof their own more cautious policies—which have emphasized economic reform while deemphasizing political reform—have been vindicated.

Soviet-Japanese Relations

A century of hostility, an unresolved territorial dispute, and a close-in Soviet military presence have all constrained the development of Soviet-Japanese relations in recent years. Moreover, prior to the Persian Gulf crisis, at a time of plentiful oil and relatively low energy prices, the Japanese had lost much of the appetite they once had for exploring Siberian coal and gas reserves. It remains to be seen whether the recent increase in oil prices resulting from instability in the Gulf will rekindle Japanese interest in helping to develop Soviet energy resources.

Still, Moscow and Tokyo seem to be making slow but steady progress toward defining a new relationship. Since Gorbachev came to power, the two countries have held four regular foreign ministerial meetings and have established a permanent working group for the conclusion of a peace treaty. This group has already held five meetings.

Recently, the pace of diplomatic activity has picked up. The Japanese invited Gorbachev to visit Japan, and in September 1989 Soviet Foreign Minister Shevardnadze announced the Soviet president would visit Japan in 1991. Following this announcement, Alexander Yakovlev, once of Gorbachev's most influential advisors, made a trip to Tokyo in December 1989. And, in January 1990, despite his hectic schedule, Gorbachev found time to meet a senior Japanese politician, Shintaro Abe, a man considered in line for prime minister. Abe allegedly has a more flexible approach to the territorial dispute than the Japanese Foreign Ministry.

Soon after Japanese elections in February 1990, which unexpectedly brought a substantial victory to the ruling Liberal Democratic Party and to Japan's current prime minister, Toshiki Kaifu, the Soviet government confirmed Gorbachev's visit to Tokyo would be held in April 1991.

Soviet-Japanese trade has grown steadily from U.S. \$4.1 billion in 1985 to U.S. \$6 billion last year. Japan is now once again the Soviet Union's third largest trading partner among the Western countries, following West Germany and Finland. And, given the right political conditions, this trade could increase substantially in the years ahead.

The territorial issue has been the main obstacle to any breakthrough in Soviet-Japanese relations. It has prevented the signing of a peace treaty some forty-five years after the end of World War II. The Japanese insist the Soviets must return what they regard as their “northern territories,” but Moscow claims the issue has already been resolved.

The Soviet attitude toward the territorial issue has changed slightly over the past year or two. The Soviet Union has permitted Japanese politicians and scholars to use the Soviet media to inform the Soviet people that the unresolved territorial issue still exists between the two countries. Some Soviet scholars have urged the Soviet leadership to acknowledge the problem, and others have even publicly urged a return of the islands to Japan. Yakovlev told his Japanese hosts the Soviet Union would study whether there was a “third way” to improve Soviet-Japanese relations, thus suggesting a possible compromise on the territorial issue. And there are recent reports that the Soviet Union is preparing to return two of the four Soviet-held Japanese islands.

U.S.-Japan Relations

Seldom in history have two nations been so mutually dependent as the United States and Japan are today. Japan needs American security protection for the defense of its homeland and the protection of its regional security interests in East Asia and the Persian Gulf (the main source of its oil). Japan also relies heavily on continuing access to the world’s largest market. The United States is Japan’s number one trading partner, and trade between the two countries is huge—U.S. \$130.6 billion in 1988. As Japanese investments in America grow, so Japan is becoming more and more dependent on a healthy American economy. Japan also needs continuing entry into America’s vast research establishment that is central to Japan’s own technological innovation. Finally, through cooperation with America, Japan gains secure access to a stable and expanding world market.

The United States, for its part, needs Japanese capital to finance its federal deficit and its own industrial renovation. Japan is America’s second largest trading partner and is a very important market for U.S. agricultural exports. The U.S. security alliance with Japan is vital to the U.S. military position in the western Pacific. The United States also increasingly relies on Japan to provide financial and economic aid to a variety of geopolitically important but unstable Third World countries in which the West has important strategic stakes. Finally, and not least of all, the United States must have Japanese assistance if it is to maintain a stable, open, and prosperous international trading system.

In sum, the global partnership is indispensable for both countries. Without American protection, Japan would have to spend huge sums on its own defense while frightening and alienating its neighbors and contributing to a new regional arms race that would sharply increase instability. For its part, the United States, without a strong Japanese ally, would soon see its influence in

the Pacific region sharply diminish, its security in danger, and its economy in much greater difficulty.

Nevertheless, despite this extraordinary degree of interdependence, there is conflict and growing antagonism over trade issues. The U.S. trade deficit with Japan was \$55.7 billion in 1988, and many experts believe it will not fall much, and may even rise, in future years. A common view in the United States is that Japan exports freely to the United States, but that U.S. firms face barriers in selling in the Japanese market. The U.S. government is constantly pressuring Japan to remove trade barriers, and recently the Bush administration cited Japan for "unfair trading practices" under section 301 of the 1988 Omnibus Trading Act.

Many Japanese, on the other hand, believe U.S. actions and attitudes reflect racial animosity and that the United States itself is responsible for its loss of competitiveness because of poor economic policies, poor business practices, and the abandonment of the work ethic.

Defense issues have also become contentious. Some Americans contend Japan has enjoyed a "free ride" because of the U.S. security guarantee and should now assume a greater defense burden. Others worry Japan may emerge as a competitor to the United States in developing its own military technology. Japan's defense industry already favors a lifting of the ban on arms exports and may press harder in the 1990s for a policy change. A lifting of the prohibition would put Japan in competition for the sale of weapons in Asia and possibly globally.

In Japan, some believe U.S. demands for a militarily stronger Japan mask a U.S. desire to withdraw from the Pacific whereas others accuse the United States of trying to limit Japan's ability to develop new defense technology.

There is also controversy over Japanese aid programs. Japanese economic aid has opened up Japanese commercial and investment opportunities in East Asian countries. Japanese aid gives priority to infrastructure projects, which often are constructed by Japanese firms using Japanese products. Infrastructure projects often support foreign investment in these countries, much of which is Japanese. Such self-serving Japanese aid policies are inevitably criticized by the United States and, particularly at a time when U.S. aid levels are declining, will provide additional grist for conflict.

Nevertheless, despite the many strains on the U.S.-Japan relationship, the alliance will continue in the 1990s. Japan is not likely to develop the military power that would make the option of an independent course in world affairs practical. Moreover, uncertain relations with its Asian neighbors, especially the Soviet Union and China, will reinforce Japan's preference to maintain its defense ties with the United States.

The most likely scenario is that Japan and other U.S. allies will respond to U.S. pressures for greater "burden sharing" by taking on more economic and

military responsibilities. In Japan's case, it will insist and probably be given a greater policy-making role on international economic issues.

Scenarios for the Future

There are several scenarios for major power relations in East Asia in the future. First is the possibility of working toward a more peaceful and stable security regime in Asia as in Europe. To achieve such an objective, there will have to be a process of negotiation that gradually reduces the size and activities of the armed forces of all nations in the region, that brings about closer economic cooperation, and that transforms political relationships among all nations from confrontation to cooperation. In the Pacific region, this would mean resolving all the regional issues and all the territorial conflicts; reducing arms, increasing military transparency, increasing confidence-building measures, redeploying forces in a defensive manner, and so on; strengthening regional organizations; and encouraging trade and other economic as well as cultural relations among nations. Needless to say, there will be many obstacles to the achievement of such a more peaceful regime in Asia. These obstacles are rooted in the violence and hatreds of the past, in the honest clash of opposing interests in the present, and in the unknown problems that may emerge in the future, as well as in the sheer magnitude of the task of transforming international relations in a more cooperative direction.

In a second and more pessimistic scenario, we might envisage a number of contingencies that increase tensions in Asia: military confrontation in the Korean peninsula; a conflict in the South China Sea arising from conflicting territorial claims; a further worsening of Sino-U.S. relations; a reversal of *perestroika*; a failure by the Soviet Union and Japan to resolve their territorial conflict; disputes over German reunification that interrupt and fracture the present more benign trends in Europe; trade wars and the emergence of regional economic blocs in Europe, North America, and Asia; and so on.

We are, as indicated at the outset, in a transitional period. We will need to tax our collective wisdom and imagination to develop realistic strategies that will help guide the nations of the Asia-Pacific region toward the creation of a more peaceful and stable security regime.

6. Changing Times: The Making of Soviet Policy in Asia

COIT D. BLACKER

Nineteen eighty-nine is likely to be remembered as the year the cold war ended.¹ In Europe, where for forty years the confrontation between East and West had come to symbolize the form and substance of the postwar international order, the pace of change has been particularly dizzying. Developments that even twelve months ago seemed the stuff of fantasy—a Solidarity-led government in Poland, the collapse of the Honecker regime in East Germany, the opening of the Berlin Wall, and the popular revolutions in Czechoslovakia and Romania—have all come to pass in a bewildering and exhilarating series of political shock waves that not even those responsible for the upheavals could have anticipated.

In Asia, by comparison, the pace of change has seemed almost glacial. Although in many ways no less profound, the shifts in relations between and among Asian states during 1989 were accompanied by little of the drama that characterized events half a world away. Things, however, are seldom as they seem. Obscured to a degree by the measured and relatively well-ordered diplomacy of Moscow, Beijing, and Tokyo, far-reaching developments have been set in motion throughout the region that, no less than those in Europe, have the potential to transform the contemporary international political environment.

The New Soviet Diplomacy

In both instances the primary catalyst for change has been the veritable revolution in Soviet foreign and military policies engineered by Mikhail Gorbachev. Slowly at first, and then with an ever-increasing sense of urgency,

¹This chapter is adapted from Coit D. Blacker, "The USSR and Asia in 1989," *Asian Survey*, January 1990, pp. 1–12.

Gorbachev has sought—by redefining the very nature of Moscow’s relationship to the outside world—to fashion a new set of policies to guide Soviet diplomacy in the 1990s and beyond. The fundamental reason is cost. In a bold bid to save the revolution at home by freeing up resources heretofore earmarked for the defense of Soviet interests abroad, Gorbachev has made the difficult decision to trim military spending, to curtail foreign assistance programs, and to cut Eastern Europe free to chart its own political and economic destiny.

The material costs of *perestroika* seem to have taken Soviet leaders by surprise. What began as an orderly if ambitious program to reinvigorate an ailing Soviet economy has, over time, assumed the features of a race against time. If the reform process is to produce tangible results in the form of a manifest economic renewal (including higher living standards for the population), the leadership must pinpoint additional resources to devote to the task. The Soviet military budget is an obvious target for reduction and reallocation. The problem confronting Gorbachev since the outset of his tenure in office has been how to undertake the kinds of military reductions likely to generate significant savings, while at the same time preserving the security of the Soviet state. (U.S. policymakers currently face very much the same dilemma.)

Gorbachev recognized early on that what some have termed the “militarization” of Soviet foreign policy during the 1970s and 1980s—the so-called period of stagnation—had been a mistake, resulting in a sharp deterioration in the country’s international political position. Far from easing the Soviet Union’s security dilemma, in other words, the leadership’s tendency to speak loudly and carry a big stick had only made matters worse. By 1985, Soviet relations with the developed capitalist world, including the United States, Western Europe, and Japan, had reached a nadir; relations with China were no better. To compound the problem, since the election of Ronald Reagan in 1980, the East-West military confrontation had taken a new, unwelcome, and ominous turn for the worse.

To realize significant reductions in military expenditures, Gorbachev has had to demilitarize Soviet policy, which he has attempted in two, mutually reinforcing ways. First, he has sought to revise radically the content and expression of Soviet foreign policy. In countless statements since his election as general secretary (and later, as president), he has denounced the pursuit of unilateral advantage, calling instead for the development and implementation of multinational and mutually beneficial initiatives in the areas of national and international security, the environment, industrial policy, and human rights. He has proposed greater use of various international organizations, including the United Nations, to resolve regional conflicts and urged strict adherence to international legal norms. He has promised to respect the sovereignty and territorial integrity of neighboring states and made a point of his commitment to and support for national self-determination. He also has shown a propensity to match words with deeds as the Soviet posture toward the revolutionary changes

in Eastern Europe suggests. Consequently, Gorbachev has all but erased the once dominant Western view of the Soviet Union as a repressive, manipulative, and ultimately very dangerous actor on the world stage.

The second part of Gorbachev's strategy has been no less dramatic. In a series of gestures, beginning with his December 1988 pledge before the United Nations General Assembly to implement a 500,000-man reduction in Soviet armed forces, Gorbachev has evinced a remarkable willingness to scale back unilaterally his country's military capabilities. Eliminating this military "overhang"—which, for the reasons cited, has served more to undermine Soviet security than to enhance it—has contributed in important ways to the perception that Gorbachev means what he says and that he is prepared, within limits, to recast many of the Soviet Union's most important bilateral relationships by reference to what he and others now identify as the "new thinking" in foreign policy, incorporating such notions as common security, noninterference in the internal affairs of other states, and "reasonable sufficiency" in defense.

The logic of the Gorbachev strategy is clear. By rendering its foreign and military policies less threatening to others, the leadership hopes to normalize relations with the Soviet Union's most powerful neighbors. Normalization, in turn, is a prerequisite to what Soviet officials once termed military *détente*, or negotiated, bilateral and multilateral reductions in armed forces and armaments. Mutually binding constraints on military capabilities are indispensable if the Soviets are to reduce the economic burdens of defense and still safeguard the country's security.

Moscow's Asian Policy

The three most critical dimensions of contemporary Soviet foreign policy—Moscow's relations with the United States, Western Europe, and the countries of East Asia—radiate from this conceptual framework like spokes from the hub of a wheel. Along all three axes, policy has been informed by the perceived need to normalize, retrench, and regroup.

The first two sets of relations—U.S.-Soviet and Soviet-West European—have been closely monitored and the subjects of extensive commentary. Less often the topic of careful scrutiny have been the recent shifts in Soviet Asian policy, best symbolized, perhaps, by Moscow's deliberate and determined openings to Beijing and Tokyo (and, to a lesser extent, to Manila, Jakarta, and Seoul).

Gorbachev previewed the fundamental features of the Soviet Union's new Asian diplomacy in his July 1986 speech in Vladivostok. He elaborated on many of the same themes in September 1988 in the Siberian city of Krasnoyarsk. In each speech, Gorbachev sought to convey three essential messages: that the USSR was and would remain an Asia-Pacific power of the first rank; that Moscow was eager, on the basis of equality, mutual respect, and

mutual advantage, to expand relations with friends and to repair relations with adversaries; and that conditions were propitious for a negotiated end to all regional conflicts and an easing of the areawide military confrontation.

On balance, Gorbachev's remarks were well received in Asia although not without some skepticism. The legacy of past Soviet policies in the region—the steady buildup in military potential, sharp and enduring conflict with China, strained relations with Japan, and support for Vietnam's occupation of Cambodia—all worked against Gorbachev's forceful and articulate proposals for a new beginning in relations among Asia-Pacific states. If real changes were to occur, observers seemed to suggest, the initiative would have to come from Moscow. As always, the key to Soviet fortunes in Asia was China.

Relations with China

For a decade the Chinese leadership had made normalization of relations with the Soviet Union contingent upon the latter's satisfaction of three conditions: the withdrawal of Soviet forces in Afghanistan, an end to Vietnam's military occupation of Cambodia, and the reduction of Soviet troops along the Sino-Soviet frontier.

For a decade Soviet leaders resisted China's demands. Then, suddenly, in February 1988, Gorbachev announced a twelve-month timetable for the removal of all Soviet combat forces from Afghanistan. In July 1988 the government of Vietnam signalled its intention to complete the withdrawal of its troops from Cambodia by late 1989 or early 1990. Two months later, in Krasnoyarsk, Gorbachev praised the Vietnamese decision, took note of the generally positive development of relations in the region, and pledged that Soviet efforts to eliminate the military confrontation in Asia would continue.

In December 1988 China's foreign minister, Qian Qichen, came to Moscow—the first such visit in thirty years—for high-level talks with his Soviet counterpart, Eduard Shevardnadze. At the conclusion of their discussions, Qichen and Shevardnadze announced Gorbachev would journey to Beijing at midyear for consultations with senior Chinese leaders. The last obstacle to the normalization of relations dissolved during Shevardnadze's return visit to Beijing in February 1989 when the foreign minister announced Moscow's decision to trim Soviet forces in Asia by some 250,000 troops (including 120,000 deployed along the Manchurian border and 50,000 stationed in Mongolia).

It was, therefore, with considerable anticipation on Moscow's part that Gorbachev arrived in Beijing on May 15 to begin four days of intense bilateral discussions with his Chinese hosts. What should have been a singularly satisfying moment for Soviet officials was marred, however, by the Chinese leadership's rather reserved reception of Gorbachev and his entourage. Unwilling to endanger their carefully crafted series of relationships with the West by seeming to draw too close to Moscow too fast, the Chinese kept their distance.

They were further distracted from the important business at hand by the prodemocracy movement's effective occupation of Tiananmen Square. The political challenge to the Chinese government (and to the country's Communist Party) must have constituted an acute embarrassment to Deng Xiaoping and his colleagues, which Gorbachev's virtual silence on the matter did little to ease.

At the Great Hall of the People on May 17, Gorbachev affirmed the Soviet Union's commitment to effect the announced troop reductions in a timely fashion; he also called for substantial growth in economic cooperation between the two countries and proposed the creation of direct ties between Soviet and Chinese industrial enterprises and scientific institutes.²

On occasion, old tensions resurfaced. At the luncheon on the second day of the summit, Deng treated Gorbachev to a short lecture on China's victimization by foreign powers, citing, among other insults to his country's honor, what he characterized as the Soviet Union's self-serving policies toward China during the 1950s. Having made his point, Deng went on to restate the commitment of the Chinese leadership to an "independent" foreign policy.³

On balance, the Beijing summit must be considered a success for Soviet diplomacy. Moscow's principal objective, the normalization of relations, was achieved, although at a cost that previous Soviet leaders had declined to pay. From China's point of view, the new *détente* must have been a source of considerable satisfaction as it had come about largely on terms advanced by Beijing. No less important, the Chinese leadership had managed to repair relations with Moscow without provoking much by way of anxiety among China's friends and neighbors, both near and far.

Moscow's commitment to its new relationship with Beijing came in for its first real test on June 4, when Chinese troops, acting on orders from the central leadership, began the first of many military sweeps to clear Tiananmen Square of disaffected students and workers. The violent suppression of the prodemocracy movement in the days that followed provoked an international storm of protest against the Chinese government. In a deliberate decision to preserve what they had struggled so hard to achieve, Soviet authorities resisted demands that they join in the condemnation, choosing instead to maintain a discreet silence. In July they were rewarded for their discretion when a midlevel Chinese delegation arrived in Moscow to advance the agenda laid out in the May communiqué. The visit of a Soviet delegation to China in September, led by the first deputy chairman of the Supreme Soviet, reinforced the message that relations between the two communist states were developing in a normal fashion, despite the recent unpleasantness.

²"Gorbachev's 17 May Speech at the Great Hall of the People," Foreign Broadcast Information Service (FBIS), *Soviet Union*, May 17, 1989, pp. 6-12.

³"Soviets and China Resuming Normal Ties After 30 Years," *New York Times*, May 17, 1989, pp. A1 and A8.

Ties between the Soviet Union and China should continue to improve in the months to come because better relations are very much in the interest of both countries. To undertake deeper reductions in their Asian-deployed military forces, to which Gorbachev appears to attach considerable importance, the Soviets will need to induce the Chinese to follow suit. China, still wary of the Soviet Union's new diplomacy, is likely to take such a step only in the context of a steady improvement in bilateral ties. The Soviets, by productively taking part in a variety of activities of great interest to Beijing—such as the long-running negotiations to resolve the border dispute—are doing all they can to reassure the Chinese leadership their intentions are honorable. For the moment at least, the Soviets are making all the right moves.

Relations with Japan

Much the same can be said in reference to the development of Soviet relations with Japan, although so far the results have been more modest. This may soon change, however, as Moscow, having charted a new course with Beijing, turns its full attention to the reconstruction of relations with the government in Tokyo.

The Soviets have set themselves a difficult task: relations between the two countries have been among the worst in Asia. It is, however, the continuing dispute over the so-called Northern Territories—the four southernmost islands in the Kurile chain over which the Japanese claim sovereignty but which the Soviets have occupied and administered since the end of World War II—that has made relations all but intractable. For more than thirty years the Soviet government resisted Japanese efforts to convene discussions on the islands by dismissing Tokyo's initiatives as misplaced: Ownership of the Kuriles was not an issue, according to Soviet officials, their status having been determined by the Allies during the wartime conferences.

In a major concession to Japanese sensibilities, Shevardnadze agreed to discuss the territorial question during his December 1988 consultations with Foreign Minister Sosuke Uno in Tokyo. Although the discussions failed to produce a meeting of the minds, they did result in the establishment of a permanent working group, to be cochaired by Soviet and Japanese deputy foreign ministers, to explore the conclusion of a peace treaty. Given the central importance of the territorial issue to the normalization of Soviet-Japanese relations, it was inconceivable that in the course of these negotiations the status of the Kuriles would not assume a prominent place.

Press reports accompanying the first meeting of the working group, held in Tokyo in March 1989, suggested as much, with Soviet Deputy Foreign Minister Igor Rogachev affirming once more the legitimacy of Moscow's claims to the disputed territories, while at the same time insisting the controversy should not

stand in the way of normalized relations.⁴ His Japanese counterpart, Kakakazu Kuriyama, faithfully reiterated the by now familiar Japanese position: Good relations must await resolution of the territorial question. A similar dynamic characterized the colloquy between Gorbachev and Foreign Minister Uno when the latter journeyed to Moscow in late April for the second high-level review of Soviet-Japanese relations in six months.

Notwithstanding the ostensible rigidity of the Soviet position, a subtle change in Moscow's line had begun to emerge. During Uno's Moscow visit, for example, it was reported Shevardnadze had raised the possibility of some kind of accommodation, as yet undefined, regarding the two islands, Habomai and Shikotan, closest to the Japanese home island of Hokkaido.⁵ In July Colonel General M. A. Moiseyev, chief of the Soviet General Staff, struck an uncharacteristically relaxed tone concerning the U.S.-Japan Security Treaty, which the Soviets had always pointed to as a major obstacle to the normalization of relations between Moscow and Tokyo, noting the conclusion of such agreements is a sovereign right of all countries.⁶

More surprises were in the offing. In November 1989 Politburo member Aleksandr Yakovlev traveled to Tokyo for a round of discussions with senior Japanese officials. In a startling departure, Yakovlev spoke of a "third way" in reference to the dispute over the Northern Territories and argued the problem could and should be resolved in concert with other issues on the Soviet-Japanese agenda. Yakovlev's statement signalled a potentially important shift in Soviet policy—the precise implications of which are impossible to determine at the moment—which may well provide a mechanism for the two sides to dispense with the issue in a mutually acceptable manner. Yakovlev also described Gorbachev's upcoming visit to Japan, scheduled for sometime in 1991, as an event of possibly far-reaching significance.

Assuming progress on the territorial question, the Soviets may well encourage the Japanese to reciprocate in some fashion to the ongoing reductions in Soviet military forces deployed in Asia and to consider seriously the Vladivostok and Krasnoyarsk proposals for the initiation of multilateral discussions on the reduction of military tensions and the enactment of confidence- and security-building measures in the Asia-Pacific region. Soviet leaders might also look with favor on an expansion of bilateral economic ties, particularly in the form of joint ventures in which Japanese capital would be deployed to underwrite the development of western Siberia and the Soviet Far East.

⁴See "USSR-Japan Foreign Ministry Talks Reported: Characterized as 'Businesslike,'" *FBIS, Soviet Union*, March 22, 1989, pp. 19–20; and "Rogachev Rejects Japan's N. Territories Claims," *ibid.*, March 29, 1989, pp. 8–9.

⁵"Further on Shevardnadze-Uno Meetings in Moscow: Hint at Partial Territory Settlement," *ibid.*, May 4, 1989, pp. 17–18.

⁶"General Moiseyev Cited on Japanese Security Treaty," *ibid.*, July 21, 1989, p. 21.

Whether Tokyo will respond favorably to these and other possible Soviet initiatives is difficult to determine. Any substantial change in Japan's foreign and military policies would almost certainly have important consequences for relations with Washington—consequences the government may wish to avoid, given the intense existing frictions over trade and direct Japanese investment in the United States. Moscow's interest in a dramatic intensification of Soviet-Japanese economic relations is probably misplaced in any event, as business in Japan can realize a much greater return on its money by continuing to invest, among other targets, in the rapidly industrializing economies of South Korea, Malaysia, Thailand, and Singapore.

Despite these barriers, relations between the Soviet Union and Japan seem to have entered a qualitatively new phase. The prospects for continued improvement appear substantially better than at any time since the aborted *détente* of the mid-1950s. As with the rapid development of Sino-Soviet relations, most of the credit for the warming in relations between Moscow and Tokyo must go to Soviet leaders, and to Gorbachev personally, who have repeatedly demonstrated their willingness to break with the counterproductive policies of the past in a serious bid to transform the very nature of the Soviet Union's relationship to the world beyond its borders.

Relations with Other States in the Region

The cultivation of better relations with member states of the Association of Southeast Asian Nations (ASEAN) constitutes the third major thrust of the Soviet Union's Asian diplomacy. Of particular interest to Soviet leaders have been the two largest and most influential ASEAN countries, Indonesia and the Philippines. In both cases, Shevardnadze has met twice with their respective foreign ministers: with Indonesia's Ali Alatas in Moscow in May 1989 and again in September (the latter in connection with the state visit of President Suharto) and with the Philippines' Raul Manglapus in December 1988 (at the invitation of the Aquino government) and in Moscow seven months later.

In each case, the parties pronounced the meetings a success, as well they might, given Vietnam's decision, announced in January 1989, to complete the withdrawal of its military forces from Cambodia by September 1989. For ten years, Hanoi's occupation of Cambodia—and the Soviet Union's unwillingness to break ranks with its Vietnamese ally over the issue—had been a constant source of irritation in Moscow's relations with the noncommunist countries of Southeast Asia. Vietnam's announcement was, therefore, a welcome development from the Soviet perspective. Moscow's endorsement of the informal discussions among the warring Cambodian factions, convened in February 1989 under ASEAN auspices in Jakarta, earned the Soviet Union additional goodwill, as did Shevardnadze's constructive role in the Cambodian peace talks, held in Paris during the month of August.

The Vietnamese government's decision to quit Cambodia presented the Soviet Union with a unique opportunity to expand relations in an area of Asia where (outside Indochina) its influence has long been modest. At this juncture how the Soviet leadership may capitalize on its enhanced standing in the region, beyond the active solicitation of support for the several military and political initiatives contained in Gorbachev's Vladivostok and Krasnoyarsk speeches and the promotion of bilateral and multilateral economic ties, remains unclear. Should the Soviet Union and Philippines develop closer relations in the aftermath of the Vietnamese withdrawal, the question of Moscow's intentions could come to the fore with renewed vigor—at least for American policy-makers—in light of the Soviet Union's long-standing interest in encouraging the Manila government to restrict Washington's access to and use of U.S. military facilities on the islands, including Clark Air Force Base and the Navy's installation at Subic Bay.

Soviet relations with the two Koreas underscores the transitional character—if not the lingering schizophrenia—of Moscow's Asian policy. On the one hand, the Soviet government has affirmed its support for the Democratic People's Republic of Korea (DPRK).⁷ On the other hand, in 1989 Moscow persisted, quietly and without fanfare, to pursue the development of closer ties with South Korea. In January 1989 the Soviets welcomed the chairman of Hyundai Industries to Moscow for discussions on the expansion of bilateral economic relations; three months later, representatives of the USSR Chamber of Commerce were in Seoul to celebrate the opening of their first mission in the South Korean capital. In June the Institute of World Economics and International Relations hosted, for the first time ever, a South Korean politician who had spent some four hours in private consultations with President Roh Tae Woo prior to the former's departure for Moscow.

The intensification of contacts between the Soviet Union and South Korea during 1989 prompted *Izvestia* to run a story in late March in which the authors went to considerable lengths to reassure their readers—including, presumably, the North Koreans—that the recent upturn in relations between Moscow and

⁷At the end of his December 1988 Asian tour, for example, Shevardnadze stopped in Pyongyang for consultations with Kim Il Sung, North Korea's aging, autocratic president. According to the communiqué released at the conclusion of the visit, the meeting took place in an atmosphere of "fraternal friendship" and "unity of . . . views on all issues discussed." The Soviet foreign minister endorsed the DPRK's proposal for the creation of a Democratic Confederated Republic of Koryo, rejected U.S. and South Korean calls for cross-recognition by the two Koreas, and denounced what was termed the expanding U.S. military presence in the Asia-Pacific region. The North Koreans, for their part, praised Gorbachev's Vladivostok initiatives and wished the Soviet people success in their efforts to accelerate the process of socioeconomic renewal. See "Concerning the Visit of E. A. Shevardnadze, USSR Minister of Foreign Affairs, to the Korean People's Democratic Republic," *Pravda*, December 25, 1988, p. 4.

Seoul was directed against no other country and would not end in the establishment of formal diplomatic ties.⁸

How much longer the Soviet leadership can have it both ways—good relations with the government in the North and expanding political and economic ties with the South—remains to be seen. Should Soviet-South Korean trade relations develop dramatically, however, strains between the Soviet Union and North Korea would seem inevitable. Although it may be premature to speak of a profound deterioration in Soviet-DPRK relations because of Moscow's interest in Pyongyang's political rival, the potential exists. If the Soviet Union, even implicitly, were to cast its lot with Seoul, the DPRK could find itself in desperate straits. Moreover, a process would have begun that could result in far-reaching, if not revolutionary, changes on the Korean peninsula.

Conclusion

The changing face of the Soviet Union's Asian policy has produced tangible rewards and impressive gains in the form of normalized relations with China, a new beginning with Japan, enhanced stature among the ASEAN countries, and a diplomatic breakthrough with South Korea. Gorbachev's proposals for the convening of a multilateral conference to ease the military confrontation and to promote political and economic cooperation throughout the region have earned him considerable praise—and given the Soviet Union a much-needed boost politically—and may yield substantial dividends in the months and years to come.

At the same time, most of what the Soviet government has achieved within the last several years has been restorative or corrective in nature—a kind of political fence-mending on a grand scale with countries long hostile to and deeply suspicious of Moscow's motives. Whether the Soviet leadership can dispel doubts about the permanence of and build effectively on this new posture remains questionable. None of the recent advances is irreversible. In addition, the Soviet Union has gone about as far as it can in extending the olive branch, particularly to China but also to Japan, without surrendering the negotiating leverage it retains.

Perhaps, however, as their European policy suggests, Soviet leaders are determined to press ahead in Asia, whatever the near-term risks. By breaking decisively with the past, in other words, they appear to believe they can recast relations with leading Asian states to produce a fundamentally new, constructive, and sustainable series of regional associations that will ultimately redound to their country's material and political advantage. Moscow's future in Asia will turn, it seems, on the ability of President Gorbachev and his associates to translate this ambitious vision into reality.

⁸A. Pashkov and A. Plutnik, "The Wall: Reflections Following a Trip to People's Korea," *Izvestia*, March 30, 1989.

7. The Situation in Northeast Asia: A Search for Common Understanding

ALEXIS D. BOGATUROV

Two factors seem to be determining the situation in Northeast Asia in the 1990s. The first one involves transformations in political, economic, and ideological structures of the region's authoritarian states to improve living conditions and to align their views more realistically with those of the rest of the world. Such transformations are ongoing in both socialist and developing countries. The second factor is a complex of specific problems among the world's leading powers—the USSR, United States, the People's Republic of China (PRC), and Japan, on whom the settlement of regional problems to a large extent depends. Those problems range from conflict settlement and prevention to finding mutually acceptable forms of economic cooperation. The interplay of those two factors forms a contradictory reality posing challenges to the USSR and the United States, with the outcome difficult to predict.

Asynchronous implementation of reforms in individual socialist countries, their zigzag, sometimes regressive, development, may cause major problems. They can also be triggered if the Soviet-American regional dialogue lags behind the global one or if the Soviet-Japanese dialogue falls behind the Soviet-American one. Fluctuations in the dynamics of U.S. relations with Japan and China, and lingering doubts (including in the USSR) about the optimal level and philosophical foundation of Soviet-Chinese normalization, will also require special attention.

Without exaggerating the possible consequences of current misunderstanding, Japan and the United States may eventually wind up in considerable conflict not purely economic, as now, but perhaps in the political realm as well. It might happen, for example, as a result of Tokyo's attempts to modify the forms and legal foundations for the bilateral partnership in the twenty-first century, founded at present on the Security Treaty with the United States and

Japan's "peace constitution," which mandates no military activities except for self-defense.

Each of these challenges presents problems to the USSR and the United States. And each country must decide if it is going to resist them alone or seek constructive cooperation wherever possible. Soviet-American discussion on Asia-Pacific problems, begun during Secretary of State James Baker's visit to Moscow in February 1990, are the first reassuring sign of an official turn to a regional dialogue between the USSR and the United States.

Conditions of Mutual Understanding on a Bilateral Level

Soviet-American cooperation, if achieved, may end up positively influencing the regional situation. Such cooperation, once seen by Asia-Pacific nations as potentially harmful, seems much less dangerous to them today. It would be extremely difficult for the United States and the USSR to create spheres of influence in Asia-Pacific developing countries at present. Even so, on this score Soviet and American diplomacy must reassure their allies and all countries of Asia and the Pacific, irrespective of their international political orientation. A movement toward Soviet-American cooperation is possible within the framework of preserving regional stability and with a lower level of military confrontation.

It may seem premature to warn against accelerated rapprochement between the USSR and the United States when only the very first steps to their dialogue can be discerned. But it is important from the very beginning to emphasize the readiness of both powers to be guided not only by their own interests but also by the opinions of other Asia-Pacific states as well, without whose participation improvement of the regional situation is hardly possible. The idea of a dialogue and reciprocal concessions in the Asia-Pacific region in the relations between the great powers is not new. In the nineteenth century, Russia and Britain tried to delimit their interests in Central Asia. The same logic was used by the authors of the Soviet-American-British agreements of World War II. In more recent times "the first détente" of the Brezhnev-Kissinger era was typical of an attempt to create informal spheres of influence on the basis of mutual consent.

But practically all of those accords soon proved ineffective. In many respects this was inevitable, particularly as the more powerful states made reciprocal concessions at the expense of the interests of weaker nations. In the 1970s, the Soviet Union and the United States, concerned with the possibility of the direct collision of their interests in developing countries, proceeded mainly from the desire to reduce the costs of their policies. The opinions of small countries were all but disregarded.

As a result, developing countries felt left out and not bound in their international activities by the Soviet-American agreements. What is more, although they did not try to break away from the structure of the relations

imposed on them, they were constantly provoking the great powers to violate the agreements regarding their respective spheres of influence—Afghanistan, Cambodia, and Ethiopia come quickly to mind.

In the 1990s developing nations are much more aware of their positions in every respect, and it would be foolhardy to underestimate the possible reaction of Third World countries to the Soviet-American dialogue. From the practical point of view, this seems to be a major obstacle to any further policy of dividing the world into spheres of primary interests of the USSR and the United States.

But at the same time, from the theoretical point of view, it is important to note that the idea of spheres of influence has had as its fundamental *raison d'être* the idea that the fundamental interests of the states involved are in conflict. Hence, the thrust is to isolate them one from another to prevent them from interacting directly. But the premise is fundamentally erroneous. The great powers' interests can be isolated in imagination only. If the USSR and the United States lose contact with each other at this point, the entire system of international relations will be threatened, at least for a time, and might well collapse. It would appear that in addition to the role of subjective factors, the main reason why all agreements on spheres of influence have inevitably collapsed is that they were basically oriented to maintaining the international system in a static condition. The problem lay not merely in the ambitions of leaders or idiosyncratic circumstances; the natural evolution of the international structure itself broke down artificially designed frameworks.

This analysis, however, does not mean that Soviet-American compromises at global and regional levels cannot be reached, or can be of very limited duration. It means only that a formula of mutual tolerance must chart new waters. The idea of a dynamic balance of Soviet and American interests can provide the basis for such change, but the sometimes conflicting nature of Soviet and American interests must be accepted as given. And we must see too that these conflicting interests can be in juxtaposition with mutual interests. Then the whole system of Soviet-American relations will become self-regulating: Mutual interests will at least partially reduce the inevitable frictions and will allow the handling of friction on a regularized basis rather than causing them to accumulate in a concealed form, thereby creating a general overheating of relations when conflicts do occur. The most vulnerable spot in current Soviet-U.S. relations is that each nation still sees any point of conflict first and examines common values and tasks second. Ideally, these two processes should develop simultaneously and synchronously. The elimination of these disproportions may present the most difficult task for Soviet-American dialogue.

At the same time from the point of view of regional policy, the Soviet-American task is not limited, in principle, to securing the compatibility of their approaches. It is wider than this, and comprises a cautious integration of

coordinated Soviet-American approaches into a more comprehensive system encompassing the aspirations of all international community members.

It will be impossible to reach a radical improvement of the situation in Northeast Asia if we ignore the need for the formation of a regional consensus, at least on such key problems as the priority of the interests of stability over attempts to acquire enclaves of political domination and the interrelationship between Asia-Pacific countries' internal economic well-being and international stability. Attempts to reach consensus on regional policy priorities could begin with the USSR and the United States, but any lasting consensus requires the involvement of China, Japan, and other Asia-Pacific countries. In sum, it is extremely important for the Soviet Union and the United States to assess correctly the intentions of the other, to single out spheres of parallel interests as well as fields where they may remain in conflict.

What place do the USSR and the United States assign one another in that imaginary picture of the regional reality? The USSR has already stated that it accepts the U.S. role in the Pacific economic structure. A limited U.S. military presence in that part of the world is also seen as one of the factors contributing to regional stability. This presence, while intrinsically contrary to long-term harmony, at present, objectively sharpens the feeling of responsibility of the opposing sides in Korea and across the Taiwan Strait, restraining radical tendencies in the policies of Seoul and Taipei; imposes limitations on the potential military might of Japan; and reduces the fears of some governments concerning the "communist danger" and the "Soviet military threat." But it is difficult not to agree with Professor Seizaburo Sato's argument that "the U.S. force structure in this region is overtly offensive."¹ Soviet military specialists usually emphasize the predominantly *defensive* nature of the Soviet military presence in East Asia. It is thus logical the Soviet Union is trying to reach an agreement with the United States on arms control in Asia and the Pacific, as well as questioning how to regulate military activities and implement confidence-building measures. At the same time, a U.S. movement in this direction could significantly facilitate the adoption of political decisions in the USSR on considerably greater limitation of defense activities in the region. Moreover, it is appropriate to expect that the United States will display an understanding of the difficulties and potential costs of any Soviet unilateral actions in this direction. The Soviet military presence in the Asia-Pacific area means, first of all, the armaments stationed on its own national territory and secondarily, the naval forces and facilities abroad.

The U.S. military presence is determined, to a much greater degree, by its bases on foreign territory and the presence of its naval units in Pacific waters. The USSR recognizes that the United States is predominantly a naval power

¹Seizaburo Sato, "The Interrelationship Between Global and Regional Security Issues for the Pacific-Asian Region," in *Asian Security Issues: Regional and Global*, Robert A. Scalapino et al., eds., Research Papers and Policy Studies 26 (Berkeley: Institute of East Asian Studies, 1988), 21.

whereas the USSR is a land power. The USSR also recognizes that the range of real economic interests of both countries in Asia and the Pacific and their military commitments there differ. But it is important to bear in mind that it is far easier psychologically and politically for American experts and politicians to suggest reducing U.S. zones of direct military responsibility, the boundaries of which cut through Japan and Korea, than it is for their Soviet counterparts to insist on reducing armaments and troop levels within the limits of their own national territory, even in its remote Far East and Pacific areas.

Let us try to look at the problem from the other side. Let us assume the USSR has made a political decision to quickly curtail unilaterally its military presence in the region. Will it radically improve the regional political environment? First, for example, what would happen in Korea, where the Soviet Union's military-political partnership with the Democratic People's Republic of Korea (DPRK) has long helped stabilize an explosive situation? The DPRK would hardly become more predictable as a result of a Soviet unilateral withdrawal, and U.S. involvement in a situation where the American presence is more commanding.

Second, complete loss of a Soviet counterbalance to the American military influence in the Asia-Pacific area would cause concern in China. It is difficult to forecast internal Chinese political developments, but one cannot exclude a growing readiness of the PRC to fill any power vacuum that might appear in the Northeast Asian region.

Third, it is difficult to predict what such a change in the regional balance would have on Japan. Tokyo is not happy with the progress of the Soviet-American dialogue and with the rising possibility that the Soviet-U.S. confrontation throughout the Far East and Pacific will be reduced.

And, finally, fourth, the United States is now facing anti-Americanism in the Asia-Pacific region. The departure of the USSR from the military structure of Asia and the Pacific might mean a new round of doubts about U.S. intentions in the developing countries, which to a certain extent prefer to play off the two rival powers and so feel more independent.

Even if one concluded that freezing and curtailing the Soviet military presence in Northeast Asia did not raise any serious problems, the difficulty is that this process will reach a certain point, after which it can no longer remain unilateral lest it resemble a Soviet flight from the region capable of breaking the whole fragile regional balance. It is reasonable to talk about a gradual and proportionate replacement of the Soviet military presence with an economic and political one. And although the Soviet people and government hope to improve their economic position in the region, such hopes are not ours alone, but involve the entire area.

The Foreign Aspect of Soviet-American Cooperation

U.S. and Soviet relations with the leading powers of the region—China and Japan—will strongly affect both the Soviet and U.S. perception of and prospects for cooperation. In this sense, present complications in U.S.-Chinese relations, although they can be regarded as short-term, are the subject of concern not only for the United States but for the USSR as well. The ideological and emotional basis of the American decision to impose economic sanctions on China is quite understandable. But it is no secret that there are different assessments within the Soviet Union of the situation in China.

It is clear that the U.S. sanctions, the effectiveness of which, by the way, is doubted in the United States itself, are nothing but a means of exerting political pressure on China. And their implementation is not facilitating China's integration into a system of civilized regional or international communication, which we are striving to create and participate in. Moreover, China can effectively block the settlement of many regional problems—from settling the conflict in Cambodia to working out confidence-building measures.

Aggravation of U.S.-Chinese differences coincided with the normalization of Soviet-Chinese relations. In spite of these improving relations, the Soviet side can hardly mediate between the U.S. and China. The Soviet task, urgent and complicated, is to help the PRC come to a more constructive international dialogue with the United States and other nations. This task cannot be abandoned even though China has entered another stage of contradictory political transformations that are probably inevitable.

Restriction of democracy in any country seldom leads to positive changes in its foreign policy, and quite often it is destructive for the international environment. Soviet-American actions can, at least partially, lower the possibility of such developments—not necessarily through joint actions but via those based on a common understanding of the situation.

In the long run, there are some objective limits, beyond which any Soviet-Chinese ideological unity loses reasonable content and turns into propaganda. Certainly, the ruling parties in the USSR and China have a common ideological source—Marxism-Leninism. The parties are also agreed on their declared final objective—the building of socialist society. But no less evident is the fact that many theses of this classic theoretical heritage are treated differently in the two countries, from the assessments of the importance of democratic values to the conceptions of the optimal combination of various forms of property. As Seizaburo Sato concludes, “Despite the pains being taken to forward Sino-Soviet rapprochement, at the most basic level the relations between China and Russia can only be normal—they can never be trusting.”²

²Ibid., 2.

Now, turning to Japan's impact on Soviet-American relations, we note that Tokyo in the 1990s is likely to be apprehensive of any joint Soviet-American working out of a common perception of Far Eastern realities—because Japan is America's major Asian ally. The Soviet Union has admitted that close economic ties between the United States and Japan are one of the most important positive factors in the Asia-Pacific region. We are also far from giving simple negative evaluations of the military alliance and we have already stated so in our publications.³ From the point of view of regional stability, Japan, completely free from U.S. control in military terms, would most probably only complicate the working out of regional accords on military-political questions and could become a potential source of military-technological challenges, for the Soviet Union and the United States as well.

A restraining influence on Soviet-American cooperation, from Tokyo, is to a considerable degree connected with the "package character" of handling military, political, and economic questions within the framework of the U.S.-Japanese alliance. We have in mind a certain U.S. "softness" in relation to the economic activity of Japanese firms in exchange for Japan's unconditional support of American military policy.

Many U.S. and Japanese specialists believe American economic concessions to Japan are not such in reality, since it is the United States who wins, in the long run, at the macroeconomic level. It is difficult to disagree with such an opinion. But, nevertheless, the diametrically opposing point of view seems to prevail in the American Congress, and it is this point of view that worries Tokyo. That is why the Japanese government is objectively interested in increasing its military role in the U.S. defense strategy and, consequently, exaggerates a potential Soviet threat. The Japanese concur with the reasoning of the U.S. Defense and State Departments as well as certain other forces, which, proceeding from political and strategic considerations, are then inclined to a more flexible reaction to Japanese international economic policy. After all, it makes no difference to Tokyo who actually benefits from the economic ties a bit more, and who less. What really matters is that Japan is being sharply criticized in the United States for its economic policies, and its goal is to counterbalance this criticism in some way.

The mechanism of "package handling" entails certain difficulties. As world tensions ease slowly, Americans seem more inclined to soberly assess the "Soviet threat" to Japan. In time it may become more difficult to reach a political balance with supporters of an economic hard line toward Tokyo. Theoretically, this "package" will break up someday and Japanese policy will become more flexible. But for the time being, the "package" continues to exist. Japan benefits from it and there is no reason for Tokyo to waive it.

³See A. Bogaturov and M. Nosov, "How to Even Out the Lopsided Triangle," *New Times*, no. 18 (1989); and idem, "Japanese Partnership: In Search of a New Model," *USA: Economics, Politics, Ideology*, no. 1 (1990) (in Russian).

Consequently, it is beneficial for the Japanese leadership, in its own way, to toughen its approach to normalizing relations with the Soviet Union, rather than displaying any readiness to compromise. Certainly, it would be logical for the USSR to modernize its traditional approaches as well. But movement should be reciprocal. And the United States could help speed up the normalization of Soviet-Japanese relations.

Clearly the United States correlates its approaches with the stand of its ally. But how can one define the point after which American support of the energetic Japanese policy will become irrational? At present Japan tries to isolate the USSR from regional processes, including economic processes. And Japan's economic clout is considerable. Such policies hardly improve the situation in Asia and the Pacific. Stability needs to be both economic and political. Emerging Soviet economic interests in the region could contribute hugely to regional stability. And economic benefits could consolidate the basis of our current interest (for the time being, mostly political) in regional stability. It would be logical to suppose that other Asia-Pacific countries as well could have zones of economic influence in Soviet territory. Thus, Japan's current stand is hardly in line with the logic of searching for ways to consolidate stability in Northeast Asia. And this should be the subject of reflection for Japanese scholars as well.

For these and other other reasons, the Japanese role will remain one of the most delicate ones in the Soviet-American dialogue. Fortunately, in other problems hindering Soviet-American cooperation in the region we have reached a greater level of maturity.

The Situation in Korea

Today, one can talk about similarities in the approach of the Soviet Union and the United States to solving the conflict on the Korean peninsula. The situation remains complicated largely because of the inability of the two Koreas to develop a productive dialogue either on the questions of military détente or treaty guarantees to prevent change by force in the political and economic systems now firmly established in the North and South. The political climate in both parts of Korea is unfavorable to constructive changes in the inter-Korean dialogue. But one can discern a possibility of positive change in the situation. The USSR and the United States seem to have already done something to prepare the way for such changes, each through its own channels.

The process of democratizing the regime in South Korea, for example, which still manages to control local dissident outbursts, is developing under the influence of the American side. Roh Tae Woo is gradually trying to consolidate political forces on a moderately conservative basis that will eventually replace, by democratic and constitutional means, the authoritarian leadership of the transitional period, after the departure of the military from power. Psychologically, this creates favorable conditions for dialogue with Pyongyang, or in

any case, does not diminish its chances, nor provoke the North to actions that are unpredictable. It is essential that the U.S. administration and South Korean leadership keep the question of the U.S. military presence in the South on the agenda, and move in the direction of its coordinated reduction.

During recent months, especially since changes in approaches to the reunification of Germany, on one hand, and the collapse of the Ceaușescu regime in Romania, on the other, a feeling has grown that the Democratic People's Republic of Korea is beginning to modernize cautiously. The Pyongyang-U.S. contacts in Beijing are but one noticeable indication of these changes. But, in general, it seems something more significant is in question than a simple probing of U.S. positions concerning prospects of establishing normal relations. An unexpected interest among DPRK scholars in the Soviet *perestroika* experience and a series of proposals to revive contacts between DPRK and Soviet political scientists suggested by North Korean research organizations in January and February 1990 testify that the experiences of the reformation in the Soviet Union and Eastern Europe are recognized as worth DPRK attention. Of course, the DPRK interest includes a desire to theoretically substantiate their own variant of *perestroika* in the spirit of combining the ideas of *chuch'e* with limited recognition of socioeconomic and international-political realities.

Any movement along these lines should facilitate mutually conditioned curtailment of U.S. military presence in the South and Soviet military assistance to the DPRK so as to make these actions acceptable to both parts of Korea. But until then, too sharp turns in the relations of the USSR and the United States with their Korean allies would only further limit their influence on the situation and fail to ease the tension—although there are few reasons to expect a smooth and even movement toward constructive decisions in any case.

DPRK policy remains ideologized. The North Korean leaders trying to speed up the negotiating process sometimes reach the opposite of their desired results by it. Although DPRK reactions are not always logical, the United States and South Korea, on their part, could take into consideration partially grounded fears in Pyongyang about "Team Spirit" maneuvers, and recognize that these measures have already become a symbol to the DPRK of the insidiousness of the forces that have settled down to the south of the demarcation line. The whole situation is further complicated because of the question of the political succession in the top level of North Korean leadership. However difficult the prediction of the situation is, a turn to reforms in North Korea seems inevitable. The transformations will most probably be proposed from above. But variable factors will actually determine how radical these reforms are. For example, if the present head of state chooses Deng Xiaoping's tactics and preserves the main levers of influence, then relinquishes power to his successor, reforms will be slow and inconsistent. But nevertheless leaders will engage in the necessary transformations even if prompted not so much by the

profound realization of the critical state of the country as by a desire to differ in at least some respect from their predecessors.

If the new leadership is less ideologically bound, the transformations will occur faster, although in this case radical change will most likely be economic only. Under no circumstances is any set of North Korean leaders likely to reform the political structures in the direction of democratization and the creation of a genuine multiparty system capable of challenging the dominance of the Korean Workers' Party. In this connection one cannot but recall the speech of the former U.S. ambassador in Seoul, W. E. Gleysteen, at U.S. congressional hearings in 1984 who noted that a group of new people was moving into power in the DPRK. They might not be liberals, but at least they are young and would like to give their own answers to the outstanding questions. Gleysteen's observation appears to be true, but one should note that the new generation has now grown older. From the standpoint of international stability, less probable and desirable would be some Romanian variant in the DPRK, that is, insurrection of the population supported or tolerated by the military. In this case it would be difficult to avoid bloodshed. Additionally, a spontaneous movement for immediate unification with the South could develop and slip out of control. Neither South Korea, nor the USSR, nor the United States would be ready for such a contingency.

And any attempt to characterize the foreign policy of a unified Korea at this point can only result in vagueness. Nationalism would seem to be a key ingredient in it, however, and neither the United States nor the Soviet Union would be favored under such circumstances.

It could also be noted that the role of the PRC acquires special significance in these conjectures. China, which now finds itself in a rather complicated ideological situation, is facing a temptation to return to orthodox ideological theses and resort to not yet forgotten old forms and traditions of political rule. Such a China is much more likely to be perceived by Pyongyang as a possible source of political support than the China that in its time bravely established commercial and other contacts with Seoul. And in any case, DPRK flirtation with reforms could vaporize overnight. Thus, in dealing with the Korea issue, the USSR and the United States from the very beginning of their dialogue must proceed from the necessity of including Beijing in its formulations.

Conclusion

In recent years, we have spoken often about eliminating the traditional bipolar military-political structure, having in mind the gap existing between the USSR and the United States, on one side, and other states, on the other, in their capability to project their military might. The progress in arms control negotiations gives every ground to hope this tendency will strengthen. Thus, it is even more important to work out options respecting international conduct so

changes in the distribution of balance of influence will not undermine regional stability.

The transformation in the direction of multipolarity will be a lengthy process even under favorable conditions. Before becoming multipolar the world is, for example, going to be tri- or quadrapolar for some time. But this inevitably broadens the number of major power players and naturally complicates the procedure of working out agreements between them. It is unlikely that the world in these intermediate stages will be more stable than at present unless the process of departure from bipolarity is directed—that is, change must be accompanied by the parallel creation of international political structures and institutions minimizing the possibility of arbitrary actions by any states that would provoke instability. The present UN structure, in this sense, does not provide a sufficiently reliable guarantee.

All preceding conjectures are especially true when applied to Asia and the Pacific, where the possibility of multipolarity should Soviet and American military presences be reduced can be illustrated by the example of the triangle USSR-U.S.-PRC. China's lagging behind the Soviet-American dialogue that is taking shape is a major challenge to stability. If this dialogue progresses, then the limitations caused by China's being kept away become manifest rather soon. How to compensate for this would-be asynchronous character of the dialogue is a fit subject for political scientists in both our countries.

In conclusion, any new quality of stability in Northeast Asia will hardly be found without integrating the Soviet Union and China into the system of Pacific cooperation. Such integration seems to be the problem for many states of the region. Moreover, in the present situation such an integration has a mainly political character for China and an economic one for the Soviet Union.

8. Forging a New System of International Relations in Asia and the Pacific

KONSTANTIN O. SARKISOV

A qualitatively new system of relations is forming in Asia and the Pacific as in the whole world in the 1990s. This development does not merely involve certain structural changes. The crisis and consequent breakup of authoritarian regimes have set powerful processes in motion. So what is occurring? The bankruptcy of socialism and the victory of capitalism in their historic competition? It is for scholars to theoretically assess the depth and significance of what has happened, to find answers to the questions that have arisen, to reveal the fundamental reasons that led to such rapid and radical changes. But already we can say with confidence that what happened was bound to happen and that the answer to our initial question is not simple.

What is now of the utmost importance is to achieve a new understanding of the nature of social development while renouncing the old stereotyped patterns. A feeling develops that the old classical division of societies along capitalist and socialist lines according to political and economic indications is gradually becoming obsolete. Other definitions seem more important, particularly those related to the level of social maturity and democracy in societies. Civilization progresses, and the scientific and technological revolution has divided societies according to the efficiency of their pattern of development. Further, the level of social development or socialist essence, as we might say, directly depends not on a society's political and economic characteristics but rather on the maturity and efficiency of economic structures that support the functioning of social structures. Capitalism, having faced difficulties, has perfected itself in the course of a long period of time, has "socialized itself" by perfecting all its social and political structures on the basis of economic progress. Meanwhile, classical socialism is only now trying to perfect itself as a system.

The crisis of socialism as a system was the result of its lacking the ability to adapt to a changing environment and the capability for self-development. And

this defect, which proved fatal, was caused by only one thing — authoritarianism and the attendant lack of developed democracy. Therefore, it is not socialism but the authoritarian system that suffered defeat, and it is not capitalism but a democratic system that gains victory. If socialist countries democratize their systems and if democracy starts functioning in those countries, they could become viable while preserving their system-forming fundamental values.

Of course, *perestroika* in the Soviet Union has not been completed yet, or, to be more precise, it has only begun in a true sense. It is impossible to predict the development of events in the USSR because the inertia of destroying the old system is greater than that of constructing a new one. But one thing is evident: There will be no return to the past. The danger of a right-wing coup has not been completely eliminated, but the center-leftist tendency has obviously been consolidated.

Profound internal transformations should bring about radical changes in the foreign policy of the Soviet Union as well. Many believe that serious changes have occurred in the USSR's foreign policy with the advent of M. S. Gorbachev. And so they have. But in this instance, we speak of the possibility of more fundamental changes that will be determined by internal processes. First of all, such internal processes will lead to the formation of a new mechanism of adopting foreign policy decisions. The creation of a state run by law will mean a considerably greater role for the Soviet parliament than it has played in the past. And, in general, the implementation of a multiparty system will bring about radical changes in Soviet foreign policy and practice. One more thing is evident: The internal processes should lead to the elimination of the two foreign policy characteristics that were predominant in the past, ideological messianism and a great-power approach.

The changes in former socialist countries will lead to a new balance of forces. The old geopolitical pattern is collapsing. The "Soviet threat" as the fundamental and integrating idea of the policy of the West is losing its meaning.

It should be admitted that for the Soviet Union, the problems of Asia and the Pacific are in the background so far. The extraordinary events in Europe—the creation of a unified Germany, the decline or elimination of military blocs in Europe—and a number of related questions have made this region top priority for Soviet diplomacy. To this set of events one should add the centrifugal tendencies in the Soviet Union itself, a critical situation in the Baltic republics—and the growing necessity to find adequate answers to this challenge—a determination not to damage *perestroika*, and the need to retain constructive relations with the West. In view of these issues, its relations in Asia and the Pacific are of a "suspended" priority nature for the Soviet Union. But with all its preoccupation with European affairs, Soviet diplomacy has not lost sight of the East Asian situation where, apart from China, relations with the United States and Japan undoubtedly have priority.

New Soviet Policy in Asia

There is not and cannot be any direct extrapolation of the Soviet internal situation on the external policy field. But, nevertheless, the main characteristics of the new Soviet policy in Asia and the Pacific that will be determined by internal processes can be singled out. They are restraint in the first stage followed by gradual, then complete departure from ideological components of its policy; more purposeful policy directed at cooperation with all Asian countries irrespective of their ideological and political coloring; cutting down on Soviet involvement in conflicts originally caused by ideological reasons and geostrategic ambitions; orienting diplomacy on achieving economic aims; more energetic efforts in participating in regional economic structures and processes; the achieving of a higher level of mutual understanding with the United States on military strategic questions and on this basis a considerable reduction of its military in the region; and, irrespective of this, moves toward "rationalizing" its military presence in the region by reducing quantitative characteristics in favor of qualitative ones, on the basis of the doctrine of reasonable sufficiency.

The fundamental restructuring in the armed forces in the region will be stimulated by *perestroika* and the transition of Soviet society to a new quality of life. But this will not mean a reduction in its ability to effectively defend its regional security.

For the Soviet Union, relations with the United States will remain the most important in Asia. And efforts directed at intensifying the process of arms control and disarmament in Asia and the Pacific, following Europe, will be the subject of utmost concern. Relations with the United States, as before, have a global nature and their regional projection lacks bright tints or any particular intensity thus far. But as qualitative changes in the Soviet Union go on and Soviet society is transformed into a normal pluralistic civil society with a new system of democratic values, there will be more points of contact between Soviet and American policy in Asia as well. Although it is not difficult to suppose that the fundamental national and geostrategic interests of the two countries will still differ in the foreseeable future, nevertheless, one can think of fields where achieving rapprochement of the countries' positions is possible on a new basis.

First, a certain lessening of military confrontation is feasible. The reduction of the Soviet military presence as well as a U.S. tendency toward reorganizing its military presence—together with its intentions to make this presence cheaper by shifting a part of the financial burden to its allies, particularly Japan—will give new impetus to that course. However, such factors as remain militate against a dramatic change in the balance of forces. The intensification of patriotic feelings, the unreadiness of the Far Eastern region for profound changes, the retention of political influence by the military will all affect how much the Soviet Union can reduce its military presence. And

in the United States reductions will be restrained by such factors as the remaining complex of factors: a commitment to military predominance in the region; adherence to the strategy of deterrence; the commitments to allies; and American uncertainty concerning the irreversible character of the changes in the Soviet Union. And, if in the past U.S. presence was meant to restrain communism, having in mind the USSR, then lately China has become the object of deterrence, and one can perceive a still blurred but quite discernible image of a much more militarily powerful Japan that the United States may one day regard as a threat.

The changes in Soviet society and its governmental structures (if they are successfully implemented) should transform the character of the Soviet Union's political participation in regional processes and should increase its chances of being admitted to all regional economic organizations—the Asia-Pacific Economic Cooperation (APEC) conferences, the Asian Development Bank, and so on. And, in general, the confrontational nature of relations, which used to determine the dynamics of the processes going on in the region, will disappear. It should give way to a new dynamic pattern. What will it be like?

In the first place, the Soviet Union, weakened to a certain degree by internal upheavals and qualitative renovation, will seek for the positive possibilities inherent in regional participation. It will avoid conflict situations and confrontations and try to establish and develop relations with all countries of the region irrespective of their ideological and political orientation, thus seeking to deideologize and build its relations with the countries of the region on economic principles as much as possible.

Regional Conflicts

Important changes should occur in areas of conflict within the region. The United States will probably take more conciliatory positions, and one cannot exclude the possibility of using in Asia and the Pacific the positive experiences of solving disputes and reaching mutually acceptable compromises that have accumulated in Europe. As a matter of fact, after the radical changes in the Soviet Union, there will be less breeding ground for tension in the region of the type provoking tense relations between the Soviet Union and the United States. The hotbeds of Soviet-American disputes in Asia will gradually disappear. In particular, the situation in Indochina can no longer serve as a source of serious Soviet-American contradictions. The continuance of the latter conflict does not serve any Soviet geostrategic interests. Thus, the USSR will shut down its military presence there. In the political field it will do everything possible to help end this conflict on conditions acceptable to all the countries involved.

Sino-Soviet Relations

As far as China is concerned, the ideological stands of the Soviet Union and the United States in relation to the antidemocratic processes that recently

occurred there are, as one might think, close enough, although Soviet diplomacy, for tactical and strategic reasons, did not openly condemn the events in Tiananmen Square. And it is not words that count anyway. Current processes in the Soviet Union seem directly opposite to those now occurring in China, particularly in the Chinese return to orthodox inhumane socialism.

But the Chinese factor for the Soviet Union is more than simply ideology. The withdrawal of troops from Mongolia will be accompanied by the intensification of a dialogue with China. The developments in China, the suppression of the democratic movement and consolidation of conservative forces there, to all appearances, do not and cannot change the principled stand of the Soviet side on this question. Without interfering in the internal affairs of China, Soviet diplomacy will try to expand all possible ties with it.

The USSR's desire not to spoil relations with China is understandable. The United States can allow itself more outspoken and direct condemnation of developments in China because it does not fear any dramatic consequences for its interests. Incidentally, the Soviet factor is not the least important in this connection. Under the conditions of the revolutionary changes occurring in the Soviet Union, the United States need no longer worry that aggravation of its relations with China might bring about a Chinese-Soviet entente. China may go on expanding its relations with the Soviet Union to a certain extent, especially economic ones and on a restricted scale. But the contemporary Soviet Union cannot serve as a substitute for China for the relations with the West recently threatened.

Sino-Japanese Relations

It is significant that Japan also no longer serves as a buffer when American-Chinese relations worsen. If one carefully analyzes Japanese policy in relation to China after the dramatic developments of June 1989, one finds Japan is gradually departing from the old pattern of "special relations" with Beijing. Tokyo did not take any special stand in relation to these developments. It cautiously but unambiguously denounced them and initially accepted the application of the economic sanctions. While Japan soon pushed for a modification, then lifting of the sanctions, the Japanese private sector remains cautious, awaiting the unfolding of further changes in the PRC economy. In sum, despite its desire to avoid "isolating" China (a position also taken by the Bush administration), Japan does not seem worried that caution with respect to China will move the "Chinese pendulum" to the side of Moscow. The times have changed. The Japanese realize that under present conditions, anything like this is practically out of the question.

Nevertheless, the United States and Japan continue to watch closely the development of the Soviet-Chinese dialogue. Clearly, the current Chinese leadership is critical of Soviet *perestroika* and Gorbachev's policies. To all appearances some "restricted letters" circulate in the corridors of the Party

power structure that criticize Soviet revisionism. But the current wave of criticism directed against the Soviet Union is completely different from Mao's scolding "revisionist" Khrushchev. The Chinese leadership, which can hardly be called incompetent or politically dilettantish, obviously understands that Soviet *perestroika* and everything related to a peaceful revolution in socialist countries is a universal phenomenon for all socialist societies. They obviously realize that this phenomenon is profoundly rational, a natural reflection of the acute crisis at the very heart of dogmatic socialism connected with its lack of vitality and its inevitable withering away. Therefore, China, despite the unique nature of its society and its traditional structures, can hardly manage to avoid the necessity of radical renovation. Otherwise, Chinese society might well face a profound crisis, leading to chaos and possibly even disintegration. To be sure, the present Chinese leadership hopes that by retaining the old political superstructure they can achieve at least stable rates of economic development. This is an erroneous and bankrupt strategy. The East European experience and the lessons of *perestroika* testify to the fact that dialectical Marxism is right in asserting that without radical changes in the political superstructure, any effective plans for economic renovation are impossible or bound to be only half-measures. At one time the Soviet Union learned from the experience of Chinese reforms and it gave a considerable impetus to Soviet reform processes. Now the Soviet experience should provide incentives for the reform processes in China. And this circumstance will objectively draw both countries together.

Soviet-Japanese Relations

Soviet-Japanese relations under these new conditions should cease to stagnate. What will contribute to that change? The Japanese desire not to lag behind the world process, the change of world public opinion toward the Soviet Union, and, to a lesser degree, the desire to help *perestroika* and prevent a return to the past. It should be admitted that prejudice, suspicion, and disinterest still pervade the Japanese mentality and thus affect Japan's strategy with respect to the Soviet Union. Unfortunately, bilateral relations currently lack more serious incentives that, as a rule, foster rapprochement, such as economic interest, spiritual and political closeness, a common cultural and psychological background, shared values, or the presence of either a common enemy or a common goal for cooperation.

As far as the Soviet side is concerned, it aims at increasing the level of bilateral relations and achieving broader trade and economic relations. In the context of *perestroika* the Soviet Union is greatly interested in the Japanese experience of managing the economy at both macro and micro levels. There is some interest in getting Japanese technology and Japanese capital to develop the Soviet far east and Siberia. But the territorial dispute over the four islands is a restraining factor for the Soviets. The solution to this problem is deadlocked, and the present internal situation in the USSR seems to be against any

breakthrough on the issue. But the lack of a developed structure for bilateral relations, in general, and the lack of powerful dynamic incentives seem to be the most decisive factors hampering the development of Soviet-Japanese relations, rather than the territorial dispute. Unfortunately, positive development of relations with Japan is so far an abstraction. In reality, Japan remains at a low level in the scale of Soviet foreign policy. There is no clear-cut comprehensive strategy where appropriate consideration is given to Japan. And this should be determined without emotion, exclusively on the basis of a sober analysis of the developing situation and taking into account the national interests of the USSR. There still exists in the Soviet Union an emotional stereotype of the Japanese as a people who are tough and difficult to deal with, who are not ready to compromise, and who are fixated on the territorial problem only. There are certainly grounds for that stereotype, but a policy based on emotions can hardly be fruitful and solve complex tasks.

Perestroika and *glasnost* have so far not contributed to a more sober and rational approach to relations with Japan. Moreover, it is highly problematic that the current Supreme Soviet, given present emotions, would approve a bill envisaging a compromise solution of the territorial problem—the issue is too emotional, too politically charged. It is quite evident that any departure from the current rigid stand would be interpreted as the betrayal of the national interests, as a sellout of the country. Certain articles in *Pravda*, *Literaturnaya Rossiya*, and some others testify to such sentiments. And it is very difficult to counter such articles. But compromise on this issue is not tantamount to “selling out the country.” However, the only way to make this point is to convince people that the territorial issue is at least a legitimate topic for discussion with Japan. The Japanese, at a minimum, have a moral right to raise this issue because these islands were attributed to Japan during the first territorial delimitation between the two countries in 1855, and that was a peaceful decision. So the Soviet thesis about this “historical injustice being corrected” in 1945 is obviously questionable. This does not mean, however, that the Soviet Union should return the islands. This is an unwarranted conclusion on the part of the Japanese. The legal aspects of the problem, that is, Japan’s renunciation of the Kuril Islands according to the San Francisco Peace Treaty, does not give Japan the legal right to raise the question so categorically. In short, dialogue, mutual desire, and political will are needed to find a mutually acceptable compromise, and it should be done without emotions and the fanning of passions. It is obviously in the interests of the two peoples as well as in the interests of peace and security in the region to solve this problem.

As for the United States, it supports Tokyo’s territorial claims in such a form and to such an extent that the search for a mutually acceptable compromise may be doomed to failure. The Americans know the territorial problem is deadlocked. At one time they encouraged Stalin to take the Kuril Islands in exchange for Soviet participation in the war on the Allied side. And then they

failed, despite Japanese insistence, to define what is meant by “the Kuril Islands” in the text of the peace treaty with Japan. Subsequently, they renounced the Yalta agreement on the issue and supported the thesis that the islands of Kunashir, Iturup, Habomai, and Shikotan were not part of the Kuril Islands after all. It was a rather simple, even primitive tactical line: “the worse, the better.” They played on two national psychological complexes: on the Japanese complex of wounded consciousness and dignity and the Soviet “not an inch of soil” complex. They evidently counted on both sides being caught in this purely psychological trap. And each nation was.

That is why, however paradoxical it may sound, solving bilateral problems or intensifying bilateral relations comes through overcoming psychological complexes. *Perestroika* has not provided so far the necessary potential to do so, but in the future, a new situation is bound to appear that will make it possible to overcome psychological barriers.

Soviet-Korean Relations

The development of relations with South Korea is one rather considerable diplomatic success against an overall picture of Soviet bilateral relations in Asia and the Pacific that shows limited advances. The development of relations with the Republic of Korea is the result of the new political thinking or the deideologization of foreign policy. In the fall of 1990, diplomatic relations between the two countries were established after rapid, even dramatic, preliminary steps. What is more, Soviet diplomacy acted in this matter without accepting restraints from North Korea. From the point of view of the philosophy of *perestroika*, the North Korean regime is a political anachronism, doomed like all other totalitarian systems. Nonetheless, the Soviet Union remains allied with the Democratic People’s Republic of Korea (DPRK). The establishment of diplomatic relations with South Korea without adequate changes in U.S. and Japanese relations with the DPRK could lead to a strategic imbalance.

The main danger is that the self-isolation of Pyongyang might assume huge proportions. How can this be avoided? The main problem is, of course, the attitude and policies of the North Korean regime itself. Progress in a dialogue between the South and North is not possible without the radical democratization of the latter. The South took the initiative by conducting a number of measures to democratize its own political structures. But in analyzing the deadlocked situation on the Korean peninsula, one cannot blame North Korea for all the difficulties. South Korea’s stand is also tough. Moreover, there are elements in the U.S. position toward the DPRK that are far from flexible and constructive. The United States should realize that for the DPRK the United States is of special importance. Pyongyang sees the Americans playing the decisive role in this situation.

The establishment of Soviet–South Korean diplomatic relations will most likely result in Pyongyang's attempting rapprochement with China. But Beijing, continuing its open-door policy in the economic field, will retain extensive relations with Seoul. A possibility of the establishment of consular relations between South Korea and the People's Republic of China (PRC) in the near future cannot be excluded, and it might be followed by the establishment of diplomatic relations. Under these conditions there would be only one thing left for the Pyongyang regime to do (if the variant of more strict self-isolation is excluded)—establish contacts with the United States and/or Japan. By the fall of 1990, the DPRK leadership, in a remarkable shift of policy, signalled its desire for the rapid normalization of relations with Japan. Relations with the United States had been moving in far too limited a fashion to meet Pyongyang's immediate desires.

Any assessment of the Korean situation suggests that a constructive dialogue among the United States, the Soviet Union, and Japan on the matter is possible. For the first time in the postwar years, the interests of the three powers are aligned. First of all, each nation has an interest in the peaceful resolution of the processes happening there. U.S. contacts with Pyongyang should play a special role in developments—although after the developments in Eastern Europe, the United States might decide not to involve itself in this process, merely waiting until the fruit ripens by itself and the DPRK joins South Korea in accordance with some variant of the German reunification formula. However, this would seem to be a rather risky tactic if one accepts the unpredictability of the Korean situation in general.

As for the Soviet Union, its trump card remains its military-political ties with Pyongyang. But it should be admitted that the Soviet potential to move Pyongyang toward compromise may be limited. Even in its radically altered circumstances, the Soviet Union will evidently seek to keep its commitments to certain allies, but its departure from the principle of unconditional support of the DPRK on the question of the settlement of the Korean peninsula leaves the North Korean leadership with a choice: either reorient itself toward other forces that support its tough political course or revise radically its strategy and whole political credo. The best possible option would be to choose a reform path. In this case, Soviet policy on establishing diplomatic relations with South Korea will have proved to be truly farsighted. Naturally much depends on North Korean society itself. It should take into account the lessons of developments in Germany, where the excessive gap between the level of social economic development and living standards predetermined the political choice the German people eventually made. However, if in Eastern Europe these developments were a nearly bloodless form of peaceful democratic revolution, in Asia only Mongolia has matched them.

Japan and Asia

Japan's role in future relations in Asia and the Pacific is problematic. Japan continues to demonstrate phenomenal developments not only from the standpoint of its economic achievements and dynamic growth, but also from the perspective that this growth is being achieved by a country that cannot be considered a power in the classical sense. The Yoshida doctrine has been borne out. When he was prime minister, Shigeru Yoshida saw that the revival of the nation, following the destructive and criminal war, depended on renouncing military power. Undoubtedly, this is the most reasonable and healthy way of transforming any country into a great power, a power of a new type, that corresponds most to the new system of international relations. But Japan's development into a great power of a new type has failed to bring about any particular satisfaction so far, hence, it does not remove the possibility that under certain conditions Japan might once again turn into a strong military power. Up to now, Japan's bipolar U.S. alliance has served it well. But both bipolarity and obvious American superiority were vanishing as early as the mid-1970s. The whole world is now, in the 1990s, undergoing radical changes. What is Japan's role in this new era? It is apparent that the new situation has so far only stimulated Japan to follow even more closely the path suggested by the Yoshida doctrine. The world is undergoing changes exactly because the laws of social development work internationally as well, which Yoshida farsightedly perceived. A power is being formed by a variety of factors with the level of social, economic, and cultural development being decisive.

U.S.-Japan Relations

Japanese-American relations occupy a special place in the system of newly forming relations in the Asia-Pacific region. They represent a complex and very profound system of relations with a fantastic combination of centrifugal and centripetal tendencies. In spite of everything, we can state today the predominance in Japanese-American relations of centripetal tendencies, wherein economic and other structures mutually supplement and penetrate each other. The strategic line declared by Japanese Prime Minister Kaifu after his first meeting with President Bush in 1990, according to which the relations with the United States constitute the basis of Japanese foreign policy, is neither an exaggeration nor a tactical maneuver to calm down Americans. It is so in practice. The analysis of the nature and structure of Japan's national interests confirms that today Japan has no alternative to durable allied relations with the United States. At the same time, the objective process of more rapid and qualitatively higher rates of Japanese economic development seriously tests this system of relations. In the economic rivalry with Japan, the United States is irritated because Japan's economic potential is increasing faster, especially in its qualitative aspect. Americans are inclined to explain it as a "dishonest"

economic policy on the part of Japan. And they omit the fact that Japan itself is a factor stimulating the American economy toward qualitative changes. The Japanese, who took the path of restructuring their economy after the first energy crisis, have stimulated other countries as well to take this path, after being trailblazers.

In general, one can define the Japanese-U.S. trade and economic frictions, which have reached an especially steep level of tension lately, as an inevitable process in the adaptation of the two economic structures on their way to a higher level of integration. This last interpretation might have once seemed sufficient were it not for the fact that the intense strain of the frictions may develop into a serious political conflict. The contradictions are now leading to formidable emotional responses. They make one believe that huge cultural and psychological barriers and a vast difference in their systems of social and ethical values stand in the way of Japanese-American integration. The economic contradictions now become central in the system of bilateral relations. The Japanese paper *Yomiuri* of March 5, 1990, noted in an editorial that the acuteness of trade problems has reached such a degree that no cooperation in noneconomic fields can compensate for it. Unlike former years when U.S. concerns were about steel, TV sets, and cars, U.S. economic claims to Japan now concern the economy as a whole and the holy of holies—its social organization, its structure as related to the Japanese way of life, and specific peculiarities of an economic and ethical nature. The American demands that the Japanese undertake a radical revision of their whole internal organization is equivalent to demanding that they cease being Japanese. So this is a more serious problem than a mere economic one, a problem largely unamenable to carefully calibrated adjustment. It is not coincidental that it is difficult for the Japanese government to make sufficient concessions in this field.

The American demand that the Japanese liberalize their markets arouses no objections and is perceived with sympathy in the world. But the mode of affecting the economic processes by noneconomic means, that is, the method of political pressure, is fraught with serious consequences for U.S.-Japanese relations. It causes a sharply negative reaction, first of all among the Japanese, who sincerely believe that the toughness of American political pressure is inversely proportional to their ability to solve their own economic problems.

The U.S.-Japan contradictions have already gone beyond the danger area of reciprocal accusations. Not only the mass consciousness but also the ruling elites in both countries have gotten involved in the conflict. The publication of "*No*" to *ieru Nihon* (*The Japan That Can Say No*), written by Sony's president Akio Morita and a deputy of the Japanese Diet, Shintaro Ishihara, suggests the tenor of present relations. Morita very likely regretted later that he had indiscreetly published his thoughts, which undoubtedly have offended the national pride of Americans. But the very confessions and revelations are symptomatic of U.S.-Japan problems. The majority of Japanese intellectuals

and those who directly participate in decision making think roughly along the same lines. The current ambassador of Japan to the United States, Ryohei Murata, belongs to this group. He has alleged that Americans are “egocentric” and have a “superiority complex” and prefer to blame others for the mistakes that they themselves have made (*Japan Times*, December 3, 1989).

Despite these very real strains in Japanese-American relations, their long-term prospect appears positive. These relations are experiencing a structural, not systemic crisis; their contradictions will not bring about a split or breaking-off although they will be fraught with periodic irritations.

These bilateral relations touch upon a more profound issue—the question of whose model of development is more effective, the Japanese or the American one? As a matter of fact, if one goes into the heart of the Japanese accusations against Americans in this dispute, one sees that the United States tries to justify its own way of life, its way of conducting economic affairs. The United States does not want to admit that the gist of the trade and economic contradictions lies not in the fact that Japan acts “dishonestly” but that in its essence the Japanese economic model is more effective than the American one. And the American side cannot admit it by force of its traditional superiority complex.

Can the dispute between these two models become the main element in a new dynamic that will feed the system of relations that is to replace the dynamic implicit in East-West confrontation? If the answer is affirmative, it is symbolic of changing times. It means that a new global model of international relations is being formed that has as its basis not an ideological and political confrontation of two opposed systems but rather a cultural and civilized competition of development, applied by nations that do not destroy each other in this competition but mutually enrich each other.

Part III.
China—Internal and Foreign Policies

8. China in the 1990s: Prospects for Internal Change

HARRY HARDING

The massive demonstrations that swept across Beijing and scores of other major Chinese cities in spring 1989 provided graphic evidence that China is facing its most serious economic and political crisis since Mao Zedong's death in 1976. Once seemingly securely embarked on the communist world's most successful course of economic reform, China now appears enshrouded in repression, confusion, and instability. This paper assesses China's prospects in the 1990s, first by reviewing the origins of the crisis, then by evaluating the efforts being undertaken by the present leadership to restore the regime's stability and legitimacy, and finally by identifying the alternative scenarios China might follow in the coming decade. It concludes with a discussion of the implications of China's domestic developments for American policy toward Beijing.

The Nature of the Crisis

At the height of the 1989 crisis, the world's attention was understandably focused on the dramatic events in the streets of Beijing: the calls for greater freedom and democracy, the hunger strike conducted by earnest students, the abortive dialogue between student leaders and Party officials, the struggle by unarmed citizens to prevent martial law forces from reaching Tiananmen Square, and finally the indiscriminate and brutal assault on the heart of Beijing on the night of June 3–4. With hindsight, however, we can now see that these events—first inspiring, then horrifying — were symptoms of three deeper problems underlying China's crisis: flagging economic performance, an insensitive and unresponsive government, and an unsettled process of political succession.

Flagging Economic Performance

From its origins in the late 1970s, Chinese leaders had implemented their economic reform program in an incremental and experimental fashion. They

did so because of their own disagreements over how far and how fast to move toward a regulated market economy, uncertainty over the most effective strategy of reform, and fear of the institutional resistance a more comprehensive approach would engender.

At first, this incremental strategy was successful. China's economic performance in the early 1980s was outstanding, whether measured in terms of growth of output, increases in foreign trade, or improvements in standards of living. Later in the decade, however, the costs of reform began rapidly to increase, particularly inflation, corruption, and inequality. At the same time, some of the benefits (such as growth rates in agriculture) leveled off, while others (such as real incomes) actually declined. Popular expectations concerning reform, raised to unrealistic levels by the extraordinary accomplishments of the early 1980s, were now being disappointed.

This pattern of early success followed by mounting problems obviously had many causes, but perhaps one factor was critical. China's incremental reform strategy had given local enterprises and officials greater autonomy from central planning, but had not yet subjected them to stringent discipline from either market forces, legal constraints, or financial institutions. Thus, individuals engaged in corruption without fear of prosecution, factories increased wages and raised prices without fear of competition or bankruptcy, and local governments funded unprofitable investments without concern for financial consequences. Partial reform had created an unstable, overheated economy whose achievements were rapidly being overshadowed by its liabilities.¹

Inadequate Political Responsiveness

Contrary to conventional wisdom in the United States, China's program of economic restructuring had been accompanied by a significant degree of political reform. Just as local governments and enterprises had been granted greater autonomy from the central plan, so too had individual citizens been allowed greater freedom from the government's political, ideological, and economic control. In part, this was intended to ease the crisis of popular confidence in the Party created by the Cultural Revolution. In part, too, it reflected the realization that economic reform required a good measure of political liberalization. No market-oriented economy, with diverse forms of ownership, could be governed by a totalitarian political system.

If economic reform produced new grievances among many urban Chinese, then the easing of political controls provided greater opportunities to translate those complaints into political demands. Increased tolerance of individual and

¹On the problem of economic reform in the late 1980s, see Harry Harding, *China's Second Revolution: Reform After Mao* (Washington, D.C.: The Brookings Institution, 1987), pp. 277–86; Penelope Hartland-Thunberg, *A Decade of China's Economic Reform: Challenges for the Future* (Washington, D.C.: Center for Strategic and International Studies, 1989); and Jan S. Prybyla, "Why China's Economic Reforms Fail," *Asian Survey*, 29:11 (November 1989): 1017–32.

collective enterprise meant a larger number of urban workers were employed by units independent of the state, and thus were less afraid of the consequences of political activity. Growing marketization meant even state employees were less reliant on their workplace for scarce consumer goods than in the past. And a more relaxed ideological climate, together with an opening to the outside world, meant students and intellectuals were freer to discuss and debate political matters, often using Western concepts, values, and comparisons.

Unfortunately, greater freedom to air political demands was not accompanied by a sustained effort to improve the responsiveness of political institutions. Despite some reforms intended to create new avenues for consultation with society—such as experiments with contested elections at the grass-roots levels, a somewhat freer press, and greater responsibilities for the national legislature—the Chinese political system remained essentially authoritarian, with power ultimately concentrated in the hands of a few elderly leaders in Beijing. And, despite some reforms to improve the rationality of the policy-making process, including an expanded role for professional associations and research institutions, decisions on major issues remained highly arbitrary and personalized. By 1989, there was a widespread feeling in urban China that the Party and government were both insensitive to the nation's mounting economic difficulties and, very likely, unable to resolve them.²

An Unsettled Leadership Succession

These mounting economic and political problems emerged at a time of intense maneuvering surrounding the succession to Deng Xiaoping, who was eighty-five in 1989. Aware of the political crisis created by the uninstitutionalized succession to Mao Zedong, Deng had tried in the early 1980s to create more regular procedures for the circulation of political elites, including a more collective leadership, fixed terms of office for high Party officials, norms for managing political competition, and provisions for the honorable retirement of senior leaders. And yet, like Mao before him, Deng asserted his prerogative to select his own heir apparent as the nucleus of the new generation of leadership. He and the other senior leaders, although willing to resign from most official positions, also insisted upon maintaining a high degree of informal influence over the choice of both personnel and policy.

Given the complex and controversial character of reform, it is not surprising that China's leadership divided in the 1980s over the pace and extent of political and economic restructuring. One group, which might be labeled the radical reformers, envisioned the creation of a regulated market economy with a high level of private economic activity, extensive interdependence with the West, and a substantial degree of political liberalization. Another faction, which might be called the moderate reformers, proposed a less ambitious

²On post-Mao China's political reforms and their limits, see Harding, *China's Second Revolution*, chap. 7.

program featuring a significant role for central planning, a dominant place for state ownership, a domestic economy protected from international competition, and little if any political pluralism.³

Deng's first chosen successor, Hu Yaobang, appeared to associate himself with radical political reform, particularly the sweeping restaffing and restructuring of the Chinese Communist Party. This stance, coupled with his rather hyperkinetic personal style, lost him the confidence of Party gerontocrats and forced his resignation from the general secretaryship after the student protests of late 1986 and early 1987.⁴ Deng's next choice as successor, Zhao Ziyang, had greater administrative experience and a more orthodox personality than Hu. But Zhao's association with radical economic reform, and his tolerance of a further erosion of ideological dogma, placed him in conflict with more cautious reformers and gradually weakened his standing with senior Party leaders, particularly as demands for political reform intensified and as economic conditions deteriorated. By early 1989, Zhao must have realized his political position was rapidly eroding, and that some of the Party's octogenarians were eager to replace him with a less radical leader.

Together, these three factors contributed to the wave of protest that swept urban China in spring 1989. The ultimate cause for dissent was, as noted above, the widespread perception that the costs of reform were mounting, and that the government was either unwilling or unable to deal with them effectively. But the divisions within the elite, coupled with the maneuvering surrounding the succession, made the situation worse. It soon became evident the leadership had split yet again, this time over strategy for coping with the demonstrations. The moderate reformers, with the backing of Deng Xiaoping, labeled the protests unacceptable turmoil, whereas the radical reformers, represented by Zhao Ziyang, adopted a more accommodating approach.

The stalemate between these two factions meant neither strategy was used consistently or effectively. A repressive approach was announced in late April, but it was never implemented in a determined manner; dialogue with some student leaders was conducted in late May, but it did not address the critical issues underlying the protests. The result of this indecision was that the demonstrators escalated their demands, increased their ranks, and radicalized their tactics. In addition, student leaders may have incorrectly believed that prolonging their demonstration would tip the balance on the Politburo in favor of leaders committed to more thoroughgoing reform.

³This distinction between moderate and radical reformers is drawn from Harding, *China's Second Revolution*, chap. 3.

⁴On Deng's succession arrangements and their erosion, see Harding, *China's Second Revolution*, chap. 8.

Ultimately, the struggle within the leadership was resolved with Zhao Ziyang's dismissal, which effectively occurred when he refused to endorse the imposition of martial law on May 20. With Zhao neutralized, the authorities now chose to use armed force to clear Tiananmen Square. When, on the night of June 3–4, poorly trained and ill-equipped troops encountered resistance from some demonstrators, they resorted to indiscriminate violence, killing between three hundred and three thousand protesters and bystanders. The brutality of the military action, and the leadership's refusal to dissociate itself from it, further reduced popular confidence in the Party, heightened tensions within the elite, and eroded the nascent institutions for political succession. The "suppression of the counter-revolutionary rebellion in the capital" thus exacerbated China's political crisis, rather than resolving it.⁵

Prospects for the Future

Let us examine China's future prospects by reconsidering each of these three factors, asking in each instance what policies the present leadership is likely to adopt, and whether they can effectively address the problems that have led to China's present crisis.

Economic Performance

Chinese leaders have been acutely aware of the economic origins of their current political problems, and appear confident that reducing inflation and maintaining reasonably high levels of growth will be key factors in resolving them. Since summer 1989, therefore, they have been conducting a vigorous economic austerity program—a program originally adopted one year earlier but, in part because of Zhao Ziyang's opposition, not effectively implemented.

The retrenchment program is intended to reduce inflation by curbing investment, reducing industrial production, and restricting price increases. One method of doing so has been to reassert state control over the economy, largely through such administrative measures as tighter price controls, restrictions on state investment and credit, and mandatory planning for important commodities. Another has been the recentralization of control within the bureaucracy, so as to reduce the autonomy of provinces and enterprises to allocate financial resources, retain profits and foreign exchange receipts, and make decisions concerning foreign trade and investment. In both ways, the austerity program

⁵For the official account of the Tiananmen Incident and its origins, see *The June Turbulence in Beijing* (Beijing: New Star Publishers, 1989). For careful accounts by Western observers, see "People's Republic of China: Preliminary Findings on Killings of Unarmed Civilians, Arbitrary Arrests and Summary Executions Since 3 June 1989" (New York: Amnesty International USA, August 1989); and Robin Munro, "Remembering Tiananmen Square: Who Died in Beijing, and Why," *The Nation*, June 11, 1990, pp. 811–22. For academic analyses, see Lowell Dittmer, "The Tiananmen Massacre," *Problems of Communism*, 38:5 (September–October 1989): 2–16; and Andrew G. Walder, "The Political Sociology of the Beijing Upheaval of 1989," *ibid.*, pp. 30–40.

has represented a partial retreat from the goal of a decentralized, regulated market economy.⁶

The retrenchment policies have had a noticeable, but mixed, effect. On the positive side, reducing the growth of industrial production, the money supply, and investment in fixed assets has controlled inflation, with price increases falling to an annual rate of around 7 percent by the end of 1989, and to even lower levels in mid-1990. But China has also experienced the predictable negative consequences of economic austerity. A large number of private and collective enterprises have gone bankrupt as the economy slowed, and urban unemployment has reached its highest levels since the early 1980s. The central government has been forced to increase its subsidies to state enterprises that are suffering losses or unable to pay their taxes. Foreign investors, already worried about the uncertain political situation in China, have loudly complained about the contraction in credit and the sluggishness of the Chinese domestic market.⁷

These developments have led to vigorous resistance to the retrenchment program, particularly from the provinces. Since the end of 1989, a significant relaxation of the austerity program seems to have occurred, with the central government agreeing to increases in agricultural credit, industrial loans, credit for foreign ventures, and wages and bonuses for workers. Although intended simply to prevent a hard landing and to maintain economic growth at a rate of around 5–6 percent, this relaxation raises the possibility of a rapid economic reheating of the sort that has occurred after previous retrenchment programs. If so, China could begin to oscillate between excessive deflation and rapid inflation, with the government unable to stabilize the economy at acceptable and sustainable levels of growth.⁸

Despite the possibility of such boom-bust cycles, the secular trend for the Chinese economy is likely to be relatively favorable for the rest of the 1990s. China still enjoys a very high rate of savings, hovering between 30 and 35 percent of net material product. Although the savings rate might decline somewhat as the economy matures, it is likely to remain high enough to sustain a vigorous program of investments. These funds can be channeled not only into industry but also into China's bottleneck sectors, among them energy, transportation, agriculture, and education. This, in turn, should continue to support

⁶The retrenchment program in the post-Tiananmen period is summarized in the decision on economic policy adopted by the Fifth Plenum in November 1989. See Xinhua News Agency [hereafter cited as Xinhua], January 16, 1990, in Foreign Broadcast Information Service, *Daily Report—China* (hereafter cited as FBIS, *China*), January 18, 1990, pp. 24–37.

⁷On the complaints of foreign investors, see *Far Eastern Economic Review*, January 18, 1990, p. 40.

⁸On the relaxation of the austerity program and the possibility of start-stop cycles in the Chinese economy, see inter alia, *Asiaweek*, January 12, 1990, pp. 44–47; and *Wall Street Journal*, March 15, 1990, p. A11.

reasonably high rates of growth unless economic performance is crippled by severe political instability.

Still, although China's economic fundamentals remain strong, it is possible to distinguish between more optimistic and more cautious scenarios. One factor in determining whether China will enjoy slower (3–5 percent) or faster (6–8 percent) growth is the fate of China's economic reforms, which ultimately will determine the economy's efficiency, the availability of resources for further investment, and thus the overall growth rate. Here, the prognosis is more guarded.

On the one hand, although the austerity program and the political climate have partially damaged the economic reforms, the retrogression has been limited. The continued resilience of economic reform reflects the fact that powerful constituencies, especially in the coastal provinces, now have a strong interest in seeing it continue. In response to this pressure, leadership statements since the end of 1989 have identified a long list of reforms that will remain in place despite the political uncertainties of the post-Tiananmen period. These include the various responsibility systems in finance, industry, agriculture, and foreign trade; the encouragement of township and village enterprises in rural areas; the tolerance of individual and collective enterprises in cities; the continuation of the special economic zones and other aspects of the coastal development strategy; and experiments with a social security system, private ownership of housing, and securities and futures markets.⁹ There have also been some administrative adjustments of prices for energy, transportation, and foreign currencies, with further price reforms promised as the economy slows.

On the other hand, despite these guarantees against retrogression, it is not clear how much forward movement there will be toward a regulated market economy. There are many reasons for doubt in this connection.¹⁰ One is the uncertain fate of the austerity program because price reform will not be politically feasible unless inflation can first be controlled. Another is that the present leadership, now dominated by more cautious leaders, appears to have a much more limited vision of reform than did Zhao Ziyang and his associates. Perhaps most important, the uncompleted agenda of reform—including price reform, enterprise reform, and financial reform—will cause great economic distress, especially in urban China, and there is as yet no evidence Chinese leaders have developed a reform strategy to ease the intensity or duration of the

⁹In addition to the Fifth Plenum statement cited previously, see also the statement by Li Peng in Xinhua, December 12, 1989, in FBIS, *China*, December 13, 1989, p. 9; and the report of a national work conference on economic reform in Xinhua, January 8, 1990, in FBIS, *China*, January 9, 1990, pp. 23–24.

¹⁰For a further discussion of these considerations, see Harry Harding, "The Problematic Future of China's Economic Reforms," in Richard Kaufman and John P. Hardt, eds. *China's Dilemmas in the 1990s: The Problems of Reform, Modernization, and Interdependence*, selected papers presented to the Joint Economic Committee of the Congress of the United States (Washington, D.C.: U.S. Government Printing Office, forthcoming).

pain. And, given the sullenness and discontent among large sectors of Chinese society, there is little hope a program of painful economic reform will be any more popular in the 1990s than it was in the late 1980s.

This scenario suggests the possibility that, at least over the middle term, Chinese leaders may attempt to perfect what they call a “planned commodity economy,” rather than trying to make a full transition to a more liberal economic system. This choice would involve a considerable degree of mandatory planning and administrative pricing, with producers responsible as much to the state as to the marketplace, extensive subsidies for state enterprises that operate in the red, and marketization limited to the provision of secondary commodities and services. Although economic performance in such a system could well be adequate—particularly in terms of limiting inflation and avoiding high levels of unemployment—the contradictions between the planned sector and market forces would almost certainly mount over time. This could lead to fluctuations in economic policy as leaders attempted to cope with the distortions, or it could produce pressures for another round of economic reform.

Political Responsiveness

Chinese leaders were clearly shocked by several aspects of the protests that swept across their country’s major cities in spring 1989. They have admitted they had not trained enough riot police or ordered enough nonlethal crowd-control equipment to deal with demonstrations on this scale. This suggests they did not anticipate the extent of popular dissatisfaction with the government and its policies. They have also begun to acknowledge the unreliability of the regime’s instruments of political control, including the mass media, some units of the armed forces, and large sectors of the Party itself.¹¹ Their sense of being engaged in a life-and-death struggle for political survival, already acute during the Tiananmen demonstrations, was further intensified by the collapse of the Communist governments in East Germany and Romania at the end of the same year, and by the subsequent arrest of Erich Honecker and the execution of Nicolae Ceaușescu.

Since June 1989, Chinese leaders have been obsessed with the problem of regaining political control, not only over their society but also over their own Party and military establishments. The basic problem confronting them has been the growing gap between the political demands and grievances of China’s urban residents and the ability of existing political institutions to accommodate them. Since the Tiananmen Incident, Chinese leaders have sought to narrow this gap through a combination of repression, persuasion, and limited political reform.

¹¹On the unreliability of the army, see *Tang Tai* (Hong Kong), no. 6 (December 30, 1989): 6–7, in FBIS, *China*, January 3, 1990, pp. 9–10. On problems with the Party, see the report of Song Ping, then director of the Party’s Organization Department, in *Xinhua*, August 22, 1989, in FBIS, *China*, August 23, 1989, pp. 15–18.

The first and most obvious feature of this strategy has been repression, which has entailed the investigation of the political activities of large numbers of urban industrial workers and intellectuals, and the arrests and executions of many of those active in the spring 1989 protests. The government has conducted regular displays of force to deter renewed dissent, and has enacted new legal prohibitions against street demonstrations and independent political organizations.¹² The central authorities have imposed tighter censorship over journalism, literature, scholarship, and the arts, dispatching military work teams to some of the most important news media, changing the leadership of some major national publications, and closing some reform-minded journals altogether.¹³ The leaders of the People's Armed Police, the trade unions, some government ministries, and a few principal universities have been changed to ensure greater institutional loyalty. The Party has been conducting the reregistration of its members in the cities, and has been quietly reshuffling Party cadres, government officials, and military officers at the provincial level.¹⁴

To be sure, as the political situation began to stabilize in early 1990, some features of the repression were relaxed. Martial law was lifted, first in Beijing and later in Tibet. Several hundred protesters and dissidents arrested in waves in summer 1989 were released. And cautious discussions of renewed political and economic reform began occasionally to appear in the Chinese press. Despite these positive trends, however, the political climate has not returned to that which prevailed across China in the months preceding the Tiananmen Incident.

Even as the Chinese regime suppresses public dissent, it has also attempted to regain popular support through a program of political education, directed primarily at intellectuals, students, military personnel, and Party members. This campaign has featured the official account of the Tiananmen Incident, the denunciation of liberal intellectuals associated with Zhao Ziyang, criticism of such concepts as "bourgeois democracy" and "complete marketization," and a defense of China's present political and economic systems. Some key college campuses, such as Peking University, have seen the reinstatement of physical labor programs and even the inauguration of a year of military training for the

¹²The best accounting of those arrested and executed since the Tiananmen Incident has been that provided by Asia Watch. See "Punishment Season: Human Rights in China After Martial Law" (New York and Washington: Asia Watch Committee, February 1990). The law on demonstrations is in *Xinhua*, July 6, 1989, in FBIS, *China*, July 10, 1989, pp. 33–36. The regulations on organizations are in *Renmin ribao*, November 9, 1989, p. 6, in FBIS, *China*, November 17, 1989, pp. 15–17.

¹³On the tightening of controls over the news media, see *Wen Wei Po* (Hong Kong), July 19, 1989, p. 1, in FBIS, *China*, July 19, 1989, pp. 17–18; and *Zhongguo tongxunshe*, July 26, 1989, in FBIS, *China*, July 27, 1989, p. 26.

¹⁴On the reshuffling of provincial leaders and military officers, see *New York Times*, July 1, 1990, p. 3.

entire freshman class as additional ways of reinstilling commitment to “socialist spiritual civilization.”

One can discern in the regime’s efforts at both repression and persuasion an attempt to split the protest movement by separating intellectuals and private entrepreneurs from state industrial workers. On the one hand, the Party has been appealing to the industrial work force by promising more egalitarian wage systems, attacking corruption, pledging greater worker participation in factory management, and warning of the consequences of political instability.¹⁵ But at the same time that social and economic policy has been tailored to appeal to labor, workers have generally been punished more severely for political protest than have students or intellectuals. The aim has been to prevent an alliance of workers and intellectuals similar to the one that posed so serious a challenge to Communist governments in Eastern Europe.

Finally, although China’s present leaders have emphatically ruled out fundamental political pluralism, they have endorsed more limited reforms intended to increase the responsiveness of the political system without threatening the Party’s leading role. These measures include more consultation with the small “democratic parties” and other mass organizations, more frequent visits by central and provincial leaders to local units, and continued efforts to regularize the civil service and to create a more rational policy-making process.¹⁶ In some ways, this program represents the resurrection of the traditional “mass line” leadership techniques of the Chinese Communist Party, whereas in others it reflects the renewal of the program of moderate political reform first announced in the early 1980s but never fully implemented.

The tightening of political controls since mid-1989 is a significant development. It represents the most sustained political rectification campaign undertaken since 1976, surpassing in duration either the campaigns against “bourgeois liberalism” in the early 1980s, the movement against “spiritual pollution” in 1983–1984, or the drive against “bourgeois liberalization” in 1987. But in certain ways the programs of repression and propaganda have been limited, so that they are but pale reflections of the Party’s earlier efforts at coercive persuasion in the 1950s and 1960s.

For one thing, the campaign has focused on the expression of political views by students, intellectuals, and other members of the political elite. The day-to-day life of ordinary Chinese—including their choice of friends, their style of dress, and their leisure activities—has not been targeted, save for a campaign against pornography and a lackluster drive to “learn from Lei

¹⁵For examples of the appeal for popular support, see the article by Jiang Zemin in *Qiushi*, no. 12 (June 16, 1989): 5–9, in FBIS, *China*, July 12, 1989, pp. 15–20; and the statement by Yuan Mu in *Xinhua*, October 20, 1989, in FBIS, *China*, October 23, 1989, pp. 16–17.

¹⁶On the role of the mass organizations, see *Xinhua*, January 31, 1990, in FBIS, *China*, January 31, 1990, pp. 5–9; on the democratic parties, see *Xinhua*, February 7, 1990, in FBIS, *China*, February 7, 1990, pp. 7–11.

Feng," one of the model soldiers of the early 1960s. Beijing, understandably the main focus of the reeducation effort, has been virtually devoid of the propaganda banners and billboards that would have festooned the city in earlier campaigns.

For another, the balance between repression and persuasion now more clearly favors the former than in previous periods of political rectification. Predictably, there have been newspaper articles and news broadcasts defending the regime and attacking its critics, and the propaganda network has been mobilized to conduct political education in many work places. But the main emphasis has been on making clear that protest will not be tolerated. Having transformed itself from a totalitarian system into an authoritarian one, the Chinese regime consequently appears more concerned with securing compliance and reducing dissent than with obtaining active understanding and support for government policies.

Even more striking is the degree to which the political rectification campaign has been resisted at almost every level in China. In many units, leaders have protected their subordinates or even coached them on how to survive the tightening of political controls with as little inconvenience as possible. In most places, individual Chinese have refused to criticize each other for participating in the demonstrations or for holding unorthodox political views.¹⁷ And there is little evidence that large numbers of people have been persuaded by the Party's efforts to gain active support by intensifying political education. As one Chinese intellectual has explained, previous rectification programs were always magnified and exaggerated in the course of their implementation, but the present effort has been vitiated and moderated as it has moved down through the political system. As a result, although this may have been the longest-lasting political campaign in post-Mao China, it has also been the least effective.

The consequences of the limited political reforms Chinese leaders announced are less certain. As noted above, much needs to be done to implement fully even the moderate political reforms adopted in the early 1980s. Genuine progress toward a more rational civil service, a more consultative policy-making process, a more responsive and accountable leadership, and a less intrusive party could therefore restore some confidence in the regime, at least temporarily. This is particularly true given that, as of now, relatively few Chinese seem to demand thoroughgoing political pluralism. Over the longer run, however, this kind of limited political reform is unlikely to satisfy the requirements of a more complex and prosperous economy especially if Chinese continue to be aware of the progress toward democratization elsewhere in Asia, the Soviet Union, and Eastern Europe.

¹⁷For a typical Western account of the resistance to the political rectification campaign, see *New York Times*, January 24, 1990.

Succession

When the crisis in Tiananmen Square resulted in General Secretary Zhao Ziyang's dismissal, it also caused the collapse of Deng Xiaoping's second attempt to design his own succession. Since June 1989, Deng and the other octogenarians have tried to devise a third succession arrangement. But the outlines of that plan remain incomplete, and its viability is much in doubt.

The Fourth Plenum of the Central Committee, which met immediately after the Tiananmen Incident, made some preliminary personnel changes that reflected a compromise among competing Party factions.¹⁸ Several Party leaders associated with radical political and economic reform—including Hu Qili, Yan Mingfu, and Rui Xingwen—were dismissed from the Politburo and Secretariat along with Zhao Ziyang. And yet none of the leaders or institutions most closely associated with the suppression of the protests received any significant rewards—no Beijing municipal leaders or military officers were promoted to the Politburo or its Standing Committee.

The Fourth Plenum also formed a new Standing Committee for the Politburo. Joining the survivors of the previous Standing Committee (Li Peng, Qiao Shi, and Yao Yilin) were three new members: Jiang Zemin, first Party secretary in Shanghai, who became the new Party general secretary; Li Ruihuan, mayor of Tianjin, who became responsible for propaganda; and Song Ping, then head of the Party's organization department, who assumed responsibility for the Party rectification campaign.

This, too, represented a compromise. Credible reports indicate Deng Xiaoping had hoped to make Li Ruihuan general secretary of the Party in place of Zhao Ziyang, but that Deng's colleagues regarded him as too liberal and possibly too ambitious. Conversely, other senior leaders may have favored Li Peng or Qiao Shi for the general secretaryship, but the two men were ultimately rejected as being too closely associated with the suppression of the demonstrations in Tiananmen Square. Jiang Zemin, in contrast, was acceptable to all the octogenarians, in that he was less liberal than Li Ruihuan but more enthusiastic about reform than Li Peng, and had close personal ties with Li Xiannian and Chen Yun as well as with Deng Xiaoping. The subsequent appointments of Li Ruihuan and Song Ping to the Standing Committee also represented a compromise among the factions, given Li's close personal ties to Deng Xiaoping and Song Ping's historical connections with Chen Yun.¹⁹

Since the Fourth Plenum, China's new leadership has predictably attempted to demonstrate it is united behind a set of common programs. In particular, Jiang Zemin (the supposed reformer) has taken a tough line on

¹⁸On the decisions of the Fourth Plenum, see Radio Beijing, June 24, 1989, in FBIS, *China*, June 26, 1989, pp. 15–16.

¹⁹For analysis of the new central leadership at the Fourth Plenum, see *Wen Wei Po*, June 25, 1989, pp. 1–2, in FBIS, *China*, June 26, 1989, pp. 29–31; and *ibid.*, June 28, 1989, p. 1, in FBIS, *China*, June 28, 1989, p. 14.

ideological and political issues, while Li Peng (the presumed conservative) has shown support for key aspects of economic reform. Open differences over national policy, such as those that surfaced between Deng and Hua Guofeng in the late 1970s, or between Li Peng and Zhao Ziyang in the late 1980s, are not yet apparent.

Still, there is persuasive evidence those divisions exist just beneath the surface. The leadership has been notably unable to complete the task of restaffing the central Party and government elite. The Central Committee has met in plenary sessions in November and again in March, with the latter meeting followed by the annual session of the National People's Congress. Each of these three meetings was preceded by plausible rumors about additions to the Politburo or to the leadership of the State Council.²⁰ In the end, however, no new appointments were made to either body, the only significant personnel changes being Jiang Zemin's promotion to head of the Central Military Commission and the addition of Yang Baibing, head of the army's General Political Department, to the Party Secretariat. Although Party spokesmen insist leadership continuity is essential to political stability, the glacial pace of personnel changes clearly suggests the present leadership cannot agree even on a compromise slate of candidates to represent the contending factions.

A further problem is that the successive dismissals of Hu Yaobang and Zhao Ziyang have severely frayed the guidelines that were to govern the succession. Despite the nominal commitment to regular terms of office for senior leaders, both Hu and Zhao were forced out of the Party's general secretaryship before their terms had expired. Although most senior leaders of Deng Xiaoping's generation have supposedly retired from office, they played an active and overt role in securing the purges of both Hu and Zhao. So, too, did senior military leaders, notwithstanding Deng's attempt to return the army to the barracks and ensure the civilianization of domestic policies.

Even more ominously, there were disturbing indications during the Tiananmen protests that leaders of various factions, or at least their advisers and lieutenants, may have sought to manipulate the mass protests in Beijing to strengthen their political base.²¹ If true, these reports would suggest the violation of one of the most important of the nascent norms of political life in

²⁰For one set of rumors surrounding the Fifth Plenum in November, see *South China Morning Post*, November 6, 1989, pp. 1, 10, in FBIS, *China*, November 8, 1989, pp. 19–20; for the reality, see Xinhua, November 9, 1989, in FBIS, *China*, November 9, 1989, pp. 19–22. For the corresponding rumors concerning the Sixth Plenum and the National People's Congress in March, see *Cheng Ming* (Hong Kong), no. 149 (March 1, 1990): 6–9, in FBIS, *China*, March 2, 1990, pp. 9–14; the actual decisions are reported in Xinhua, March 12, 1990, in FBIS, *China*, March 12, 1990, pp. 9–11.

²¹For the official account, charging that Zhao Ziyang's lieutenants tried to manipulate and encourage the student protests, see *Tung-fang Jih-pao* (Hong Kong), July 16, 1989, p. 3, in FBIS, *China*, July 18, 1989, pp. 16–23; for a contrary version, claiming Li Peng also tried to use the student movement for his own ends, see *Pai Hsing* (Hong Kong), no. 200 (September 16, 1989): 11–14, in FBIS, *China*, September 20, 1989, pp. 12–18.

post-Cultural Revolutionary China: that leaders would not attempt to mobilize mass protests as a weapon in their political struggle. There is also evidence some senior leaders advocated expelling Zhao Ziyang from the Party altogether, and possibly even subjecting him to criminal prosecution for what would clearly be political offenses. Fortunately, Deng Xiaoping appears to have rejected such proposals. If he had agreed to them, the attempts to institutionalize the competition for power within the elite would have met with total failure.

The prospects for the succession will greatly depend on several factors. One is the order of death of the octogenarians (especially Deng Xiaoping, Chen Yun, Peng Zhen, Li Xiannian, Yang Shangkun, and Wang Zhen) who appear to exercise disproportionate power in today's China. If Deng outlives the others, he might attempt to increase the proportion of Politburo members enthusiastically committed to radical economic reform. Conversely, if men like Chen Yun, Li Xiannian, and Wang Zhen survive Deng, they might attempt to use their influence to strengthen the positions of younger leaders who support a more restricted vision of political and economic change.

A second factor is the political acumen of Jiang Zemin. Given his self-effacing style and his relatively mediocre reputation as a municipal leader in Shanghai, Jiang is widely dismissed as an incompetent "flower pot" who will ultimately suffer the same fate as Hua Guofeng—the hapless provincial leader from Hunan who was chosen as a compromise to lead the Party on the eve of Mao Zedong's death, but who was easily pushed aside by a rehabilitated Deng Xiaoping. Such may be true, but the example of Lee Teng-hui on Taiwan suggests a modest demeanor while "number two" may be the only way to ensure political survival before the succession, and may not provide an accurate forecast of one's behavior after more senior leaders pass away. In addition, given the ungovernability of Shanghai, performance in that city may not be a completely accurate measure of political competence.

But, whatever Jiang Zemin's abilities may prove to be, he will certainly face potential challengers from other members of what Deng Xiaoping has now called China's "third generation" of leadership. Contenders include Li Peng and Qiao Shi, presumably from the more conservative camp, as well as Li Ruihuan, Shanghai mayor Zhu Rongji, and Guangdong governor Ye Xuanping, believed to be more enthusiastic about reform. In the end, any of these men might prove to have a stronger base of support in the Party and the military, or among the remaining octogenarians, than does Jiang Zemin.

All in all, the situation in 1990 strongly resembles, at least insofar as the succession is concerned, the political situation on the eve of Mao's death in 1976. Now, as then, several heirs apparent have successively been set aside. The norms governing the succession have virtually collapsed. The Politburo remains deeply divided over matters of personal power and national policy. The nominal successor is a seemingly weak compromise figure from the provinces,

with little independent power base in the Party. Although it is impossible to predict the ultimate outcome of the succession, it appears highly unlikely it will proceed smoothly. One can exclude neither a reshuffling of the leadership before Deng's death, an acute crisis immediately at his death, nor a gradual erosion of leadership unity after his death.

Scenarios

As China weathers its uncertain passage toward the post-Deng era, it is plagued by as many uncertainties as existed during the turbulent succession to Mao Zedong. No single forecast can be made with confidence. All one can do is identify the most plausible scenarios, and assess their relative probabilities. Three relatively extreme, but not inconceivable, scenarios represent the outer range of what might possibly occur in China in the 1990s: renewed reform, effective consolidation, and severe instability. But the most likely outcome may be a sequencing, or a blending, of these three possibilities.

Renewed Reform

One scenario envisions the rapid resurgence of political and economic reform in the post-Deng era under the leadership of a leader such as Li Ruihuan, Ye Xuanping, Zhu Rongji, or even a rehabilitated Zhao Ziyang. Proponents of such a possibility, numerous among China watchers and Chinese dissidents in the West, assume reform is China's natural and inevitable course, that the retrogression since June 1989 has been artificially imposed by a small number of elderly leaders, and that the death of those leaders is all that will be necessary for reform to resume its course. The outcome would be a decisive breakthrough toward the creation of a regulated market economy, with significant reforms in the system of economic ownership, and with a steady but more gradual process toward a more open and pluralistic political system.

Much can be said in defense of such a scenario. There is indeed considerable support for economic and political reform in China, both among intellectuals, the emerging class of private and collective entrepreneurs, and leaders and ordinary citizens of the nation's coastal provinces. These interest groups have already shown their ability to prevent the abandonment of key economic reform programs since the Tiananmen Incident. Continued progress toward liberalization elsewhere in the communist world would also increase the likelihood of this scenario.

On the other hand, one should also acknowledge the problematic nature of renewed reform. The economic difficulties of the late 1980s have, for many Chinese, discredited many aspects of radical restructuring. The remaining elements of the reform agenda, as already indicated, will impose even greater pain on important sectors of society. And Chinese reformers have not yet determined the most effective strategies for carrying reform forward. Moreover, many Chinese reformers fear that Eastern Europe and the Soviet Union

will encounter grave problems in their own reform programs, which could well vitiate the international stimulus for renewed restructuring. On balance, one might conclude that renewed reform will require not simply the death of China's present elderly leaders, but a renewed consensus at all levels of society that the costs of renewing reform are less than the costs of postponing it.

Effective Consolidation

A second scenario would be the consolidation of a relatively conservative regime, perhaps under Li Peng and Yang Shangkun, or perhaps under some other civilian or military leader. As developments since the Tiananmen Incident have suggested, such a regime would be unlikely to revert to a totalitarian political system or a completely centrally planned economy, let alone revive Maoist programs of continuing revolution and mass mobilization. It would, however, be expected to undertake few further economic or political reforms. Instead, the aim of such a conservative leadership would be to create a more efficient mixed economy, with planning and public ownership still at its core, and to create a more rational and responsive political system, without sacrificing the leading role of the Chinese Communist Party.

Several factors would increase the likelihood of such a scenario. One would be the ability of senior conservative leaders, such as Peng Zhen, Chen Yun, or Li Xiannian, to survive Deng Xiaoping and to add their protégés to key Politburo positions. Another factor would be the intervention of the military, either to install its own regime or to make clear it would only support a government dominated by conservative civilian leaders. A third contingency would be the ability of conservative leaders to refurbish their public image, not only by maintaining steady economic performance and reducing corruption, but also by replacing some of the officials most closely associated with the suppression of the demonstrations in Tiananmen Square. And finally, the collapse of reform regimes in the Soviet Union and Eastern Europe—particularly if it occurred in the context of political turmoil and economic stagnation—would undermine the case for radical reform in China and bolster support for a more conservative program.

Conversely, several factors work against the full consolidation of power by a conservative leadership. As noted above, further reform retains considerable support, not only among important sectors of society, but also among much of the country's provincial and local leadership. To consolidate a regime committed to retrenchment would require a sweeping purge of the Party and government, undoing the impressive personnel changes achieved during the first ten years of the post-Mao era. The present leadership's inability to conduct such a purge successfully, even in the post-Tiananmen environment, suggests how difficult this undertaking would be.

Moreover, it is also doubtful a conservative leadership would sustain adequate economic performance over a long period of time. The contradictions

inherent in a partially reformed economy will continue and intensify, particularly if the same commodities are subject to both plan and market prices, and if enterprises are allowed greater autonomy of operation without being held responsible for the outcome of their investment and production decisions. These contradictions may make it increasingly difficult to maintain the present degree of economic reform. Because it is now impossible to return to full central planning, the tensions between plan and market could ultimately be a force for further economic restructuring.

And finally, China's current political system is ill-suited to present levels of economic development, let alone to those the nation will attain in the coming decade. As already noted, even incomplete economic reform produces new interests, new grievances, and new centers of power that must be accommodated politically. Better education, improved communications, and greater access to the outside world will also increase pressure for political liberalization. Although a conservative regime could appeal for stability to cope with immediate crises, it is unlikely it could hold off demands for political reform indefinitely, any more than has been the case in other communist states in the late 1980s.

Severe Instability

In the first year since the Tiananmen Incident, China has been more stable, at least superficially, than many observers predicted. In part, this reflects the effectiveness of the government's program of preventing renewed protests by tightening political controls and by mobilizing massive police forces at the first hint of demonstrations. It also is evidence that there is no large nationwide opposition movement comparable to Solidarity in Poland. But China's relative calm may also indicate widespread concern, even among intellectuals, about the risk of political instability in a country like China, and an appreciation that renewed protests could be counterproductive, especially given the inflexibility of the present generation of Chinese leaders. To many Chinese reformers, the wiser course may be to outwait the country's current leadership, rather than to confront them.

Despite the relative calm of post-Tiananmen China, the crisis of confidence dividing the people from their government has not been resolved by the events of 1989. Political instability could easily increase in the future, particularly if the economic situation were to deteriorate, if promised political reforms failed to materialize, or if the leadership were to split openly during the process of political succession. Political instability and social unrest therefore constitute the third scenario facing China in the 1990s.

Political earthquakes could occur along any of the major fault lines that currently underlie China's social landscape. Unless the present crisis of confidence can be resolved, the contradictions between the Party leadership and the population present the constant threat of renewed urban protest, and

even raise the danger of rural disorder if the economic or political situation in the countryside were to decay. Moreover, a struggle within the Party elite over the succession to Deng Xiaoping could involve mass demonstrations in support of contending factions, the emergence of weak and divided governments, or palace coups that replace one group of leaders by another.

Other contradictions are more regional in character. Tensions between the central government and the localities, which have existed throughout Chinese history, have been exacerbated by the political chaos of the Cultural Revolution and the economic reforms of the post-Mao era. In the absence of a strong and unified leadership in Beijing, these tensions could result in the growing insubordination of the provincial governments and in the declining ability of the central government to secure revenue and compliance from local officials.

Finally, divisions between the Han majority and ethnic minorities are already apparent in several sensitive border areas: Tibet, because of the alternative leadership provided by the Dalai Lama; Xinjiang, because of its links with restive minorities in Soviet Central Asia; and Inner Mongolia, because of the rapid progress toward political reform in the Mongolian People's Republic. In all these regions, separatist movements could pose a serious although not necessarily insuperable challenge to the central government.

In none of these cases is instability likely to lead to the dismantling of the People's Republic of China. Provincial separatism, successful movements for ethnic independence, mass revolution, and military coups all remain unlikely possibilities for China. But these four sets of contradictions could well force frequent changes in national leadership, compromise the central government's ability to formulate and implement policy effectively, and present significant barriers to sustained economic development.

Although these three scenarios represent the plausible extremes in forecasting China's future, they are neither exhaustive nor mutually exclusive. It may be more accurate to envision a sequence of scenarios, in which (for example) a conservative regime initially consolidates its power but gradually decays, producing first political unrest and instability, and ultimately a new government committed to renewed reform. Alternatively, a second effort at reform might be launched, encounter the same problems as in the late 1980s, and lead to instability or consolidation. Or China could be trapped on a treadmill, alternating between periods of reform and retrenchment, punctuated by outbursts of severe instability.

Moreover, at least for the middle term, the most likely scenario of all is a blend of the three alternatives discussed above, with a combination of moderate reforms and limited retrogression, undertaken by a leadership neither fully consolidated nor completely fragmented, within a social system that has serious discontents but does not explode. Although extreme scenarios are conceivable, China's course in the 1990s is probably to be continued confusion, complexity, and flux, rather than a single decisive outcome.

10. Reforms in China: Problems and Contradictions

L. DELIUSIN

After the events in Beijing's Tiananmen Square in June 1989, when the student movement demanding democratization of the sociopolitical system and a fight against bureaucratism and corruption was suppressed, many foreign Sinologists concluded that reforms in China had failed. Opinions were expressed that China's conservative forces had won, that the country's advance along the road of democratization and the restructuring of its economic system had been stopped, that the outcome of the events meant the collapse of Communist ideology as a whole. According to those Sinologists, China had left the path of reform and started moving in a direction opposite to the course being pursued by the Soviet Union and East European countries.

Diverse opinions may be heard in China itself. For example, the press generally insists that to conclude authorities have retreated from the previous line of reforms and open politics is mistaken. The country's new leadership incessantly asserts it is not going to abandon the policy of economic transformation, that it will carry out more far-reaching reforms and that a return to the old methods of economic management is out of the question. But response within Chinese society to official assurances is guarded, and all actions of the authorities aimed at restoring order and making the economy healthier are regarded as a return to the administrative command methods of economic management.

Many Western and Japanese experts assess the success or failure of the reforms from the point of view of whether they facilitate the establishment of capitalist relations in China. In these scholars' opinion, the aim of the reforms, in the final analysis, was to install capitalism in the country, and from such a position, they evaluate the shifts in the economic policy that restrict in some measure the effect of the market mechanism and introduce a more rigid control over the operations of the economy's individual and private sectors.

What was the reason for such assessments and opinions? Why did admiration for the successful reforms in China give way to such a sharp disappointment in their results and pessimism over the prospects of the country's future development?

Today, China's economic policies are characterized by the expansion of centralized planning, rejection of wage reform, continuance of strict price control, and greater supervision of individual and private enterprise activities. Administrative methods of management are at present the principal instrument of ensuring the functioning of the national economy.

A campaign against so-called bourgeois liberalism has also been waged in the ideological field. Many theoretical premises, once used to show the urgent need for economic and political changes, are now condemned in the press. Some articles question the necessity of transformations and ridicule those who "have come to believe in the omnipotence of reforms."

Bourgeois liberals are accused of wanting to restore capitalism, of demanding full freedom of market relations, reconstitution of private property, and introduction of the parliamentary system. All these accusations are unsubstantiated, built on quotations from unknown, unpublished materials, which makes it impossible to assess the true views of those currently censured in the Chinese press. At any rate, the criticized "bourgeois-liberal views" seem cautious and moderate when compared to the liberal views being published in Soviet magazines and newspapers and in the East European press.

It should be noted that whenever Chinese propaganda tries to frighten its society with the threat of capitalist restoration, the bulk of the population do not get frightened. After forty years of development along the "socialist" path, Chinese citizens, at last, getting an opportunity to learn the truth about the living standards of workers in capitalist countries and the extent of democratization of the sociopolitical life there, realized how far they lag behind the highly developed states, both economically and politically. Especially affecting the mood and imagination of the Chinese is the example of Taiwan, whose economy developed on the basis of principles different from those of the national economy on the continent. The press condemns workers who say they would prefer to be exploited by capitalists, and to live as working people in Taiwan, Japan, and the United States. The Chinese press brands such pronouncements mistaken, trying to persuade readers that high living standards in capitalist countries by no means testify to the advantages of the capitalist system.¹

In addition, official propaganda strives hard to revive the Mao Zedong cult. The example of the soldier Lei Feng, symbol of unthinking obedience to the directives of the Great Helmsman and model of asceticism and self-sacrifice, which disappeared from the press for a time, is now actively recommended to

¹*Qiushi*, no. 22 (1989).

young people for emulation. Further, the Yan'an spirit and style are glorified in connection with appeals for strict economy in consumption and patience in the face of privations and difficulties. The experience of Daqing, the oil fields extolled in Mao Zedong's economic prescriptions of the 1960s and 1970s as the model of industrial development, is now being revised.

Zhao Ziyang Censured

The former General Secretary of the Central Committee of the Chinese Communist Party (CCP), Zhao Ziyang, has been censured for indulgence toward ideas of bourgeois liberalism, for the violation of the "four cardinal principles" (socialism, dictatorship of the proletariat, Marxism-Leninism-Mao Zedong thought, and the leading role of the CCP). But these accusations, to put it mildly, falsify Zhao Ziyang's stand. It is sufficient to look through his report to the Thirteenth CCP Congress to see that he spoke of the necessity to abide by the "four principles." And the principles themselves, at different times, have been given different socioeconomic and political content. For instance, during the Cultural Revolution many leaders of the CCP, Deng Xiaoping included, were attacked in defense of these principles.

The Cultural Revolution itself showed how easy it is to strengthen feudal-fascist usages, suppress democracy, transgress laws, establish arbitrary rule, and use violence against individuals and society under the banner of revolutionary socialism and communism. It was no accident that in the years after Mao Zedong's death, which opened up a new page in his country's history, the polemical battle centered on whether the CCP's ideological and political struggle should be against bourgeois liberalism or feudalism. Conservative leaders repeatedly stress the importance of eradicating bourgeois ideology, while radicals urge clearing the country of feudal views and institutions. Socialism is supported by both sides—those who opened fire at Tiananmen Square and those who were shot at. So of importance are not the slogans defended by Zhao Ziyang and his opponents, but the actions flowing out of them.

Applying the same slogans in the course of fundamentally different concrete policy courses has been generally characteristic of China's political culture. A semblance of policy continuity is created, though the policy itself may undergo a drastic change. The same slogans thus are given a different socioeconomic content, be it the "four cardinal principles," the call to act in the "Lei Feng spirit," the "hundred flowers" thesis, or others. This process would seem to hinder the correct orientation of the Party functionaries and economic executives, but traditionally the true content of habitual directives is revealed to the leadership in closed decisions and instructions, so as not to "confuse" local cadres.

Many theoretical premises contained in Zhao Ziyang's report to the Thirteenth CCP Congress have been hushed up, distorted, or criticized. At

present, since the appointment of Jiang Zemin as General Secretary of the CCCCPC, seldom does anyone venture to quote the resolutions of the Thirteenth Congress. The beginning of the policy of regulation, of tightening administrative control over China's economic life, which, in the official opinion, does not mean rejecting reforms, but, on the contrary, makes them more profound, is tied in with the change of leadership.

If a complete replacement of administrative-bureaucratic methods by a market-driven economy, a variety of property forms, and democratization of the political system are the ultimate objectives of reforms, then one may assert that at present, these objectives evidently have been rejected. But in announcing the course of development of commodity-monetary relations and formation of the market mechanism, CCP leaders insist they seek to use both the principles of planning and of market, whose combination should enhance production activity and ensure higher rates of national economic development. The problem of determining the most rational correlation between the plan and the market has been the center of discussions from the start.

When the contemporary state of the Chinese economy is described, it is often called a mixed one, meaning it is a combination, or synthesis, of the planned and market mechanisms. But, in fact, the harmonious combination of such mechanisms to regulate Chinese economic development as yet exists only in theory. It is too early to speak of their synthesis. There is no definite answer to the question of their rational correlation. Concrete economic policy has not yet acquired firm and stable features, and at present, state-directed planning coming from the capital or provincial centers still determines the direction and rates of development of the main sectors of the national economy. The plan and the market have not yet entered into equal interaction, and no system of such interaction has been found as yet. The old (total planning) and the new (market) systems do not combine, do not interact; they coexist without complementarity and hamper each other. The old form of economic management still predominates and does not allow the market mechanism to fully determine the country's economic situation. The bureaucracy, even while admitting the necessity of combining the plan and the market, stifles or restricts market relations to minimize their impact on economic activities.

But even admitting that after events in Tiananmen Square a regression in the domestic policy of the Chinese leadership has occurred and that conservative economic views are once again in favor among the Chinese leadership, one can hardly share the pessimistic views regarding the prospects of China's socioeconomic and political development. Reforms in China have always been a long and complex process, registering both breakthroughs, retreats, and on occasion, marking time.

Socialism with Chinese Characteristics

The recent decade of reforms in China resulted in great changes in Chinese society. Since the Third Plenum of the CCPCC (December 1978), important theoretical and practical work has been done in China, aimed at the renovation of the economic and political systems, and what was achieved cannot be dismissed.

A new notion of the socioeconomic content of socialism and of ways to attain it emerged. Deng Xiaoping's concept of "socialism with Chinese characteristics," and the "initial stage of socialism" theory adopted at the Thirteenth CCP Congress, marked a deviation from the Stalinist-Maoist model of society. Such principles as commodity-monetary relations, plural forms of property, competition, risk—that is, everything that in Mao Zedong's time had been considered as phenomena inherent only in capitalist societies and that, according to the standards then applied, should be condemned as alien to socialism—have now been legitimized in China.

The leveling principle, the leftist "common rice bowl" theory so dear to Mao Zedong, has also been criticized. It has been admitted that the leveling principle restrained and impeded development of the country's productive forces: worker discipline slackened and people's creative abilities could not be fully realized. But that principle so roundly condemned in theory and in political documents continues to be applied in practice—and in real life has always been implemented according to the social hierarchy, that is, within the framework of a social group or official ranks. Personnel of the same rank, for example, received the same remuneration, and promotion meant an increase in material welfare.

The bureaucracy supported such hierarchic leveling and encouraged careerism and zealotry among Party officials, functionaries, and other members of the government apparatus, all of which was intensified by the desire to maintain the socioeconomic level already achieved and thus the right to a bigger piece of the public pie.

Even so, reforms resulted in the abolition of people's communes in the Chinese countryside and the introduction of the contract system. In cities, lease, contract, and stock companies were introduced in industry. Overall, centralized planning was curtailed and broader rights were granted to provinces and greater independence accorded many enterprises. Such measures yielded good results, enhancing economic efficiency and production growth in agriculture and in industry.

But when Chinese economists suggested that more far-reaching reforms and a search for new methods of running the economy and expanding market relations were necessary, the old system decisively influenced the course of events and restricted reforms.

In the mid-1980s, the country's economic situation grew increasingly complex, especially with respect to the consumer market. Stagnation in

agriculture, low industrial efficiency, growth of unemployment, sharp price rises, disproportionate development of various branches of the national economy, corruption, and black-marketeering engendered strong discontent in society and were the backdrop of student agitation in the spring of 1989. Similar difficulties had been experienced previously, but by the late 1980s such economic dislocations were acute.

In discussing the causes of such difficulties, some scholars and politicians pointed to what they regarded as a too rapid tempo of transformations, others to sluggishness and inconsistency in their implementation. Disputes on that score continue. It was commonly acknowledged that economic reforms had to be coupled with a radical restructuring of the political structure because the existing power system hindered the new forms of economic relations and impeded further change. The problem of political reforms, the discussion of which had started after Deng Xiaoping's 1980 speech and was interrupted after the 1985–1986 student agitation, remains the subject of hot debate.

New Leadership

The new Chinese leadership, formed after the dismissal of Zhao Ziyang, speak of their commitment to the cause of reforms and stress the necessity to make them more far-reaching. At the same time, correctives are introduced in concrete economic policies to improve the economic situation. Tighter price controls were introduced as were measures to regulate the functioning of the private and collective sectors of the economy. Investments in capital construction were drastically curtailed, which according to the press, has already resulted in the reduction of prices and stabilization of the consumer market.

In analyzing causes hampering the stable advance of their economy, Chinese economists name excessive rates of industrial growth and imbalanced economic structure, one they see as a disturbance of proportions between industry and agriculture. In the early 1980s, measures were introduced to reduce the imbalance between the development rates of heavy industry, light industry, and agriculture, which made it possible to achieve a relatively even ratio between these economic sectors. The growth rate ratio between industry and agriculture was set at 2.8 to 1. But soon the policy was changed, and in 1985–1987 the ratio increased to 4 to 1 and in 1988 to 6.7 to 1.² Such disturbance of proportions thus remains one of the important causes of Chinese economic difficulties, of the strained supply of power and raw materials.

The lagging behind of agricultural production could not but influence the situation in industry and the economy as a whole. For four years as a result of the reduction of agricultural investments, the grain and cotton harvests remained at the 1984 level to the detriment of both rural and urban populations.

²*Renmin ribao*, February 5, 1990.

Recently, the Chinese leadership concluded that the thesis of "agriculture being the foundation of national economy" should be strengthened materially, that money should be invested in it. They realized that to ensure ongoing agricultural growth it is necessary to alleviate the rural burden, to render material and technological assistance to peasants, to clearly reward the production of grains and cotton and other nonfood crops. In short, modernization of agriculture should stop being a slogan and become a reality. And to achieve this end, money, not words, must be expended. By 1990, this shift had produced results.

Socialist Planning

On the other hand, some economists fighting "bourgeois liberalism" explain recent economic difficulties by the partial abandoning of centralized planning. They see important rights over production granted to regions and greater independence given to commercial enterprises, the gradual replacement of directive planning by guided (recommendational) plans, and the greater role accorded to the market mechanism as causes of growing disproportions in the national economy of rising prices and other economic hardships. They see the way out of the existing situation in the strengthening of planning to the detriment of the market, which significance has been, according to them, excessively inflated. It is on directive planning that its supporters pin their hopes for the stabilization of the country's economic situation, believing the state orders must be more scientifically substantiated and more strictly controlled, so that they can be fulfilled.

There are also economists who, not daring to openly defend market relations, advocate the combination of the planned and market regulation of the economy, but allot the leading role to planning.

Yet others argue for the economic courses presently taken. They believe planning is inherent in socialism, but that China, being at the initial stage in the advance toward socialism, has as yet no objective conditions for direct, all-around planning. Public property, the foundation of the national economy, provides a possibility for planning that will help to balance the various branches of the national economy and lead to the rational use of labor, material resources, and power so as to avoid anarchy and spontaneity.

This argument states further that planning makes it possible to maintain proportions in the development of the national economy as well as a stable growth rate and to develop the major economic branches and consider various interest groups while organizing production and distribution. But it also suggests that such planning should not be too centralized. As production remains commodity production, there should also exist a market playing a multiple, positive role.

Market supply and demand determine the value and necessity of products. But market response comes post factum; it is spontaneous and thus produces

price fluctuations and creates disproportions. Therefore, market should be combined with plan. When directive planning is expanded, the market loses its former significance. But with guided (recommendational) planning it makes itself felt and finally, when centralized planning is given up becomes a decisive, and positive, economic force.

But such an argument is ultimately flawed because to have the market fully regulate the economy, it should be free and developed, which is not the case in China. The task is really not to restrict or guide the development, but, on the contrary, to facilitate it. In the past, China suffered from the underdevelopment of market relations. The Chinese economy needs not only a developed, but also a relatively stable market, where a balance of demand and supply is maintained.³

Some Chinese scholars do not agree with the popular opinion that under socialism demand should exceed supply and that this is an advantage of socialism. They assert that supply should exceed demand.

Describing the present situation in China's national economy, *Qiushi* magazine wrote that, in the first place, it is not yet a market, but a planned commodity economy. It is known that market relations are not indispensable in any commodity economy. Under socialism, commodity economy may be regulated by the market without becoming a market economy. Second, the regulating functions of the plan and the market should be different. These two principles may be combined in different ways when applied to individual and private enterprises and those using foreign capital. (By individual enterprises are meant those businesses run solely by their owners, with no hired labor; by private enterprises it is meant hired labor is used.) The output at state-owned enterprises is regulated mainly by the plan; at collective enterprises, both by the plan and the market. Production of goods not envisaged by a state order is regulated mainly by the market, but partially also by the plan. How to determine ratios for the spheres of operation of directive planning (currently one third of all capital investments), guided planning, and market regulation has not yet been studied.

Qiushi states that in one situation, the role of the plan becomes decisive, in another, the role of the market. At present, market is playing the major role.

Premier of the State Council Li Peng, speaking at the All-China Conference on the problems of economic reform, stressed the necessity of the combination of the plan and the market and said total planning and centralization of management would stifle the economy. But he also pointed out that the existence of purely market relations might result in economic chaos and social instability. He concluded that the achievement of a rational combination of plan and market regulators fit for China was a difficult, ongoing task and that the

³*Qiushi*, no. 22 (1989).

chief necessity was to ensure a stable development of productive forces, devoid of sharp slumps and sharp upsurges.⁴

Bourgeois Liberalism

Discussion of that problem continues, but it is hampered by the incessant attacks on the “bourgeois liberals” who, allegedly, in propagating the advantages of the market economy tried to revive capitalism in China. Therefore, some scholars, avoiding the use of the words *market economy*, speak about the advantages of economic levers as compared with administrative planning. They believe that the tightening of administrative control over the economic processes, justified under existing conditions, may facilitate the solution of superficial problems, but will not overcome the cardinal difficulties hampering economic growth.

Those who campaign against “bourgeois liberalism” also attack the market mechanism and private property: In such a view, the advantages of the planned system and state-owned (so-called People’s) property are beyond doubt. The Chinese press currently asserts that the development of market relations will mean a retreat from the principles of socialism, will result in the enrichment of some and impoverishment of others, and will lead in the final account to restoration of capitalism. The partisans of these principles pay almost no attention to the criterion of economic efficiency and do not raise the question of which method—total state control or freedom—will develop productive forces more rapidly, better utilize scientific and technological advances, and raise in a short time the material well-being of the population. The Chinese press avoids any direct answer to the question of what is more preferable—to preserve ideological purity by refusing to give up habitual postulates or to create social and political conditions that would guarantee economic growth and improve living standards, even at the cost of violating ideological dogmas. To preserve faith and remain poor, as Mao and other ideologues of the Cultural Revolution demanded, or, retreating from canons, “to leave the only correct way” and go along a path promising greater economic well-being for everyone.

Today, such disputes cannot be conducted openly. But progressive forces in Chinese society follow with hope the radical changes now occurring in other socialist countries, in the Soviet Union and Eastern Europe. These changes cause great anxiety among the present Chinese leadership. The thesis of “peaceful evolution” in socialist countries, meaning slipping down to capitalism, is now circulated. The processes going on in the USSR and other countries are explained as the malicious scheming of imperialism, and are not treated as a result of internal developments within these countries. But despite the raising of the old fears in present-day China hardly anyone believes in the intrigues of imperialism.

⁴*Renmin ribao*, February 5, 1990.

Meanwhile, the country's national leadership permits, may even encourage, attacks on those who advocate a broad-scale recourse to the market and the expansion of the private and individual sectors, while in the same breath, stressing that these movements are necessary complements to the state economic management.

The premise that "public property shackles the development of productive forces and weakens the labor activity of workers and peasants" is criticized in disputes over private and state (and public) property. Advocates of state property argue that if it is retained, workers will remain the owners of means of production, thus ensuring the distribution of products in the society in accordance with one's performance. They allow the existence of private and collective property, but only within limits determined by the state. Supporters of the primacy of state property argue also that the principle of leveling and the "big rice bowl" are not inherent in socialism, but are rather leftist distortions of it. Bureaucratism is seen as a similar leftist distortion.

Theoretical reasoning about the pernicious role of market relations and private property—criticism of bourgeois liberalism in general – has produced, on the whole, a negative effect. Chinese peasants have become anxious: What if the contract system is abolished and communes restored? Such anxiety is well founded. Zhao Ziyang, occupying the post of first secretary of the CCP Szechwan provincial committee, helped introduce the idea of family contracts in the villages, and his resignation, naturally, engendered misgivings among the peasants regarding its future.

Similarly, persons engaged in individual labor activities and private enterprise have also become apprehensive about their future prospects, as they are tied to ongoing economic reforms. In this connection, the Chinese press has printed several articles to calm public opinion and to show that the country's leadership has not given up the program of reforms, that there is no way back to the past, and that the issue is putting the situation in good order, not abandoning reforms.

Lately, CCP leaders have said the political reform is to be implemented, but slowly and cautiously, with the aim of not disrupting the country. They have advanced the view that because of their present national character, the Chinese are not yet prepared for the wholesale introduction of democratic forms of organization of sociopolitical life.

***Qiushi* Article**

Members of the staff of the People's University Zheng Hansheng and Feng Zhibin in an article in *Qiushi* remind readers that the Cultural Revolution made them aware of how the "great democracy," recognizing neither heaven nor law, may only undermine the development of social democracy and violate the people's rights. According to these authors, in the ten years that passed after the Third CCPCC Plenum, the following achievements were registered: Powers

were delegated to lower administrative bodies; public control over their work was introduced; a system of consultations and dialogue was established; a reform of the election system (holding elections at fixed intervals, repeal of the system of lifelong occupation of official positions) was carried out; direct elections on the alternative basis in *xian* (districts) were introduced.

In 1988, changes were also made in election laws enabling all parties and public organizations to nominate candidates for deputy. This right was also granted to collectives of citizens (numbering no less than ten). Because of direct, alternative elections, the deputies' responsibility to the people was enhanced.

The authors of the article do not agree that political reform must be carried out slowly, but they believe excessive haste may destabilize society, and that keeping order and stability are prerequisites for successful reforms. Meanwhile, political reforms in the wrong hands could overthrow the socialist system. Student agitation is evidence of that possibility, say Zheng and Feng. The disease of democratic extremism may result in anarchy and provoke economic disorder.

Much time and strength are needed to train the people for independence and, at the same time, to inculcate in them respect for law and its observance. For China, assert the authors, both bourgeois and socialist democracy are notions borrowed from the outside. Thus, they write that many citizens simply do not understand the meaning of democracy and are unaware of the difficulties of democratization in this country, while others believe democracy means willfulness: Do as you like, law and discipline are impediments to be overcome.

Haste in carrying out political reforms, the authors say, may also restore clan links and promote sectarianism and cliquishness. The clan psychology has retreated to the background in the countryside because of the growth of a commodity economy, but in many regions, clan relations still predominate. So if political reforms occur too rapidly, associations may be set up legalizing the activities of clans and sects, which will inevitably bring about further economic and political disturbances.

Haste may also lead to regionalism, which the authors view negatively. In their view, centralized leadership is indispensable; the country must not fragment politically. The authors are convinced that both stability and democracy may be ensured only under the leadership of the CCP representing the interests of all the people.

At the same time, Zheng Hansheng and Feng Zhibin deny that conditions for democracy are absent in China and that the people are not prepared for democracy. They see the ongoing development of economy, science, and technology as creating prerequisites for democracy, and the reform of education, its spread and efforts to eliminate illiteracy, as all helping to develop the necessary democratic qualities in the people.

The authors of the *Qiushi* article conclude: “Not to make haste, but also not to be slow.”⁵

Economic Measures

It is now stressed in official pronouncements that economic measures taken to establish order and tighter control are temporary steps and in three years (or a little longer) they will bear fruit: Inflation will gradually recede, retail price rises will slow to 10 percent or less, the rate of money emission will be reduced, and the fiscal deficit will be liquidated. Desirable growth rates have been fixed at 5–6 percent. As the economy is ordered, there will be an agricultural upsurge as power and raw material shortages are overcome. The implemented measures will help create a system regulated at the macroeconomic level, combining both planned and market mechanisms. The search for other options in this direction will continue.

The Chinese leadership does not promise speedy prosperity. They believe several years are needed to stabilize the strained economic situation. One consequence of this long-term view is that authorities believe control over the expenditures of the bureaucracy, Party, and public organizations should be tightened. Spending on the reception of guests and presents is being limited, construction of hotels delayed (orders have been issued to make them less comfortable), and production of nonessential goods is being stopped. Company managers are requested to increase wages only when labor productivity rises.

At the same time, assurances are given that the call to all-out austerity will not lower living standards. But the closing of some enterprises and the partial curtailing of production in others has already affected workers' earnings. Peasants and rural enterprises are unfairly and immoderately taxed, which further aggravates their economic lives and leads them to question the correctness of presently pursued policies.

Among the unsolved challenges there is the accumulation of capital and consumption ratio issue. In the early 1980s, prominent Chinese economists believed the main cause of China's economic difficulties lay in the excessive share of accumulation then present in the economy—30 to 50 percent of the national income—which led to the emergence of disproportions in the country's economy and the deterioration of living standards. They believed an accumulation figure exceeding 25 percent was economically detrimental. At present, according to the Chinese press, this figure is 30 percent, and the problem should still be tackled. Successful resolution of the accumulation of capital and consumption ratio problem depends on the establishment of a correct relationship between the center and provinces.

⁵*Qiushi*, no. 20 (1989).

An earlier reform granting greater independence to provinces invigorated local economic activities, but also led to factionalism. Provincial economies were in bad shape to begin with and were burdened with unskilled workers. Local managers staked their prestige on achieving high gross outputs and in the process violated state directives about the reduction of capital construction. They put money and materials in the construction of small, inefficient enterprises producing goods of poor quality and in little demand. But by banning the sale of goods from other regions, local managers forced provincial populations into buying the goods anyway.

But not only the pursuit of high gross output figures led local leaders to expand construction of new factories and plants, despite the appeals and directives of the state planners. Local managers were also trying to solve the complex task of employment. Annually, millions of young people join the ranks of those who "wait for jobs," and industry, transport, and trade suffer from surplus manpower. Therefore, construction of new enterprises is, from the point of view of local leaders, an important means of providing employment to the rising generation. Striving to solve this problem at least partially, provincial authorities feel compelled to ignore the state's orders about reduction of capital construction.

The relationship between the state planners and the local authorities has often been strained. Heated disputes on this score were waged during the Cultural Revolution as well, but no rational balance of the interests of both has been found as yet.

The Chinese leadership has still to deal effectively with many other economic issues, among them: maintaining self-sufficiency of enterprises and coordinating links between them; effectively, efficiently raising the rate of economic development; improving product quality; fighting economic leveling; reducing capital construction and solving the employment problem; revising the system of pricing, so prices conform to the law of value; maintaining present living standards; and the list goes on.

All these problems were freely and animatedly discussed by Chinese scholars before the campaign against bourgeois liberalism. At present, these discussions have been brought within ideological limits, and, naturally, it has become more difficult to look for and to find rational methods of overcoming the difficulties of socioeconomic development.

Consequences of Anti-Bourgeois Campaign

One of the pernicious consequences of the campaign against bourgeois liberalism is that scholars not in full agreement with the official propaganda principles are effectively gagged, that some of the best minds are barred from participation in the discussion of problems of major importance to the country. It is not permitted to express one's opinion if it differs from the view imposed from above. In this way, the Chinese leadership restricts its use of the country's

intellectual potential. And the ongoing campaign cannot but affect, in a negative way, the choices of young people wishing to pursue the social sciences. Having lost faith in the possibility of free expression of their ideas, they will either have to withdraw into themselves or to conform, and society loses in both instances.

A similar tragedy occurred in China in the 1950s when a fight was waged against the "rightists," and again during the Cultural Revolution when the persecuted and mourned-over intelligentsia were forcibly excluded from the country's cultural life. The Chinese people paid a high price for the attempt to implement the Maoist premise that "ignoramuses can be at the head of specialists" and for the thesis of the priority of the "reds" over the "experts."

At present, despite the bitter results of these past campaigns and the obvious harm done by them to the country's development, once more China's youth are being force-fed the idea that the main thing is to be "red," to be ideologically committed, that professional commitment and intellectual honesty are secondary. The appeal "to revive the Lei Feng spirit," the spirit of unthinking obedience and the senseless rote learning of quotations from Mao's speeches, is again rife in the Chinese press.

As already has been said, recent events again rife in East European countries will affect the search for deeper reforms in China. But at present, Chinese propaganda has adopted a defensive-offensive stand, seeking to bar the public, particularly young people, from the "pernicious impact of world evolution" and capitalism. Propaganda now focuses on the advantages of socialism, the correctness of the CCP leadership, and the resurgence of Mao Zedong's ideas, all of which find great play in the press, and all of which, according to the Chinese leaders, will ensure social order and stability.

The new Chinese leadership has been able, using administrative and ideological measures, to restore some order to the economy and to establish public order as well. But many problems of economic and political restructuring still remain unsolved, and, consequently, there is still social soil for manifestations of discontent, especially among students.

The attempt to control the frame of mind of the intelligentsia and the students by the reintroduction of a strict supervision of the way of thinking may yield external compliance, but will in fact lead to protests acquiring hidden forms. In China, the silence of today is not a sign of agreement, but evidence of disagreement, which accumulates and grows, not finding a normal outlet. The Chinese intelligentsia once again are forced to take up hypocrisy and falsity merely to survive.

Experience has shown that the wholesale introduction of new forms of economic life undermines the existing political system. Therefore, it is not an accident that in its attempt to survive, the bureaucracy hampers further economic transformations and resists political restructuring. It follows that without the political reform envisaging democratization of the existing system,

the CCP will not be able to thoroughly modernize the country and bring it to the economic level of the more advanced nations of the world, nor will it be able to proceed with deeper economic transformations aimed at the expansion of market relations with the retention of a measure of the state's regulatory role.

The present CCP leadership realizes that a return to the Stalinist-Maoist model of socioeconomic development is impossible, and Jiang Zemin and other Chinese leaders repeatedly say so. China has already started the process of restructuring, and it is now impossible to change that course 180 degrees. At the same time, experiencing difficulties, Chinese leaders cannot bring themselves to speed up the creation of a contemporary market economy. To do so is inherently risky. But the idea of reform as such has not been abandoned. Therefore, the present slowing down of transformations is depicted as their "deepening," which it is hoped will bring the stability and order necessary for the further advance along the path of economic and political reforms.

These transformations cannot be implemented rapidly, because, as accumulated experience has already shown, dismantling the old system has proved to be much more complicated and difficult than was previously supposed.

11. Soviet-Chinese Relations at the Beginning of the 1990s: Inertia and Alternatives

VLADIMIR I. KULIKOV

The end of the 1980s was marked by an important event in international life—normalization of Soviet-Chinese relations—an event that has fundamentally changed the situation in the Asia-Pacific region.

The single most important factor leading to normalization was the realization that the USSR and China, who are carrying out large-scale economic and social reforms, could no longer build their relations on the basis of past political and ideological considerations. This essay will answer two questions.

1. What forms of bilateral relations were touched upon by normalization?
2. How will normalization develop in the 1990s?

Trade-Economic Ties and Scientific-Technological Cooperation

A treaty base for the development of bilateral relations in the trade-economic and scientific-technological fields was laid in 1984–1985. A long-term trade agreement for 1986–1990 and an agreement on technological-scientific cooperation, according to which the Soviet Union takes part in building and reconstruction of a number of enterprises in China, were signed by the governments of both countries. According to the latter treaty, seven new enterprises are to be built, and seventeen industrial enterprises are to be modernized. These include projects in metallurgy, mechanical and power engineering, the coal industry, and transportation. A corresponding Soviet-Chinese commission was set up to supervise the implementation of USSR-Chinese agreements and accords in economic-trade and scientific-technological cooperation. An agreement was also reached on trade turnover and payments for 1986–1990, according to which the trade turnover over five years will reach an amount of 12 billion rubles, and by 1990 will be 3 billion rubles annually.

Agreements on establishing and developing trade-economic ties between constituent republics and Soviet organizations on one side and various Chinese administrative economic units on the other have been signed as has an

agreement on the principles of creating and operating Soviet-Chinese joint ventures.

In the framework of bilateral trade-economic cooperation China receives various industrial and transportation equipment, including aircraft, railroad cars, locomotives (and spare parts for them), ferrous and nonferrous metals, timber, oil products, and other Soviet products.

China delivers to the USSR various textile and light industrial products, chemicals, agricultural products, rare metals, and many more.

Broader regional trade among provinces located along the Sino-Soviet border occupies a special place in the new trade-economic ties. The border trade was renewed in 1983 and has been carried out in Sino-Soviet Far Eastern and Central Asian provinces. Through these channels the USSR delivers fertilizer, cars, motorcycles, household electrical goods, and building materials to China. And it receives animal husbandry products as well as light industrial goods.

But at the same time these new bilateral trade-economic relations and scientific-technological ties between the USSR and China could be fruitfully expanded. Although the amount of Sino-Soviet trade in 1987, according to Soviet official data, was worth 1.47 billion rubles and in 1988 increased to 1.85 billion rubles, much greater volume is possible.¹ The export of Soviet industrial production to China has substantially increased, and the import of Chinese machinery and equipment has doubled while trade in agricultural products and textiles measurably increased. At the same time, the Soviet export of oil products, rolled unferrous metals, and tubes diminished, and the delivery of cotton, corn, soybeans, cotton fabrics, and some other goods from China dropped, too.

Mere volume certainly does not reflect the complete picture of foreign trade relations. For example, while truck deliveries from the USSR to China decreased in 1988, their cost increased by 1.8 times. But even these statistics, while heartening, conceal some important facts:

- the share of high-technology production is low;
- both countries question the quality of goods proposed for export—the stream of reclamations doesn't diminish;
- new prospective forms of cooperation such as joint ventures, sponsored raw materials processing, compensation transactions, and direct ties between works are developing poorly;
- the existing five-year plan of bilateral relations being carried out by ministries in both countries in a traditional departmental approach hampers trade; it does not promote, and in some cases even excludes, the involvement of new economic sectors, cooperatives, joint ventures, and smaller state enterprises in that process;

¹*Foreign Economic Ties of the USSR in 1988* (Moscow, 1989): 218–219 (Russian ed.).

- there is no strategy of intereconomic ties between the two nations in a classical sense; the USSR has yet to determine the absolute and relative significance of China as a prospective trade-economic partner in relation to other countries;
- the incompleteness of the reform processes in both countries defines the transitional character of the economic cooperation system; its new forms and aims will correspond to postreform economies.

The quite modest involvement of the Soviet Far East region is another indication of the irrational structure of Soviet-Chinese economic ties and at the same time of their tremendous potential. This region, covering 28 percent of the Soviet territory and having huge reserves of bioresources, an extensive sea shelf, plentiful timber, and great hydropower potential, is poorly represented in the structure of bilateral relations.

To all appearances trade between the two countries in 1989 didn't change much, reaching a value of 2.4 billion rubles, although border area trade volume increased 2.8 times, and twenty thousand Chinese are now working in the USSR.²

Thus, the problem of optimization and the most effective use of the possibilities of bilateral trade between the USSR and China, from the viewpoint of modernizing economic mechanisms, is far from being resolved.

The Problems of Bilateral Relations in Other Spheres

Bilateral talks on border issues constitute quite specific evidence of the progressive development of relations between China and the Soviet Union. These talks were resumed at the beginning of 1987 in Moscow and soon achieved tangible results. The two sides have now set demarcation lines along the middle of the main route of the navigable rivers' borders and along the middle branch of nonnavigable rivers between the two countries. (President Gorbachev had made this proposal earlier in his speech at Vladivostok.)

There are other achievements, too. Today a full demilitarization of the Sino-Soviet border is a chief objective. Furthermore, permanent contacts between the Supreme Soviet and the Chinese National People's Congress have been established since 1985, and active exchanges between the two countries' legislative bodies are taking place today.

Cooperation in the field of education has become more active. A seminar on the problems of higher education reforms in both countries took place in 1989. Contacts between scholars and scientists are becoming more lively, too,

²D. Zagoria, "China and the Superpowers: Recent Trends in the Strategic Triangle," in *Asian Security Issues: Regional and Global*, ed. R. Scalapino, S. Sato, J. Wanandi, and S. Han (Berkeley: Institute of East Asian Studies, University of California, 1988), 118.

including exchanges between the Soviet Far East and Chinese provinces. Cultural exchanges, sports contacts, and tourism are also rapidly developing.

But the normalization of political relations between the two countries was, of course, the main event of the 1980s. In 1988–1989 the Soviet Union withdrew its troops from Afghanistan and reduced its military presence in Mongolia. It also declared a reduction of its military installation in Cam Ranh Bay, as well as the scrapping of its medium- and shorter-range missiles in its Asian territories, and reduction of its military development on the Soviet-Sino border. Further, the Chinese government agreed to participate in deputy ministers' special consultations on the Cambodian problem. At the end of 1988 an agreement was reached to hold a summit meeting in the first half of 1989 between Gorbachev and the Chinese leaders. The summit was held in the atmosphere of complete normalization of Chinese relations with other socialist countries and considerable relaxation of international tension. It also coincided with an acute internal crisis in China. But despite these internal developments, the visit of the Soviet leader practically defined the main trend of Sino-Soviet relations for the 1990s and confirmed the bilateral intention of both countries for a balanced approach and noninterference in one another's internal affairs as a long-term basis for bilateral cooperation.

These new commitments were immediately put to the test during the well-known events of June 1989 in Beijing's Tiananmen Square. The balanced reaction of the Soviet side to those events has played a decisive role in building confidence in bilateral relations and demonstrated the Soviet Union's resolution not to hamper the development of these relations with whatever political assessments of this or that situation it may make.

Thus, for the first time in twenty or thirty years the "big brother" concept was resolutely withdrawn from the political context of bilateral relations. This approach was formerly used to conceal the reluctance and inability of the countries' leaders to make positive use of the unique possibilities for mutual ties that would benefit both countries. As a result of Gorbachev's May 1989 visit, which climaxed the process of normalization between the two countries and during which the Soviet Union did not involve itself in China's internal problem, the international situation in the entire Asia-Pacific region began to change. Concurrent events such as the breakthroughs in solving the conflicts in Cambodia and Afghanistan, the warming of relations between China and India, the development of *perestroika* in Mongolia are not accidental, though, of course, no direct connection or dependence on Sino-Soviet rapprochement can be made.

The Soviet Union and China, freed from the chains of confrontation, can now concentrate their political and economic efforts on integrating themselves into the system of international economic cooperation that is developing in Asia and the Pacific. Thus, we can say that normalization of bilateral relations has had a stabilizing effect on the international situation in the region.

A further development in the Asia-Pacific region is the diminution of the role of the so-called strategic triangle in international relationships. This change can be discussed only from the viewpoint of the impact of Soviet-American détente on China because various strategic cooperation plans between the United States and China or between the Soviet Union and China hardly seem possible. It can be assumed that some Chinese leaders may become concerned with the improvement of relations between the Soviet Union and the United States. (In this sense the triangle may be interpreted in a way not used before.) And some Chinese leaders seeking a negative unifying force may once again use the thesis of the “great power conspiracy” to return China to the policy of self-reliance and isolate it once again from the international community. But we feel such a sequence of events is now highly improbable in China. China’s economic reforms are too far advanced for such a political retreat. China received \$80 billion in foreign loans in the 1980s, for example.

Sino-Soviet bilateral relations are also becoming more subordinate to the objective economic needs of both countries rather than to the special interests of different leaders. These relations are being freed from political and ideological imperatives and cease to be hostages of relations with third countries. They are solidly based upon the process of economic and political reforms in both China and the Soviet Union. (This is especially evident now, when the process of adopting foreign policy decisions has become more democratic and the work of the Supreme Soviet in this field has become more active.) In this sense I can hardly agree with the assertion of Donald Zagoria, who claims internal factors are of secondary significance when defining a country’s foreign policy. “Nations pursue foreign policies in accordance with their basic security interests and not in accordance with their domestic institutional arrangements.”³ It has been a peculiarity of the Sino-Soviet contacts since 1949 that they were directly related to the domestic affairs of the two countries. Even the rupture that ruined the friendship of the two communist giants was the reaction to the speech given by Khrushchev at the Twentieth Congress of the Soviet Communist Party in 1956. When established power institutions are being dismantled, as is happening now, and the priorities of one’s foreign policy are being reevaluated, Zagoria’s classical scheme, which can be applied to other cases, does not work. Factors far more profound and relevant, ones not connected with traditional foreign policy imperatives take center stage.

Prospects for the 1990s

In assessing prospects for bilateral relations in the 1990s, we should bear in mind that they are not isolated from the world community, indeed, are increasingly affected by it. Both countries are now committed to more active participation in the world economy and to integration into the world community

³Ibid., 119.

as important goals of reforming their societies and economies. We must ask if there is any correspondence of the basic trends of Soviet-Chinese cooperation to tendencies in world development.

Furthermore, we cannot ignore the possibility that the coming decade may well be a period of crucial scientific discoveries, and may see the further introduction of sophisticated technologies and the aggravation of economic competition. New powers and countries will take the global stage.

Undoubtedly, the current bilateral five-year plan of economic and trade cooperation (if we take into account the existence of the preliminary studies—the seven-year perspective) is doomed to noncorrespondence to the world's economic conjuncture from the very beginning. Far better results could be achieved by the democratization of bilateral economic contacts and concessions in the prerogatives of the central government in bilateral trade to enterprises, collective farms, lease collectives, cooperatives, and other legal entities along with the relaxation of bureaucratic barriers and adoption of a national program to stimulate such contacts. Under these circumstances the production of competitive goods could be achieved and that would bring hard currency to both countries—which will be important to China as she begins interest payments for loans granted by foreign partners in the 1980s.

In this connection the latest emphasis on large- and middle-scale enterprises in China's modernization process and the attempt at a "planned proportionate development of socialist economy" practically means government support for unprofitable businesses.⁴ Such an approach will not make jointly produced goods competitive on world markets. A stronger emphasis, a "breathing-space" in the progressive implementation of reforms whose aim is to stabilize economic life, would temporarily spur trade and economic cooperation in traditional fields that are not the most effective, but nevertheless important. Over the next year or two, expected gross growth of bilateral trade could be provided by these factors.

And in time the attempt at a "planned proportionate development of the socialist economy" will be an even greater hindrance in bilateral cooperation, particularly if the transition to a multiparty system in the Soviet Union continues.

Under such conditions, and if the Chinese reform process slows down for a lengthy period (which seems probable under the post-Tiananmen Square policies), the specific problems of trade and economic ties with China will advance to the forefront in the Soviet Union. It will no longer be possible to grant low-interest multimillion-dollar loans to China for the reconstruction of obsolete enterprises. The question of the economic efficiency of any and all bilateral ties is even now urgent when one considers the deteriorating state of the Soviet economy.

⁴*Jingji ribao*, November 13, 1989.

Still another aspect of this problem is the question of trade and economic ties between the Soviet Union and Taiwan. Nowadays the Soviet Union is developing its relations with nontraditional partners such as South Korea and Israel. On March 1, Taiwan authorities de jure lifted limitations on contacts with Soviet citizens, thus manifesting their intention not to make any exceptions on the general list of their new East European partners.

Taiwan has \$70 billion in reserves; the Soviet Union has tremendous economic problems. Taiwan has few natural resources, and the sale of Soviet resources at commercially unjustified prices to former ideological allies is less and less justified and increasingly criticized at the grass-roots level. Numerous Soviet enterprises have entered into foreign economic activities and are searching for business partnerships in untraditional regions and territories. Taiwan is an obvious choice for such partnerships. Furthermore, the central authorities would hardly be able to restrict such contacts if Soviet reforms continue. Finally, Taiwan already has numerous and probably unlimited indirect trade and economic ties with the Chinese mainland. In sum, Taiwan should be integrated into Sino-Soviet trade in the 1990s.

One must conclude from all the preceding discussion that Sino-Soviet trade and economic relations are inextricably associated with successes and failures in implementing reforms in both countries and that those processes must coincide for optimal effects. But for now China has yet to become a vital Soviet economic partner from the points of view of reform objectives, and the modernizing of its economic mechanism, and of the Soviet Union's global economic interests.

The same is true for the Soviet Union in relation to China, although the importance of the USSR as a socialist economic partner at the present stage of developments in China is gaining momentum.

The problem of defining the prospects for bilateral political relations seems to be more complicated than the economic issues. Perhaps only two tendencies are evident here. First, the reform of economic mechanisms, as well as the process of democratizing social and political life in both countries, will be decisive. Second, the political climax of normalization—the restoration of party-to-party relations—has already been achieved. Furthermore, normalization cannot be considered the ultimate point of the Sino-Soviet relationship or its determining component—the Soviet Union is changing too rapidly to be locked into only one course now.

It does not mean, however, that we define the 1990s as a “short-term tactical armistice for a period of implementation of more important and urgent goals,” as the *Christian Science Monitor* put it.⁵ Most probably it will be the first decade since the foundation of the People's Republic of China when *both* partners are prepared to realistically reestimate and exploit practical economic,

⁵*Christian Science Monitor*, February 27, 1990.

political, and other benefits that come from geographic proximity and social and political similarity. The possibility of sharply increasing the pace of social and economic development, relaxing the tense economic situation, reducing military outlays by demilitarizing the Sino-Soviet border are key undertakings in the process.

As we see it the potential for cooperation between the two countries in different areas is almost unlimited—implementing bilateral and multilateral projects to build the infrastructure of a permanently operating “bridge” between Europe and Asia would bring all of us to a new level of mutual understanding.

Such a potential also exists for joint or parallel efforts to maintain multilateral political and economic cooperation in Asia and the Pacific aimed at providing most favorable conditions for formation of a new division of labor in the region. This would also include joint efforts to ease military confrontation and to reduce foreign military presences in Asia-Pacific nations.

All those fields of cooperation could lead to dynamic developments in both countries granted certain internal prerequisites as outlined above. The whole complex of relations could intensify. Should the pace and tendencies of reform in both the USSR and China fail to coincide, however, or should both countries reject *perestroika* in different spheres of social and economic life, the already achieved levels of cooperation will remain in place for a long time and will have only negligible impact on life of the people in both countries. But it is far more likely that the necessity to respond to the challenge of new developments in the outside world will propel this process and bring new dimensions to it, making ongoing bilateral cooperation a necessity.

12. Chinese Foreign Policy in the 1990s

ALLEN S. WHITING

1990: Constant Policy, Changed Relations

Beijing began the new decade with a full-throated reaffirmation of its commitment to the open door and economic modernization based on foreign trade, investment, loans, technology transfer, and study abroad. At the same time it charged that a foreign conspiracy to overthrow communism by “peaceful evolution” had contributed to the “counterrevolutionary rebellion” of 1989. It vowed to resist “interference in internal affairs” regardless of whatever problems might arise from foreign sanctions. Abroad, the regime sought to improve its image through diplomacy while at home it called for “stability and unity” in the face of “hostile international forces.”¹

The contradiction between these external and internal postures reflected the leadership’s dilemma and probable contradictory postures within the leadership. On the one hand, ten years of expanding involvement with and dependence on the international economic system had proved beneficial; on the other hand, this involvement had left China vulnerable to outside disruption of economic plans. Relaxing political repression at home would relieve foreign criticism and sanctions, but it might also encourage dissidents at home and “subversives” abroad. Moreover, giving in to foreign pressure challenged the regime’s original identity as New China, which had stood up to foreign powers after a century of shame and humiliation.

In 1989 Sino-American relations reached their lowest point since 1972 despite the dispatch of National Security Advisor Scowcroft and Deputy Secretary of State Eagleburger on two missions to Beijing, one secret, one

¹An effort to bridge these contrasting themes for an American audience is offered by An Zhiguo, “Why Does China Oppose Bourgeois Liberalization?” in *Beijing Review*, February 12–18, 1990, pp. 18–21. See also Jiang Zemin in “China: No Shutting the Open Door,” in *ibid.*, January 1–7, 1990, p. 11.

public.² The partial lifting of American sanctions in early 1990 brought no significant improvement. Sino-Japanese relations similarly turned sour with Tokyo accused of imposing “the strictest” sanctions, although Japan’s criticism was far less harsh than that of most nations and its suspension of loan discussions in line with the World Bank and EC measures. West European criticism echoed Washington’s as did the EC postponement of economic discussions with the People’s Republic of China (PRC). France became a special target of Chinese protest for the hospitality it offered to the dissident democracy movement while Sweden evoked a formal protest because the Nobel Peace Prize was awarded to Tibet’s Dalai Lama.

Socialist relations also suffered, albeit for different reasons. With communism in full retreat from power throughout Eastern Europe, successor regimes fell into disfavor in Beijing—Czechoslovakia and East Germany came under explicit attack when they invited the Dalai Lama to visit. Even President Mikhail Gorbachev reportedly was excoriated in secret directives for allegedly pulling the rug out from under the East European systems and jeopardizing communist rule in the Soviet Union.³ By contrast, the ritualistic reference to “lips and teeth” as characterizing Sino–North Korean relations reappeared.⁴ In November 1989 the top leadership welcomed Kim Il Sung when he arrived in secret at the Beijing railroad station.⁵ Less profuse but no less significant was the slight warming of Sino-Vietnamese relations expressed through common concern over “peaceful evolution” and communism’s future.⁶ Even the top

²In October Deng told Richard Nixon, “Frankly speaking, the U.S. was too deeply in the turmoil and counterrevolutionary rebellion . . . China was the real victim and it is unjust to reprove China for it.” *Beijing Review*, November 13–19, 1989, p. 9.

³*New York Times*, December 29, 1989.

⁴Li Peng declared “that the two countries were as close in relations as lips and teeth.” Beijing International Service in Korean, October 6, 1989, in Foreign Broadcast Information Service (hereafter FBIS), *Daily Report—China*, October 13, 1989, p. 7.

⁵Deng, Jiang, and Li headed the welcoming group which included, among others, Qiao Shi, Li Ruihuan, Li Ximing, Wu Xueqian, and Li Huaqing. Pyongyang Domestic Service, November 12, 1989, in FBIS, *East Asia*, November 13, 1989, pp. 6–7. According to Pyongyang, Kim “warmly met with Comrade Deng Xiaoping, his old friend. The meeting between them was particularly friendly.” Kim met later, separately, with Deng, Yang Shangkun, and Deng Yingchao. No publicity attended the visit, its occurrence being subsequently revealed by Beijing and Pyongyang. The fullest and most laudatory treatment came from Pyongyang, a more truncated version from Beijing, *Xinhua*, in English, November 12, 1989, FBIS, *China*, November 13, 1989, pp. 9–10, with a still briefer account in *Beijing Review*, November 17–December 3, 1989, p. 12.

⁶“For Vietnamese-Chinese Friendship,” Hanoi International Service in Mandarin, January 6, 1990, FBIS, *East Asia*, January 9, 1990, pp. 65–66, reviewed positive interactions of 1989, which included the first deputy foreign minister talks in ten years, cross-border visits and festivities, scholarly cooperation, diplomatic surveys of past Chinese aid programs, and a Chinese embassy visit to graves of Chinese “martyrs who fell . . . during the Vietnamese people’s fight against the U.S. to save the country.” The article did not mention China having shot down a MIG-21 along the border in October 1988 subsequently revealed by Hanoi in announcing the exchange of 22 prisoners of war while it also reaffirmed readiness to negotiate a normalization of relations. Hong Kong

leader of Laos, Kaysone Phomvihane, made his first visit to Beijing in ten years, winning Chinese praise for the “normalization of relations.”⁷

Only in the Third World did Beijing maintain a semblance of normalcy through a judicious mixture of junkets abroad and high-level receptions at home. Thus, in the latter half of 1989 eighty-two-year-old President Yang Shangkun visited Egypt, the United Arab Emirates, Kuwait, and Oman. Premier Li Peng toured Pakistan, Nepal, and Bangladesh. Foreign Minister Qian Qichen touched ground in Botswana, Lesotho, Zimbabwe, Angola, Zambia, and Mozambique. During this same period the Chinese capital hosted the heads of state from Burkina Faso, the new Palestine regime, Western Samoa, Tanzania, and the prime minister of Thailand.

Beijing attempted to put the best face on the situation, noting in November 1989 that “when certain Western powers are still exerting political and economic pressure on China . . . the vast numbers of the Third World countries are our trusted, genuine friends.”⁸ By its count, out of 137 countries with whom it had relations only “some twenty” had criticized the Tiananmen Square crackdown. But this assertion could not conceal that the fireworks celebration on the regime’s fortieth anniversary—October 1, 1989—had been boycotted by diplomatic representatives from all the major industrial states of Europe, North America, and Australasia. Nor could the minor embarrassment of Taiwan’s winning diplomatic recognition from Grenada, Liberia, and Belize at the expense of Beijing be wholly ignored. Indeed, Taiwan’s self-proclaimed “flexible diplomacy” won pointed attack in PRC propaganda as threatening a “two-Chinas” situation.⁹

None of these developments isolated China from the world, much less undermined its national security. The damage to economic prospects so far as noncommercial loans and aid were concerned proved short-lived as the United States, Japan, and the World Bank resumed the financial flow on a modest scale in 1990. The regime’s prestige had clearly suffered, but the longer-run effect remained to be seen as PRC participation continued unimpaired in international gatherings, whether on Cambodia or Pacific cooperation.

Nevertheless, the suggestion of a siege mentality evoking a defensive, if not defiant, nationalism characterized the tone of media commentaries as the new decade began. This was particularly evident throughout *Jiefangjun bao*

Agence France Presse (AFP) in English, January 18, 1990, FBIS, *East Asia*, January 18, 1990, p. 49.

⁷*Beijing Review*, October 16–22, 1989, pp. 11–12.

⁸Editorial, “Sincere Friendship, Successful Visit—Hailing the Complete Success of Premier Li Peng’s Visit to the Three South Asian Countries,” *Renmin ribao*, overseas edition, November 22, 1989, in FBIS, *China*, November 22, 1989, pp. 14–15.

⁹“China Sticks to ‘One China’ Policy,” Xinhua News Agency Commentary [hereafter cited as Xinhua], October 27, 1989, in *Beijing Review*, November 13–19, 1989, pp. 15–16.

[*Liberation Army Daily*], which warned that “in the 90s . . . it is a critical time for us to see whether the Chinese race is in ascendance or decline. The Chinese race must either stand up or fall backward.”¹⁰ This journal might be properly discounted as necessarily sounding a superpatriotic line both for its readership and for its vested interest. However, its close association with the leadership, especially President Yang, gave it more authority than might otherwise be the case.

Forecasting Chinese foreign policy at this juncture forces primary attention on domestic politics as an unpredictable but key variable, for two reasons. First, an internal struggle over power and policy is certain to follow Deng Xiaoping’s death. Second, the collapsing communist rule in much of Eurasia inevitably influences politics in China. Only by examining alternative scenarios for domestic politics can we assess their impact on foreign policy as well as on foreign relations affected by reaction abroad.

The Domestic Politics–Foreign Policy Linkage

Past politics placed the People’s Liberation Army (PLA) in a pivotal position during the Cultural Revolution and again when Mao died. In the first instance the highest officers warned Chairman Mao that unless military rule could remove the Red Guards, civil war might result. Mao reluctantly agreed, and from 1968 into the early 1970s the PLA occupied key roles in all institutions, economic and political.¹¹ In 1976 it operated less obtrusively but no less decisively in removing Jiang Qing and her associates—collectively dubbed the Gang of Four—from power, thereby putting Hua Guofeng in visible control while Deng Xiaoping returned to ascendancy behind the scene. Deng’s return relied in no small part on PLA support.

The PLA may play such a role in the next succession crisis, judging from the lack of a competitive power center. The handling of events during the spring of 1989 is revealing in this regard. Normally, the Standing Committee of the Politburo or the inner cabinet of the State Council would be most intimately involved in setting policy and determining action. However, Beijing’s own account of the deliberations and decisions that led to martial law and the PLA use of force did not credit either body. Instead its references to the “older generation” and specific individuals suggested the superannuated Central Advisory Committee, or at least a critical component thereof, determined policy. Yet even were the succession crisis to occur immediately it is unlikely this group would wield the same power, given the disastrous results of its role in

¹⁰Editorial, “Under the Powerful Leadership of the Party, Strive for New Victories in the 1990s With Full Confidence,” *Jiefangjun bao*, January 1, 1990, in FBIS, *China*, January 26, 1990, pp. 31–33.

¹¹Parris Chang, “Changing Patterns of Military Roles in Chinese Politics,” in William W. Whitson, ed., *The Military and Political Power in China in the 1970s* (New York: Praeger, 1972), pp. 47–72.

1989. Moreover as time passes so too will its members, thereby lessening its influence and its eminence.

Nor is the Chinese Communist Party's higher echelon likely to contain the succession struggle within its own ranks. It is clearly divided at the top and demoralized at the bottom. This is evident in repeated Chinese Communist Party (CCP) pronouncements on the need to revitalize belief in Marxism-Leninism-Mao Zedong Thought, to reinstall discipline against corruption, and to root out those who failed to follow orders or have "a correct understanding" during the 1989 crisis.¹² Party members, including those near the center of power in Beijing, wavered and in many instances openly sided with the demonstrators. Thus, as a viable national institution subject to command from the center the CCP lacks credibility. Meanwhile, the center itself is riven by policy and personality differences.

The PLA is thus the most logical locus of power in the event of a succession struggle. It has played this role before, as we have noted, and there is reason to expect it will exercise power once again in spite of renewed insistence that "the party must control the gun." In addition to precedent, additional reasons strengthen the probability of a key PLA role in determining the post-Deng succession. First, from all available evidence, admittedly circumstantial, the PLA was ordered to use force in Beijing to the detriment of its own image and contrary to the wish of some past and present officers. Well before June 4 a petition signed by half a dozen esteemed retired generals and nearly one hundred commissioned officers argued against martial law being fully implemented. During the final days of the Tiananmen Square crisis vacillation appeared to sap the willingness of local forces to crack down on unarmed students. Finally, various references in *Jiefangjun bao* itself allude to divided responses at the time and "confusion" since.¹³

To the extent this is true, it suggests the PLA will not allow itself to be at the mercy of whoever wins a succession struggle. Instead, it will want a leadership that can act prudently and cope with dissidence in other ways. This does not

¹²Typical of many articles is the editorial "Leadership Must Be in the Hands of Loyal Marxists," *Renmin ribao*, January 16, 1990, FBIS, *China*, January 17, 1990, pp. 16–17, part of which reads, "A profound lesson of the turmoil and counterrevolutionary riot . . . is that there were problems within the party and its leading group . . . Communists who are against the Communist Party must be expelled from the party."

¹³See, for instance, *Jiefangjun bao*, December 19, 1989, p. 3, FBIS, *China*, February 2, 1990, pp. 17–19, noting "Some people who have ulterior motives even incited the army to rebel [in May–June 1989]." *Xinhua*, February 27, 1990, FBIS, *China*, February 28, 1990, pp. 22–26, expands on a CCP Central Committee directive based on a document from the PLA General Political Department. It warns that "hostile forces at home and abroad are targeting our Army as a major object of infiltration in a vain attempt to change the nature of our Army." The PLA "will never waver in upholding the absolute leadership of the party over the Army" although a "handful of diehards who uphold the stand for bourgeois liberalization advocated the party should not play any role in the Army." Further, "in selecting cadres . . . particular attention must be paid to their actions in stopping the turmoil and quelling the counterrevolutionary riot."

mean the military is a priori committed to political liberalization. On the contrary, its law-and-order posture can be taken for granted as conforming with its own ideology and the views of peasant recruits who form the overwhelming majority of the troops assigned to urban security.

However, a second factor tempers this PLA law-and-order stance and reinforces its desire to guarantee a prudent, calculating leadership. Military modernization requires access to foreign technology as well as foreign weapons. The immediate effect of President Bush's pronouncement of sanctions in June 1989 was to put in question a \$500 million avionics package designed to upgrade China's jet fighter capability. Other anticipated acquisitions would improve naval performance, and satellites designed for commercial use would also provide useful information for subsequent reconnaissance systems. Last but not least relevant is Washington's proclivity to tighten or loosen export license controls on dual-use technology depending on the administration's view of PRC behavior.

Thus the PLA, collectively and within its various services, has a vested interest in avoiding foreign sanctions that limit its access to the ingredients of modernization. It is not alone in this interest, which is shared by most ministries as well as many sectors of society, both geographic and socioeconomic. Therefore, the PLA need not act against a potential coalition of considerable power but instead can act on behalf of that coalition as well as for itself.

Whether the PLA is a meaningful reference point when analyzing domestic politics cannot be empirically answered on the basis of available evidence. Against this proposition stands the seeming divisiveness within the PLA during the Tiananmen Square crisis. It is possible that vertical or horizontal cleavages might also paralyze a PLA move to veto a prospective successor or to install a preferred candidate. But given that the stakes in either a political or succession struggle are nothing less than national unity, as was true in 1968 and again in 1976, the chances are quite high of a concerted group of military commanders playing a critical role behind the scenes.

We have already said it's unlikely the PLA would tolerate a dramatic change in domestic policy so far as political liberalization is concerned. However, once established, the successor(s) would probably take incremental steps to lessen tensions and dissidence by relieving repression and restoring the status quo ante June 4, 1989. This in turn would improve China's image abroad, enhance its open door policy, and ensure access to the means of modernization, both military and civilian.

PLA concerns, aside from purely parochial prestige, are twofold: national security, currently described in terms of border control and limited war, and territorial defense specified in terms of sea control and offshore resources.¹⁴ These concerns put a premium on air and naval power, both of which will

¹⁴Yi Yuanqiu and Wang Chuanyou, "Establish the Idea of Strengthening Border Defense," *Jiefangjun bao*, October 6, 1989, p. 3, FBIS, *China*, October 26, 1989, p. 37.

require continuous technological advances to keep pace with China's neighbors. Toward this end, Beijing will probably want to expand its economic relations with the EC and concomitantly lessen dependence on Japan and the United States. Japan is China's potential rival in Pacific basin affairs, and the Chinese do not see Japan as reliable, especially in view of their historical relationship and China's current treatment of it.¹⁵ The recurrent American preoccupation with human rights in general and the Tibet question in particular makes the United States an uncertain partner in military matters. Finally, the Soviet Union would be the least likely source of help in this area because it will not want a stronger neighbor even if it sees no immediate threat.

Therefore, China's search for the relevant technology and weaponry that can be a model for domestic manufacture is an aspect of PLA involvement in domestic politics that will affect foreign relations. France and Germany might play an increasing role in this regard together with Israel and even Taiwan, the latter clandestinely. Furthermore, as China's air and sea power extends across waters and islands held in dispute by its neighbors, the question arises: Will these disputes remain quiescent or heat up? If they heat up, will they be settled peacefully, under duress, or by force?¹⁶

One factor that may impact on these developments could be the cost and availability of oil. Recent projections of rising costs and demand place oil prices at \$30 a barrel or higher by mid-decade, wholly apart from the impact of the Iraq crisis. This would make it a valuable export for China in addition to serving a rapidly expanded need for energy at home. These incentives would argue for controlling all oil that may be available in the East China Sea and the South China Sea. However, availability will depend on technology, which may still be predominantly, if not exclusively, in foreign hands.

Obviously, too many variables interact at this point to permit a rational forecast of Chinese policy on Asia-Pacific territorial disputes and offshore resources in summary form. However, it is worth noting how the linkages between domestic politics and foreign policy can affect, directly or indirectly, specific problems in bilateral relations.

Alternative Linkage Outcomes

The vision of a succession struggle can have various permutations, ranging from the virtual coup that ousted Jiang Qing to the subtle but steady displacement of Hua by Deng. The PLA's role can also vary, from the open takeover of

¹⁵For extended treatment of this, see Allen S. Whiting, *China Eyes Japan* (Berkeley and Los Angeles: University of California Press, 1989).

¹⁶Yi and Wang, "Establish the Idea," noted, "For various reasons, our country has so far not drawn the demarcation lines with some countries, and approximately 100,000 square kilometers of territory and about 1 million square kilometers of seas and oceans under our jurisdiction are occupied by other people. These districts, seas, and oceans are the main peripheral regions that are likely to induce clashes" [italics added].

1968 to the effective backing of Deng without the literal acquisition of power in 1977–1978. Against the foregoing description of PLA preeminence in future policy might be posited the emplacement in power of civilian technocrats who would leave military modernization as the last and least demanding priority of modernization, much as it was throughout the 1980s.

This regime would count on realizing urban group demands for political participation so as to recapture the *élan* as well as the legitimacy of the early Deng reform period. It would also seek to maximize foreign support, accepting influence as an inevitable part of interdependency. It would hope to minimize the intrusive aspects of nationalism as a subtly Sinocentric and potentially damaging aspect of China's search for identity. In short, the regime would see modernization of the mind as a necessary concomitant of modernizing the economy, with all that implies for adapting foreign ways to Chinese conditions.

Under these circumstances a premium would be placed on peaceful relations with China's neighbors, including matters of long-standing dispute. Serious effort would be made to find cooperative solutions where mutual interests dictate, as with territorial claims and offshore resources. A hard bargain might be driven in conformance with international practice as well as with Chinese tradition, but the anticipated outcome would be one of shared compromise, provided, of course, that all parties hold the same expectation.

Taking the past forty years of PRC behavior in retrospect, ample precedent exists for this more benign forecast. Specific periods come to mind, such as the so-called Bandung spirit of the mid-1950s, and specific settlements also arise, such as the border agreements with Burma and Nepal or the overseas Chinese settlement with Indonesia. Perhaps the most notable instance of alternative approaches to the use of force is Taiwan, where regime postures of the 1950s softened in the 1970s and became markedly different in the 1980s. True, the goal remained the same: the integration of Taiwan with the mainland. However, the avowed means varied and the actual interaction was completely transformed in the process.

A wholly different variant of a successor regime is conceivable, wherein a weakened and discredited center cannot control the periphery except by martial law, whether overt or disguised. This course may prove necessary and sufficient in Tibet, Xinjiang, and Inner Mongolia, where traditional injunctions against "separatism" and "local nationalism" justify harsh measures in the name of national unity.¹⁷ But it would not be attempted in the arc of modernization extending from Guangzhou up the coast to the northeast where both local feelings and foreign investment would rebel against any forceful imposition of Beijing's will.

¹⁷Song Hanliang, secretary of the Xinjiang Uygur Autonomous Region CCP Central Committee, referred to "separatism" four times and "stability" eight times in a major speech, Urumqi Xinjiang Regional Service in Mandarin, February 6, 1990, FBIS, *China*, February 7, 1990, pp. 37–38.

This pattern of a nominal capital with extreme regional or provincial autonomy prevailed throughout most of the interregnum from 1911 to 1949, the successive foreign recognition of Beijing and Nanjing as “China” notwithstanding. The fiction of a unified nation-state served all parties, Chinese and foreign, whereas the reality permitted local power centers to negotiate with capitals at home and abroad for economic as well as political goals. In the extreme, troops and taxes were locally controlled and, in the case of Xinjiang, foreign concessions granted. Yet a central government remained throughout to represent China abroad and to maintain a symbolic focus of authority at home.

This precedent cannot be repeated in full form. Too much has changed both within China and in China’s world role to permit the return of local warlords or the reemergence of a prolonged revolutionary movement. But given the lack of public faith in communist rule and the lack of a visible leader capable of exercising full authority, any attempt to control 1.1 billion people may well exceed Beijing’s grasp. Yet the fear of chaos, much less civil war or national fragmentation, will constrain local challenges to central government, and no national political organization exists as an alternative to central communist rule. In short, centrifugal and centripetal forces can coexist indefinitely, albeit with varying tension and shifts in balance.

This scenario is admittedly the least likely alternative but is nonetheless conceivable. Moreover, its ambiguity is time-tested as politically tolerable for many Chinese for whom personal and parochial concerns take priority over national interest as defined by men and women in the capital. Specifically, it would facilitate the continued growth of Guangzhou, Hainan, and Hong Kong as a regional industrial and financial center with Taiwan becoming increasingly important while remaining independent. Special economic zones and similarly privileged cities would enlarge their autonomous interaction with foreign firms and foreign trade. Decentralization of decision making would be real and irrevocable so far as economics were concerned. Meanwhile, Beijing would issue political directives for the record, knowing they would be quietly ignored locally.

In some respects this resembles what foreign businesspeople, journalists, and tourists reported during the first half of 1990.¹⁸ The seeds of “one country, two systems” are already germinating, although not in the way originally intended by Deng Xiaoping when he promulgated the figure of speech. Beijing’s fulminations against “foreign influence and interference” have little resonance along the coastal enclaves of foreign investment and trade. On the contrary, open defiance of the capital is expressed by some entrepreneurial souls to visiting delegations.¹⁹

¹⁸Interviews by the author.

¹⁹Interviews by the author.

Assuming that center and periphery can coexist in some fashion similar to this model, what would it mean for Chinese foreign policy? First, policy would be highly compartmentalized and differentiated. At one extreme, vigilance against foreign penetration of vulnerable minority areas would remain high on the Sino-Indian and Sino-Soviet frontiers. Fear of Tibetan subversive activity from abroad and of spillover effects from *glasnost/perestroika* reforms would prompt the PLA to maintain maximum security along these borders. The PRC began as an explicit unitary state in deliberate contrast with the Soviet federal model and will try to remain so, regardless of what happens in the Soviet Union.

At the other extreme, southern, coastal, and northeastern regions would invite a maximum of foreign involvement in domestic development, including mixed economic-political help in solving environmental problems and in urban planning, health, and technical education. Whatever might be Beijing's current stance on relations with Tokyo, Washington, or Taipei, business with their nationals would continue unaffected. The local markets in the immediate vicinity of privileged economic cities are equal in size to many foreign countries, thereby permitting a wide area of activity relatively independent of the interior.

The result would be a diverse set of foreign relations on both horizontal and vertical levels. The subject matter would become Chinese foreign policies, insofar as practical relations are differentiated from official rhetoric. In form, China would be the same solid color of present-day maps. In actuality a diverse coloration would overlay that map to highlight the variation of foreign interaction.

This last alternative is raised here for heuristic purposes. Its likelihood is low and its longevity, should it emerge, is problematic. Modern means of command and control give capitals the advantage over localities so long as a national enforcement agency remains intact. There is no reason to anticipate that the PLA will disintegrate into regional units. However, the prospect of a loosely administered China with far greater local autonomy than has been possible for forty years deserves at least academic analysis. If mainstream analysis failed to anticipate the past year of developments in China, much less in Eastern Europe, the Soviet Union, and Mongolia, it behooves us at least to contemplate radical—if remote—possibilities in the People's Republic over the coming decade.

Taiwan: The Wild Card?

Taiwan warrants attention because it is the one remaining domestic agenda item whose resolution most concerns Chinese foreign policy. Had Beijing not passively acquiesced in Washington's interdiction of the Taiwan Strait from 1950 to 1979, Sino-American conflict would have resulted. Had Beijing not

tacitly agreed to compromise the issue, first with Nixon and then with Carter, détente in 1972 and diplomatic recognition in 1979 would not have occurred.

In 1990, Taiwan-mainland relations present a paradox. On the one hand, several hundred thousand island residents have visited the mainland in recent years, millions in Taiwanese capital is invested across the Strait, and trade exceeds \$3 billion. Not only has this remained unaffected by the Tiananmen Square massacre, but trade and investment have actually expanded. The two sides compete in international sports events without discord. In April 1989, a high Taiwanese official attended the Asian Development Bank meeting in Beijing. On the other hand, advocates of Taiwanese independence campaigned openly, albeit illegally, in a recent election, and the Taiwanization of politics extends from the president's palace to rice-roots levels. Mainland media repeatedly express concern over this trend and protest Taipei's "flexible diplomacy" at the harbinger of a "two-Chinas" or "one China-one Taiwan" prospect, which is anathema to Beijing and professedly to Taipei as well.

Before these most recent developments, the Taiwan issue had become pro forma in Chinese foreign policy. Beijing's strident protests against Washington's sale of arms to Taipei faded into insignificance once the 1982 joint communiqué pledged that such sales would not exceed the extant level and would diminish in time. Likewise, Beijing's call for Washington to assist in bringing Taipei to negotiate reunification gradually disappeared. And until 1987 Tokyo's disposition of a Chinese student dormitory in Kyoto, in effect contested by both sides, recurringly exacerbated Sino-Japanese relations. PRC officials claimed failure to deny ownership of the dormitory to Taiwan was symptomatic of a "two-Chinas" danger in Japanese policy. Since then, however, the issue has been moot, pending a final decision by the Japanese Supreme Court.

But an independent Taiwan cannot be ruled out during this decade. Most of the aged, 660 mainland-elected member of the Legislative Yuan, who comprise 70 percent of that body, will pass from the scene by the year 2000. The anomaly of claiming to be "China" while flourishing worldwide as Taiwan is incongruous for a highly sophisticated electorate. Unification of Taiwan's political and economic life-styles will seem increasingly less attractive unless Beijing can recover legitimacy and resume liberalization in a reconstituted post-Deng regime.

Beijing's repeated threat to use force should Taiwan declare independence may not seem sufficiently credible or the risk sufficiently compelling to stop Taiwanese politicians from pushing this demand. Beijing's logistical problems in any attempt to force Taiwan's submission would be formidable, assuming that it does not want to destroy the island in the process. Furthermore, Taiwan's foreign exchange reserves and technological know-how make it invaluable to the mainland. So from Taiwan's perspective, the perceived gain of independence may be seen as outweighing the risk of attack from the mainland.

If this should be Taiwan's view, how might the mainland react? Would it accept the loss passively as it did with Outer Mongolia? When the context called for capitulation on a goal that had been beyond reach for twenty years, Chiang Kai-shek struck a bargain with Stalin in 1945, hoping thereby to safeguard the northeast and block Soviet support for the CCP in return for a "plebiscite" in Mongolia. Chiang was desperate, Mongolia was far from the consciousness of his constituents, and there was no real alternative. These circumstances are wholly different from those likely to prevail in the case of Taiwan.

Depending on what post-Deng regime we conceptualize, very different situations emerge, but in none of them is the leadership in a comparably desperate situation. It was able and willing to "tough it out" facing opprobrium and sanctions after June 4, 1989, and might well do so again, especially with the nationalistic values attached to "one China." Taiwan is much closer to the consciousness of urban and coastal Chinese, given the human and economic interaction already noted. Reunification has remained on the short list of goals to be achieved in this century, a list ritualistically repeated by Deng as well as other high officials. Ritual or not, its future relevance cannot be readily dismissed, least of all by a foreign observer.

A regime dominated by the PLA would be best informed on the practical problems of taking Taiwan by force. But the PLA is also the most nationalistic organization on the mainland and the only one explicitly convinced of its responsibility for safeguarding the national interest. And, of course, more than the island itself is at stake. Command of the adjacent waters by a fully independent entity would separate off large sectors of the East China and South China seas believed to possess offshore oil deposits and other precious minerals. It is one thing to write off Mongolia's nomadic desertland; it is entirely different to cede potential resources and strategic waterways, not to mention the island's own logistical importance.

A rational, objective, dispassionate cost-calculus would not prompt Taiwan to become independent in the near future. A similar cost-calculus would not prompt Beijing to react with force should Taiwan take this step. The status quo is optimal for both sides and is a logical projection for the coming decade. But rationality and logic cannot be counted on to prevail forever, particularly where nationalism is present and politics constrain or compel decisions. An added complication is the uncertain future of mainland leadership. Should a loosening of control allow maximum autonomy for southern and coastal areas, Taiwanese interest in economic interaction would increase, thereby stabilizing the status quo. But should this loosening become chaotic, economic prospects would decline and ties attenuate, thereby increasing the appeal of independence and decreasing the risk of a forceful mainland response.

Thus Taiwan remains a wild card whose entry into play cannot be forecast in time or manner. Although the low probability assigned to both factors—

Taiwan independence and the PRC use of force—results in a much lower possibility of both events happening, the combination is not thereby precluded. Should this occur, China's foreign relations will undergo far worse disruption than at any time since the Cultural Revolution. Indeed, the consequent isolation of the People's Republic and its response to foreign reactions carries us far beyond the confines of this paper.

In Conclusion

The fundamental obstacle to forecasting China's foreign relations in the 1990s is our inability to project the nature of its domestic politics after the present leadership leaves the scene. Recent historic changes throughout the communist world caution against a Sinocentric approach that assumes the Chinese political system is immune to these changes. The developments in Beijing and elsewhere of May–June 1989 dramatically demonstrated how international communication has penetrated urban society and stimulated demands for political reform. The regime's subsequent repression has limited but not excluded such penetration.

Nevertheless, our brief survey of likely and possible scenarios does not reveal any cause for alarm over unprovoked Chinese aggression abroad as a means of achieving unity and discipline at home. There is no precedent for such behavior in the past forty years and no reason to believe it will occur in the next decade. Therefore, except for the explicit contingency of Taiwan claiming independence, there is no danger of Chinese domestic crisis, should one emerge, endangering peace and stability in East Asia.

Part IV.
Japan—Internal and Foreign Policies

13. Assessing Japanese Foreign Policy in the 1990s

GERALD L. CURTIS

Since its defeat in World War II, Japan has kept itself mostly in the shadows of American power. It has concentrated its energies on catching up with the West economically, and it has pursued a foreign policy that has sought to minimize risks while maintaining a security and economic relationship of extraordinary intensity with the United States. Japan has not sought a large voice in world affairs, until recently at least, and it has tended to view with alarm almost anything that might threaten the stability of the postwar international order.

But the shadow of American power has grown smaller. Japan itself exerts a huge influence over the global political economy, and it has the potential to be a powerful political and military force as well. Moreover, the dynamics of Japan's own development, and the weakening of a global system founded on the basis of American economic and military supremacy, have produced deep and dangerous tensions in relations with the United States, the key factor in Japan's foreign relations.

Thus, uncertainties about the future course of its foreign policy exist, and they are complicated by the fact that so much will depend on what happens outside of Japan and beyond Japanese control. A world economic recession could upset many comfortable predictions about Japanese foreign economic policy. Changes in the international security environment in East Asia could upset predictions about Japanese security policy perhaps even more dramatically. A North Korean acquisition of a nuclear weapons capability, for example, would have a strong impact on Japanese thinking about its security. One can imagine a number of other developments in Japan's external environment that would play havoc with even our most confident projections of Japanese policy.

Anticipating the specifics of Japanese foreign policy five or ten years from now is an exercise of limited utility. We cannot predict what is unpredictable, and if we only predict what we expect to happen, we will conclude only that marginal change at best will occur. What we can do, and what the United States must do to formulate sensible policy for dealing with Japan, is to analyze the underlying domestic and foreign forces impinging on Japan's foreign policy and assess their implications for the future.

In that spirit, I would propose the following overall assessment: When viewed from inside out, that is, from the perspective of the domestic roots of foreign policy, the pressures on Japanese policies are mostly to maintain the status quo; when seen in terms of the demands the international system is placing on Japan, the pressures for change in some key aspects of Japanese policy are intense and likely to grow stronger. These external pressures constitute a feedback loop that affects the domestic debate about Japan's role in the world in the form of Japanese perceptions of external, particularly American, "demands," producing tensions and shifts in the domestic debate over Japan's foreign policy future.

This evolutionary process is slow and the long-term consequences unclear. Japan is not about to make a sudden and decisive break with its past policies. Through the mid-1990s at least, Japan will simply live, as will the rest of the world, with the tensions generated by the asymmetry in domestic and external factors affecting Japan's foreign policy. It will make adjustments in its policies in the too-little-too-late reactive mode now a familiar feature of Japanese foreign policy.

At the same time and regardless of Japanese government wishes, the globalization of Japanese business will accelerate. Japanese financial and technological clout and the overseas activities of its corporations will exert an immense influence on the world political economy and leave the Japanese government in the position of trying to manage the consequences. And the reactive qualities of Japanese foreign policy will not only continue to characterize relations with foreign countries, but will also become an increasingly pervasive feature of the government's relations with its own private business and financial communities.

Ultimately, the key variable in Japanese foreign policy will be the policies of the United States, toward the world generally and toward Japan in particular. If a major break in the U.S.-Japan relationship occurs in the relatively near-term future, the United States, not Japan, will initiate it. Even if, as seems more likely, bilateral tensions do not produce major departures either in security or economic relations at least through the first half of the 1990s, they probably will continue to exert a heavy cost in terms of goodwill, mutual respect, tolerance of differences, and other quality-of-life aspects of the U.S.-Japan relationship.

The deterioration in civil discourse about mutual problems is already quite evident. Its impact on U.S. public opinion is reflected in the recent increase in

the number of Americans who, though still a minority, express negative attitudes about Japan. A similar trend can be observed in Japanese opinion. It is unrealistic to believe this erosion in the tenor of the relationship if it continues over the longer term would not have adverse policy consequences.

As Japan has emerged from the shadows, it has prompted a great deal of speculation about its future role in world affairs. Yet this speculation is supported by relatively little in the way of systematic analysis of how external and domestic factors are likely to affect that role. In 1989 the ruling Liberal Democratic Party (LDP) lost its majority in the upper house of the parliament, but retained it in the lower house election held the following year. What do these elections suggest about the staying power of the LDP or about a possible resurgence of popularity for the Japanese Socialist Party (JSP)? And what difference would change or continuity in party power make in terms of Japan's foreign relations?

Questions also can be asked about Japan's political leadership. Clearly, a generational change is taking place, but with what consequences? Do Japan's new leaders exhibit a resurgent nationalism and/or new ways of thinking about Japan's role and purpose in the world? And even if their attitudes are different from those of the older generation, will these new attitudes be translated into policy? After all, foreign policy is determined not so much by what leaders might like to see happen, but what they think is possible and in the national interest in the real world. Are these perceptions of the world order and of the constraints on Japanese policy changing in any fundamental ways?

After addressing these questions in the following pages, I turn my attention to aspects of Japan's relations with the two superpowers. With Gorbachev planning a visit to Tokyo in early 1991, the Soviet Union confronts the need to formulate new policies if it is to normalize relations with Japan. How Japan responds to shifts in Soviet policy is an issue of obvious importance.

Even more important is how Japan manages its American connection. The relationship with the United States remains the most pivotal for Japan, and its future will vitally affect Japan's relations with every other country in Asia, and in the world. Managing that relationship well is also a major challenge for American policymakers. And understanding more about the realities of Japanese politics and foreign policy is a necessary prerequisite in any effective management of it.

Domestic Pressure and Constraints

What party or parties are going to be in power over the coming years and what kind of leadership they will produce are important questions to think about when contemplating Japan's future foreign policy. Despite the Socialist Party's efforts to downplay its differences with the LDP on security issues, Socialist party leaders, including its chair, Takako Doi, have a decidedly different world view than LDP leaders and the bureaucrats in the Foreign Ministry. Should a

Socialist-led coalition government come to power, it probably would press for greater protectionism, higher levels of public spending on welfare programs funded by a combination of larger business taxes and deficit financing, and a reduction in the military budget.

Such a government would be weak, and the bureaucracy would do its utmost to sabotage many of its policies. The JSP could probably not translate much of its agenda into policy. But some things would change. It is not difficult to imagine a serious crisis erupting between the United States and Japan over security issues, as the Socialist prime minister demanding assurances from the United States, à la New Zealand, that U.S. warships entering Japanese ports were not carrying nuclear weapons. The U.S. reaction would be to refuse to offer such assurances and to threaten to abrogate the Security Treaty.

There is little chance, however, of the Socialists coming to power for the next several years. The February 1990 lower house election was a considerable LDP victory, and a demonstration of the public's continuing lack of confidence in the opposition's ability to govern. Despite protests about the consumption tax, and anger and disgust over the Recruit scandal, the public looked at the alternative to continued LDP rule, and looked away.

When the LDP won 300 seats in the 1987 election, most political analysts agreed it had done too well and there would be at least a "course correction" in the next election resulting in a loss of seats, no matter how favorable the circumstances might be for an LDP victory. But rather than favorable circumstances, the LDP went into the 1990 election with a prime minister, Toshiki Kaifu, who was widely viewed as little more than a spokesman for more powerful party faction leaders, and burdened by continuing public opposition to the consumption tax and by the popularity of the opposition's attacks on correction within the LDP. Yet the LDP, and conservative independents who entered it as soon as they were elected, together won 287 of the lower house's 512 seats, a majority large enough to give LDP control of both the chairmanship and the majority of seats of every lower house committee. The LDP's share of the popular vote, 46.1 percent, was higher than in any lower house election held since 1972, except for the two "double elections" of upper and lower house members in 1980 and 1986. The LDP did well across constituencies, in urban as well as rural Japan (it won 46 percent of the seats in Tokyo), among blue-collar workers and white-collar professionals as well as among farmers and small businesspeople, demonstrating once again that this "catch-all" party spreads a far wider net among the electorate than any other.

The LDP victory indicates the enormous resources it has to call upon when it feels the necessity to do so. It has access to huge amounts of campaign money, for one thing. A perceptive scholar of political funding in American politics, Herbert Alexander, once wrote somewhere that half the money spent on U.S. election campaigns is wasted, but that nobody is sure which half. This is equally true in Japan. Because nobody is certain where it would be safe to cut

expenses, candidates spend as much money as they can lay their hands on, and the LDP can lay hold of much more than anyone else.

The LDP also has enormous resources of talent. While Doi was unable to find enough candidates to run on the JSP ticket, the LDP had more candidates wanting its endorsement than it could accommodate. Former bureaucrats, successful local politicians, attractive sons of long-established Diet members, and others provide a pool of impressive talent that constantly infuses the party with new blood.

This party has not atrophied from years of dominance. Japan's multimember electoral system fosters a steady turnover of incumbents and new candidates. The reelection rate of incumbents is significantly lower in Japan than in the U.S. Congress, about 80 percent in Japan's 1990 lower house election compared to 98 percent in the 1988 U.S. House of Representatives election. The result is that the LDP has seen its ranks regularly infiltrated with new politicians, and even its senior members must be constantly on guard against the threat of being unseated by new LDP or independent, conservative candidates.

This long-ruling party also has the resources that come from years of cultivating relations with myriad interest groups and from nurturing ties on the local level that produce the personal, extensive social networks that form the bedrock of the LDP's organizational support. The election showed once again the strength of this organizational base.

The JSP performance in the election was mixed. It was unable to find enough candidates to come even close to challenging the LDP for power. Chair Doi initially planned to run about 180 candidates but finally entered the election with only 146. On the other hand, almost all the party's candidates did well in the election. JSP representation increased from 85 seats to 141, and its popular vote from 18 percent to 24 percent, JSP's highest vote share since 1967.

But the JSP victory came primarily at the expense not of the LDP but of the other opposition parties. The Komeito, Democratic Socialist Party, and Communist Party together lost 32 seats, winning only 76 seats in this election compared to 108 in the one held four years earlier.

The JSP continues to confront enormous problems, and so far has done little to deal with any of them. It has a charismatic and popular leader in Takako Doi, but she has little power within the party itself. Furthermore, the party's positions on fundamental issues of domestic and foreign policy are uncertain, which is why its candidates focused almost exclusively on the consumption tax and political reform issues in the campaign. Some 45 percent of JSP candidates elected this time are new entrants into Diet politics with little previous experience in elective office. And the dissolution of the Sohyo labor federation has deprived the party both of a crucial organizational base and of cues on important public policy issues. At the same time, the party's origins in the labor movement incline it to view economic issues from the perspective of producer

rather than consumer interests. It favors stronger protection for farmers and has opposed policies aimed at rationalizing the distribution system and reducing the number of small wholesalers and tiny mom-and-pop retail stores even though such reforms would lower consumer prices.

The Socialists clearly face an uphill battle if they are to forge a coherent set of policies, integrate the large number of new lower and upper house members into a seniority-dominated party structure, and increase their representation in the next electoral contest. The party has a lot going for it in the charisma of Doi and in the LDP's penchant for getting itself involved in messy scandals. But that is not going to be enough to bring it to power.

The JSP future, however, is bright compared to that of the Komeito and the Democratic Socialists, Japan's two middle-of-the-road opposition parties. Both parties were defeated badly in the election, and neither has any reason to be optimistic about the future. The most important reason for their political decline can be understood by reflecting on why they came into existence in the first place in the early 1960s. The DSP grew out of a bitter dispute within the Socialist Party in the late 1950s over the U.S.-Japan Security Treaty and an equally bitter split in the labor movement between moderate, private-sector unions and the Marxist mainstream of public-sector unions in the Sohyo federation. The Komeito was created by the subsequent organization, Soka Gakkai, among urban dwellers left behind in the race for rapid economic growth. Now with the JSP perceived by many people (rightly or wrongly) as more realistic and modern, and the LDP as more centrist and less traditional, the DSP is being squeezed out of the system and Komeito support is limited to the core membership of Soka Gakkai, which has ceased to grow and, indeed, is probably shrinking.

The other reason for the decline of the centrist parties is their lack of attractive leadership. In Japanese political culture projecting an attractive public face has not counted for much until recently. But it is now quickly becoming an essential condition for political success. Prime Minister Takeshita's inability to generate a popular public image had a great deal to do with his decision to resign the prime ministership at a time when he was by far the LDP's most powerful politician. By contrast, Prime Minister Nakasone, who came into office with a weak power base and was dependent upon the support of former prime minister Tanaka Kakuei (thus forming what was derisively called the Tanakasone cabinet), stayed in power longer than any prime minister since Sato Eisaku's eight-year tenure ended in 1972. In large part this was because he knew how to transform public popularity, and popularity with foreign leaders, into inner party power.

Both Kaifu and Doi helped their parties win this election. It was a more presidential-style campaign than has ever before been true in Japan. Kaifu conveyed an impression of energy, youth, and optimism; Doi's charisma has captivated many who have not been Socialist Party supporters. Had the DSP or

the Komeito had comparable leaders, one suspects that they would have done somewhat better.

Japan's Communist Party (JCP) is in a worse position than even the small centrist parties. Recent developments in the Soviet Union, Eastern Europe, and China have hurt the party tremendously, despite the Party's insistence that it is a nationalistic *Japanese* Communist Party and not a clone of any other. Moreover, the Communists' traditional appeal among young and well-educated people who saw it as the modern antithesis to a tradition-bound LDP and as a vehicle for engaging in nonconformist behavior has long been in decline. Its support among young people now is minuscule. Moreover, the JCP's position as the one political party that consistently recruited attractive women candidates for Diet elections is now being challenged by the Socialists, and this challenge is likely to further weaken the JCP's appeal.

The results of the 1990 lower house election reaffirmed several central characteristics of Japanese politics. One is that it is a democratic political system, warts and all, dynamic and competitive, with open elections that give the voting public an opportunity to choose the country's political leaders. Another is that most voters have grave misgivings about giving political power to the opposition and continue to perceive the Liberal Democrats as the only party capable of governing.

The election also showed that the LDP is not a party of strong supporters, but rather a strong party of weak supporters, whose power derives from the absence of a moderate, attractive alternative. Voters vented their frustration with the LDP by giving the opposition parties a majority of seats in the 1989 upper house election, and the desire for political change was evident in the 1990 lower house election as well, even though many voters came back to the LDP fold. Forty-six LDP incumbents were defeated, each of the politicians involved in the Recruit scandal lost large numbers of votes (though all but one managed to get reelected), and JSP candidates emerged with the highest vote in many districts.

Conceivably the LDP could lose power in the event an attractive opposition emerged in Japan, particularly now that there are concrete and divisive policy issues, rather than abstract ideological issues, rising to the top of Japan's political agenda. They include land-use policy, urban housing, and consumer prices among other things. Oddly enough, however, the United States, through its enthusiasm for the so-called structural impediments initiative, has become the major voice of opposition on these issues. It has identified its interests with those of the Japanese consumer in the dubious belief that policies more favorable to consumers would result in significant export opportunities for American companies (rather than mainly improve the efficiency of the Japanese economy). The JSP and the other small opposition parties are not clear where they want to stand on these and many other issues. Sooner or later,

however, public demands that attention be given to the new policy agenda will be reflected in party positions, or in the emergence of new parties.

Especially important in this regard is the growing political salience of issues of social inequality. These issues are particularly serious, indeed potentially explosive, in Japanese politics because so much of postwar Japan's social order and political stability were built on the pervasive public belief that Japanese society was relatively fair to all and that the government would foster social equality.

The settling down of Japanese society has begun to create new class distinctions and distortions. Today, for example, a majority of successful applicants to the University of Tokyo come from upper-middle class and well-educated families. Even more symbolic of the negative consequences of social settling is the "second generation" phenomenon. Early postwar Japan produced many American-style Horatio Alger stories. But today, in business, in politics, and in other walks of life, many first-generation leaders are passing on the reins of power to their children. Nearly 40 percent of LDP members of the Diet are the sons of former Diet members, an astounding figure by any comparative measure. Similarly, many young businessmen one meets in Japan today, particularly those who are presidents of private companies, are the sons of the founders.

The second generation phenomenon is not only demoralizing to those who see their opportunities for personal advancement squashed. It has an even more damaging impact on the morale of the society as a whole because it fosters the view that the social system is inequitable in its distribution of opportunities. And although the Japanese enjoy relatively equitable income distribution, glaring examples of asset inequality exist. A new group, the superrich, has arisen; their wealth in many cases derives from stock and land speculation. There is also a new rich provincial business class, comprised mainly of owners of construction and other related companies who grew wealthy through a combination of real estate dealings and access to the enormous funds the Japanese government has allocated to public works programs. Suddenly, Japanese individuals show up on *Forbes'* list of the world's richest men, and successful businesses are launched to help "high net worth" Japanese diversify their investments globally—this at a time when most Japanese who do not already own a home are unable to dream of ever doing so.

Thus, opportunities are present now to fashion a policy-based opposition party, issue agenda that were not available in earlier years when the entire country was caught up in GNPism and the pursuit of rapid economic growth. And it is a fair bet that if an opposition emerges that is determined to exploit these new opportunities it will be in the form of a new party drawing elements from the Socialist and centrist opposition and from within the LDP itself. For this to happen the LDP majority must be cut to the bone, thereby making politically feasible new combinations across party lines. The meaning of the

1990 lower house election is that this is not going to happen at least until considerably later in this decade.

The Changing Face of Political Leadership

Now, what can we say about the party's leadership? Are there signs new people are coming into power who do not share the same world view as their elders and who are likely to push the country's foreign policies in new directions? If Shintaro Ishihara of *Japan That Can Say No* fame were to become prime minister, there would be reason to believe Japan would be off on a somewhat new tack, though how new and different is difficult to say. But Ishihara is not going to be prime minister; he is not even a major figure in his party, despite the efforts of the American media to turn him into one.

Those who do stand at the pinnacle of political power in Japan have arrived there by going through a process that produces both powerful leaders and powerful constraints on their freedom of action. Despite the instability at the top of the LDP in recent years—with three prime ministers in 1989 alone—the basic rules of leadership recruitment remain the same. To rise to the top one must control a faction, which in turn means being in the Diet a long time, serving in a variety of posts in the government and party, and having the wherewithal to provide money and other resources to faction members. An ability to get along well with the bureaucracy and to be a consensus builder within the party also rank high in the Japanese political world's scheme of things.

Prime Minister Kaifu is rather an exception to these basic rules. He has had less experience in government than any prior prime minister, having held only one cabinet position, minister of education, before becoming prime minister. He comes from the LDP's smallest faction and is second in command within it rather than its formal leader. These characteristics make him politically weak and leave a great deal of the real political power in the system in the hands of those who control the major factions.

Nonetheless, Kaifu, like former prime minister Nakasone, has used his public popularity, and a good personal relationship with the American president, to shore up his power within the party. This both reflects and reinforces change in Japan's political leadership culture. It suggests that greater direct involvement of the prime minister in the policy process is a long-term, secular trend and not the consequence of the idiosyncracies of a particular politician.

Although Kaifu is a member of a new generation of political leaders in Japan, there is a chance that older party leaders such as Shintaro Abe and Kiichi Miyazawa yet will have a turn at the prime ministership before the shift to a younger generation is completed. But so many elder party statesmen resigned before this year's lower house election that as far as the wider leadership of the party is concerned, one can regard the generational shift as having already largely taken place.

What differentiates the younger set of leaders from their elders is that they have less of an emotional bonding to the United States, a more "dry" (in the Japanese sense of being based on cold pragmatism rather than sentiment) attitude about Japan's interests in the U.S. relationship. Some of the more attractive younger leaders are second-generation politicians who spent the years waiting for their fathers to retire by studying abroad, working in trading companies and other large internationally active Japanese firms, or in other ways gaining life experiences that make them more cosmopolitan than the local assemblymen and domestic bureaucrats who traditionally have provided the LDP with its talent. Although less sentimental about the American connection, the younger generation of LDP leaders tends to be more relaxed with Americans because they came to political maturity at a time of rapidly increasing Japanese economic power rather than in the context of military defeat and occupation. They are not any more or less nationalistic than their elders, but they are likely to display their nationalism more openly, as one would expect from a more confident leadership of a powerful country. They also are likely to be less amenable to heavy-handed pressure tactics and more inclined to say exactly what they think. This independent stance among younger LDP leaders will require some adjustments on the part of U.S. negotiators, but it does not have to shake the basic commitment of Japan's leaders to the American alliance as long as these leaders believe the alliance is crucial for the pursuit of Japan's national interests.

The question, accordingly, is what are elite attitudes concerning Japan's role in the world, particularly in the context of a relative decline in American economic power? First, there is a diversity of views on this question in Japan, and a growing diversity at that. The notoriety of the Ishihara-Morita book, *Japan That Can Say No*, probably has strengthened a U.S. perception that there is a new outburst of implicitly anti-American nationalism in Japan and a new thrust toward an autonomous world role and the use of Japan's financial and technological power as a lever in exerting its influence on the world stage. This view is still a minority one, although how much stronger it will grow is an open question.

The most noteworthy feature about current Japanese thinking about foreign relations is the lack of support for a foreign policy approach that weakens Japan's links with the United States. A go-it-alone Gaullist-type policy replete with a nuclear weapons capability draws little support. Unarmed neutrality also has lost its appeal as many thoughtful people worry more about the United States loosening its ties to Japan than about its dragging Japan into a war.

To be sure, there is growing awareness in Japan of the country's economic power and a belief that this power gives it leverage in its external dealings. But without a clear sense of what changes it wants to see occur in international affairs, Japan is left with a leverage-for-what kind of problem. There also is

continued acute recognition of Japan's vulnerabilities and the essential importance of the U.S. alliance in protecting Japan's national interests. Thus, there is little evidence so far that Japan is inclined to flex its financial muscles against the United States or to engage in tit-for-tat retaliation that might lead to a trade war. If Japan's foreign policy planners could have their way, the world of Pax Americana would be frozen for eternity. It is not difficult to understand why they should feel this way. After all, this world provided the international environment within which Japan pursued an enormously successful set of policies. It concentrated on economic reconstruction and growth, took a low posture on political issues, and relied on the United States for security guarantees against its communist neighbors. As the world's most powerful economic and military power, the United States paid the lion's share of the costs of maintaining international economic and security regimes without encountering significant domestic political criticism. At the same time Japan paced the opening of its protected markets in a way that created the least possible amount of domestic disruption, spent little on defense, and did little either in the areas of economic aid or other "burden sharing."

It is important to recognize in this context that Japanese foreign policy has been reactive, not passive. Or if one wants to play with words, it can be said that Japanese foreign policy has been aggressively passive—the product of an explicit, conscious conception of what policies would best serve Japanese national interests. Central to this conception as it was designed by Prime Minister Yoshida in the late 1940s was the belief that Japan's interests would be best served by aligning firmly with the United States, concentrating on economic growth, and deferring to the United States while taking a low posture on international political issues.

Japanese foreign policy has not been passive as a result of any kind of political paralysis or inability to rise above conflicting domestic interests and pressures. This is a subject about which American and other "revisionists" are far off base. It is not the existence of a unique Japanese system unable to make decisions because power is fragmented that explains why Japan has clung to previous policies, not matter how outmoded some of them might be. Nor is the answer found in simplistic cultural explanations of Japanese behavior or in Japan's allegedly unique economic system and social structure. Japan's leaders are to be faulted for having an excessively narrow and unenlightened sense of the national interest. But the reasons for these attitudes are more prosaic, being rooted in a reluctance to part with policies that brought resounding success in the postwar period.

Japanese policy planners mainly see risks in making important departures from the policies of the past, and thus they analyze options in terms of how to minimize the risks of destabilizing existing relationships. Recently, Japan has stepped out gingerly to play a more active role in world affairs, particularly in

the area of development assistance. It is actively participating in the multi-lateral aid initiative in the Philippines, offering to be a major player in implementing a peace settlement in Cambodia, spending more money than anyone else on official development assistance (in absolute sums though not in GNP share), offering economic assistance to Eastern Europe, and so on. But these are modest efforts designed in part at least to limit criticism and to maintain existing relationships; they do not indicate a new thrust in Japanese foreign policy or a new conception of how to secure Japan's national interests.

This conservative orientation to foreign policy, however, is being confronted by two types of challenges. One is that the external world is changing in ways that undermine key assumptions of postwar Japanese foreign policy. Whatever one makes of the declinist view that the United States has worldwide political and military commitments that it can no longer meet, the relative decline in American economic power is a reality, as is the decline in American willingness to shoulder the costs of paying for the collective goods of the international system.

Also, the Soviet-American relationship and Soviet foreign policy, at least in Europe, have changed remarkably. Change in Soviet policy in Asia has not kept pace with change in other aspects of Soviet foreign policy, and some influential Japanese seem to believe things will stay that way. But the world outside Japan is changing dramatically, and the changes are forcing Japan to rethink its foreign policy.

The second challenge to postwar Japanese foreign policy comes from its success. Japan is an infinitely more powerful country today than anyone in the late 1940s imagined it would become; its power talks even when its leaders remain silent. The recycling of Japan's trade surplus and the outward thrust of Japanese industry are making Japan's presence felt almost everywhere. The search for inexpensive labor, the effort to jump over protectionist walls by manufacturing products in major export markets, Japan's financial power, and the competitive thrust into ever more technologically advanced sectors create a dynamic and momentum of their own far beyond the capabilities of the Ministry of International Trade & Industry (MITI) or the Foreign Ministry to guide, must less control.

Because Japan's foreign economic policies are private sector driven, the government cannot impose its views on private Japanese actors and so must manage the political fallout created by Japan's economic expansion. Or to put it another way, the relative amount of foreign policy space the government occupies has shrunk as Japanese manufacturing and financial industries have gained strength and pursued their own global strategies. This trend has rendered obsolete and counterproductive the neomercantilist policies the Japanese government pursued to help Japanese industry get on its feet after World War II. Some of these policies remain in place, in part because noncompetitive sectors see them as a means of survival, in part because elements in the

Japanese bureaucracy cling to them as a means to retain the kind of power they have been used to exercising. But the role of government in the Japanese economy, which was never as large as some analysts make out anyway, is in irreversible decline, and the impact of private sector behavior on the government's foreign policy is in the ascendancy.

Having said all of this, is there any evidence that the Japanese government is defining a new purpose for its power? Is it likely internal political dynamics are pushing Japan toward a markedly new orientation in its foreign policy? Clearly, all the criticism of Japan as lacking purpose in its foreign policy, of not having a vision, has had an effect on Japanese thinking. "The vision thing" is in in Tokyo, and people are scrambling for ways to show the world that Japan is not out simply for commercial gain. But even talk about vision and purpose is framed in essentially reactive terms—the foreigners want it so the foreigners will get it.

Japanese foreign policy does rest on a kind of vision even if it is not a completely formulated or a clearly articulated one. The vision is of a world in which the United States remains the preeminent political and military power and one in which Japanese and American interests are so intertwined that the U.S.-Japan alliance remains viable no matter how intense bilateral tensions become. The mutual dependence of Japan and the United States grows deeper every year in spite of frictions over trade and other issues. Increasing this interdependence is a central element in Japan's foreign policy strategy. Whether one characterizes it as a policy of reinforcing U.S. hegemony, of "bigemony," of *pax consortus*, or whatever, a key feature of Japanese foreign policy is to create a relationship of mutual hostage taking with the United States, one in which neither country could adopt policies that would seriously hurt the other without inflicting unacceptable levels of pain upon itself.

There are several problems with this vision. One is that Japanese government policies in many ways do not serve these strategic goals. Japanese foreign trade policies, to cite the most obvious and important example, have eroded public support for free trade in the United States and weakened the free trade coalition among American businesspeople. Japan's most egregious barriers to foreign access to the Japanese market are precisely in those sectors where the United States is most competitive, namely agriculture and some areas of high technology. Even if these barriers have a small impact on the overall balance of trade, they anger and alienate those American businesspeople most committed to free trade rules.

In part, these policies exist because the Japanese government is naturally more responsive to the imperatives of domestic interest groups and electoral politics than to external demands deriving from Japan's position in the international political economy. The problem is compounded by the fact that many Japanese in business as well as in government still cannot quite believe the United States will not continue to be as indulgent of Japanese protectionism

in the future as it has been in the past. The signals coming from Washington on this matter are confused to say the least, and reinforce a Japanese inclination to view market-opening measures as a matter of making minimal concessions to foreign demands rather than as something to be pursued vigorously in Japan's own self-interest. The result is that what in any event would have been a politically difficult issue to manage has created something of a crisis in U.S.-Japan relations.

A second problem is that the vision of interdependence rubs up against a vision of an ever more commercially and financially powerful Japan whose major competitor is the country with which it is seeking greater interdependence. There are many examples of joint ventures and other tie-ups between American and Japanese firms and of Japanese investments in the United States that create a strong Japanese interest in the health and prosperity of the American economy. But the question remains whether Japanese nationalism will or will not get in the way of Japanese globalism.

The third problem with the mutual dependence vision is that it is not particularly popular in the United States. Many Americans do not react with equanimity to the realization that their country's destiny is becoming increasingly intertwined with Japan's, nor has the U.S. government fully absorbed the implications of what a global partnership with Japan means in terms of power sharing as well as burden sharing. The popularity in some quarters of arguments about the need to "contain" Japan economically is mostly a demonstration of how uncomfortable many Americans are with the implications of international economic interdependence.

Japan's relations with the United States raise difficult and contentious issues that are not going to go away. Indeed, even major improvements in the bilateral trade account would reduce but not eliminate the frictions generated by the interpenetration of these two enormous economies. Nonetheless, that managing a difficult American relationship dominates Japanese thinking about foreign policy reveals how commanding this relationship remains in the Japanese view of the world. This centrality of the United States in Japanese foreign policy is not going to change for the foreseeable future.

As Japan pursues a policy of maintaining its American connection, certain other things will happen. The Japanese military will continue to grow. Should the Soviet Union's military presence in East Asia contract significantly and a peace treaty be signed with Japan, and should there be a settlement on the Korean peninsula that the Japanese viewed as nonthreatening, some downward pressure on the military budget would occur. But even under these circumstances the budget probably would continue to grow at a somewhat higher rate than is likely to be true for the United States or any NATO country.

On the other hand, it is not likely to grow any faster than the nation's GNP, which means that defense spending will continue to hover around 1 percent of GNP. There is still considerable anxiety in China, Korea, and Southeast Asia

about the growth of Japanese military power, as there is among the Japanese public itself. U.S. proposed troop reductions in Asia over the coming three to five years are modest and unlikely to produce a security vacuum Japan would rush to fill. The issues likely to dominate the defense agenda over the coming three to five years involve technology transfer, domestic weapons production, and possibly toward the end of the decade Japanese weapons exports. In other words, a great deal of pushing and pulling will go on in the U.S.-Japan relationship in the gray area where technology and trade meet military preparedness.

By decade's end Japan will have a powerful military capability for self-defense and will have one of the world's largest military budgets, as it already has today. But it will still be reliant on the United States for its nuclear deterrent and will not have the capability to project force far from its shores. And possibly Japanese military or paramilitary forces will be participating in UN peacekeeping operations. What is harder to imagine is that Japan would seek to exercise some kind of military hegemony in the Asian region.

Japan-Soviet Relations

One important and uncertain variable affecting the future of Japanese foreign policy is the outlook for Japanese-Soviet relations. The relationship between the Soviet Union and Japan since the end of World War II has hardly been a happy one. It worsened after the Soviet invasion of Afghanistan, and it has remained frosty in spite of recent improvements in Soviet relations with the United States and America's NATO allies. The roots of suspicion and mistrust run deep and have a lot to do with the generally pessimistic assessments Japanese leaders make of President Gorbachev's chances for success to reform the Soviet polity and economy.

Japanese business leaders do not see many opportunities for successful business ventures in the Soviet Union, nor has there been the interest in developing the natural resources of Siberia there was fifteen or twenty years ago when concerns about access to adequate supplies of oil, gas, timber, and other resources were much greater than they are today. Instability in the Middle East can change this view, but for now at least, the Japanese business community does not believe the *perestroika* economic bus is about to leave the station and so it is not terribly afraid of missing it.

Japanese government pronouncements about the Soviet Union emphasize the continuing threat posed by the Soviet Union's military capabilities in the Pacific theater and the lack of any sign that the Soviet Union is prepared to return all of the disputed islands north of Hokkaido that Japan claims as its own—the latter is the key to resolving the thorny Soviet-Japanese relations. Thus, the government's attitude about possible shifts in Soviet policy in Asia is to keep one's powder dry and see what happens.

A Japanese ambassador to Washington many years ago told a story that became quite well known in Japan of having a nightmare in which he came to work one day to discover the United States had recognized Communist China. President Nixon turned his nightmare into reality. Some of Japan's senior diplomats seem to view the possibility of a Soviet initiative on the northern islands issue in a similar manner.

Resolving this issue, of course, would vastly improve the Soviet-Japan relationship, but both countries have boxed themselves into a corner on the issue. The Soviet Union has done so by saying publicly for so long that there was no issue to discuss and saying privately, in a position apparently reiterated at least through the early 1970s, that it was prepared to return two of the four islands in return for a peace treaty. Now it faces difficult domestic problems in changing its public position, and it cannot interest the Japanese in a deal unless it offers more than the two island return package it has offered since 1955.

The Japanese government has boxed itself into a corner by insisting on the unconditional return of all four islands and by encouraging a nationwide movement to demand their return, which now gives it little room for maneuvering. Although the Soviets would like to embrace an "exit" theory and settle the northern island problem in the course of resolving other issues, Japan is stuck with an "entrance" theory that says without a resolution of the territorial issue nothing else can be discussed.

It is unlikely Japan will substantially moderate its position, so whether or not the issue gets resolved will depend on how much the Soviet Union wants to normalize relations with Japan. The view in Tokyo seems to be that the Soviets do not want it bad enough to make a proposal Japan would find acceptable. It seems unlikely Japan would accede to a proposal to link reversion to the withdrawal of American F-16s from Misawa, for example, or to provide for the return of two islands outright with some formula for leasing or joint management of the other two. But many people have underestimated Gorbachev's capacity to make dramatic moves in the past, and he could move boldly to achieve a breakthrough on the northern islands issue too.

The successful resolution of this issue would create a serious challenge for Japanese policy because Japanese policy planners have given little thought to how to shape policy toward the Soviet Union in the event this contentious issue is removed from the agenda. If the Japanese government resisted a full normalization with the Soviet Union in spite of a generous offer on the islands, it would risk a public backlash in Japan. And settlement of the territorial issue timed to Gorbachev's visit in Tokyo in early 1991 could produce a "Gorbachev boom" in Japan that the Foreign Ministry's bureaucrats would be powerless to control. Normalization conceivably could lead to substantial Japanese economic investments in the Soviet Union; it could even produce some nervousness in the United States that Japan was getting too far out in front with a new Soviet détente.

In either case, upsetting the Japanese assumption that no major breakthrough in Soviet-Japanese relations is possible would have an unsettling impact on Japanese foreign policy and on the domestic debate about it. Chances are strong the Soviet Union will seek to break the deadlock over the northern islands issue and that, after reeling under the immediate impact of the "Gorbachev shock," the Japanese government would get its bearings, come to some understanding on the territorial issue, and seek to align its general policy line toward the Soviet Union with that of the United States. The last thing Japan needs is a dispute with the United States over Soviet policy.

Back to the U.S. Connection

A discussion of Japanese-Soviet relations brings us full circle to the key factor in Japan's foreign relations in the 1990s, Japan's relations with the United States—now suffering the severest strains of the postwar period. In Japan resentments against the United States grow steadily, fueled by a belief that America is making Japan a scapegoat for its own problems and by the extensive media coverage given to the self-righteousness and intolerance that characterize a segment of American opinion about Japan. There also are considerable self-congratulation and not a little arrogance and condescension toward the United States on the part of some Japanese business and government leaders basking in the glory of their economic success.

One cannot dismiss out of hand the possibility that further deterioration in the relationship could produce an emotional anti-American outburst of opinion that would set Japanese policy off in a new direction. But that presupposes an almost irrational willingness to throw pragmatic considerations to the winds and to risk the nation's security and economic prosperity. There is little reason to believe Japan would act so recklessly. On the contrary, the thrust toward further deepening of the U.S. relationship is likely to characterize Japanese policy for years to come.

Public and elite opinion about Japan in the United States is characterized by ambivalence and contradiction. There is a Japan boom as well as Japan bashing. There is growing criticism of Japanese investment in the United States, yet some forty state governors have opened offices in Japan to attract such investment. There is widespread public criticism of Japanese trade practices, but that has not stopped Americans from buying Japanese cars, VCRs, computers, and other no longer inexpensively priced products. More than half the American public, as measured by a number of recent opinion polls, believe the economic threat emanating from Japan is a more serious challenge to the United States than the military threat of the Soviet Union. But large majorities of Americans believe that Japan is an important ally and that maintaining friendly relations is crucially important. And although there is widespread criticism of Japanese government and business policies, polls show

continued high levels of respect for Japanese people, for their hard work, discipline, and frugality.

Nonetheless, the trend is clearly moving in a troubling direction. Many Americans are worried whether the United States will be able to compete with Japan and angered at stories of discriminatory Japanese trade practices. There is substantial support among politicians in both parties and within the business community for "results oriented" trade policies and for other forms of managed trade. The rhetoric is heated, and opinion is becoming polarized, with the mass media portraying it as divided between Japan bashers on the one side and Japan apologists on the other.

The reasons for this charged atmosphere and for calls for new thinking about Japan are not simply the persistent trade imbalance and anxieties over Japan's economic and technological challenge. They are the result of fundamental structural changes in the relationship and in the global context within which that relationship has been nurtured.

American postwar policy toward Japan rested on the twin foundations of the cold war and U.S. dominance in the global political economy. Not only have these foundations been shaken, but more specific strategic assumptions about policy toward Japan no longer remain entirely valid. One of these key assumptions was that U.S. national interest would be served by helping Japan rebuild and strengthen its economy and that an effective way to do this was to help Japan secure access to markets for its exports. Given its own economic strength and the devastation the war had brought to the Japanese economy, the United States could be magnanimous in providing access to its own markets for Japanese goods and in putting pressure on others to open doors to Japanese trade, without being overly concerned about opportunities for exports to Japan.

Today, of course, Japan's trade policies and the structure of its economy have become the most divisive issues in the U.S.-Japan relationship. A policy of benign neglect vis-à-vis Japanese trade barriers has been replaced by demands not only that they be removed, but that their removal produce results.

Postwar American policy planners also believed that maintaining the U.S.-Japan political security relationship was of paramount importance and that other objectives of American policy toward Japan were subordinate to that goal. This put a brake on American demands for rearmament of "free rider" Japan because it was understood that pushing too hard could undermine the support the Japanese government was getting from a public already deeply divided on this issue. It also made the United States responsive to Japanese arguments that pressing too hard and fast on trade and economic issues could undercut support for the conservative politicians that backed the U.S. alliance.

The vestiges of a U.S. policy that sought to keep economic controversies from damaging political relations remain evident to the present day. The National Security Council defines security in a narrow political/military sense; military production agreements are regularly negotiated with scant attention to

their trade and economic implications and with only peripheral participation at best of economic agencies such as Commerce and the U.S. Trade Representative in the negotiations. This pattern was followed in the recent FSX controversy; only after an agreement was signed did Congress and the Commerce Department raise an uproar about it and force its renegotiation.

The contrast with Japan could not be sharper. There, economic issues dominate discussions of international relations, MITI bureaucrats are deeply involved in military procurement decisions, and a pervasive sense exists that the nation's security is intimately tied up with its international economic policies.

Another key assumption underlying American postwar policy toward Japan was the expectation that, as it recovered its economic strength, Japan would engage in more "burden sharing." But burden sharing in postwar American policy had a particular meaning bounded by assumptions of continuing American hegemony. Burden sharing meant sharing America's burdens, not sharing the responsibilities for determining what those burdens should be or how they should be parceled out.

The American desire to see more Japanese burden sharing is even greater today. But because of the shift in the relative power of the two countries, it is not surprising that Japan should want to share not only "burdens" but also the decisions about what burdens are to be shared and how. The United States has not addressed this issue of power sharing in any concerted or systematic fashion, and Japan has done nothing to indicate its recognition that part of power sharing is the willingness to make hard choices on controversial issues.

For many years few people followed closely these changes in the fundamentals of the U.S.-Japan relationship. A relatively small group of government experts managed Japanese policy, and a small group of specialists analyzed the evolutionary changes in Japan's economy and political system.

Thus, Japan's emergence as a major economic and financial world power has been accompanied by surprise and shock among a public unprepared for it. It also has produced a market for information and analysis about Japan's economy that hardly existed a few years ago. As information entrepreneurs of various ideological and political persuasions have sought to enter this market, a contentious and increasingly nasty debate has emerged in the United States about the most basic aspects of Japan's economic, social, and political systems, and about the policies the United States should adopt to deal with Japan.

Not surprisingly, the persistence of America's trade deficit with Japan and Japanese foot dragging in opening up its market further to foreign competition have given rise to harsh criticism of American policy. The argument that Japan is organized in a way totally different from Western countries, that these differences make it impossible for Japan to play by the same rules other countries follow, and that the United States is in danger of falling victim to an

economic juggernaut portrayed as making a winner-take-all gambit for economic dominance have gained prominence and greatly affected American public opinion.

The tenor of the debate has hardly led to dispassionate analysis of American interests and a reasoned exchange of views about U.S. policy toward Japan. Critics accused of Japan bashing have returned the insult by attacking the personal integrity and patriotism of people they regard as soft on Japan and who fail to share their view of Japanese uniqueness.

Accordingly, one should not underestimate the difficulties involved in managing and restructuring the U.S.-Japan relationship. Nonetheless, in spite of the current popularity of quick-fix formulas of managed trade and of arguments that Japan and the United States are on a collision course, cautious optimism seems in order. Both countries would lose much by permitting the close political, security, commercial, technological, financial, and other ties that exist to deteriorate badly and would gain a great deal more by jointly harnessing their resources to deal with a whole range of problems of common concern.

Other countries in the Asia-Pacific region have a high stake in the maintenance of good U.S.-Japan relations. The United States has been a buffer in the relationship between Japan and each of its Asian neighbors; without the U.S. presence in the region and its alliance with Japan, Japan's bilateral relationships with every country in the region would be strained. And a deterioration in U.S.-Japanese economic relations and an American embrace of managed trade approaches will hurt the smaller, export-oriented developing countries of the region more than they will large and powerful Japan. In short, all countries in Asia have a lot at stake in a positive U.S.-Japan relationship, and none, including the Soviet Union, have anything to gain by a weakening of that relationship in any of its dimensions.

14. Soviet-Japanese Relations: Paradigm of a Territorial Problem

KONSTANTIN O. SARKISOV

Soviet-Japanese relations have approached a new milestone. *Perestroika* in the Soviet Union has led to qualitative changes in the situation in Eastern Europe, where socialist countries have entered a stage of sharp political, economic, and ideological crisis. The fate of *perestroika* in the Soviet Union is of serious concern among Soviet people and to the world at large.

Japan too has embarked on a new course in international relations because of its significant, and growing, role in the world economy and politics. Japan has not only consolidated her position as the world's second most developed economic power, her economic achievements are perceived, rightly or wrongly, in the United States as a serious threat to its economic position. At the same time, Japanese politics have begun to experience a deep structural crisis. Japan's main task now is to find a political role adequate to her economic weight in the world.

The internal changes in Japan and the USSR and in international relations in general have put Soviet-Japanese bilateral relations into a whole new sphere, offering food for more active discussion, on both political and academic levels, concerning the possibility of solving this most painful problem—the long-standing dispute over ownership of the Northern Territories.

This paper hopes to examine all the aspects of this problem thoroughly and impartially. The territorial problem has its peculiar paradigm. One can single out four of its aspects at a minimum: historical, international-legal, political, and moral-psychological.

Each aspect is complicated and has many layers. The successful resolution of the territorial dispute is a politically burning issue, and we will look at each enumerated aspect of it.

The historical aspect of any territorial problem is not decisive, that is, historical arguments cannot be regarded as fundamental when solving the

dispute. Nevertheless, the historical aspect is important as a background or context of the problem's origin. We cannot, in a short article, dwell on the historical aspect in a more detailed fashion. But the main elements should be noted.

Historical Aspects

The problem originated at the end of World War II and developed into the official policy of Japan in relation to the USSR during the cold war and its subsequent years of ideological and political confrontation. The last territorial delimitation between the two countries occurred as a result of Japan's defeat in World War II. The documents adopted during and right after the war constituted its legal basis. The San Francisco Peace Treaty, which defined Japan's renunciation of the Kuril Islands to the USSR, crowns the system of international legal documents determining Japan's territorial status.

How important is the question, To whom does priority belong in developing the four islands? I do not think that it is of special significance. Both sides can substantiate their respective positions. In fact, to say either side has evident priority is impossible. And, besides, a dispute on a historical subject acquires an obviously scholastic nature when international legal arguments are introduced. We should ask ourselves to what extent a pioneer's or trailblazer's right on any territory can be regarded as decisive grounds to determine borders presently existing in the world. If one redrew the political map of the world on that basis, chaos would result, and the world would be plunged into numerous conflicts and wars.

Can we then ignore the Japanese argument that the first territorial demarcation between the two countries in 1855 determined that the four islands belonged to Japan and therefore they constitute primordially Japanese territory? Legally, this argument is weak, but it should be admitted that it gives a moral foundation for the Japanese side in the territorial problem.

Legal Aspects

The second aspect of the dispute is the international-legal one or more simply, just a legal one. It is the most important element in the territorial problem's paradigm. Analyzing it is of extreme importance because from the point of view of common sense, the boundaries of any state are determined, in the first place, by international legal acts, or treaties. Unfortunately, there is no peace treaty between Japan and the Soviet Union, and, consequently, the exact passage of any demarcation line between the two countries has not been fixed. The majority of experts agree that if the Soviet Union had signed the San Francisco Peace Treaty in 1951, then the territorial problem would have a different cast if it existed at all. In this case there would have been a peace treaty between the Soviet Union and Japan, and in this connection, Japan's territorial

claims would have gone beyond the legal framework and been of a purely political nature.

From this point of view, the refusal of the Soviet side to sign the San Francisco Peace Treaty was a mistake or a miscalculation. But such hindsight is easy when profound changes are taking place in the whole postwar arrangement. At the time, it seemed the world was moving in another direction. The balance of power seemed to be changing in favor of the socialist camp. Hopes were placed on the national liberation movement. Revolution had just won in China. Nobody thought Japan would rise from the ashes and become a global economic power.

That is why we shouldn't blame the Soviet leaders of that era for shortsightedness. And we must also state that the Americans had entrenched in the San Francisco Treaty itself some elements unacceptable to the Soviet Union. Soviet leaders would have had to possess a special farsightedness and flexible thinking to sign the San Francisco Treaty. *Glasnost* and *perestroika* were unborn, indeed unthinkable, and cold war winds blew over the political arena.

Thus, from a legal point of view, that the Soviet Union failed to sign the peace treaty was a complication for Soviet diplomacy only. But the territorial question at once became a part, and the most difficult part, of the negotiations to conclude a peace treaty with Japan. From the point of view of determining Japan's borders, the issue has not changed much. The San Francisco Peace Treaty registered Japan's renunciation of all "rights, legal foundations and claims on the Kuril Islands." Japan signed the treaty, it was ratified by the Japanese Diet and is binding upon any Japanese government.

This means that from the legal point of view Japan has no right to the Kuril Islands. Therefore, in the Japanese interpretation, the four islands that Japan claims—Habomai, Shikotan, Kunashir, and Iturup—are not part of the Kurils. It is impossible to enumerate all claims and counterclaims in any dispute over whether these four islands—at least, the two largest of them, Iturup and Kunashir—are part of the Kurils, although this question is now the basis of the legal dispute over them.

Territorial Questions

Is this a legitimate subject to dispute? Most likely, it is, although the position of the Japanese seems vulnerable to a majority of analysts. If Kunashir and Iturup are not part of the Kurils, what are they? A part of Hokkaido or a separate group of islands? But they are Kurils or "Tishima" in the Japanese language.

Further, the Japanese assert that the four islands went to Japan as a result of the 1855 territorial division, and in this sense, they are not part of the Kurils as interpreted in the text of the San Francisco Treaty; that is, there are geographical Kurils and legal Kurils. Such an interpretation seems arbitrary because in

such cases the texts of treaties clearly define the territorial limits of signatory nations.

Unfortunately, this was not the case with the Kurils. A clause about the Kuril Islands in the San Francisco Treaty practically repeated word for word what had been said about them in the Yalta Agreement, with the exception of one point—that these islands were being handed over to the Soviet Union.

What was the sense of failing to include a clear-cut “inventory” of the Kurils in the text of the San Francisco Treaty? Many things are not clear here. Why did U.S. diplomacy in the person of diplomat John Foster Dulles fail to define the Kurils territorially? There can be only two reasons.

Either Americans recognized that the occupation of all the Kurils by Soviet troops met the previous arrangements or they were intentionally leaving the question “suspended,” in the hope that the territorial dispute would prevent Soviet–Japanese relations from developing amicably to the political advantage of the United States. Further, it should be kept in mind that at that time Americans were not interested in returning Okinawa to Japan, and they wanted a territorial question present in Soviet–Japanese relations as well.

Other explanations, for example that the Americans wanted to make a territorial definition but couldn’t, seem at best naive. In reading former Prime Minister Shigero Yoshida’s memoirs one gets the impression that Dulles could have had, if he wished, a precise definition inserted into the treaty stating what territory was meant by the Kurils. Yoshida asked Dulles about it in March 1951. Dulles then showed him privately the original draft of the peace treaty, where the section dealing with the Kurils completely copied the text of the Yalta Agreement. Dulles denied the request on the ground that amendments to the text, already agreed on by participating countries, would lead to postponing its signing because additional consultations would then have to be held for any changes. But this argument proved a deception. Substantial corrections were made in the final version of the text: A sentence stating that the Kuril Islands were to pass to the Soviet Union was deleted. At the same time, it was not specified whether or not the four islands in question are a part of the Kurils.

Why would Dulles behave in this way? Was it a step deeply thought over by Americans who hoped to drive a wedge in Soviet–Japanese relations for years to come? To some people this may seem to be an artificial attempt to attribute almost miraculous farsightedness to the strategic thinking of U.S. diplomacy of those years. But it cannot be excluded that cold war logic prompted it.

Thus, an analysis of the legal aspect of the problem shows that it is a complicated and painful matter. But it yields no grounds for categorical assertions that these islands should “be returned” to Japan “immediately and unconditionally.” To make such an assertion, the Japanese side should, at a minimum, prove that these islands are not part of the Kurils. On the other hand, even if an exploration of legal claims shows no grounds for these Japanese

assertions, it gives no grounds for asserting there is no territorial problem, either.

It might have been more logical to admit that neither side can pretend to the absolute truth in this matter and to renounce categorical statements and allow the problem to be investigated by the experts. The points of view of third countries' lawyers or the opinion of international legal arbitration bodies might also be of interest.

However, one cannot rule out a situation wherein attempts to solve the territorial problem on a legal basis deadlock. In this case a political decision (*seijiteki ketchaku*) will be required, a decision that goes beyond the framework of the international legal logic.

Political Aspects

In general, the political aspects of the problem seem to be of extreme importance. There has been a displacement of the legal and political aspects of the problem in the Soviet stand, which has charged repeatedly over the years that "the problem does not exist" or "the problem has been solved." Legally, from the point of view of the Soviet side, the problem had been solved by the Yalta Agreement and the San Francisco Peace Treaty. But, politically, the problem had not been solved and remains to this day. That the Japanese raise the territorial problem proves it exists politically. Appropriate resolutions have been adopted by the Japanese Diet with all political parties represented in it voting for them. And it would be a manifestation of great-power chauvinism to ignore them.

Incidentally, acknowledging the political character of this problem does not at all mean acknowledging that the Japanese claims are true. This is merely a civilized reaction to the stand of a neighboring country, a sign of intentions to solve the problem by political means, without letting it develop into a conflict.

To a certain extent, the proposals to conduct working consultations on the question of signing a peace treaty, which were made by Eduard Shevardnadze in Tokyo in December 1988, can be regarded as an indirect acknowledgment of the existence of the territorial question as a political one. Perhaps it would be expedient for the Soviet side to do it directly, in plain terms.

Soviet caution about the territorial problem as a political one seems to be associated with a purely psychological element—the fear that it might be interpreted by the Japanese as an acknowledgment of the legality of Japan's claims.

Psychological Aspects

The moral-psychological aspect of the problem is, at first sight, a minor one. But, paradoxically, it is of great, if not major, importance. The complexity of the problem on all the enumerated aspects, the evident necessity of serious political efforts to solve the problem—all this requires a high level of

mutual trust. But the psychological background of Soviet-Japanese relations, alas, is not favorable to that.

There are obstacles in the way to establishing relations of mutual trust, to developing the political will to solve complicated and difficult problems of bilateral relations through compromise. Yet a compromise, to all appearances, is possible, although it is not clear what specific form it might take. But to enter this phase of relations requires a different psychological environment.

The current Soviet democratization process has changed, to a certain extent, the Japanese attitude toward the Soviet Union. Certain changes in the field of psychological relations have occurred. In Japan during the postwar years, negative stereotypes of the Soviet Union came into being. On the one hand, the Soviet system with its rigidity, inflexibility, lack of democratic principles in political life, ideologization of all internal structures (including foreign policy) understating of values common to humankind, lack of freedom and openness was blamed for the impasse in bilateral relations. Such sins are well known now. But it would be wrong to attribute the impasse to one side only. Japanese propaganda with respect to the USSR fanned passions, especially on the territorial issue. A negative historical experience also has had its effects: Dark pages predominate the short history of Soviet-Japanese bilateral state relations—wars, together with ideological and political confrontation.

Such are the four aspects of the paradigm of the territorial problem. What can be done? How can we move from a stalemate? Is it possible to solve this extremely difficult problem? Is not this problem a typical case of zero-sum game theory—that is, one party's gain is the other's loss? Is it possible, in this case, to achieve a compromise that could satisfy both sides? These and other questions face negotiators in Japan and the USSR who are now reflecting on the territorial problem.

Compromise Sought

Efforts have long been under way in Japan to find a compromise acceptable to both sides. The taboo has been lifted from publishing articles wherein attempts are made to discern the outlines of a possible solution of the issue.

Political articles on the subject have also sprung up in increasing numbers in the Soviet Union as well during the last year. Articles have been published with points of view differing from, if not in contradiction to, the official government stand. These articles have advocated the necessity of a flexible approach to the territorial problem, renounced any rigid chauvinistic attitude toward the stand of a neighbor, and asked that Japanese territorial claims not be rejected at the outset but examined to determine their essence and their logic. And a paradox has developed—it has turned out that the old position, which rejected any dialogue on the territorial problem, was erroneous. The fear proved groundless that a territorial dispute would lead to the contravention of USSR national interests. First of all, the Soviet positions have turned out to be quite solid and

well grounded. Furthermore, when a partner is ready for a political dialogue, he signals confidence and this is essential in settling disputes.

Previously, the surprising unanimity among Soviet official circles and scholars studying the territorial problem proved to be not a strength but a weakness. Now, when different points of view and even frank and daring ideas concerning the settlement of the territorial problem have surfaced, the Soviet positions have been consolidated. Instead of artificial and thoughtless unanimity—“monolithic unity”—a normal state of affairs has developed, a difference of opinions occurs and may lead to solutions.

Nevertheless, angry critical articles appear in the Soviet press from time to time rebuking those who try to express their own points of view on this question. An article by a *Pravda* correspondent in Tokyo directed at Y. N. Afanasiev and the consequent reaction in the Sakhalin district is typical. Unfortunately, it recalls a Soviet-style witch hunt from the recent past, although the *Pravada* correspondent is, of course, entitled to his own opinion.

Afanasiev also has a right to his own point of view, and the Soviet government need not necessarily share it or even comment on it. In the long run, freedom of speech, accompanied by responsibility, benefits all of us. But when people irresponsibly express their opinions, the result is often exactly opposite to the desired one. In this sense it is regrettable that more often than not the territorial problem is raised in the mass media by people who do not and cannot understand its complexities.

So, how can the territorial problem be resolved? A lot of suggestions have been advanced already—from dividing the islands to selling them to Japan, to their joint use, and so on. Many of these suggestions are interesting and might lead to a formula for solving the problem.

But it is too early to speak about any ready-made settlement. It is much more important to work out a methodology for approaching a settlement.

First, it should be acknowledged that the problem exists as a political one and that a frank dialogue is necessary to achieve the final objective—a mutually acceptable compromise. Both sides must renounce the categorical nature of their stand. The Soviets should abandon assertions that the problem does not exist, and the Japanese should give up allegations that the four islands must be returned to Japan simultaneously and unconditionally as primordial Japanese territory. There is, obviously, no substantial legal basis for that claim.

A dialogue of specialists is needed to clear up the legal aspects of the problem. In case of a legal deadlock, it will be necessary to reach a political settlement. And a serious political dialogue at the summit level is required for that, which we should prepare for accordingly. Existing channels of political communication are hardly sufficient for such preparations. Although we applaud the working consultations between the foreign ministers of the two countries that took place throughout 1989, they only revealed the problem's major contradictions. They failed to move the sides toward a settlement

formula. The main drawback of these consultations is that they operate strictly within the framework of instructions received from a higher level; hence, the participants were not free to generate new ideas.

To remedy this defect, it is necessary to create a mechanism of nonofficial consultations within whose framework it would be possible to carry out a dialogue on a possible compromise without depending upon official circles or the mass media. We are not talking about another symposium. This nonofficial group should be carefully selected. It should comprise influential people capable of generating innovative ideas and of exerting influence on their respective political leadership.

Second, one should bear in mind that the sides will, most likely, find themselves in a deadlock situation while looking for a mutually acceptable compromise. Despite all its nuances, the essential question remains: Who will possess sovereignty over the four islands? When deadlock occurs, what can be done to find a way out? It is impossible to answer now. But here the formula proposed by Japanese foreign Minister Shintaro Abe during his meeting with Mikhail Gorbachev in Moscow on January 15, 1990, seems ideal. Abe has proposed that all difficult problems of bilateral relations should be decided from positions of highest wisdom, *eichi* in Japanese. What is the meaning of Abe's formula? It is most likely the optimal methodological key to solving deadlocks. The highest wisdom is a wisdom that overcomes the narrow-mindedness of the old thinking; it can lead to a workable compromise.

Obviously, there is a certain abstraction in the meaning of highest wisdom. But it is a working abstraction. It can lead to concrete results. Highest wisdom is a breadth of view, the ability to look at the problem of bilateral relations from global positions, from the height of values common to all mankind. It demands tolerance, the ability to take into account the opponent's stand. It is, finally, the acknowledgment of the necessity of balancing the interests of both sides and readiness to make concessions on minor things to solve the principal questions.

A present-day Soviet humanist, D. Likhachev, once said wisdom is intellect combined with kindness. If one applies this formula to Soviet–Japanese relations, then we should understand by kindness a desire to have good-neighbor relations.

The work of any nonofficial structure set up to contain the dialogue on the territorial problem should be built on a strictly methodological basis. First, the sides should work out a system of conditions that a hypothetical compromise should meet. What are the main conditions of such a compromise? Most important is a complete guarantee of each nation's national security—border security—and maintenance of the established military balance. Second, the solution of the problem should not be based on the conception of territorial concessions but should be the result of defining more precisely the borders established after World War II. Third, the territorial problem, while being quite important, should be considered only one part of the system of Soviet–Japanese

relations, and any attempts to tie it negatively to other problems should be rejected. Fourth, solving the problem should not inflict psychological trauma on either side. It should be perceived by both sides as a victory, a victory of reason over fruitless and useless confrontation.

It is important also that the Japanese side understand in full measure the peculiarities of the current moral and psychological situation in the Soviet Union. This situation is based on two factors: dramatic revolutionary developments in the socialist world and a deepening crisis relating to aspects of *perestroika*. Understanding the peculiarities of the situation in the Soviet Union is also a manifestation of wisdom.

Putting any pressure on one another should be renounced as should gestures, statements, and actions that hurt either nation's pride. One should have a store of as many symbols of confidence as possible, as well as positive deeds of a practical nature. What is necessary is a combination of fortitude and *eichi*.

15. Developments in the Japanese Economy and Their Implications for the Asian Region

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The Japanese economy continues to be the most dynamic among advanced industrial nations. Continued growth, plus a rapid increase in Japanese overseas investment, is bringing about a swift and profound change in Japan's economic relationships with the world. These shifts are especially pronounced in Asia, where substantially closer ties between Asian countries and Japan appear to be emerging. Japan is both an opportunity and a problem for other nations in the region, and the overall nature of international relations will be greatly affected by how Japan manages its own relationship with Asian nations.

Japan completed its century-long effort to catch up with the advanced industrial nations in the mid-1970s, but only in the past few years have the implications of its new position in the world begun to unfold. In many respects, Japan has been a very insular nation since 1945, minimizing the inflow of manufactured imports, manufacturing at home for export to the world, and minimizing direct investment and other capital flows in the first forty years after the war. Only since the mid-1980s, as the foreign exchange value of the yen finally appreciated substantially, and as financial deregulation brought about much larger capital flows, has Japan's insularity been challenged. The process of becoming a more global economic power is now well under way.

Asia is a primary beneficiary of the new flow of Japanese capital, foreign aid, and technology. On the other hand, Japan's continued rapid growth and its new economic outreach create potential problems of local dominance, especially because of the exclusivity that tends to characterize Japanese relationships. Negative aspects of Japanese economic behavior, combined with memories of the war, have made other Asian nations cautious about their economic ties with Japan in the past. The availability of large flows of capital

and foreign aid, plus recent growth in their exports to Japan, appear to be overcoming some of this caution and antagonism.

This paper explores the developments in Japan and the nature of its evolving economic relationships with Asia. These comments apply mainly to Japan's relationship with newly industrialized countries (NICs) and the other Association of Southeast Asian Nations (ASEAN) and to a lesser extent, China. Japan's interaction with the Soviet Union, which is much smaller and involves very different issues from those Japan has with other Asian countries, is not explored to any extent here.

Economic Developments in Japan

Once Japan reached the position of being an advanced industrial nation in the 1970s, its economic growth slowed substantially. From an average annual real economic growth of 10 percent from 1950 to 1973, growth from 1974 to the present has averaged 4 percent. Even this growth, however, has been higher than any other nation in the Organization for Economic Cooperation and Development (OECD), and has been roughly double U.S. growth over the same period. Current projections in Japan are for continued growth at an average of 4 percent for the next five to ten years. If this forecast holds, Japan will continue to outperform other industrial nations, and its level of GNP per capita will overtake that of the United States or European countries.

Expectations of continued success are based on several favorable factors, including education, the lack of any debilitating divisions in society, and strong technology advances in manufacturing. The direction in which all industrial nations are headed implies a need for well-educated labor forces, and the Japanese education system continues to perform an outstanding job of producing adults with a high average level of competence in written language, math, and science, and does so with relatively few failures. Within its relatively homogeneous society, Japan also faces fewer conflicts among different groups than do most other nations; Japan has had, and should continue to have, less conflict over the division of the economic pie among different groups in society than have other countries. Both these factors should be seen in a relative context: The educational system has numerous flaws, while women, households which do not own residential property, young adults, and foreign workers in Japan all present some challenges to harmony in society. But none of these problems appears to be serious enough to negatively affect economic growth.

Technological advance in manufacturing processes may be the real key to continued Japanese success. Over the past century, the predominant means by which Japan grew and developed was through borrowing technology from abroad. Although this earned the Japanese considerable contempt as "imitators," borrowing technology is quite difficult; if it were not, all nations would be developed.

Besides borrowing and adapting foreign technologies, however, something else was happening in the Japanese manufacturing sector during the postwar period. Indigenous developments were taking place in the manufacturing process. Many of these changes had little to do with new scientific advances or patentable engineering developments. The Japanese advance has involved a reorganization of the production process, using basically the same equipment as in U.S. factories and elsewhere, that has produced significant increases in productivity. New Japanese production technologies, for example, led to dramatic reductions in inventory levels (and the costs associated with maintaining inventories), reductions in defect rates for products coming off the assembly line, reductions in the variety of parts incorporated in manufactured products, and reduction in the time involved in taking a new product from initial concept to mass production. The ability to increase quality (reduce defects) and simultaneously reduce production costs broke standard assumptions in manufacturing about the trade-off between production cost and quality.¹

These developments in manufacturing technology suggest that Japan is well positioned to continue growing at an above average rate even though it is now at the world technological frontier. Japanese firms are engaged in a continuous search for new means to reduce costs, increase quality, and rapidly bring new products into commercial production. Many of these developments cater to Japanese social strengths, especially the group orientation of its society. Manufacturing, as well as other corporate activity, is a group activity, so that an ability to motivate people to work cooperatively in a group setting becomes an important ingredient to success. The Japanese have done extraordinarily well at getting individuals to cooperate productively in corporate settings, reducing the divisive lines between management and blue-collar or among separate professions (engineering, finance, marketing, etc.).

Enthusiasm for Japan's continued economic success should not be over-emphasized, however. Sustained economic growth, which has been at a five percent level the last several years, is now leading to some overheating of the economy, with the usual symptoms—tight labor markets, rising wages, rising interest rates, and a falling stock market. Quite possibly Japan will cease to outperform the United States in annual economic growth by the late 1990s as an aging society and other factors become more important. But there is certainly no reason to believe that Japan will stagnate, and the current drop in the stock market is not a crisis for the economy (although it may lead to a short-run decline in the rate of economic growth).

¹James C. Abegglen and George Stalk, Jr., *Kaisha: The Japanese Corporation* (New York: Basic Books, 1985) is one of the best-known examples of the writing on this topic. There is now a rising volume of literature in English written by some of the engineers who were intimately involved in manufacturing developments. For example, see Taiichi Ohno (a former production manager at Toyota Motor Corporation), *Workplace Management* (Cambridge, Mass.: Productivity Press, 1988).

Changing Relations with the World

Achievement of advanced industrial status is now driving Japan rapidly into a new and different relationship with the world, a relationship fundamentally different from anything the nation has experienced in the past. The impetus for these changes comes from macroeconomic shifts in the economy plus the strengthening of the yen.

Economic maturity in the 1970s brought about major changes in the flows of funds in the economy. During the 1950s and 1960s, economic growth was so strong the private sector was willing to invest (in plant and equipment plus other real investments) all the money it saved. Japan did not borrow heavily from abroad to finance its growth, but did use all of its available domestic savings. When growth slowed, so did investment, but not savings. The excess of savings over investment had to be absorbed elsewhere in the economic system or else the nation would have been plunged into recession or depression. During the rest of the 1970s, those excess savings were absorbed by the government through rising fiscal deficits (with the bonds to cover the deficits soaking up excess private sector savings). During the 1980s, however, government deficits shrank (and have completely disappeared as measured in the national income accounts), and excess savings were exported to the rest of the world in the form of current-account surpluses and net capital outflow.²

The sharp rise in capital outflows meant that Japan quickly became a major net creditor in the world. At the end of 1988, Japan's net creditor position was \$300 billion, the world's largest. Never before has Japan been in such a position. It was a regional colonial power prior to World War II, with a flow of capital to Taiwan, Korea, and Manchuria. But this relationship was on a smaller scale, not to mention the very different colonial context of the prewar creditor position.

Besides this startling shift in net positions, the gross flows of capital into and out of Japan have also undergone enormous change. Accommodating the shifts in financial flows associated with the changing savings-investment balances in the 1970s and 1980s required considerable alteration of the financial sector, which had been carefully structured and regulated in a way to meet the demands of the earlier postwar period. The outcome was a process of financial deregulation of both domestic markets and international transactions that produced an enormous increase in international capital flows. For example, the gross flow of long-term capital from Japan to the rest of the world increased from only \$11 billion in 1980 to \$189 billion by 1989. Total accumulated gross foreign assets reported for the end of 1988 came to \$1.5 trillion, higher than the total owned by Americans overseas (\$1.2 trillion at the end of 1988), and the

²These developments are explained in detail in Edward Lincoln, *Japan: Facing Economic Maturity* (Washington, D.C.: Brookings Institution, 1988).

income earned on those overseas investments rose from \$11 billion to \$75 billion over the 1980–1988 period.³

At the beginning of the 1980s, Japan was a modest international investor, but still concentrated primarily on financial and real economic activity at home. By decade's end, the nation had become a major player in the international economy. Japanese banks, insurance companies, and investment banks were actively engaged in overseas financial markets, vastly larger numbers of people were assigned to work abroad to manage assets, the media were full of international economic news, and all international meetings concerning monetary matters included active Japanese participation. The Brady Plan package for Mexican debt relief, for example, was underwritten by equal amounts of financing by the International Monetary Fund/World Bank and the Japanese government. No longer could the Japanese government or the private sector act as mere observers of the world scene.

The second development propelling changes in Japan's relationship to the world has come from the substantial strengthening of the yen that began in 1985. From an average of ¥240 to ¥250 per U.S. dollar that prevailed in 1983 and 1984, the yen rose to a peak of ¥120 in 1988. Even though it has since retreated from that peak to about ¥150 in 1990, the yen remains much stronger than in 1985. This movement has had some impact on the actual flows of imports and exports, as expected from standard economic theory, but it has had much more far-reaching effects as well.

First, yen appreciation has sparked an intense discussion within Japan about the nation's international role. People are not much more aware of the structural impediments to imports in their economy, as the price differentials for many products between Japan and other overseas markets have become very pronounced. Many aspects of the economy that seem anachronistic in an advanced industrial nation (such as the ban on imported rice or the heavy constraints on the opening of new large-scale retail outlets) are now being challenged. These issues have also become the target for bilateral discussions with the United States (the Structural Impediments Initiative), but more important is that a domestic discussion or debate has become very active.

To the extent that this internal debate in Japan produces a more open market, all of Japan's trading partners benefit. Developing nations in Asia should do particularly well as structural change causes more Japanese firms to move out of some labor-intensive and low-technology industries (that have been protected in the past) in favor of imports. The United States, on the other hand, may continue to face problems in exporting to Japan because of its desire to export high-technology goods in industries where industrial policy continues to be active in Japan.

³The Bank of Japan, *Balance of Payments Monthly*, no. 273 (April 1989): 59, 83.

Second, until very recently Japanese firms assumed their success in manufacturing was possible only in their own country. They exhibited a strong preference for manufacturing at home and exporting to the rest of the world rather than engaging in foreign direct investment. This preference was part of Japan's insularity and was rooted in the relative lack of knowledge of the rest of the world that encouraged a sense of cultural uniqueness and superiority. Since 1985, however, this preference has been seriously challenged as the strong rise in the value of the yen made exports less price competitive and led an increasing number of manufacturers to relocate abroad. Through the medium of direct investment, plus the flood of publications detailing Japanese management and engineering success, the advantage the Japanese have developed in manufacturing is now moving abroad to other nations.

From 1985 to 1989, Japanese direct investment abroad grew at an annual pace of 26 percent, almost double the rate of the first half of the 1980s. The biggest growth was for Japanese investment in North America (43 percent per year), but investment in Asia was growing as well (17 percent per year).⁴

If, as argued above, Japanese firms are world leaders in certain aspects of manufacturing processes, then direct investment becomes an important means for transferring those technologies to other countries. A desire to prevent such a transfer appears to have been one of the reasons Japanese manufacturing firms were reluctant in the past to invest in other countries, but the rise in the yen (plus fears about protectionism) have offset this reluctance. Complaints continue from host countries about the stinginess of the Japanese in supplying the best technology with their investments, but transfer is certainly greater than zero.

These changes in the approach of the Japanese government and private sector business to the world are largely positive. A Japan less isolated from the rest of the world will be in a position to take a more positive and realistic contribution to international policy issues. The flood of people working abroad, and taking their families with them, will gradually produce an elite with far greater international experience than any past generation. Rising direct investment brings an important transfer of manufacturing technology to the rest of the world including the United States and, to the extent that economic relations improve to enable investment and technology transfer, the Soviet Union. However, these same changes raise concerns over the emerging shape of Japan's relationship with the rest of Asia.

A Japan-Dominated Asia?

In the past, Japan's trade and investment relationships with other Asian countries were roughly balanced by the United States. The two nations together

⁴Edward Lincoln, *Japan's Unequal Trade* (Washington, D.C.: Brookings Institution, 1990), 121. These growth rates represent the rise in the cumulative value of overseas direct investments as reported by the Ministry of Finance. This is not the same as measuring the increase in the size of the annual flow of investment, which is up by a larger percentage.

have dominated the international relationship of most Asian countries. In 1986, Asian nations sent 24 percent of their exports to the United States and 14 percent to Japan, making almost 40 percent to these countries. On the import side, Asian nations sourced 24 percent of their imports from Japan and a smaller 15 percent from the United States. Japan's share as a source of Asian imports has increased over time, but at the expense of European nations and not the United States.⁵ Direct investment presents basically the same picture, with Japan and the United States together generally the largest single investors in Asian countries.

Foreign aid presents a considerably different picture, with Japan the dominant supplier of official development assistance (ODA) to Asian nations. For the ASEAN nations, for example, 55 percent of net ODA received in 1987 came from Japan, with only 11 percent from the United States and 10 percent from the multilateral aid agencies.⁶ Over the course of the 1980s the disparities have become more acute as Japan's foreign aid program has expanded at an average rate of 6 percent per year.

Based on the past, it would be difficult to sustain the notion that Japan has established a dominant position in Asia because foreign aid is the only dimension in which this has been the case. However, the shifts identified earlier are now generating some concerns that other Asian nations will become more dependent upon Japan and will be drawn into a Japan-centered bloc.

At the very least, a new tone has entered Japanese publications reporting on the rest of Asia—or at least the four NICs and the rest of ASEAN. Until the mid-1980s, Japanese attitudes toward its nearest Asian neighbors bore some resemblance of American attitudes toward Japan in the 1950s: Prices of their products might be low, but quality was poor, earning these countries considerable contempt. At other times, the Japanese expressed concern that the rising Asian NICs were a threat, rapidly pressing upon Japan by taking over market share from Japanese firms in certain international markets. In late 1986 and 1987 this set of attitudes underwent a startling and abrupt change, marked by a flood of upbeat articles on the Asian NICs. A major Japanese business publication put it this way: "As the United States and Soviet superpowers decline, Europe stagnates, and Central and South America become debt ridden, the Asian NICs and China show vigor. The NICs especially are catching up fast, based on the strong yen and the oil price decline."⁷ In short, other countries were now viewed as worthy of increased economic interaction with

⁵Edward Lincoln, "Japan's Role in Asia-Pacific Cooperation: Dimensions, Prospects, and Problems," forthcoming in an edited volume from the American Council on Asian and Pacific Affairs.

⁶Based on data in Organization for Economic Cooperation and Development, *Geographical Distribution of Financial Flows to Developing Countries* (Paris: OECD, 1989).

⁷"Aija no Seiki: Nihon no Yakuwari" (The Asian Century: Japan's Role), *Toyo Keizai*, no. 4689 (November 15, 1986): 14. Author's translation.

Japan, with the sense of contempt and threat greatly diminished in Japanese thinking. What was true for the NICs in 1987 was extended to ASEAN in 1988 and 1989, with much of Japanese enthusiasm directed toward Thailand and Malaysia. Representative of this new interest in Asia, then-Prime Minister Takeshita chose to raise the issues and concerns of the Asian NICs at the annual industrial nation summit meeting in 1988.

This burst of enthusiasm does not necessarily have negative connotations. Japan is an Asian nation, but for much of its postwar period gave the impression of preferring to see itself as an industrial (Western) one. Given its geographical proximity and some common cultural ties (although these should not be overemphasized), Japan is in a natural position to play a leadership role in Asian development and industrialization.

Although Japan's discovery of the NICs and ASEAN has been a welcome sign in some respects, this newfound interest could also foreshadow a regionalism that excludes other major industrial nations. What the Japanese find so encouraging about the rest of Asia are similarities to Japan's own past economic development. Japanese business analysts, for example, have described the spread of Japanese department store and superstore offices in Asia as part of a new, large regional distribution network being built throughout the Far East, led by these Japanese firms. Because they maintain both buying and sales outlets, these distributors are described as having superior information-gathering abilities and "greater trustworthiness" in the host countries than American or European distributors, though they, too, have had purchasing offices in these countries for many years.⁸

The keynote of these and other Japanese commentaries on Asia is exclusivity. The United States or other industrial nations are rarely mentioned, or if they are, they are portrayed as unfair to the rest of Asia, in explicit or implicit contrast to a more benevolent Japan. Some have gone so far as to see evolving regionalism in the western Pacific proceeding as far as it has in Europe, driven by both the high yen and the continuing economic development of other Asian nations. In a roundtable discussion in 1988, Professor Toshio Watanabe surmised that "Japan and other Asian countries will increasingly draw away from the United States," a trend he viewed with favor because Asia has been "overly dependent" on the United States.⁹

Those who think in such terms about Asia endorse the concept of greater coordination among the various aspects of Japan's economic interaction with

⁸"Yu'nyu Daikozui II: Kaihatsu Yu'nyu ga Kasoku Suru Hyakkaten, Supa no Ajia Ryutsuken" (The Big Flood of Imports II: The Acceleration of Development Imports from the Asian Sphere by Department Stores and Superstores), *Toyo Keizai*, no. 4735 (July 4, 1987): 14. Author's translation.

⁹Roundtable discussion with Toshio Watanabe, Naoki Tanaka, and Masao Okonogi, "Kankoku ga Senshin Liku ni Naru Hi" (The Day South Korea Becomes an Advanced Country), *Ekonomisuto, Rinji Zokan* (Economist, Special Edition), November 2, 1988, pp. 16–25.

these countries. An advisory committee to the Ministry of International Trade and Industry (MITI), for example, recommended in 1988 that Japan should import more from Asia, promote direct investment by Japanese firms to bring about industrial specialization in Asia, and use foreign aid monies to explicitly service Japan's private sector direct investment activities.¹⁰

Some of these developments are actually taking place. In 1989, Keidanren established a new organization, the Japan International Development Organizations (JAIDO), to promote direct investment in developing countries. This organization is one-third funded by the Organization for Economic Cooperation and Development (OECD), the government's soft-loan agency. Keidanren has also established an internal group, the Committee on International Cooperation Projects (CICP), to oversee and approve JAIDO investments.¹¹ In essence, JAIDO provides a vehicle to divert Japanese foreign aid money to the direct support or subsidy of Japanese commercial direct investment in Asian countries. American officials have also been concerned that JAIDO will become a means for Japan to gain more influence over the Asian Development Bank, as it brings projects ready for implementation to the bank for cofinancing as take-it-or-leave-it proposals. JAIDO may be a useful tool in promoting beneficial corporate investment and economic development in Asia, as Keidanren spokesmen insist, but it also involves an explicit combination of government aid programs and private business interests to promote Japanese economic benefit in a way that goes beyond the traditional concept of tied aid, and thus runs counter to U.S. foreign aid philosophy.

These developments are entirely consistent with other aspects of Japanese behavior patterns in an international setting. Japanese firms have preferred to deal with one another rather than foreign-owned firms as suppliers of parts and capital equipment.¹² Japanese firms investing overseas have also tended to have a higher proportion of their own nationals in the management structure than do the overseas subsidiaries of corporations of other nations. Japanese firms operate at home in the context of a group-oriented society, and when they move abroad, find building commercial relations easier among firms and individuals of their own society to a degree that does not characterize the behavior of firms from other industrial nations investing overseas. The same pattern is now being extended to the full range of economic relations with Asian nations. Foreign aid officials see little wrong with working closely with the

¹⁰Ministry of International Trade and Industry, Minister's Secretariat, *Nihon no Sentaku: Nyū Gurobarizumu e no Koken to "Shin-Sangyo Bunka Kokka" no Sentaku* (Japan's Choices: Choices Concerning Contributions to the "New Globalism" and the "New National Industrial Culture") (Tokyo: Tusho Sangyo Chosakai, 1988), pp. 50–53.

¹¹*Japan Times Weekly Overseas Edition*, April 15, 1989, p. 10.

¹²Mordechai W. Kreinin, "How Closed Is the Japanese Market?" *World Economy*, 7 (December 1988): 529–41.

commercial financial and manufacturing sectors, keeping the entire package of aid, finance, investment, and trade within Japanese control.

It would be unfair to characterize all of Japanese aid as tied to the investment and trade interests of Japanese corporations. Japanese aid to Thailand in 1987, for example, included grants for a historical study center in Ayuttaya (¥1 billion). But it also included soft loans for development of the Laem Chabang Industrial Estate (¥30 billion), and it would be surprising if the firms in this industrial complex did not include some from Japan, or at least Thai firms with close financial and trade ties with Japan. Other soft loans have gone for development of the Laem Chabang port (¥12.3 billion in 1985) and development of water supply to Laem Chabang (¥1.4 billion in 1985).¹³

Some see these commercial connections in Japanese aid policy as the result of the lack of government foreign aid personnel, so there is no choice but that the local work in devising project proposals be done through Japanese firms. From 1977 to 1987, the ODA budget in Japan expanded from U.S. \$1.4 billion to U.S. \$7.5 billion, while the total government personnel involved in aid agencies expanded only from 916 to 1,396. The OECF, for example, had only 259 employees in 1987 to dispense soft loans that accounted for almost half of all Japan's ODA.¹⁴ The more interesting question is why personnel to dispense ODA have not increased. Bureaucratic politics, in which any agency in the Japanese government has difficulty increasing staff relative to others, is part of the problem. But had inadequate staffing been viewed as a true problem by the Japanese bureaucratic and political system, employment would have expanded. Obviously, a relative lack of personnel was acceptable and consistent with the notion of fostering a closer working relationship between foreign aid and the private sector. Lacking its own employees, the Japanese government has become more dependent over time on the private sector for expertise and suggestions as the amounts of bilateral aid have expanded.

How will the rest of Asia respond to the rapidly rising involvement of Japan in their economies? Americans have generally sought solace in the fact that many of Japan's neighbors have vivid memories of colonialism and the war, which has made them very cautious about becoming too closely tied to Japan economically. However, the generation with personal experience with the war is now beginning to fade from policy-making roles. Those people now moving into middle- and upper-level positions in government and industry were born after the war or were too young at the time to remember it. Furthermore, these Asian countries need capital and trade to finance their own economic development. If Japan offers needed resources in sufficiently attractive packages, why should they decline to accept?

¹³Ministry of Foreign Affairs, *Japan's Official Development Assistance, 1988 Annual Report* (Tokyo: Association for Promotion of International Cooperation, 1989), pp. 133-135.

¹⁴*Ibid.*, pp. 101-103.

Even though closer ties with Japan do involve problems of exclusivity, Japan is attractive in one other way to developing countries in Asia: Japan has no political agenda. Americans point out that Japan will have trouble being a world leader because it has no message or agenda.¹⁵ But from the perspective of Asian countries this is very attractive. Unlike the United States or the Soviet Union, Japan is not particularly interested in the political nature of the countries with which it deals. The Japanese are far less likely to tie their aid, financing, investment, or trade to pressure on human rights or other internal affairs of Asian nations, *in the absence of any overt pressure from other nations to do so.*

Japanese economic ties to China were disrupted in the wake of the Tiananmen Square incident largely because of a need to follow in the U.S. path, but the government and private sector clearly noted that the reason for the disruption was practical and not moral. That is, uncertainty and chaos in the Chinese bureaucracy meant that negotiations and efficient disbursal of project funds became difficult. By fall 1989, Japanese financial institutions returned to disbursing loans that had already been contracted for the fiscal year, while placating the United States by noting they were not discussing any new loans. However, as soon as the United States showed signs of easing its own China policy in January 1990, Japanese foreign aid officials and commercial bankers immediately announced resumption of negotiations with the Chinese for new loans. When available, the annual data covering 1989 and 1990 are likely to show little impact of the Tiananmen incident on Japanese lending to China.

In addition, Japan represents an attractive and successful political and economic model for other Asian nations. Economically, Japan represents a form of capitalism quite different from the United States, a form in which the government takes a strong and active role in encouraging or manipulating the shape and growth of the private industrial sector.¹⁶ That Japan succeeded as a latecomer in reaching advanced industrial nation status lends great credibility to the value of its industrial policy in the eyes of other Asian nations. South Korea is the most obvious example of a nation attempting to emulate a Japanese economic model.

Politically, Japan represents a variant of democracy attractive to Asian nations. Japan is certainly a democracy in that people are free to cast their votes for candidates without fear or repression. But a single political party has been in control since 1955. That example is more encouraging to nations facing pressure for democracy than an American example in which the majority party changes periodically. The hope that Japan's experience could be duplicated may have been an element in the development of democratic reforms in Taiwan

¹⁵Samuel P. Huntington, "The U.S.—Decline or Renewal?" *Foreign Affairs*, 67, 2 (Winter 1988/1989): 92, for example, says Japan lacks "ideological appeal."

¹⁶The academic debate over the importance of industrial policy in Japan's development was begun by Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford, Calif.: Stanford University Press, 1982).

and South Korea (as well as in the decision to merge a major opposition party into the Democratic Justice Party in South Korea).

These aspects of Japan may counteract some of the antagonism generated by the exclusivity in economic ties. Whether they like Japan or not, Asian nations can see a model different from that of the United States, for which they have some admiration, and which is less demanding in terms of their own political practices.

A Cause for Concern in the 1990s?

As long as closer economic ties between Asian nations and Japan do not take the form of a formal, protectionist bloc, there may be no reason for serious concern. A bloc would be unlikely unless a combination of failure to achieve a successful conclusion to the Uruguay round of GATT (General Agreement on Tariffs and Trade) negotiations, an unusually protectionist outcome to European economic integration in 1992, and further American moves to create free trade areas with other nations on the American continent comes about. Although not impossible, such a combination is not likely. Even without bloc formation, though, at least two reasons exist to cause mild concern.

First, the exclusivity involved in Japanese external relations will ultimately generate frustration. Although these nations may be willing now to receive Japanese foreign aid, commercial financing, and direct investment, they are likely to struggle against the confining aspects of those relationships in the future. To the extent that Japan becomes a more dominant source for economic relationships throughout the region, tension related to this struggle could be widespread.

Second, and more important, is the future of the U.S.-Japan relationship. Since 1952, the Mutual Security Pact has been the basis of the bilateral relationship. During the 1950s and 1960s, a major American concern was whether the Japanese would continue to support the treaty, but in the future, it may be the United States that chooses to break this element of the relationship. Ultimately, Americans must perceive that they derive economic benefits from their relationship with Japan. If economic relationships in Asia evolve in a way that leads to a much stronger relative position for Japan, combined with an exclusivity that damages the ability of American firms to do business in those countries, then American support for the security treaty will erode. Put in crude terms, a debate will erupt over why the United States should defend a Japan that shuts it out of Asia economically.

Combined with continued tensions in the bilateral relationship, this argument could feed into a political process that leads to a U.S. decision not to renew the treaty. Should such an eventuality come to pass, then the entire complexion of international relations in Asia changes in ways guaranteed to increase tensions and make foreign policy more complex. Japanese military

expenditures would rise, and concern over this development could lead to higher military expenditures and tensions throughout the region.

Given these concerns, it is important for the United States and other industrial nations to maintain the viability of broad multilateral economic arrangements such as the GATT. Furthermore, a combination of firm pressure and encouragement to draw Japan away from some of its past international behavior patterns will be necessary. Japan's protectionist behavior—in which the formal dismantling of tariffs and quotas did not produce any rise in the share of manufactured imports in the economy—has been a serious problem. Much of the noise and conflict between Japan and the United States during the 1980s was generated by Japan's implicitly protectionist behavior and the U.S. effort to make Japan more open.

During the 1990s, U.S.-Japan relations may improve. The conflicts of the 1980s did remove a number of trade barriers, and the new mood in Japan discussed earlier may now lead to a bigger role for imports. This scenario is by no means assured, however, and bears close watching.

A final word on where the Soviet Union fits into the picture is in order. Virtually all nations have looked to Japan in the past several years as a source of high-quality imports, capital, direct investment, and technology. There is no reason why the Soviet Union should not do the same. However, Japanese private sector investors are cautious. They took many years to decide that Thailand and Malaysia are viable sites for investments, a decision that depended on a demonstration of political stability and economic growth. Japanese investors are likely to be very cautious about the Soviet Union for some time to come, concerned over the political uncertainty and lack of managerial personnel trained in Western corporate management techniques.

To finance a closer economic relationship, the Soviet Union will have to generate increased exports to Japan. A long-term, sustained increase cannot be based on raw materials; the Soviet Union must develop manufactured exports to Japan. This will be difficult to achieve. Not only is Japan a demanding market with high standards for quality, many other nations, including the United States and the countries of Western Europe, are already competing vigorously for a share of the newly growing market. The most likely scenario for the 1990s is one in which the Soviet Union increases its economic interaction with Japan and other noncommunist Asian countries, but does not become a major player.

Despite the concerns expressed here about possible Japanese dominance, the overall prospects for the 1990s remain rather optimistic. Some greater integration of the rest of Asia with Japan will take place, but pressures from the United States and Europeans, as well as the concerns of Asian countries, will keep this situation from leading to a truly Japan-dominated Asia. Tension will continue in the U.S.-Japan relationship, motivated by trade issues and concern

over heavy Japanese investment in the United States, but these problems will be resolved satisfactorily enough that no fundamental deterioration takes place.

Part V.
South Asia—Internal and Foreign Policies

16. South Asian Internal Politics and Policies

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As South Asia enters the 1990s, the nations of the subcontinent face ethnic and religious conflict, social unrest, economic stress, and the spectre of political instability. Such problems are by no means new to South Asia, and over the past decades, they have been handled with varying degrees of success. But, as with Heraclitus, we never step in the same river twice, and each nation faces new challenges—India and Pakistan, most dramatically, where new governments came to power in November 1990 in the face of mounting pressure.

India

India may now be characterized by what might be called an Italian model or, less benignly, an Indian version of the French Fourth Republic—a situation in which no single party commands a parliamentary majority and, punctuated by periodic crises, governments are formed in a pattern of shifting coalitions.¹ Such a government may offer the prospect of greater responsiveness to the variety of interests in India's pluralistic society, but it also carries the dangers of *immobilisme* and instability. And in the decade of the 1990s, India's leadership faces major challenges in secessionist demands in Kashmir, the Punjab, and

¹In Italy, since the end of World War II, the centrist Christian Democrats have served as the core and dominant partner in a succession of coalition governments. In an Indian version of such a model, with no single party commanding a majority in parliament, the centrist role would be played either by the Congress (I), the Janata Dal—itsself a product of the “the Congress culture”—or some functional equivalent. Coalition partners would include regional parties and independents and, typically by mutual exclusion, parties of either the right or the left. Under weak and politically vulnerable governments, the bureaucracy assumes an enhanced role as “the permanent government.”

Assam, in heightened caste and Hindu-Muslim communal tensions, and in the economy, where the Gulf crisis has imposed an added burden.

On November 10, 1990, Chandra Shekhar, leader of the splinter Janata Dal–Socialist party, became the eighth prime minister of India, heading a minority government supported from the outside by the Congress (I) and two regional parties. Three days earlier, the National Front government of Prime Minister V. P. Singh lost a parliamentary vote of confidence and resigned—the first Indian government ever to do so. From its inception eleven months before, the National Front, without a majority in parliament, was vulnerable to its dependence on support from the Left Front (comprising, principally, the two Communist parties) and, on the right, the Hindu nationalist Bharata Janata Party (BJP). Within his own Janata Dal party, V. P. Singh faced challenges from the peasant and “backward caste” leader Devi Lal and from the embittered socialist Chandra Shekhar, who having tried to deny Singh the prime ministership then sought to depose him.

For months the Singh government had been paralyzed by its struggle for survival, but in August 1990, its sudden decision to reserve 27 percent of all central government jobs for members of the “backward castes” provoked a violent response from upper caste students and drew widespread criticism, most notably from BJP leaders, who had not been consulted. But the issue that precipitated the crisis was the Ayodhya temple controversy and the arrest of BJP president L. K. Advani as he sought to lead militant Hindus in beginning construction of a temple at the birthplace of Lord Rama, a site on which a mosque now stands. In response to Advani’s arrest, the BJP withdrew its crucial parliamentary support from the government. As the vote of confidence approached, Chandra Shekhar engineered a split in the Janata Dal, denying V. P. Singh support from a substantial portion of his own party. Singh lost the vote, 142 to 346, and submitted his resignation.

President R. Venkataraman, in accordance with parliamentary custom, invited former prime minister Rajiv Gandhi, leader of the Congress (I), the largest party in the lower house, with 195 seats, to form a government. Gandhi declined as expected, preferring to build his party’s strength for an election at the time of his choosing and gave his support to Chandra Shekhar. With claimed support from a majority in parliament, including 58 for his splinter Janata Dal–Socialist party, Chandra Shekhar was sworn in as prime minister on November 10 and six days later won his vote of confidence, 269 to 204. Devi Lal, cohort in the effort to bring down V. P. Singh, became deputy prime minister, the position he had held earlier in the National Front government. The new government is dependent on Congress (I) support and, held to comply with Congress policies, can survive only so long as Gandhi chooses.

An understanding of the fall of the National Front government must begin with an analysis of the elections that brought it to power. In November 1989, in

parliamentary elections, Rajiv Gandhi's ruling Congress (I) party was defeated, but—for the first time in India's history—no party secured a majority of seats in the Lok Sabha (the lower house of parliament). The Congress (I) had the largest number of seats (193) and remained the only genuinely all-India party, but the opposition parties arrayed against Gandhi commanded, in combination, enough seats to form a coalition government. The new National Front government, led by Prime Minister V. P. Singh, was a minority government based on four parties that had contested the elections as an alliance: the Janata Dal (with 141 seats) and three regional parties (which won a total of 2 seats). Short of the 265-seat majority required to sustain power, the government depended on the outside support of two mutually antagonistic groups—the Hindu nationalist BJP on the right (88 seats) and the Left Front, of which the Communist Party of India (Marxist) (CPM) was the major component (52 seats). Each of the two groups chose to remain outside the government to avoid being tainted by association with the other.

The election results were interpreted as a mandate for V. P. Singh and the National Front government and as a repudiation of Rajiv Gandhi, the Congress (I), corruption, and the allegedly pro-rich and pro-urban policies of economic liberalization. But such sweeping interpretations overplay the magnitude of the electoral change at the all-India level, and they homogenize and thus obscure the divergent voting patterns and significant factors that distinguish the elections in each state. Moreover, no clear policy message can be read into the vote.

In a very real sense, the results were determined when the opposition parties hammered out their electoral adjustments, by which more than 400 seats would be contested in what were, effectively, straight fights between the Congress (I) and the opposition candidate.² In 1984, in the immediate wake of Indira Gandhi's assassination and against a divided opposition, the Congress (I) won 79 percent of the seats with 49 percent of the vote—the highest percentage of electoral support the party had ever secured.³ In 1989, the success of the opposition parties in overcoming their fractious battles to field common

²The adjustments are the product of negotiation between non-Congress parties in a given constituency to select one opposition candidate (usually from the locally strongest party) to face the Congress candidate. They thus avoid splitting the non-Congress vote and increase opposition chances of winning.

³Indira Gandhi had led the Congress to victory in 1967 with 40.7 percent of the vote and in 1971 with 43.7 percent. In the Janata triumph of 1977 following Mrs. Gandhi's ill-fated assumption of emergency powers, Congress held on to 34.5 percent; and in 1980, in Mrs. Gandhi's dramatic return to power, Congress secured 70 percent of the seats with 42.7 percent of the vote. With the notable exception of 1977, when Congress faced a united opposition, the party translated pluralities of 40 to 44 percent of the vote into substantial parliamentary majorities. Its victories, in short, were largely the product of a divided opposition. Robert L. Hardgrave, Jr., and Stanley A. Kochanek, *India: Government and Politics in a Developing Nation*, 4th ed. (San Diego: Harcourt Brace Jovanovich, 1986), pp. 269, 278–79.

candidates in most constituencies placed the Congress (I) at a structural disadvantage. Even at its best under such circumstances, the Congress (I) would be sorely pressed. But Rajiv had lost the appeal he commanded in 1984; he was beleaguered by charges of corruption; and the party was in disarray. The elections were fought on the national level as a referendum on Rajiv Gandhi, but neither Gandhi nor V. P. Singh aroused voter excitement, and there was no discernible wave of support toward either party. Voters were heavily influenced by local factors and by ethnic and communal considerations. And, in a return to what might be called a normal vote, the Congress (I) got 40.3 percent of the vote.⁴

Indira Gandhi, at her highest level of support (1971) had secured only 43.7 percent, but if the 1989 vote does not represent a precipitous drop from the norm, it does involve a swing of 9 percent from the Congress high in Rajiv Gandhi's 1984 victory. But the swings varied dramatically in the 27 states and union territories where elections were conducted. The Congress (I) increased its percentage of the vote in 6, and its decline in the 21 other states and territories ranged from 2 percent to 26 percent. The most dramatic declines were in North India, where a complex of factors, varying from state to state, contributed to the swing away from Congress. These include Congress (I) factionalism, erosion of the party's traditional base of support among Harijans (untouchables) and Muslims, and in the Hindi heartland a heightened Hindu consciousness that richly benefitted the Bharata Janata Party. (There is surely irony in the concomitant loss to the Congress [I] of both Muslim and Hindu revivalist support, but it reflects the party's inept handling of communally sensitive issues, most notably the Ayodhya controversy discussed below.)

Congress (I) success in the south led some analysts to describe the elections generally as a repudiation of ruling parties—save for the CPM in West Bengal—of whatever political stripe. A closer examination of the vote in each state, however, belies such an easy explanation. This surely was the case in Andhra Pradesh, where the Congress (I) increased its parliamentary vote by 9 percent over 1984 and won 39 of the 41 Lok Sabha seats and in the accompanying state assembly elections displaced the ruling Telegu Desam. But in Tamil Nadu, despite a 4 percent decline, the Congress (I), in alliance with the All-India Anna Dravida Munnetra Kazhagam (AIADMK), secured parliamentary victories over the ruling Dravida Munnetra Kazhagam (DMK) party. Similarly, in Karnataka, the Congress (I) vote declined by 3 percent, but factional division within the Janata Dal insured Congress success—and it won 27 of the 28 seats in the Lok Sabha and a majority in the state assembly.

⁴For analyses of the 1989 elections, see Atul Kohli, "From Majority to Minority Rule: Making Sense of the 'New' Indian Politics," in Marshall M. Bouton and Philip Oldenburg, eds., *India Briefing, 1990* (Boulder, Colo.: Westview Press, 1990), pp. 1–23; and Walter K. Andersen, "Election 1989 in India: The Dawn of Coalition Politics?" *Asian Survey* 30 (June 1990): 527–40.

The patterns of party strength in the parliamentary elections were largely confirmed in February 1990 in assembly elections in 8 states and 1 union territory. Congress lost control of 6 states, retaining power only in Maharashtra and Arunachal Pradesh. The Janata Dal secured victory in Orissa and Bihar and took over the government in coalition with the BJP in Guejarat. The DMK and its National Front allies won in the Union Territory of Pondicherry. But the big winner in the state elections was the Bharata Janata Party, taking power in Himachal Pradesh and heading a coalition government in Rajasthan, and thereby strengthening its influence vis-à-vis the National Front government at the center.

The Janata Dal, the principal constituent of the National Front coalition, was itself an amalgam of parties, formed in 1988 under the leadership of V. P. Singh. It was heir to the Congress culture, and all its leaders were at one time or another in the Congress party. Its ideological embrace included market capitalists, Gandhians, and unreconstructed socialists, but its essential thrust, like that of the Congress, was centrist and pragmatic, and this was the orientation of the new prime minister.

As a member of Congress and one-time chief minister of Uttar Pradesh, India's most populous state, V. P. Singh served under Rajiv Gandhi as finance minister. His pursuit of tax evaders, however, drew the ire of certain business interests, and Gandhi transferred him to defense, where his efforts to ferret out evidence of kickbacks on foreign defense contracts (the Bofors scandal) led to his dismissal from the cabinet and, ultimately, expulsion from the Congress (I) party. It was as Mr. Clean that Singh catalyzed opposition party unity and, with the elections, the formation of a new government.

The Janata Dal was a party of contentious and contending personalities, one of whom, Chandra Shekhar, a self-styled socialist, sought the prime ministership for himself and was a bitterly disappointed claimant excluded from the cabinet. Another contender for power, Devi Lal, leader of the peasant "backward castes" and political boss of Haryana state, struck a last-minute deal with V. P. Singh and became deputy prime minister and minister of agriculture. In mid-March, less than four months after the government had formed, Devi Lal precipitated a crisis by resigning from the cabinet in protest against attacks upon him and his son, Om Prakash Chautala, chief minister of Haryana, made by political opponents over violence and vote fraud in the Haryana assembly elections. Efforts by V. P. Singh defused the crisis, and Devi Lal withdrew his resignation; but the confrontation and the events that followed, though at the level of farce, underscored the fragility of the government and of the Janata Dal itself.

The continuing controversy over Chautala's role in election violence forced his resignation as chief minister of Haryana in May, but in July, with Devi Lal's backing, Chautala again assumed the chief ministership. In protest against Chautala's reinstatement, leading members of the National Front cabinet

resigned, and in a test of the party's confidence in his leadership, Prime Minister V. P. Singh submitted his resignation to the Janata Dal president. The party, together with the Left Front and the BJP—none anxious to see new elections and the likely return of the Congress (I) to power—rallied to his cause. Singh withdrew his resignation. Chautala was again forced to step down as chief minister of Haryana, and, under pressure to act against his recalcitrant deputy prime minister, Singh removed Devi Lal from the cabinet.

Devi Lal and Chandra Shekhar, with whom he now conspired to bring down the government, both had factional support among the Janata Dal members of parliament, but at this point, V. P. Singh, the only leader who could hold the National Front together and keep its outside support, retained his parliamentary majority. Moreover, the antidefection law, adopted in 1985, secured the party to a degree against the splits and "floor-crossings" that were once the bane of Indian legislative politics.⁵

As leader of the National Front, Prime Minister Singh headed a minority government. Both the Bharata Janata Party and the Left Front, as well as several minor parties, had given their vote of confidence to the new government, but if either group were to withdraw its support, the government would likely fall. This placed the National Front government in an extremely vulnerable position, but, despite their rhetoric, both the BJP and the Left Front had a strong interest in seeing this government survive—so long as it was to their own party's interest and not to the sole advantage of the Janata Dal.

The Bharata Janata Party, deemed crucial to the government's survival, assumed the role of watchdog in what party leader L. K. Advani chose to call a "process of consultation." But Advani was not consulted when, in August, V. P. Singh decided to reserve 27 percent of all central government jobs for "backward castes" in addition to the 22.5 percent already reserved for scheduled castes (untouchables) and tribes. The announcement brought widespread criticism from the press and strong opposition from higher castes, especially students. In New Delhi and other urban areas violent protests, acts of self-immolation, and police-firings raised the specter of "caste war" and of deepened social conflict. In deciding to adopt the recommendations for reservation made by the Mandal Commission a decade before, the government appealed directly to one of its major constituencies, the "backward" peasant castes that make up 52 percent of the Indian population. The National Front platform had supported the reservations in a commitment to equity and social justice, but the timing and haste with which V. P. Singh made the decision, immediately following the expulsion of Devi Lal from the cabinet, suggested that the prime minister sought to undercut his Janata Dal rival's base of support among the backward castes. The Left Front and BJP expressed displeasure in

⁵Under the law, legislators lose their seats if they break from their party, but splits are permitted, allowing potential defectors to retain their seats if such a split involves at least one-third of the legislative party. See Hardgrave and Kochanek, pp. 233–35.

not having been consulted and indicated, each for its own reasons, preference for education and income, rather than caste, as criteria for job reservation.⁶ But the BJP also saw the reservations as dividing the Hindu community to which it appealed.

To galvanize Hindu sentiment behind the BJP, party president Advani launched his *rath yatra* (chariot rally), a 10,000-kilometer journey in a van fashioned to look like a mythological chariot across the heartland of North India to Ayodhya, where at the claimed birthplace of Lord Rama construction of a new temple was to begin on October 30. The site had long been in dispute between Hindus and Muslims, for in the sixteenth century the Mughal emperor Babur built a mosque on the site where Hindus claim a temple stood marking the birthplace of Rama.⁷ In 1989, efforts by the Vishwa Hindu Parishad (VHP) and other Hindu revivalist groups to demolish the Babri Masjid mosque at Ayodhya and “to recapture injured Hindu pride” through the construction of a new Ram Janmabhoomi temple precipitated perhaps the most serious Hindu-Muslim communal rioting since the partition of India in 1947.

The BJP supported the temple movement; the Janata Dal, courting Muslim support, sought a mediated settlement acceptable to all parties.⁸ But in the wake of violence and as the 1989 parliamentary elections approached, the VHP—probably at the behest of the BJP—called off its march on Ayodhya, ultimately setting October 30, 1990, as the day to begin construction. As that date neared, in growing communal tension, tens of thousands of Hindu militants, led by Advani, converged on Ayodhya. Prime Minister V. P. Singh, invoking the principles of secularism, warned that the high court’s interim order to secure the status quo at the disputed site would be enforced and that the mosque at Ayodhya would be protected “at all costs.” On October 23, Advani was arrested, and the BJP withdrew its parliamentary support from the National Front government.

The arrest of Advani and BJP leaders and clashes at Ayodhya between paramilitary forces and Hindus intent on destroying the mosque sparked a wave of Hindu-Muslim violence that left more than three hundred persons dead. Hindu militants withdrew from Ayodhya with the promise to return—and it is simply a matter of time before the new government will again confront this challenge to the secular state in a predominantly Hindu society.

⁶The reservation issue received detailed coverage in India’s newspapers and magazines, but in August through October 1990, *Mainstream* (weekly), edited by Nikhil Chakravarti, carried especially penetrating analyses.

⁷For the background and character of the dispute, see Asghar Ali Engineer, “Masjid-Janmabhoomi Dispute: Historical Aspects,” *Mainstream*, March 10, 1990, pp. 7–13; and “Communalism: Dangerous Dimensions,” *India Today*, October 31, 1989, pp. 14–22.

⁸In northern India, as registered in the 1989 parliamentary and 1990 state assembly elections, the Janata Dal won considerable Muslim support—support that once was a critical element in the social base of the Congress (I) party. But the Hindu vote insofar as it manifests self-conscious political expression went heavily to the BJP.

In addition to the heightened caste conflict and communal unrest, the Chandra Shekhar government faces ongoing separatist movements in Kashmir, the Punjab, and Assam.

Serious problems in Kashmir, India's only Muslim majority state, have been evident since spring 1988, when the Jammu and Kashmir Liberation Front (JKLF) and an assortment of separatist and fundamentalist groups initiated a wave of strikes, bombings, and assassinations. The state National Conference–Congress (I) coalition government under Chief Minister Farooq Abdullah, inept, corrupt, and lacking credibility, had lost effective control of the Kashmir valley to the separatists. The National Front government had hardly taken office when the JKLF abducted the daughter of the new home minister—the first Muslim to serve in that sensitive position—and held her hostage for the release of five jailed militants. When the exchange was made, jubilant crowds throughout the valley raised the banner of the Liberation Front and called for India to “Quit Kashmir.” In the ensuing turmoil, the center dismissed the Farooq government and imposed President's Rule only to face widespread resistance and a mounting death toll.

Since the time of Kashmir's accession to India in 1947, the state's predominantly Muslim population has been largely unreconciled to union with India. Had the once-promised plebiscite been held, a majority would likely have opted for independence or to join Pakistan—and it is widely conceded in India today that the situation in Kashmir has so deteriorated that the separatists hold sway over popular sentiment.⁹ The sources of the separatist movement are internal to Kashmir, but the agitation has been supported and exacerbated by elements within Pakistan, and the quest for self-determination has, in Kashmiri eyes at least, gained legitimacy by events in Eastern Europe and within the Soviet Union.

India has the military power to hold Kashmir, but any solution is likely to come at a high cost. India-Pakistan relations have already fallen victim, as domestic politics in each nation inflated the rhetoric of mutual hostility and in late spring 1990 brought the two countries close to war. The Indian government's options are limited. Kashmir is a potent symbol in India. No government can yield to demands for a plebiscite and politically survive, but the argument that Kashmir as a part of India is at once a denial of the “two-nation” theory¹⁰ and a “guarantor” of Indian secularism hardly washes when Kashmir

⁹*India Today*, India's leading news magazine, portrays the situation starkly: “Kashmir is at war with India. It is a declared war with open moral, financial, and logistical support from Pakistan. . . . [T]he secessionists have virtually achieved the administrative and psychological severance of the [Kashmir] valley from India. . . . In Kashmir nobody, either out of fear or out of the total alienation that pervades the region, now talks for India or even a settlement with the Centre.” “Kashmir: Perilous Turn,” April 30, 1990, p. 10.

¹⁰In seeking an ideological rationale for the creation of Pakistan, Mohammed Ali Jinnah argued that India was two nations—one Hindu, one Muslim. The Indian National Congress, as spearhead of the nationalist movement, rejected the concept, as has independent India in affirming the secular state.

is held by a force of occupation. Indeed, such conditions are likely to deepen feelings of insecurity among India's hundred million Muslims.

The Punjab, under central rule for more than four years, remains one of the most serious problems confronting the government of India, with the level of violence unabated as Sikh terrorists continue their struggle for the creation of an independent nation of Khalistan. Among his first acts as prime minister in 1989, V. P. Singh reached out to India's Sikhs by visiting the Golden Temple in Amritsar, the Sikh shrine violated by the Indian army in June 1984 in its antiterrorist campaign, and by establishing special courts to try those involved in the anti-Sikh riots following Indira Gandhi's assassination. But the government's early initiative was soon replaced by indecision and drift, and efforts for a political solution in the Punjab were frustrated by division among Sikh leaders and continued violence in the border districts. A resolution of the Punjab crisis—possibly within the framework of a new federal relationship among India's states—can be achieved, but intermittent acts of terrorism are likely to remain a vestige of the movement for an independent Sikh state.

Assam, in India's northeast, faces heightened violence in demands by Bodo tribals for special protection through the creation of an autonomous region within the state, but the more serious challenge to the government is posed by the United Liberation Front of Assam (ULFA). Formed in 1979 in the antiforeign movement against Bengali migrants in Assam, the ULFA has since assumed a Maoist ideology and has mounted a major insurgency in the call for Assam's secession from the Indian Union.

Among the most pressing problems faced by the new government is the economy. Over the past five years, India has sustained an overall annual growth of 5 percent in real gross domestic product (GDP), a substantial achievement. But economic growth has been regionally concentrated, and the new prosperity is not widely shared. The balance of payments is a matter of increasing concern, for even as exports have grown impressively, imports have kept pace. External borrowing has increased, and the debt service is now 30 percent of export earnings. Budget deficits, fueled in part by major arms purchases over the past five years, have led to domestic borrowing that crowds out private-sector investments and contributes to rising inflation.

The Iraqi invasion of Kuwait in August 1990 exacerbated these problems. India had roughly 200,000 nationals in Kuwait and Iraq, and the cost in higher oil prices, reduced trade, lost remittances, and cost of repatriation—estimated at some \$3 billion for the year—will weigh heavily on the Indian economy. Inflation will climb, economic growth will slow, and further borrowing will increase India's mounting foreign debt.

In its eleven months in office, the National Front government pursued a pragmatic economic policy that sought to balance commitment to growth with concern for social equity. But the preparation and implementation of an economic program were stymied by indecision and a preoccupation with the

immediacies of political survival. In its broader view, V. P. Singh committed the government to the betterment of the poorer sectors of society and to greater emphasis on rural development, with 50 percent of plan resources to be allocated to rural areas. In fulfillment of campaign promises, the government put forward, among other proposals, populist schemes to provide employment guarantees and to write off rural debts up to Rs 10,000 per person. These costly proposals ran counter to the government's more fundamental economic objectives: reducing budget deficits and curbing inflation. Moreover, the debt relief proposal undermined the rural credit system and undoubtedly weakened incentives for others to pay back loans.

During the election campaign, economic populism was infused with socialist rhetoric, but the National Front government was not expected to—nor did it—reverse the policies of economic liberalization that relaxed the regulations of the “license-permit raj” and opened the economy to a limited degree of foreign competition and international investment. V. P. Singh, as finance minister under Rajiv Gandhi, was in large part the architect of the liberalization pursued by the Congress (I) government after 1985. But although committed to sustained liberalization, he believed the policy was recklessly pursued under Gandhi as a pro-rich program that favored big business. Singh also distinguished between liberalization of the domestic economy and liberalizing foreign investment, which, like most Indians, he approached with greater caution.

The approach was probably overly cautious, for today's Indian economy has the capacity to absorb foreign investment without being dominated by it. But Singh was responding, in part, to a political culture that retains a vestige of xenophobia even as it values self-reliance for its own sake. And within the Janata Dal, elements favoring socialism and autarky, Chandra Shekhar among them, were highly vocal in their criticism of Singh and his economic advisers. In the struggle over industrial policy, the liberals won, with new measures announced in June 1990 to reduce licensing requirements, expedite government clearances, enhance export competitiveness, and attract greater foreign investment within targeted areas such as high technology, energy, and production for export. The policies were measured and within the framework of a still highly regulated market, but, victim to continuing dissension within the government, they were never implemented.

Chandra Shekhar, a socialist, has long opposed economic liberalization and foreign investment—a position that put him at odds not with V. P. Singh but with Rajiv Gandhi, to whom he is now beholden. In his efforts to bring down the National Front government, Chandra Shekhar is believed to have been financed by companies targeted by V. P. Singh for tax evasion and by business interests seeking protection from foreign competition and the security of a

closed and regulated market. But Prime Minister Chandra Shekhar's inclinations to reverse economic liberalization and close the door to foreign investment may be held in check by the government's dependence on Congress (I) support. Ultimately the new minority government is hostage to outside support and will be held to conform with Congress policies until such time as Rajiv Gandhi is ready for the elections that he believes will return him to power as prime minister of India.

Pakistan

In Pakistani elections held on October 24, 1990, the conservative nine-party Islamic Democratic Alliance (IJI by its Urdu initials), led by Nawaz Sharif, won a resounding victory, with 105 of the 217 seats in the National Assembly against 45 seats for Benazir Bhutto's Pakistan People's Party (PPP). With support from independents and minor parties, Sharif, an industrialist and former chief minister of Punjab province, became prime minister at the head of an IJI-led coalition. The former prime minister, Benazir Bhutto, who denounced the elections as "massively rigged," took her seat as leader of the opposition.¹¹

Sharif's strength at the center was reinforced three days later, in the second round of voting, by assembly victories for IJI and its allies in all four provinces. In Sind, Benazir Bhutto's home province and the only province where her party held power during her time as prime minister, the PPP emerged as the largest single party, but without a majority. There the IJI, supported by the Muhajir Quami Movement (MQM), the party of the Urdu-speakers of Karachi and Hyderabad, formed a coalition government, and IJI-led coalitions were formed in each of the other provinces. Overall, the PPP had been given a crushing defeat, winning only 15 percent of the 460 contested assembly seats.¹²

Only twenty months before, following the death of President Zia ul-Haq in 1988, Pakistan turned from military to democratic rule with a PPP government headed by Benazir Bhutto, daughter of Prime Minister Zulfikar Ali Bhutto (1971–1977), who was overthrown and then hanged by Zia. Benazir Bhutto became the first woman prime minister of any Muslim nation, and she attained high international visibility as a leader of intelligence and sophistication. But at home, her government was virtually immobilized from its inception, and she came to be widely perceived as a prisoner of indecision and of constraints that limited her ability to rule.

¹¹Journalists and diplomats visiting polling places found little visible evidence to support PPP charges of election fraud, and an international team of election observers, though by no means unanimous in their conclusions, offered a preliminary finding that, on the whole, the elections had been conducted fairly. The general view was that, given the magnitude of the IJI victory and PPP losses, rigging would have had to have been on such a scale that it could not have been concealed. See, for example, reports in the *New York Times*, November 25, 1990, and November 26, 1990.

¹²*New York Times*, November 29, 1990.

In the November 1988 National Assembly elections, the Pakistan People's Party emerged as the largest party; but short of a majority, the PPP secured coalition support from several smaller parties, including the MQM. In provincial elections, the PPP won only in Sind; entered into a coalition in the North-West Frontier Province; and fared badly in Baluchistan. In the Punjab, with 60 percent of Pakistan's population, the PPP lost to the Islamic Democratic Alliance, headed by Nawaz Sharif, who as chief minister led the campaign to discredit Bhutto and bring down her government. In November 1989, the Bhutto government narrowly survived a vote of no-confidence in the National Assembly brought by the IJI-led Combined Opposition Parties (COP), a disparate collection of parties and contending personalities united only by their common opposition to Benazir Bhutto.

Growing tension between Pakistan and India over Kashmir in late spring 1990 gave Bhutto an opportunity to enhance her position through the rhetoric of Pakistani nationalism and Islamic *jihad*. Her stridency in calling for the liberation of Kashmir gave her a political strength she had not had since taking office, but it was a short-term gain that could not overcome her fundamental weakness.

In her 1988 election campaign, Bhutto promised fundamental change, but in office she presided over a cabinet that, with notable exceptions, was widely viewed as inept and corrupt. On taking office, she entered into a tacit agreement with the army that the military budget would be untouched; to contain Islamic fundamentalist opposition, she held back from any attempt to rescind the Islamic laws adopted during the Zia years, although many of these laws were no longer enforced. Legislative initiative was further limited by budget deficits that severely limited new social programs, by International Monetary Fund restrictions, and by the constitutional requirement that, except for money bills, all laws must be passed by both houses of parliament, ensuring that the Senate (almost wholly opposed to Bhutto) could block any bill not to its satisfaction. As if this were not enough, President Ghulam Ishaq Khan, increasingly hostile to Bhutto, had the authority to dissolve the National Assembly at his discretion and call new elections.¹³

As prime minister, Bhutto restored press freedom and civil rights and was able to increase outlays for education, but her promises of economic and social uplift for the poor and for women remained unfulfilled. In twenty months in office, she did not introduce a legislative program, and as the expectations of those who had voted for her Pakistan People's Party were frustrated and as the opposition intensified its campaign against her, heightened tensions were evident throughout Pakistan. The Punjab and Baluchistan accused the central government of encroaching on provincial authority and challenged federal control over banking, electrical power distribution, and television. And the

¹³Robert L. Hardgrave, Jr., "South Asia," *Global Assessment* 8 (Winter 1989/90): 94.

Punjab, led by Sharif, openly defied the center on a number of counts.¹⁴ In Sind, the only province where the PPP held power, criminal activity and ethnic violence escalated dramatically. Conflict between the Mujahirs and Sindhi nationalists sharpened, breaking the MQM alliance with the PPP and precipitating serious ethnic rioting and violence in Karachi and Hyderabad. In May and June 1990, with the death toll in the hundreds, the two cities approached anarchy. With a curfew in urban Sind, the military moved to restore order as Mujahirs and leaders of the opposition demanded the PPP government in Sind be dismissed and Benazir Bhutto step down as prime minister.

Bhutto's weakened credibility raised the odds that the government would fail on a vote of no-confidence. But in August, with the support of the military, President Ghulam Ishaq Khan preempted that vote by dismissing Bhutto in what has been described as a constitutional coup. The president named Ghulam Mustafa Jatoi, leader of the opposition in the dissolved National Assembly, to head an interim government and called national elections.

The president cited corruption, nepotism, and misgovernment to justify his action in dismissing the Bhutto government, and the interim government established one-judge tribunals to begin inquiries. And, in the course of the election campaign, Bhutto's husband, Asif Ali Zadari, widely believed to have made substantial amounts of money in exchange for political influence, was arrested on charges of kidnapping and extortion. Bhutto herself faces various charges of abuse of power and if found guilty could be barred from political activity for up to seven years. But Prime Minister Nawaz Sharif might prefer to see a judgment of guilty without the ban, in view that Bhutto may be less dangerous as a leader of a weak parliamentary opposition than as a martyred outsider.

The IJI government, with the support of the president and the army and with power in each of the provinces, will be in a stronger position than Bhutto to act decisively and to control unrest. That Sharif is Punjabi may deepen Sindhi resentment of the Punjabi domination, but the IJI, as well as the Muhajir Quami Movement, is part of the coalition that rules Sind, and the government can be expected to make the restoration of law and order in Sind a major priority. The government, moreover, should be able to move more effectively in dealing with the serious economic problems Pakistan confronts.

Despite an average of 6.7 percent growth since 1977 (with an estimated 5.1 percent in 1988–89) and a gross national product per capita (\$386 for 1988–89) that places Pakistan well above India, the economy is burdened by gross inequities in distribution and by shamefully low levels of development in such areas as literacy, education, and health care.

The bulk of the federal budget goes to debt service (40 percent) and defense (39 percent), leaving comparatively little for development unless there is a

¹⁴See *Far Eastern Economic Review*, January 4, 1990, pp. 12–13; and January 25, 1990, pp. 20–21.

substantial reduction in military expenditures. The budget—equal to 26 percent of the GDP—is already bloated. Deficits crowd out private investment and have fueled inflation, now running at 11 percent, if not higher. In the cities, food and housing costs have risen more steeply, and, with a slowdown in industrial production, labor unrest has become a serious problem, as has urban discontent more generally—especially in Karachi, Pakistan's largest and most politically volatile city.

The government also faces a deterioration in its balance of payments. Export growth has been sluggish, and foreign exchange reserves are equal to only 3 weeks of imports. The Gulf crisis imposes an added burden of upwards of \$2 billion in costs over twelve months for the repatriation of 100,000 Pakistanis in Kuwait and Iraq, lost remittances, lost trade, and, most significantly, increased oil prices. Pakistan, already energy-starved, is increasingly dependent on oil imports despite efforts to expand domestic production. These pressures are likely to accelerate economic liberalization in deregulation of industrial and trade sectors and in streamlining procedures for an improved climate for foreign investment.

The government, in an effort to slow inflation, has moved toward a tighter monetary policy and has reduced deficit financing. The economic policies and budget austerity required to control inflation and stimulate growth are unlikely to be politically popular, but until deficits are reduced and military expenditures scaled back, social development will be constrained. Pakistan's long-term economic development and political stability demand more balanced growth, regionally and among classes, and a major commitment to improved education and public health.

Sri Lanka, Bangladesh, and Nepal

We treat the smaller nations of South Asia more briefly—although domestic politics and policies in Sri Lanka, Bangladesh, and Nepal may surely impinge upon the interests of their neighbors, with implications for regional stability.

As Sri Lanka entered the 1990s, the southern portions of the island and the capital of Colombo returned to some degree of normalcy with the effective control of terrorism; in the north, the military launched a major offensive against the guerrilla Tamil Tigers in hope of ending the ethnic civil war. The roots of the Sinhalese-Tamil tensions are deep¹⁵ and have been exacerbated in recent years by Sri Lanka's two main parties, the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP), as they have competed for support among the majority Sinhalese community.¹⁶ With the final withdrawal of

¹⁵One of the best accounts of the roots of Tamil-Sinhalese conflict is S. J. Tambiah, *Sri Lanka: Ethnic Fratricide and the Dismantling of Democracy* (Chicago: University of Chicago Press, 1986).

¹⁶On recent political developments in Sri Lanka more generally, see Robert C. Oberst, "Political Decay in Sri Lanka," *Current History* 88 (December 1989): 425–28.

Indian troops at the end of March 1990, the emerging political situation was one that the Sri Lankan government had long deemed unacceptable, but which could have been secured earlier through political negotiation without the tragic—and seemingly needless—bloodshed: effective autonomy for the Tamil-majority North-Eastern Province. The major Tamil guerrilla organization, the Liberation Tigers of Tamil Eelam (LTTE), with the tacit support of the Sri Lankan government that had once sought its extermination, assumed control over virtually the whole of the North-Eastern Province. Tamils who had collaborated with the Indian Peace-Keeping Force, fearing a bloodbath of reprisal, have fled, with many—including the chief minister of the province—seeking refuge in India. But the LTTE had not abandoned its aspiration for an independent Tamil nation nor was the government necessarily prepared to accept the reality of greater autonomy for the North-Eastern Province. The cease-fire was broken by periodic Tamil guerrilla attacks on police stations and by fighting between the Sri Lankan army and the Liberation Tigers, and in June, unwilling to accept anything less than their full demands, the Tigers returned to violence. In response, the government mounted a major military effort to end the ethnic conflict that over the past decade has inflicted such severe damage to the island economy, society, and body politic.

The government's efforts against the Janatha Vimukti Peramuna (JVP) have, for the time being, brought terrorism in the southern districts under control. The JVP has been decapitated, its top leaders killed in 1989, and the movement is now in disarray. Death-squads, many believed to be government sponsored, have assumed vigilante operations against assumed JVP activists or sympathizers. The JVP, once quasi-Maoist, reemerged in the 1980s as a Sinhalese chauvinist terrorist organization, with strong appeal for unemployed youth, especially from lower castes and classes. President Ranasinghe Premadasa, from one of the traditionally lower castes himself, has reached out to these groups through various populist schemes even as he pursues a policy of repression against the JVP itself.

Bangladesh intrudes into world news only episodically and then, more often than not, in terms of natural disasters—cyclones and floods. Since its independence from Pakistan in 1971, Bangladesh has suffered a series of political assassinations and military coups. Its government today, under President H. M. Ershad, is only quasi-democratic, and although it has achieved a certain political stability for the nation and some economic improvement, it is widely regarded as illegitimate. Elections are assumed to be rigged, and corruption is widespread. The government faces continued tribal insurgency in the Chittagong Hill Tracts and endemic unrest among students and the politically active urban middle class. But the opposition is fragmented and lacks credibility. Sheikh Hasina Wajed, daughter of Sheikh Mujibur Rahman (the first prime minister of Bangladesh), leads the Awami League at the head of an eight-party alliance. She seeks an end of “the present autocratic reign”

through free and fair elections and a return to parliamentary government. Khaleda Zia, widow of President Ziaur Rahman, leads the Bangladesh National Party and a seven-party alliance committed to the restoration of the liberal presidential system established by her husband—a plan that has been called “the Ershad system without Ershad.”¹⁷ Both groups are in disarray, demoralized, and as hostile to each other as they are to the Ershad regime. Craig Baxter, in an analysis of the politics of Bangladesh, writes that “political parties have historically announced boycotts of elections in which their chances of success were minimal at best; then they later claimed that the election was unfair.” As he looks to new elections, “Ershad is apparently confident either that the opposition parties will continue to refuse to take part or that if they do take part they will be defeated—and he may be right.”¹⁸

In Nepal, the decade opened with an assault upon the authoritarian rule of King Birendra and a series of dramatic events that by April 1990 secured an end to the twenty-nine-year ban on political parties, the formation of a new multiparty government, and the promise of constitutional reform. These events were set in motion in January 1990 as the Movement for the Restoration of Democracy, an alliance of the Nepali Congress and the seven-party Left Front (all formally banned though functioning informally), organized protests to demand an end to the system of “partyless democracy.”

In recent years, population pressure, deforestation, and a virtual collapse of public health standards in Kathmandu have deepened the troubles of the Himalayan kingdom, the poorest nation in South Asia. Its difficulties were made all the worse in 1989 as India imposed an economic squeeze on Nepal over the issues of the lapsed trade and transit treaty and Nepal’s unilateral effort to opt out of India’s security perimeter. In the 1980s, stories of corruption within the palace tainted the monarchy itself, and although the king continued to be revered as the incarnation of Lord Vishnu, the demand for a multiparty democracy gained a wider base of support than even before.

Despite mounting police repression and the arrest of opposition leaders, the prodemocracy movement grew in intensity, and on April 6, 1990, security forces attacked 200,000 demonstrators in front of the royal palace in Kathmandu, leaving as many as 200 people dead. Under pressure from an increasingly broad spectrum of Nepali influentials and from every sector of the population, as well as from the World Bank and Western aid donors concerned about human rights abuses and Nepal’s stability, King Birendra yielded to popular demands. His first move was to lift the ban on political parties and, under continued pressure, the king dissolved the national assembly, dismissed his newly appointed prime minister, and invited the opposition to form a government. On April 16, Krishna Prasad Bhattarai, leader of the Nepali

¹⁷Craig Baxter, “The Struggle for Development in Bangladesh,” *Current History* 88 (December 1989): 438.

¹⁸*Ibid.*, p. 440.

Congress, assumed the post of prime minister to head a multiparty government. A special commission representing the Nepali Congress and Left Front was to write a new constitution.

On November 10, 1990, King Birendra placed his official seal on the new constitution, establishing Nepal as a parliamentary democracy. The king remains as a constitutional monarch and head of the army, but he is to exercise his limited powers only on the advice of the prime minister and cabinet. The 205-seat lower house of parliament is to be elected by universal suffrage for five-year terms. The 60 members of the upper house are to be selected by the king, the lower house, and an electoral college. The constitution guarantees fundamental human rights and such civil liberties as an independent and free press. "The power," a Nepali political leader proclaimed, "has been effectively transferred from the king to the people."¹⁹

Overview: Looking Forward

The nations of South Asia among themselves have a population greater than all of Africa and Latin America combined. Each is burdened by poverty and in varying degrees by ethnic, religious, regional, and class conflicts and political instability. How they confront and resolve these problems are of consequence not only to their own peoples, but to the region and an increasingly interdependent world.

¹⁹*New York Times*, November 11, 1990.

17. Interstate Relations in South Asia

VLADIMIR N. MOSKALENKO

The international situation on the South Asian subcontinent is determined by numerous external and internal factors. Internal as well as interstate conflicts threaten the region's peace, security, and stability. Many of the former go beyond the framework of the state immediately involved and acquire the character of interstate contradictions. In their turn, conflicts between countries further aggravate the domestic problems of these countries.

Perhaps, such a situation is most characteristic of South Asia, defined as it is by the peculiarities of the subcontinent's historic development, the character of its traditions, the ethnic and religious composition of its population, and similar factors. Experts single out the problem of "majority-minority" as typical of the region.¹ India predominates the region, not only in sheer size, but also in its economic and demographic indices.² India is situated in the center of the subcontinent, and all other South Asian states border on India, except for the Republic of Maldives. Some experts see in this fact "the highest degree of structural imbalance in terms of power in Asia."³

Each of these countries has a religious or an ethnic majority (Hindus in India, Moslems in Pakistan and Bangladesh, Punjabis in Pakistan, Bengalis in Bangladesh, and so on). That a religious or an ethnic majority in one country comprises a minority in the other is peculiarly characteristic of the subcontinent (Hindus in Pakistan, Bangladesh, Sri Lanka; Moslems in India; Bengalis and

¹Akbar S. Ahmad, "South Asia: Roots of Decline," *Comment* (Lahore), March 1-7, 1990, p. 8.

²For a comparative analysis of basic indexes of population size, resources, and economic and military might of South Asian countries, see Ghulam Umar, SAARC [South Asian Association for Regional Cooperation], *Analytical Survey* (Karachi: Pakistan Institute of International Affairs, 1988), pp. 25-72.

³Rasul B. Rais, "South Asia: Military Power and Regional Politics, 1989," in *South Asian Security Environment: Option for Pakistan* (Islamabad, 1989), p. 109.

Punjabis in India; and so on). A small Tamil community in Sri Lanka has more than 50 million fellow-tribesmen in India. Thus, it is only natural that any religious or ethnic internal conflict immediately affects interstate relations as well as the whole system of international relations in South Asia. In its turn, an interstate conflict on the subcontinent seriously complicates religious and ethnic interrelations within the countries in conflict. Moreover, internal and external factors are so intermingled that sometimes it is very difficult to single out the primary reasons for this or that conflict situation. Not long ago we witnessed how a domestic ethnic conflict in one country (Sri Lanka) led to the use of troops by another (India).

The International Situation

On the whole, the international situation in South Asia is at present extremely complicated and tense. The relations between India, on one side, and Pakistan, Sri Lanka, and Nepal, on the other, have deteriorated. It is indicative of the situation that the Indian minister of foreign affairs, Y. K. Gujral, chose the Maldives and Bangladesh for his first foreign visits.

A short time ago the situation on the subcontinent was quieter, in sharp contrast with conflicts in Central America, South Africa, between Iran and Iraq, and elsewhere. Yet the tension in those areas has subsided somewhat, while in South Asia it is on the rise. Specialists should pay particular attention to this phenomenon: Is it merely accidental that as conflicts in one region subside, fresh disputes break out elsewhere?

As we have pointed out, internal conflicts, accompanied by bloody clashes and great suffering, predominate in the region—for example, in the Indian state of Jammu and Kashmir (with which we shall deal later) and now Punjab. For years Sikh extremists in Punjab have perpetrated acts of terrorism with the purpose of creating a so-called independent state of Kalistan. A totally innocent civil population has fallen victim in the bloody massacre unleashed by these terrorists. For almost four years, Punjab has lived under Presidential Rule (introduced on May 11, 1987); in April 1990 the Indian Parliament extended it for another six months. The conflict in this state has a negative effect both on India's internal situation—recall the circumstances that led to the assassination of Prime Minister Indira Gandhi—and on India's international ties, particularly with Pakistan. India accuses Pakistan of complicity in Sikh terrorist activities, of training Sikh fighters. Indo-Pakistani relations have worsened as a result—mutual contacts have diminished and the border has been periodically closed, albeit infrequently. The public acts of Sikh separatists in Western countries have also had a negative impact on India's relations with these countries.

It should be pointed out that besides such internal state problems, South Asia also has a great number of interstate crises, particularly involving Indo-Nepalese and Indo-Bangladesh relations. India and Bangladesh are in contention over distribution of the Ganges waters and the use of the water resources of

fifty-four other rivers; the presence of refugees from Bangladesh—people from Chakma tribe—in Indian territory; the creation of a corridor between Bangladesh and its enclaves on the Indian territory; the possession of the island of Talpatti (New-Muri); delimitation of the sea border; and completion of the demarkation of the land border; the imbalance of trade between the two countries; and other matters.

There is a crisis of mutual trust and confidence. And these very qualities must be the cornerstone of the interrelations of South Asia countries. Fears that India is interested in splitting up Pakistan have intensified in certain Pakistani circles.⁴ Public opinion polls among Pakistan's urban population carried out in February 1990 showed that fear of possible war between India and Pakistan had sharply increased. Those who saw it as a serious threat comprised 40 percent of all those questioned, while in 1989 the same figure was 9 percent. In 1989 almost half the respondents didn't perceive a threat of war at all; in February 1990 their number was 15 percent.⁵ Naturally, in such an atmosphere of mutual distrust and suspicion any step the opposite side takes (no matter what reasons provoke or complicate it) is always assessed negatively. Such negative assessments accompanied the use of Indian troops in Sri Lanka in 1987–1990 and in the Republic of Maldives in November 1987 in connection with the attempt of mercenaries to overthrow the president of that country. These actions were characterized as revealing an Indian desire “to impose the Delhi vision of pax Indica,” as “a military aspect of Indian hegemonism in South Asia,” as India's attempt to be the policeman of the region, and as the acts of “a regional bully.”⁶ Talk about “traditional regional hegemonism of India” intensified as did talk asserting that India had no neighbor with whom it was not at odds, thus pointing to the necessity of strengthening the solidarity of “small states” on the subcontinent who were “natural allies.”⁷ The visit of Pakistan Prime Minister Benazir Bhutto to Bangladesh in October 1989 and the trips of Pakistan's minister for foreign affairs, S. Yakub Khan, in late 1989, early 1990 to the Maldives and to Nepal, Bhutan, Bangladesh, and Sri Lanka were also viewed from this angle.

The SAARC

The situation in the South Asian Association for Regional Cooperation (SAARC) also became complicated. As is known, two tendencies have prevailed in this organization's activities—one is directed at multilateral

⁴Mahtab Akbar Rashdi, *Indo-Pakistan Relations* (Jamshore: Pakistan Studies Centre, University of the Sind, 1988), p. 129.

⁵*Nation* (Lahore), March 6, 1990.

⁶Ahmad, “South Asia,” p. 8; *Nation*, November 5, 1988; *South* (Lahore), February 1990, p. 8; *The Muslim* (Islamabad), February 2, 1990.

⁷*South*, February 1990; *Pakistan Times* (Lahore), October 6, 1989.

cooperation in the interests of developing the subcontinent, the other has as its objective uniting the efforts of “small states” against “regional hegemonism.” The latter tendency is much stronger under present conditions.⁸ Consequently, the difficulties in SAARC have threatened to wreck meetings of the heads of states and governments of this organization’s member-countries.

In Nepal, external and internal factors—the exacerbation of relations with India and the domestic political situation—turned out to be closely interlinked and interdependent. Bad as it was, Nepal’s economic condition grew worse because of the deterioration in Indo-Nepalese relations. This worsening of relations reduced Nepal’s transit trade via Indian territory, and the drop in oil and fuel shipments from India affected the economic condition of the kingdom, the population’s living standard, and hence, naturally, the political situation in the country. The Nepalese authorities accused the Indian side of involvement in the developments within Nepal; the Indian press was criticized for allegedly taking a biased view of events in the kingdom, and a decision was made to ban Indian newspapers in Nepal. Last April, the movement for the restoration of democracy based on a multiparty principle and greater civil rights made a successful breakthrough in Nepal. And it was not surprising, therefore, that Nepal’s newly created coalition government declared the repair of trade and economic relations with India a priority. There followed a lessening of tension in the relations of the two states. Indo-Nepalese negotiations took place in April at the level of secretaries for foreign affairs, and an agreement was reached to cooperate in the search for solutions to problems that had arisen between the two countries. These events, however, clearly illustrate the interdependence and interrelation of internal and external factors.

Indo-Pakistan Relations

The acute tension in Indo-Pakistani relations continues to affect relations among all South Asian states.⁹ It is simply impossible to enumerate the innumerable issues that complicate the relations between India and Pakistan, the two leading countries of the region. They cover the broadest range of internal and external questions—political, economic, and ideological. They include disputes that cropped up when the two states were formed and those that have surfaced at subsequent times under the specific conditions of their more than forty years of coexistence. Disputes outnumber successfully resolved issues, leading to an increasing number of conflict situations. We will limit ourselves here to mentioning only one aspect—the twin issue of military and nuclear parity. The Pakistani leadership wants military parity and its proposals

⁸*Frontier Post* (Peshawar, Lahore), March 3, 1990.

⁹Some authors believe the importance of Indo-Pakistani relations goes beyond the framework of the South Asian subcontinent and has an impact on the situation in all of Asia and the Pacific. See G. D. B. Miller, *Asia and the Pacific: Another Dimension of East-West Relations* (New York, 1986), p. 23.

reflect that desire in everything from the call for equal levels of armed forces, to how to settle problems connected with nuclear development and testing on a bilateral basis. India rejects parity and wants to solve these problems on an all-Asia, and even global, level.¹⁰

Indo-Pakistan relations alternate between crisis and accommodation, with the former usually lasting longer than periods of *détente*. With the establishment of civilian rule in Pakistan, great hopes for normalization and the development of bilateral relations have appeared. Especially encouraging was the fact that the governments of both countries were headed by ideological successors to those leaders who had signed the famous Simla Agreement. Additionally, they were young people, ostensibly free of the burdens of the past, less ideologized and more pragmatic in their approaches. And, indeed, in a rather short time they managed to carry out a number of measures to improve Indo-Pakistan relations. A meeting between Gandhi and Bhutto was held, and agreements were reached on nuclear facilities in both countries, on terrorism and drug trafficking, on developing cultural ties, and on the lifting of double taxation. Talks on the Siachin glacier issue and on some other questions went on successfully.

But soon Indo-Pakistani relations again deteriorated because of internal problems in each country, a situation that has occurred on more than one occasion. Right-wing fundamentalist forces in Pakistan opposed improved relations with India. The political opposition attacked the ruling party on this basis. The government and its head were charged with "neglecting the interests of the country," with "indecisiveness and weakness" in defending them, and similar issues. The military leadership issued a statement about the necessity of strengthening the country's armed forces to "rebuff aggression." In December 1989 Army Chief of Staff M. A. Beg announced the transition of Pakistani military strategy from a purely defensive one to an offensive-defensive one. The announcement followed the conduct of military maneuvers called the "Thrust of the Faithful," the largest ever in Pakistan's history. The code name of those maneuvers itself testified to the continuity of the late General Zia ul Haq's drive to ideologize military activity.

In this situation, the government could not resist the political and military pressure. Efforts to develop good relations with India weakened; some agreements achieved earlier were not implemented. The actions to support "natural allies" intensified. Thus, in the summer of 1989, in a period when relations between India and Nepal were worsening, Minister of Foreign Affairs S. Yaqub Khan visited Kathmandu and expressed Pakistani readiness to provide any assistance to Nepal necessary to help it cope with emerging difficulties. Perhaps, the September 1989 visit of the head of the Bangladesh government to Nepal should also be viewed in a similar context. During his

¹⁰See *Hindustan Times* (New Delhi), October 21, 1989.

visit, questions of bilateral and regional relations were dealt with, and a protocol on trade was signed. It goes without saying that the activity of certain forces in India contributed to such a development. And in December 1989, a new government came to power in India.

Its ascension was followed by a sharp deterioration of Indo-Pakistani relations. At the end of 1989 the situation in the Indian state of Kashmir worsened. By February 1990, waves of religious-communal fanaticism and separatism swept the state.

The Kashmir Problem

Terrorism and the killing of the civilian population have become a regular phenomenon in Kashmir. Normal life has been practically paralyzed. The present situation reflects an interweaving of separatism with Moslem fundamentalism. Separatists are now disguised in the green colors of Islam. The idea of ousting the infidels from Kashmir, of unleashing jihad is fervently pursued. Naturally, militancy among the Hindu fundamentalist groups outside Kashmir has risen. Their demands are that the turmoil be brought under control with an iron fist and at any cost and that bases and camps in Pakistan where separatist fighters are being trained and then sent to Kashmir be destroyed.

Presidential Rule was introduced in the state of Jammu and Kashmir, and the governor of the state was implementing it as of January 19, 1990. He has concentrated all local and executive power in his hands. A curfew was imposed. Considerable numbers of security forces were sent in. Eight political parties and organizations were banned; a few proseparatist newspapers were closed. Police and the army carried on wide-ranging operations to stop the terrorists through uncovering arms caches and making continuous raids and searches.

The general instability has created a serious refugee problem. The majority of refugees are Hindus. Refugees can now be spotted in Delhi, and instability spreads with this flow of refugees, who have lost both property and close relatives. Tourism in Kashmir has stopped as a result of these events; many offices and enterprises have closed. The state's economy, traditionally considered strong, has suffered a severe blow, which further exacerbates Kashmir's political situation.

The polemics between Delhi and Islamabad on the reasons for the tragedy have reached a strident pitch. Top government officials of Pakistan have denied Indian allegations of Pakistani involvement in the situation, but at the same time have declared their "sympathy and support for a just struggle of the population of Kashmir for freedom" (statements were also made indicating that moral, political, and diplomatic support would be given). Large-scale rallies and demonstrations went on in Pakistan in support of the Kashmir separatists. "Weeks of solidarity with the people of Kashmir in their struggle for the right to self-determination" were held. Further, the population of the

country was called upon "to forget all the differences and unite in the face of the external threat."¹¹

The government, for whom the call to unity in Pakistani society offered a chance to strengthen its own position and to weaken the opposition, took an active role in this campaign. Government conferences with opposition party leaders and with top military figures were held on the situation in Kashmir. It was decided at one such conference to raise the combat readiness of the Pakistan Army units stationed along the control line in Kashmir and to send additional troops there "in response to the strengthening of Indian forces in the state of Jammu and Kashmir." Both houses of the Pakistan parliament discussed the situation in Kashmir at a joint session on February 10, 1990. This talk was accompanied by border violations and clashes along the dividing line between India and Pakistan-controlled areas in Kashmir. Naturally, a large-scale anti-Pakistani campaign developed in India as well. Powerful demonstrations rolled through Indian cities with participants demanding a stop to Pakistani interference in Indian affairs.

Obviously, the interstate relations between India and Pakistan were seriously aggravated as a result of these developments. Pakistani representatives actively raised the Kashmir question at international forums and meetings. They concentrated their attention on well-known UN resolutions adopted forty years earlier to achieve a settlement. Special representatives of the governments of both countries toured many countries of the world to explain their stands and secure support. A number of Moslem countries spoke in favor of Pakistan, thereby complicating their relations with India. Thus, Iran called off the visit of the Indian foreign minister to Tehran, which was to take place in January 1990. India considered this move an overt demonstration of Iran's position on developments relating to Kashmir. Activities and public statements of some separatist leaders in the United States caused great displeasure in India and triggered government protest. The events in Kashmir have also affected Indian relations with other states on the subcontinent, which were not harmonious to begin with. In March 1990 India issued a protest to the government of Nepal in connection with Nepalese accusations that Delhi was involved in "terrorist activities" in Kashmir. And in local Nepalese papers one could come across such an expression as "Kashmir occupied by India."

Appeals for Restraint

In the present situation any settlement in Kashmir is a highly complex and challenging affair, exacerbated by Indo-Pakistani charges and countercharges. Many countries, including the USSR and the United States, have appealed to both sides—calling for restraint, for taking steps toward lessening tension in their relations, for settling Kashmiri problems by peaceful means in accordance

¹¹See *The Muslim*, March 1-2, 1990.

with the Simla Agreement. A meeting took place on April 25, 1990, in New York during the Special Session of the UN General Assembly between the ministers of foreign affairs of India and Pakistan. Prior to that S. Yaqub Khan had repeatedly turned down the idea of visiting Delhi. Islamabad had also rejected meetings of the working groups of the Joint Indo-Pakistan Commission. Although the attitudes of the two heads of the respective foreign offices remained unchanged, the two sides agreed that efforts should be taken to reduce tension and avoid confrontation. In May, Pakistan's Prime Minister Bhutto stated her readiness to meet India's leader, V. P. Singh, to discuss the Kashmir issue.

The troubled situation regarding Kashmir may last a long time. Any deepening of the Kashmir dispute, however, means serious trouble for both countries. It may intensify centrifugal forces in both of them. In Pakistan by April 1990 the demonstrations of "people's unity," which the government was using to strengthen its hold, were fading. Internal problems returned to the fore, particularly the conflict situation in Sind. The deepening of the fight "for the freedom of Kashmir" seems to have activated forces supporting separatist movements, both the Khalistan in Punjab, India and the Sindhudesh in Sind, Pakistan. The flame of communalism fanned in the Kashmir valley can thus have highly dangerous consequences for both states.

U.S. and Soviet Roles

As has been noted, the situation in South Asia remains complicated and tense, and may well worsen. Some observers fear future developments in the region "may be painted with Lebanese hues."¹² The USSR and United States can contribute considerably to preventing such a course of events, to relaxing tensions and to changing the conflictual character of the situation. In our opinion, neither their former activity in South Asia and their traditional alignment along USSR-India versus U.S.-Pakistan lines nor the obligations they already have to other countries on the subcontinent should hinder such efforts. Under present conditions, when the new political thinking has spread so widely, and the rule "the worse for my rival, the better for me" is dying out, both great powers have a fresh opportunity to cooperate in South Asia. Such cooperation will help relax a conflict-ridden atmosphere in the region and will help secure the real interests of the USSR and the United States there. It is in the economic and political interests of both great powers to have an atmosphere of peace and security consolidated on the subcontinent, reducing their costs and risks. They are naturally interested in eliminating drug trafficking and terrorism, which can expand further, as well as in the region's overall stability.

It is important to note that when tension in the region increases, the arms drive also intensifies—military expenditures rocket, foreign purchases of

¹²See Ahmad, "South Asia."

weaponry increase, and so on. This, in turn, further escalates international tension and disrupts socioeconomic conditions in the countries of the subcontinent. At the peak of the present crisis in Indo-Pakistani relations, Pakistan signed an accord with Australia for the purchase of a large consignment of aircraft (though outdated ones). This step was of course viewed as unfriendly by India and caused government and public displeasure. China started supplying military airplanes to Pakistan in accord with an agreement signed earlier; and military supplies continued on the basis of an agreement on military and economic aid to Pakistan for a six-year period, 1987–1993, totalling US \$4.02 billion. The Indian government declared its intent to raise its budgetary provisions for defense, and is now planning a twenty-year program to rearm the Indian Army with the latest weaponry. And it should be specially borne in mind that in both countries the drive to increase nuclear armament potential usually intensifies when relations between the two are strained.

It is in this connection that an agreement between the USSR and the United States on mutual reduction of military supplies to countries on the subcontinent would help prevent a dangerous arms drive in the region and ensure a much healthier general atmosphere. Besides, such an understanding between the two powers would furnish a good example to other countries presently supplying military hardware to the region.

Need for Economic Development

An acceleration of economic development in the countries of the region, a rise in their living standards, and the development of their cultures would also contribute to a lessening of internal conflicts. We should not forget that Nepal, shaken by acute political crisis, is one of the world's poorest and economically most backward countries, with a per capita annual income of US \$150 and an average life expectancy of only fifty-one years. And it is no secret that economic difficulties and unemployment enhance extremist leanings in Kashmir. It should also be borne in mind that population growth rates are high on the subcontinent. By the year 2025 the population of the subcontinent may double to two billion. And in all probability the population of Pakistan will double by 2010 and triple by 2025, reaching 200 and then 300 million. It is obvious that the economic structure to support such a number of people should already be in place. It is here that a broad field for joint activity is opening up for the USSR and the United States, for activity that is more effective and economical than when the two countries behave as rivals.

Both powers could also contribute substantially to the settlement of some interstate problems, for example, the balance of military forces and the development of nuclear programs. As for the most acute issues, they must somehow be eased and favorable conditions for their future settlement created—particularly in Kashmir. Barring outright settlement, the most fruitful course of action in this context would be the application of the principle

accepted by India and China in relation to their territorial dispute, to set aside the problem temporarily and concentrate all efforts on improving bilateral relations in economic, cultural, and other fields. Favorable conditions and confidence in the prospects for ultimately settling the Kashmir problem could thus be built gradually.

Afghanistan

The Afghan problem is also affecting the situation in South Asia in a most negative way. Although one may argue whether Afghanistan belongs to the region, its impact on the affairs of the South Asia subcontinent is very great—particularly since Pakistan, one of the principal states of the subcontinent, is taking an active part in Afghan developments.

The approaches of India and other countries of the subcontinent to the Afghan problem vary and adversely affect their interrelations and their cooperation in SAARC. India, for example, proposed Afghanistan for SAARC membership, which other SAARC members, most importantly Pakistan, opposed. Pakistan's foreign relations have significantly changed as a result of events in Afghanistan. The position of Pakistan in the Moslem world has strengthened, its relations with the USSR have grown complicated, while relations with Western countries have greatly improved, and its relations with the United States have practically reached the level of a military-political alliance. In the course of implementing two agreements on U.S. military-economic aid, a great many sophisticated weapons were delivered to Pakistan, which caused deep dissatisfaction in Delhi. India expressed the view that not only Islamabad but the Mujahideen as well took part in the training of Sikh extremists; now there are strong fears that they are involved in Kashmir.

As far as the settlement of the Afghanistan conflict is concerned the USSR and the United States, the guarantors of the Geneva Accord, can play a decisive role. Settlement of the internal aspects of the Afghan problem is extremely difficult. The opposition rejects any policy of national reconciliation and turns down Kabul's proposals for a compromise, for that matter completely denies the Kabul administration's right to exist. Such a stance is unreasonable. A structure has been created over a twenty-year period that represents an objective reality. The opposition cannot deny that the Kabul administration exists: it is a fact and must be dealt with.

Contrary to many predictions, the government of Afghanistan continues to rule following the withdrawal of the Soviet troops. The attempted coup of a group of officers, led by the former minister of defense, Sh. N. Tanai, was quickly and successfully crushed. The leadership of the Republic of Afghanistan is taking steps to further enhance a policy of national reconciliation, to develop a mixed economy, broaden private entrepreneurship, and democratize the country, with a willingness to involve all social and political strata in the

peace process. The state of emergency imposed immediately upon the withdrawal of the Soviet troops was called off in early May 1990, and the Constitution, which was suspended during the state of emergency, restored. This important step speaks for the Kabul administration's will to democratize the state as well as testifying to its strength. The calling of the Loya Jirgah, of the conference of the Peace Front of Afghanistan, and of the Second Congress of the National Democratic Party of Afghanistan (NDPA) should be viewed in the same context.

The international position of the Republic of Afghanistan has grown stronger too. Some positive shifts in relation to Afghanistan were observed in China's and Iran's positions. Extremely important was the visit of President Najibullah to India in May, 1988.¹³ Agreements on trade and economic cooperation were reached between India and the Republic of Afghanistan when Afghanistan's minister of foreign affairs, A. Wakil, visited India in February 1990. Decisions were made on the return to Kabul of some Western foreign missions. And the calls in Pakistan for a political settlement of the Afghanistan problem and the return of the Afghan refugees to their home are increasingly loud. The UN and some countries now provide economic and humanitarian aid to Afghanistan.

The Refugee Problem

The USSR, the United States, and a number of other nations, as well as the Kabul administration, have made numerous proposals to settle the Afghan problem. Among these, special note should be made of the idea of holding free and fair elections in Afghanistan under the aegis of the UN and other international organizations. The UN has also offered a plan to return the Afghan refugees to four "tranquility zones" in the territory of Afghanistan. The Kabul administration offered measures for the further development of the national reconciliation process, for holding a broad inter-Afghan dialogue involving all the political forces active within and without Afghanistan, without exception. Najibullah stated his readiness to meet any opposition representatives on the territory of Saudi Arabia. He also offered to send delegations from Kabul to Peshawar, Tehran, Quetta, and also to Europe to exchange views with the representatives of the opposition in search of a political means to solve disputed problems. If the opposition found such meetings unacceptable, it was suggested that a nongovernment and a nonparty delegation of influential religious, political, and public figures unrelated to the state or to NDPA should be sent. Kabul also proposed that an authoritative joint commission to study possibilities for releasing Afghan and Soviet prisoners of war held by both sides should be set up. To prevent the killing of civilian

¹³See *Hindustan Times*, May 11, 1988; *The Times of India* (New Delhi), May 12, 1988.

populations as a result of the opposition's rocket attacks on occupied settlements, the government of Afghanistan spoke of its willingness to refrain from bombing enemy positions in return for discontinuation of such civilian bombings.

However, the Mujahideen have thus far turned down all these proposals. They intend to resolve the problems by military means. But the reality is that neither side can win under the present conditions. If there is a continuation of outside military aid, the armed struggle could go on indefinitely. Significant breakthroughs would occur if military supplies to both sides in the conflict stopped. It would also help to hold an international conference to declare and guarantee for Afghanistan the status of a neutral and demilitarized country. Foreign aid to enhance Afghan economic development, for the recovery of the economy, and the bettering of the standard of living would all further a peaceful settlement.

Naturally, the USSR and the United States could contribute greatly to the settling of the Afghanistan problem. It is satisfying to see that Soviet and American policy here has been converging, as was pointed out by Soviet Minister of Foreign Affairs E. A. Shevardnadze. This convergence is a common recognition of the necessity of the search for political ways of settlement, of initiating a "transition stage" as a likely framework for attaining national reconciliation and establishing a new state power structure in Afghanistan. Both sides are for further enhancement of joint efforts toward an Afghanistan settlement.¹⁴ The May 19, 1990, statement U.S. Secretary of State James Baker made on Afghanistan at a press conference in Moscow, upon conclusion of his talks with Soviet President M. S. Gorbachev and Minister of Foreign Affairs Shevardnadze, to the effect that we are now nearer a common basis allowing us to move toward just and free elections, which are the most correct way to reconciliation and establishment of law in Afghanistan, may be taken as a tangible result of such efforts.¹⁵

In conclusion I would like to note that settlement of the Afghanistan problem would be of great significance for the improvement of the situation in South Asia and in the whole world.

¹⁴See *Izvestia*, February 14, 1990.

¹⁵See *Pravda*, May 20, 1990.

18. South Asia Foreign Policies in the Context of Sino-Soviet-U.S. “Normalization”

LEO E. ROSE

South Asia international relations could be rather easily summarized and analyzed in the three decades from the mid-1950s to the mid-1980s as follows: (1) there was a broad consensus within each of the states in the region on the basic principles and objectives of their foreign policies and (2) the international geopolitical environment did not provide the South Asian states with a broad range of policy options. Of course, the specific strategies adopted to achieve policy objectives shifted over time as circumstances demanded or permitted. India, for instance, had a tacit working relationship with China prior to 1959 and then thereafter, for two decades, a tacit association with both the Soviet and American “containment of China” policies. But this was all done in pursuit of an Indian-defined security system for the entire subcontinent—the basic objective of India’s regional foreign policy. Pakistan sought and obtained a military alliance relationship with the U.S. in the 1950s, shifted to a trilateral (balanced) policy in its relations with the United States, the Soviet Union, and China in the 1960s and 1970s, and then back to a U.S. alliance in the 1980s in its search for external support in its difficult relations with two neighbors—India and Afghanistan. Similar strategic shifts and continuity in basic policy objectives are readily evident in the policies of Sri Lanka, Nepal, Afghanistan, Bhutan, and since 1975, Bangladesh.

The late 1980s and 1990s have begun to raise the prospect of the need to at least reexamine foreign policy principles in all of the states in South Asia, a task much of the elite, whatever their ideology, would prefer to avoid. Over the past two years, the political public in South Asia has watched, amazed and fascinated, the general trends of developments in Soviet-U.S.-China relations as well as the internal political and economic developments in the Marxist-Leninist societies in East Asia, Eastern Europe, and the Soviet Union. There is much conjecture about what all this means for South Asia, but a broad agreement that

the impact on the region is bound to be significant. Old assumptions about the broader world no longer seem relevant, and old policies for dealing with external powers may no longer be viable. It is thus with some concern and even trepidation that the South Asian states view the emergence of a new and complex international system that they have only a limited capacity to influence. But, all things considered, there is not much nostalgia evident as yet for the good old days.

The Major External Powers and South Asia

Relations among the South Asian states from the beginning of the post-colonial period had been strongly affected by the intrusion into their politics of several external powers—primarily the USSR, China, and the United States, but with the Islamic states in West Asia as important participants on occasion. In retrospect, the capacity of these external powers to determine the course of events in South Asia has actually been exaggerated, with a tendency to underestimate both the geostrategic and political factors that inhibited and limited their role in the region. Since the 1950s, the reality has been that the USSR, China, and United States, while often eulogizing their relationship with one or more of the South Asian states, have in *most* instances exercised a sensible caution in defining the limits of their regional involvement. Although they usually ended up on opposite sides in the conflicts that are the hallmark of South Asian regional relations over much of the last four decades, there was never any serious possibility of a U.S.-Soviet, U.S.-China, or Soviet-China confrontation over the crises in the subcontinent. The one possible exception was the Soviet intervention in Afghanistan from 1979 to 1989, which, if extended to the surrounding areas in South and West Asia that served as support bases for the Afghan resistance movement, could have precipitated a crisis in the USSR's relations with both the United States and China. But, in fact, all three powers recognized this potential and carefully limited their own involvement in the Afghan conflict. Here, as in the other intrastate conflicts in South Asia, the propensity was for Moscow, Washington, and Beijing to use strong rhetoric but to act with restraint. None of them saw their substantial interests in South Asia as vital or even major; none were prepared to risk conflicts with each other over developments in the subcontinent.

This was not always clear at the time, of course, and almost every regional crisis in South Asia since 1960 has been accompanied by dire predictions of Sino-Soviet-U.S. conflicts as a consequence of support to the contending sides

in the region.¹ The foreign policy elite in the regional states, however, had long since acquired a strong sense of skepticism on this subject, based upon their perception of the role of the major external powers in the 1962, 1965, and 1971 wars in South Asia. Pakistanis normally characterize the United States as an “unreliable” ally for its failure to assist Pakistan in its 1965 and 1971 wars with India and express doubts about the U.S. response to yet another Indo-Pakistani conflict in 1990. Pakistanis classify the Chinese as “true friends,” but the better informed of them note that Beijing’s enthusiastic verbal support of Pakistan in the 1965 and 1971 wars was not matched by assistance through military action on the long Sino-Indian Himalayan border or even much in the way of military assistance during the conflicts. Similarly, Indians frequently laud the friendly and close relationship with the Soviet Union, but also express disappointment with the positions the Soviets assumed in the 1962 and 1965 conflicts with China and Pakistan, and even in the months preceding the 1971 Indo-Pakistani war, when Moscow discouraged New Delhi from taking military action in East Pakistan. The smaller states in the region have also learned the hard way that they can occasionally extract sympathetic noises from one or more of the major external powers but nothing much in the way of substantive support in their periodic disputes with India. It has all been very discouraging.

Despite all this, in the 1980s the major external powers continued to be important elements in the foreign policy calculations of all the South Asian States other than Bhutan, for both security and economic relations. Pakistanis still talked as if China (and perhaps the United States under some sets of circumstances) would be a source of support in another conflict with India despite the ten years of careful Chinese pronouncements on such subjects. Equally amazing, some Indians still projected the Soviet Union as a vital factor in the Indian security system in the region despite Moscow’s evident disinclination to play such a role. Until recently at least, some Nepalis perceived China as a viable alternative to India in Nepal’s external security and economic relations—a misconception that had largely, but not entirely, disappeared by 1990 when the limits of Beijing’s capacity and willingness to undertake expensive economic assistance programs to balance a serious decline in (official) Indian-Nepal trade became apparent. Sri Lanka had sought external support in its efforts to handle the difficult Tamil insurgency from all possible sources other than India before finally concluding in 1987 that there were none available.

¹There was, for instance, much talk about the possibilities of a U.S.-USSR or China-USSR confrontation in the context of the 1971 India-Pakistan war that led to the dismemberment of Pakistan and the establishment of Bangladesh. Any analysis of the positions assumed by these three external powers in the conflict makes it clear that there was virtually no possibility of even a limited, small-scale fight. See Richard Sisson and Leo E. Rose, *War and Succession: Pakistan, India, and the Creation of Bangladesh* (Berkeley and Los Angeles: University of California Press; New Delhi: Sage, 1990), pp. 237–65.

Colombo then signed an accord with New Delhi under which the Indian military was invited in to handle the Tamil dissidents.

On the threshold of the 1990s such assumptions about the role of the major external powers in regional developments in South Asia make even less sense than they did in previous decades. Several aspects of the recent improvement in Soviet relations with both China and the United States complicate and simplify (by eliminating some policy options) the decision-making process on foreign policy and regional issues in the South Asian states. One of the most important is the enhanced role of the "China factor" in Soviet policy in Asia, and in particular in South and Southeast Asia.

China was probably not *the* major consideration in Moscow's decision (in 1987?) to withdraw its military forces from Afghanistan, but it certainly was one of several factors that the Soviets could not ignore if Moscow's new Asian policy, first announced by Gorbachev at Vladivostok in mid-1986, was to go anywhere. We can also assume that China would be a serious deterrent to any reconsideration of that withdrawal decision—a highly unlikely proposition in any case. Both New Delhi and Islamabad assume this is so in defining their own policy toward Afghanistan. For Pakistan, it has made it feasible to adopt policies that support the anti-Kabul regime forces in Afghanistan while at the same time improving and expanding both its economic and political relations with the Soviet Union—at a time when internal Soviet developments might raise questions about such a policy.² India, meanwhile, continues to support the Kabul regime in public while trying to establish ties with a broad range of nonfundamentalist Islamic dissident ethnic and political factions in Afghanistan—something it avoided doing, to its cost, until the Soviet forces began to withdraw from the country.

In the two decades from 1963 to 1984, the Soviet Union and China indulged in numerous small-scale armed confrontations across their long border and at times appeared to be on the verge of a major war. The long and difficult process of normalizing Sino-Soviet relations that commenced in the mid-1980s has thus been viewed with both great interest and some apprehension in South Asia. The states in the subcontinent perceive both advantages and disadvantages in this normalization process, though on balance probably more of the former over the long run. China has always been a critical factor in Soviet policy in Asia, including South Asia. In Sino-Soviet normalization Islamabad assumes Moscow will be discouraged from adopting adventurist policies (as both the United States and China have been prone to term them) in Afghanistan and West Asia that could pose serious problems for Pakistan. At the same time,

²For analyses of various aspects of the role of Afghanistan in the policy decisions of Pakistan, China, the USSR, and the United States, see the contributions of Rodney W. Jones, Iftikar Malik, Theodore L. Eliot, Jr., and Ijaz S. Gilani in Leo E. Rose and Kamal Matinuddin, eds., *Beyond Afghanistan: The Emerging U.S.-Pakistan Relations* (Berkeley: Institute of East Asian Studies, University of California, 1989).

however, normalization raises questions about the reliability of both Chinese and American support for Pakistan in the event of another conflict with India, because the Soviet factor had been critical to the pro-Pakistan positions assumed by Beijing and, at times, by Washington, in South Asian geopolitics.

New Delhi's views on this subject are essentially the same as Islamabad's but for quite different reasons. The general perception in India is that the Soviet Union has, quite reluctantly at times, adopted a pro-India position in South Asia as a necessary counter to the U.S.-Pakistan alliance in the 1950s and then, since the mid-1960s, as a response to Chinese efforts to expand its role in South Asia at India's and the Soviet Union's expense. In this period Beijing regularly denounced India for its supposed involvement in the Soviets' "encirclement of China" strategic policy in Asia, and in response, the Chinese did what they could to undermine India's efforts to establish itself as the preeminent power in South Asia. The Chinese were correct in their interpretation of the role India sought to assume in Asia in the post-1962 India-China War period, but what Beijing seems not to understand was that this anti-China policy was not the first choice of the Indian leadership.

Although recent developments may have raised some doubts about the reliability of their Soviet friends in regional developments in South Asia, it has provided New Delhi—as it has Pakistan—with alternative policy options that make a more balanced relationship with *all* the major external powers appear not only preferable but also feasible. It is not coincidental that since the mid-1980s, the Indian government under both Rajiv Gandhi and V. P. Singh has persistently pursued policies directed at improving relations with the United States and China, and with a good response from both. And India and Pakistan find it to their advantage that the South Asian potential to become an arena for confrontation between the USSR and China and/or the United States (as the Afghanistan conflict seemed to make a distinct possibility), which they would have very limited capacities to contain, much less control, has been greatly reduced.

Another substantive, if implicit, derivative of the improvement in the bilateral and trilateral relationships among the USSR, the United States, and China has been a subtle but important modification of their perception of their respective roles in South Asian geopolitics. In most instances, Washington had considered its interest best served by encouraging domestic political stability and discouraging interstate conflicts in South Asia, where its primary concern was to prevent either Moscow or Beijing from gaining a dominant position in the region. Nevertheless, American interests in West Asia and in Southeast Asia had, on occasion, led the United States to adopt policies in South Asia that India found threatening or at least obstructive of New Delhi's efforts to establish a regional security system.

Until the mid-1980s, both the USSR and China had usually considered it in their best interests to complicate and, if possible, forestall even modest efforts

to expand and improve relations between the South Asian states—more explicitly, between India and its neighbors in the region. In the early 1980s, for instance, the Soviet Union had proposed to New Delhi that it conduct what might be called a limited war against Pakistan, presumably as a response to Pakistani support for the Afghan resistance movement. By the late 1980s, however, both the USSR and China were studiously avoiding policies in South Asia that might disrupt regional stability and peace and, like the United States, had come to prefer a maintenance of the status quo. This has been most evident in the reaction of all three governments to the increasingly hostile India-Pakistan dispute over Kashmir in spring 1990. None of the major external powers has in any way impeded a peaceful resolution of this dispute as they almost certainly would have done in the past.

The South Asian governments are not quite sure how they should respond to what is for them a novel experience—that is, receiving essentially the same “advice,” if in somewhat different rhetoric, from Moscow, Beijing, and Washington on regional issues. Among some South Asians, there is an evident lack of enthusiasm for this aspect of the USSR-U.S.-China normalization process and its impact on South Asian geopolitics. India’s security policy within and beyond the region since the early 1960s, for instance, had assumed Soviet support in any confrontation with China and/or Pakistan. Although some Indians had always doubted Soviet assistance was actually required—except, possibly, in 1962 when it was not available—it was reassuring to New Delhi to feel they had the support of one of the superpowers.

By 1990 there is no confidence on this matter in India, and thus New Delhi has had to rethink its security policies, much to the distress of most of the foreign policy political elite.³ When the first deputy foreign minister of the USSR, Yuli Vorontsov, visited New Delhi in December 1989 to establish a friendly working relationship with the new V. P. Singh government, it was slightly disturbing to some Indians that his public response to the rapidly escalating dispute with Pakistan over Kashmir was a rather banal comment that “we are absolutely sure that the India-Pakistan tensions will not grow into conflict.” This was not what New Delhi wanted from Moscow because the Indians are less confident that a war with Pakistan is inconceivable. Moreover, in view of the serious Soviet internal problems, some Indians now assume that Moscow will become increasingly sensitive to Islamic publics both within the USSR and in West Asia and that, in these circumstances, Pakistan may become of greater importance to the Soviets than India. Obviously, India sees some potentially negative aspects to the new international order that is emerging.

The same general conclusion can be drawn for the other South Asian states (with the probable exception of Bhutan), which had over the years come to view China as a very useful counterbalance to India’s increasingly dominant position

³For a useful summary of this “new thinking,” see C. Raja Mohan, “India’s Strategic Environment in the 1990s,” *Strategic Analysis* 13,1 (April 1990): 15–28.

in the subcontinent. They have noted with some consternation Beijing's seeming disinclination in the 1980s to become involved in South Asian internal controversies and its quiet repetition in virtually all its public statements of advice to the effect that the South Asian states should resolve their differences on mutually satisfactory terms in a peaceful manner. This has been most evident in China's cautious and careful response in 1989 to Kathmandu's appeals for meaningful—not just verbal—help in Nepal's expensive dispute with India over their economic and security relationship.

More recently, Beijing's priorities have also been clearly demonstrated in its reaction to the Indo-Pakistani controversy over Kashmir in which the Chinese authorities have in most instances carefully avoided taking sides—as they had in the past—and indeed are currently trying to expand and improve relations with the Indian government.⁴ Although this new orientation in China's policy toward South Asia did not originate with the normalization of relations with the Soviet Union, the latter development would certainly appear to have enhanced Beijing's determination to limit carefully its involvement in South Asian controversies, thus raising questions for those states in the region that had come to depend upon some forms of support from the People's Republic.

It would seem safe to predict that the South Asian states will continue to seek support from one or more of the major external powers in the pursuit of their regional objectives. But it is also probable the results will be even more disappointing than in the past. Washington became involved in a security relationship with Pakistan in the 1950s and again in the 1980s in the context of the U.S. policy directed at containing the perceived Soviet threat to West Asia and the Arabian Sea coastal areas, deemed of vital interest to the United States. The Soviets developed their "friendly and cooperative" relationship with India in the 1950s and thereafter primarily, though not exclusively, as a response, first, to Pakistan's inclusion in the American security system in West Asia and then as an integral part of Moscow's "containment of China" policy. Beijing became Pakistan's informal ally because of its usefulness to China's difficult relationship with India in the 1960s; the Chinese also established a cooperative relationship with Nepal in the 1960s as a way of undermining the Indian security system on the long and difficult Himalayan border. None of these stances make too much sense in rational geostrategic terms at the start of the 1990s. It is likely that the Soviet Union, China, and the United States will continue to maintain the various special relationships established over the years with one or more of the countries in the region, but at the same time each of them will be seeking to

⁴In his visit to Pakistan in early May 1990, Wan Li, chairman of the Standing Committee of the Chinese National People's Congress, strongly urged Pakistan and India to seek a peaceful settlement of the Kashmir dispute and expressed appreciation of Pakistan's decision not to use military force in this crisis. Foreign Broadcast Information Service, *Daily Report—Near East & South Asia*, May 4, 1990, p. 57.

improve relations with the regional rivals of these countries—the USSR with Pakistan and the United States and China with India. What will be severely affected, thus, is the capacity of the regional states to exploit the involvement of the major external powers in South Asia for their own narrow purposes. This, in turn, will require the South Asian states to reexamine what has been a constant factor in regional politics since 1947—their efforts to obtain support from the outside in local conflicts and disputes and then, more often than not, complain bitterly when this did not have the desired results.

Regional Relationships in South Asia

One novel aspect of South Asian geopolitics in 1989 was that until the end of the year the focus was not on the Indo-Pakistani relationship, as has been the norm since 1949, but rather upon India's difficult relations with Sri Lanka and Nepal. During the year, the Indian government was frequently characterized by various of its neighbors as a "bully" and an aspiring hegemonic power intent on dominating the entire subcontinent.⁵ There was nothing particularly new in these critical appraisals of India's self-perceived role as the preeminent power in South Asia, but the language used was more intemperate and bitter than at any time in the past.

By the beginning of 1990, however, attention had once again reverted to the bitter exchanges between New Delhi and Islamabad over the mass uprising against Indian rule in the Kashmir Valley section of the Indian state of Jammu and Kashmir as well as the Indian allegations that Pakistanis, and perhaps the Pakistan government, had instigated the Kashmiris and provided them with arms, financial, and ideological assistance.⁶ In contrast to the deterioration in relations with Pakistan, the new V. P. Singh government in New Delhi quickly came to terms with the Premadasa government in Sri Lanka and, at its insistence, agreed to withdraw (termed "deinduction" by the imaginative Indian bureaucracy) the Indian Peace-Keeping Force (IPKF) from Sri Lanka by March 31, 1990. Progress has also been made on the resolution of the Indo-Nepali dispute.⁷ The two governments had agreed informally upon mutually

⁵For balanced Indian and Pakistani views on this subject, see Akhtar Majeed, "Indian Security Perspectives in the Nineties," and Rasul B. Rais, "Pakistan in the Regional Global Power Structure," *Asian Survey* 30, 11 (November 1990). Interestingly, although both authors are Muslims, one an Indian and the other a Pakistani, their analyses reflect their national rather than their religious identification.

⁶Indirjit Badhwar's careful analysis of the Kashmir Valley uprising does not exonerate Pakistan from some responsibility for these developments but places the primary blame on the arrogant policies toward Kashmir pursued over several decades by both the central government in New Delhi and the Delhi-dominated state governments in Srinagar. "Kashmir, Perilous Turn," *India Today*, April 30, 1990, pp. 64–72.

⁷There are numerous Nepali and Indian articles on this dispute, most of which take predictable lines of analysis. For an interesting Pakistani account, see Abdul Majid Khad, "The Indo-Nepal Dispute," *Regional Studies* 8, no. 2 (Spring 1990): 82–90.

acceptable terms in February 1990, but because of the major political changes in Nepal only in June were new treaties of trade and transit agreed upon by the prime ministers, V. P. Singh and K. P. Bhattarai.

In the context of this series of critical developments in South Asia over the past three or four years, India has clearly defined the basic principles of its regional policy and moved to obtain the acceptance of these systemic objectives by both its South Asian neighbors and the major external powers in the region. New Delhi has insisted upon the recognition of India's status as the preeminent power in the subcontinent, and all that implies. Although the Indians do not usually define preeminence in classic patron-client state relationship terms, the other states in the region do perceive it as a serious limitation on the sovereign powers that, in theory at least, they are entitled to under the general principles of international law.

Another facet of India's preeminent status policy is its insistence on the exclusion of external powers from any form of security role in South Asia—other than in support of India, of course. This is also widely interpreted by the other regional states as a limitation on their full sovereignty as it denies them the right to establish security relationships with external powers and, thus, enhances their subordinant status in the region. This was most clearly demonstrated in the letters of accompaniment to the Indo-Sri Lankan Accord of July 1987 and also in 1989 to India's strong objections to certain developments in Sino-Nepali relations the previous year. Since the early 1980s it had also constituted a major obstacle to some form of security agreement between India and Pakistan. In 1983, New Delhi rejected President Zia's modest proposal for a "no-war pact" that would only have obligated both powers to avoid the use of force in their bilateral disputes. In response, Indira Gandhi suggested a much more comprehensive "treaty of peace and friendship" that, as proposed, would have obligated Pakistan to avoid any form of security relationship with external powers (e.g., the U.S.-Pakistan alliance) as well as deny them access to bases or other military facilities on Pakistani territory.

The new V. P. Singh government, and its foreign minister, Inder Kumar Gujral, on taking office in December 1989 spoke of the need for India to relate to its neighbors on a more equitable, nonthreatening basis than had its predecessor. Shortly after assuming the prime ministership, for instance, V. P. Singh stated his government would move quickly to resolve the disputes with Nepal and Sri Lanka, would seek to reach a border settlement with China, and would "further strengthen the traditional friendship with the Soviet Union, build upon the new trend of constructive and cooperative relations with the United States, and strengthen economic cooperation with Japan and the European Community."⁸ Singh did not mention Pakistan, however, as it was at this time that the political crisis in Kashmir Valley, allegedly instigated by the

⁸*Times of India*, December 20, 1989.

Pakistanis, was becoming serious. But Singh's statement did reflect his government's readiness to engage in serious negotiations with several contentious neighbors and on a more open agenda than the Rajiv Gandhi government had usually considered appropriate.

The results to date have been impressive if limited. The IPKF in Sri Lanka was withdrawn on schedule, and the two governments have commenced what are bound to be difficult negotiations on a new "friendship treaty." President Premadasa is not prepared to agree to India's insistence that the terms of the 1987 Accord, which strictly limited Sri Lanka rights in relations with third powers, should be retained in the treaty. But then the Singh government may prove to be more flexible on this subject. Nepal and India have also reached an agreement on the resolution of their dispute under which the economic and security relationship between the two countries would revert to the terms in force in 1987 before all the recent troubles started. India and Bangladesh have also held a series of encouraging meetings in which, for the first time in a decade, there seems to be some progress in resolving their various disputes on mutually acceptable terms. And New Delhi and Beijing have revived the negotiation process on their border dispute and in a more reasonable and less paranoid atmosphere than at any time since 1962.

The one exception to the general rule of improved relations between India and various of its neighbors, thus, is Pakistan. By the first quarter of 1990, both governments were once again indulging in provocative language, exchanging charges and countercharges, and raising apprehensions that another Kashmir War is a distinct possibility. But there are some hopeful signs as well. Both the V. P. Singh and the Benazir Bhutto governments clearly stated their determination to avoid conflict if at all possible and to settle the Kashmir dispute through prescribed procedures—that is, through the procedures incorporated in the 1972 Simla Agreement, though they disagreed in their interpretation of several key clauses in this agreement. The opposition parties in both India and Pakistan have been strongly critical of their respective governments for their alleged weakness in dealing with each other on the Kashmir issue. But the little evidence we have from both countries would seem to indicate the public is responding more rationally. In state assembly elections in eight important Indian states in February 1990, for instance, the Pakistan/Kashmir issue had no apparent effect upon the results, despite the best efforts of some parties to make it a central issue. Similarly, the response of most Pakistanis other than Kashmiri refugees in Pakistan and residents of the Pak-held part of Kashmir has been quite restrained on this issue. If India can resolve the crisis in the Kashmir Valley, the prospect for another war will quickly disappear. But this is still a big if.

The general conclusion I would draw about the foreign policies of the South Asian states in the 1990s is that the principles proclaimed and the objectives sought will remain pretty much what they have been over the past four decades.

What has changed substantially by 1990, however, is the international and regional environment in which their respective foreign policies must be implemented. The prospect is that the outside world will be a much less important factor than in the past in this endeavor, at least with respect to political and security issues. Although there has been a substantial, if still quite limited in global terms, capital investment in South Asia by West European, Japanese, and American firms in the 1980s, it has not led to an enhanced interest in these countries in the subcontinent on geopolitical matters (perhaps some reconsideration of classic Marxist-Leninist and Third World ideologies may be required on this subject as well). It is quite likely that by the twenty-first century Moscow and Beijing will renew their more outward-looking (to use a polite phrase) view of the world and the policies that go with it, but the next decade will probably be marked by a determination in both countries to avoid expensive involvements in nonvital developments in various parts of the world. And this will undercut what has been a basic theme in the foreign policy of most South Asian governments since the mid-1950s.

Within South Asia, therefore, it will be necessary for all the states to adjust to a regional system in which India is the critical force because there will be no external powers nor internal coalitions to counterbalance New Delhi's preeminence. But it is also probable that India will act with more restraint and circumspection in the 1990s than it did at times in the 1980s under the two Gandhis—Indira and Rajiv. The Sri Lanka experience from 1987 to 1990 must have had a sobering effect upon New Delhi by demonstrating the high costs involved, in both human and financial terms, in interventionist policies in the region, even when undertaken at the request of the home government.

With the settlement of the dispute with Nepal and the movement toward resolution of at least several of the issues that complicate India's relation with Bangladesh, Pakistan continues to be the major obstacle to an Indian-defined regional security of some form or another. But then in 1990 it is evident that the governments in both India and Pakistan are far more aware of the high prices that must be paid for any policies adopted that, intentionally or otherwise, upset the delicate balance achieved in their relationship after three wars and some very expensive exclusivist economic policies. On balance, then, it would seem probable that both sides will indulge in strong denunciatory rhetoric, primarily intended to serve domestic political purposes, but exercise restraint in actions in the 1990s. Nothing else makes much sense in the context of intense domestic political conflicts in most of the South Asian countries and the realities of regional and global geopolitics.

Part VI.

Southeast Asia—ASEAN and Indochina

19. Walking on Two Legs: Polity and Economy in the ASEAN Countries

DONALD K. EMMERSON



“You cannot walk with one long leg and one short one.”

Thus did Tran Xuan Bach argue the need for political reforms to match the economic liberalization already under way in the still-Socialist Republic of

Vietnam. Unfortunately for Bach, his colleagues in power in the Communist Party disagreed. In March 1990 they invited him out of the Politburo.¹

In the 1990s the evidence will come in, not only from Vietnam but from the rest of Southeast Asia. By the year 2000 Bach will have been proven, insofar as anything in political economy can be, right or wrong. Certainly this will happen for Vietnam.² But it can be expected as well for the six members of the Association of Southeast Asian Nations (ASEAN): Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. These governments too are trying to walk on versions of Bach's two reforming legs, one political, the other economic, and debating the merits of various stands or gaits favoring one over the other, or relying equally on both. And if I imply too activist a portrait of these governments, they are at least concerned about the possibility of such reforms being advocated by their own citizens, or by outsiders such as the U.S. Congress, the World Bank, and the International Monetary Fund—not to mention the paradigmatic status of the ways the Japanese have been walking or running their own political economy.

For the Soviet government and peoples, Bach's dictum is painfully relevant. Rephrasing the question that a graduate of the Gulag asked in the 1960s: Will the Soviet Union survive the 1990s?³ That is, can the USSR reform itself? Must there be a balance between political and economic reforms? If so, what kind? Should *glasnost* and *perestroika* be pursued simultaneously or in sequence? If the former, why? If the latter, which kind of reform should come

¹*The Economist*, April 7–13, 1990, pp. 41–42, from which I have also taken the illustration, reproduced here with the cooperation and kind permission of the artist, Chris Riddell.

²Ousting Bach has not eliminated his opinion. "Political and economic reform are two sides of the same coin. They are not separable," Foreign Minister Nguyen Co Thach told a U.S. Congressional delegation in mid-April. According to some observers, with Bach's removal Thach became the last remaining "liberal" in the Politburo.

In 1989–1990, as if to show that Bach's and Thach's views were in the minority, the government banned private ownership of newspapers, denounced political pluralism as a foreign conspiracy, criticized political reforms in Eastern Europe, clamped down on the private businesses in joint ventures with foreigners, and detained or expelled several Westerners working in Vietnam.

(The quote by Thach is from the "Report of the Chairwoman, Subcommittee on Military Installations and Facilities, on Delegation Visit to Western Pacific and Southeast Asia, April 7 to 18, 1990," Armed Services Committee, House of Representatives, Washington D.C., p. 31.)

³Andrei Amalrik, *Will the Soviet Union Survive until 1984?* (New York: Harper and Row, 1970). When the Orwellian year came and went, and the USSR remained, it appeared Amalrik was wrong. Now it seems he was merely early.

I say this in a spirit of realism, and without *Schadenfreude* of any kind. An extreme-case scenario involving the actual breaking apart of the Soviet empire could be destabilizing for Europe, Asia, and North America alike. On the other hand, a negotiated, nonviolent, and modest shrinking of that empire down toward its vast Russian core could leave peoples inside and immediately outside the new state's borders better off than they were before.

Why couldn't the Baltic republics, for example, become economically constructive "gateway states" for the Soviet economy the way Finland has been, or the way the newly industrializing countries (NICs) along the coast of China have stimulated the economy of that country?

first, or be given priority, and why? Between politics and economics—“superstructure” and “base”—in which sector are to be found the policy levers that will cause the most favorable changes in the other sector, changes that will in turn induce improvements in the first sector, and so on back and forth in a virtuous spiral of democratization and development? Or is this naive, and if it is, what serious but realistic alternatives *are* available to Mikhail Gorbachev, or to Jiang Zemin, or to Nguyen Van Linh?

I ask these questions not because I know the answers—I do not—but to open the general subject of political and economic changes and how they are related. *Glasnost* and *perestroika* apply specifically to situations where a Leninist party-state professing Marxist ideology has dominated political and economic life. But *glasnost* and *perestroika* bring to mind broader problems of political economy that are meaningful for any government trying to choose between, or to balance, political and economic development. This is why the Russian words have entered so many other languages and been used in situations where Marxism-Leninism has never been the chief creed or project of the state. Such situations within the ASEAN countries are the subject of this chapter.

Bach did not invent the idea behind walking on legs of equal length. In the context of a more or less capitalist polity, his aphorism resembles the “Unity of Goodness” to which many Americans almost intuitively subscribe. Simplified and stretched into an exemplary syllogism—or, at any rate, a didactic series of leaps of faith—the Unity of Goodness might look something like this:

Political and economic freedoms are good things. They should go together. They do go together. They must go together. If you want development without capitalism or democracy, forget it. Capitalism is economic democracy. Without it, your country will not develop. With it, a middle class will arise. As that class grows, its members will demand political liberalization—civil rights and liberties to match the freedom to own property, put it to profitable use, and keep the profit after taxes. Sooner or later you will have to grant this demand. Thus does development require free enterprise and engender free institutions. You can take it, or you can leave it, but political economy is a package deal.⁴

In the Philippines in the 1980s something along these lines did take place. Economic growth under Ferdinand Marcos had enlarged the ranks of a bourgeoisie whose political disillusionment did help to shift power to Corazon Aquino—though not until the murder of her husband, the growing isolation of Malacañang, a backfiring “snap” election, and a military coup had exacerbated beyond repair the contradictions in President Marcos’ “New Society” regime. The “Edsa revolution” was indeed urban, Manila-centered, middle-class.

⁴For further reading and references, see “The Compatibility Assumption,” pp. 6–11, in Samuel P. Huntington, “The Goals of Development,” in Myron Weiner and Huntington, eds., *Understanding Political Development* (Boston: Little, Brown, 1987), pp. 3–32.

By dismantling the authoritarian *ancien régime* and reinstating political democracy, it was hoped Filipinos could somehow become free and prosperous in tandem. It was a characteristically American dream, which is partly why it was given new life in the one ex-American country in Southeast Asia. That is also why, reciprocally, Cory in her yellow dresses inspired a movement in the United States to rededicate American foreign policy to the Unity of Goodness—a movement that in Washington still seeks to fund and favor the capitalist democratization of other countries.⁵

One can, however, question the Unity of Goodness even for the Philippines. The Philippine middle class was not united in its desire to replace the tenants of Malacañang. If one president replaced another, so were certain business and financial families rotated out of and others into official favor. Arguably what happened in 1986-87 was less a “revolution of” than a “rearrangement within” the Philippine capital-owning class. And although previously achieved economic growth did raise expectations Marcos could not satisfy, the economic downturn after the 1983 killing of Benigno Aquino, Jr., shrank the stakes in the status quo held by businesspeople and middle-income Filipinos.

The critical role of the armed forces in the dramatic transition of February 1986 further diminishes credence in the story of a middle class, its patience exhausted, spontaneously rising up to restore the Unity of Goodness. And as the subsequent string of attempted coups has all too clearly shown, the military has not fostered constructive reforms, political or economic, but by threatening the regime has replaced the Unity of Goodness and the primacy of survival.

In any case, capitalism Philippine-style looks more like economic oligarchy than economic democracy, especially in agribusiness. In a country with a “neofeudal” social structure, a weak and uncentered national identity, and a propensity for patronage-based politics, procedural democracy far from enabling broad-based socioeconomic reform may help to thwart it.

The irony is that right after she came to power, before democratic elections had reentrenched vested interests in the legislature—interests that would slow the government’s ability to act—Mrs. Aquino could have drawn up and decisively addressed a socioeconomic agenda, including land reform and nonfarm rural employment. She did not do so.

Subsequent events have shown that far from enhancing her ability to reorient the Philippine economy toward a broader-based kind of development, procedural democracy has tended, on balance, to preserve and prolong the economic status quo. We may someday look back on the Philippines in the

⁵Inigorated by events in Central America and Eastern Europe, the National Endowment for Democracy is a case in point. Its motto is not, but might as well be, “Marxist-Leninists of the world, unite! You have nothing to lose but your chains!” Is the Cold War over, or has ideological optimism merely changed sides?

1990s as a case not for the Unity of Goodness but for the stagnating effect of Mancur Olson's institutionally gridlocked distributive coalitions.⁶

To be sure, the economy is not doing badly in aggregate terms—six percent growth in 1989, perhaps more of the same in 1990. Maybe I am too pessimistic. Perhaps I exaggerate the need for structural changes to rechannel benefits and opportunities more widely. A rising tide lifts all boats . . .

But when two of the names one hears most often as successors to President Aquino are "Danding" Cojuangco and Fidel Ramos, the one a Marcos crony and the other a general, and with "Gringo" Honasan and many of his accomplices still at large, presumably contemplating the prospects for another coup, it is hard to be sanguine about the political future in the near term.

I am not prepared to assert the *Disunity* of Goodness: that authoritarianism is a necessary condition of development. But the more self-serving and divided a nation's elite, the more personalistic and parochial a people's loyalties, and the more skewed the distribution of an economy's rewards—the less confident I am that procedural rights will improve welfare, or vice versa. In no other member of ASEAN is the military or some fraction thereof more likely to assume power in this decade than in the Philippines.

Meanwhile, in neighboring but radically different Indonesia, the authoritarian politics and developmental economics of retired General Soeharto's no-longer-"New Order" have combined to create unprecedented stability and growth. In this respect Indonesia fits Bach's criticism of Vietnam—the leg of political pluralism is shorter than that of economic liberalization—with one major exception: The political economy of Indonesia walks, that is, it works.

The Indonesian regime is less repressive than its counterpart in Vietnam. The Indonesia media are freer. Compared with the Viet-settled peninsular strip, the multicultural character of the Indonesian archipelago legitimates tolerance and accommodation, elevating unity over purity in state exhortations. That unity has been Javanized enough—in the nationalization of Javanese terms and symbols, the concentration of power and modernity of Java, and the transmigration of Javanese to the outer islands—for the country's largest ethnic group to remain committed to the idea of Indonesia, but not enough for the indigenous minorities, leaving aside the Papuans and Timorese, to become alienated from it.

Compared with the Vietnamese, the Indonesians were fortunate to have been colonized by and to have defeated a small country, Holland. Indonesian nationalists had less hubris to overcome and less militance to unlearn after political independence, when they had to learn to walk on an economic leg as well. And they were lucky not to have had their militance prolonged by a successful second struggle against the world's most powerful political economy, the U.S.

⁶See Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven, Conn.: Yale University Press, 1982).

Soeharto's Indonesia has not needed legs of equal length to run its developmental race. Since the inception of the New Order in the mid-1960s the country has compiled one of the Third World's more impressive records of political stability with economic development—under authoritarian rule.

If in the Philippines there is an argument for concentrating legitimate authority to promote economic growth while rechanneling its benefits, in Indonesia in the 1990s the double-goodness scenario may be enacted after all. Boom times have enriched, enlarged, and differentiated the urban business class. The complexity of the economy makes it harder to command. Tropical *glasnost*—*keterbukaan*, Indonesian for “openness” — has become fashionable, up to a point. (That point is reached when Soeharto himself and his economically active family are criticized in public by name. Such *lèse majesté* is still forbidden, along with Communist ideology and antiregime Islam.)

If Soeharto is still healthy in 1993, he may run for president again. If he does, and wins, he will be entitled to retain the post until 1998. In the eyes of critical observers this will frustrate the opposition and incite treachery against him, jeopardizing the stability necessary to economic growth. According to this scenario, the 1980s could turn out to have been the calm before the storm.

Perhaps. But it is possible to imagine Soeharto agreeing to relinquish power in favor of someone acceptable to him and the army. And if such an agreement proves difficult, especially if consensus on a successor eludes army leaders, assurance that Soeharto will remain in office could *relieve* anxiety, and in doing so allow for further loosening of political controls and greater tolerance of competitive political participation at subpresidential levels. By the same token, a sudden withdrawal of the military from political life could heighten uncertainty and create opportunities for destructive conflict.

One observer of Pacific Rim countries, Steven Schlosstein, is more optimistic about Indonesia than he is about Thailand or Malaysia—the Southeast Asian countries usually cited as next in line to join the four existing “little dragons.”⁷ Currently the double-digit annual expansion of the Thai economy and Indonesia's status as the poorest ASEAN country per capita appear to belie Schlosstein's judgment. But Indonesia has natural and human resources that neither Thailand nor Malaysia can match, and the skills of the economic managers of the New Order should not be underestimated.

Thailand's prospects seem bright. Its membership in the “coup-of-the-month club” has been suspended, perhaps ended. A case can be made that in Thailand an older, authoritarian “bureaucratic polity” has given way to a newer, more competitive “bourgeois polity”—that development and democracy are proceeding, as anticipated, hand in hand. But the army in general and General Chaovalit Yongchiyut in particular remain to be reckoned with, and the macrocephalic, Bangkok-dominated anatomy of the Thai state may not be

⁷Seven Schlosstein, *Asia's New Little Dragons: The Dynamic Economies of Indonesia, Thailand, and Malaysia* (Chicago: Congdon and Weed, 1991).

conducive either to political democracy or to the equitable circulation of the benefits of economic growth. On the other hand, if the Cambodian conflict ends and Thailand pursues Prime Minister Chatichai Choonhavan's vision of transforming Indochina from a battlefield into a marketplace, the Thai economy will benefit in the long run.

Recalling that the rapid development of Thailand dates from the authoritarian days of Marshal Sarit Thanarat and his technocrats in the 1950s, and that prospering private business circles have been associated with the greater openness and accountability of public authorities and institutions in the 1980s, one can conclude that in this country economic growth did help to bring about political liberalization.

Such is not the case in Brunei, Singapore, and Malaysia. Each of these polities has equipped itself with a more or less robust and market-based economy. But when signs have appeared that some of the country's citizens would like to "lengthen the other leg," democratizing the polity to "keep up with" the expanding economy, the paramount leader has cracked down. And in each case the leader still uses the threat of instability to justify abridging rights and freedoms.

If there is a "secret" to combining economic development with political repression, it is perhaps the ability of a regime to specialize and compartmentalize public discourse—consigning economic and political activities to separate domains and erecting barriers between them. The length of the economic leg must not be permitted to "pull" on, that is, become exemplary for the political leg. The utility of the maxim *divide et impera* did not end with the colonial era.

Other things being equal, the smaller the country, the easier it is to make this sort of compartmentalization work. It is no coincidence that Brunei, Singapore, and Malaysia are in area and population ASEAN's smallest members. There are in these countries fewer people to satisfy and fewer to control.

To be sure, the histories of these countries differ. In Brunei the option to pluralize was "forever" contaminated by the association of electoral politics with popular revolt under the banner of the Brunei People's Party (PRB) in the 1960s, which is one reason why the current sultan's father, then in power, was reluctant to let his country become independent from Great Britain. But London devolved sovereignty anyway, and the sultan was permitted to retain Gurkha troops for his protection.

Normally in Southeast Asian studies Brunei is ignored, or mentioned once and then ignored, either for lack of data or because its tiny but hydrocarbon-flush "Shellfare state" is such a special case. But it should not be overlooked. By Western standards it has by far the least modern political system in ASEAN—a sultanate along nineteenth-century lines. Meanwhile, young Bruneians return from the West with engineering degrees and knowledge of what democracies are like.

For years observers who track Brunei have wondered why these young and partly Westernized returnees do not demonstrate in the capital, Bandar Seri Begawan, for political parties, competitive elections, free speech, and the rest of the liberal-pluralist agenda. Is it because the sultan—Hassanal Bolkiah, reportedly the world's richest person—has unlimited resources for cooptation?⁸ Is it the power of Islam to legitimate the state as Brunei Darussalam—Brunei, the Realm of Islam? Is it the latent threat of absorption into Malaysia or Indonesia that legitimates the firm hand of the regime? I do not know. Meanwhile, the anachronism—if that's what it is—persists. It is hard to believe Brunei's monarchy will be negotiated peacefully out of existence in the 1990s.

Still another matter is Malaysia. Prime Minister and Minister of Home Affairs and Justice Mahathir Mohamad, who will in 1991 celebrate his first decade in office, has been tilting that country's political economy away from the Unity of Goodness toward more and more patently authoritarian growth. A range of associated developments bode ill for the future: large-scale corruption; the costly failure of financial schemes such as Mahathir's efforts to corner the tin market; the communalization of the economy; the Anglophobic but otherwise directionless fad of "looking east" to Japan; the subordination of impartial jurisprudence to political expediency; the arrests and bannings of 1987 . . .

Nevertheless, the splitting of the United Malays National Organization, the core pillar of the regime, into UMNO Baru and Semangat '46, does create for the first time an interparty choice of national alternatives within the Malay elite. Mahathir won the parliamentary elections held in October 1990. But future competition between Malays could further disaggregate their identity as a political bloc, and that could renew the chance for stable nonracial democracy in Malaysia. The repression and the wasteful developmentalism of the recent past may reflect the personality of Mahathir more than the nature or long-run prospects of the country's political system.

The historic strength of Malaysian-style democracy has been its ability, peacefully and constitutionally, to transfer power at the top, from one head of government to another. With four prime ministers in regular succession since the country was formed in 1963, Malaysia has a better track record in this regard than any other ASEAN state. The 1990s should show whether this was only because the choice could be kept inside a single, dominant organization, as in Japan.⁹

Singapore is the final exception to Bach's even-legged rule. So obviously successful has that country—city-state—been at the business of serving world

⁸In the 1980s the falling market value of petroleum hit Brunei's monocommodity economy proportionally harder than anywhere else in ASEAN. But oil prices quickly rebounded, doubling in 1990 in the aftermath of Iraq's seizure of Kuwait and the embargo against both territories.

⁹In power in Tokyo since 1955, the Liberal Democratic Party has been able, in effect, to rotate the office of prime minister among the heads of its own factions.

markets, and so obviously constrained is the range of political choices and information available to Singaporeans, that it would be hard to find a clearer example in Southeast Asia of the compatibility of capitalism with control.

This is so in large part because nowhere else in Southeast Asia, Brunei excepted, do transnational corporations account for a larger percentage of gross domestic product. And transnational enterprises are uniquely willing to work under any sort of regime so long as it ensures the minimum necessary political stability and economic predictability a company needs to gamble its capital on future returns. Such firms do not mind being consigned to the economic side of the partition that bisects the political economy of authoritarian growth. Their executives generally welcome the implied protection from political risk.

But Singapore is more than an artifact of global capital. No other regime in the region can rely on greater social self-control. Nowhere is the disincentive to oppose the state and its rules more deeply embedded in the rationality of the citizen's own self-interest. Fear plays a role, I admit, but it is not just the fear of being punished for getting out of line. At least as important, or more important, is the fear of a disorderly society.

What restrains the practical joker from crying wolf in a crowded place is the indistinguishability of his safety from that of others. The simultaneously personal and systemic rationality of obedience in Singapore is an asset at least as valuable to the politics of Prime Minister Lee Kuan Yew as the port's location at a confluence of seas is to his economics.

The law-abidingness of Singaporeans does have limits. So does their tolerance for social engineering. When Lee tried to discourage the use of automobiles through high gasoline prices, many Singaporeans drove across the causeway to fill up at cheaper Malaysian rates. Lee replied by requiring them, before leaving Singapore, to have their tanks at least half full.

In the 1990s, if Lee has his way, and he probably will, Singapore should become the first place in the world where automobile ownership is rationed not because of scarcity in supply but because of the threat in pollution and congestion posed by demand—a threat to individual, private well-being. What counts in the Singaporean case, and why it is of such interest to other countries, is its acknowledgment of the postindustrial intimacy of this connection between public and private interest.

One must ask of this model, as of the others, whether it has been institutionalized or whether only its inventor can make it work. Lee was scheduled to give up the prime ministership in 1990. But Deng Xiaoping in China and Ne Win in Burma have reminded us that old men who lose office can retain power. Lee's scheduled replacement, Goh Chok Tong, seems unlikely to deviate significantly from the precedents set by his predecessor. Official pressures to perform and conform may abate, but they will not disappear.

Reviewing the records of these six countries, in none of them have capitalism and democracy gone exactly hand in hand. In important respects,

especially structural ones, Philippine democracy has been an economic failure. In Indonesia an authoritarian regime has fostered economic growth without, so far, undermining its stability. In Thailand prior to 1980, and except for the experiment with democracy in 1973–76, authoritarian politics and market-based economics also worked in concert, albeit in ways more conducive to growth than stability. The sultan of Brunei has not so far been forced to liberalize his polity as a consequence of economic growth. Nor has the rapid development of Malaysia's economy prevented Mahathir from cracking down on his opponents in ways that jeopardize the future of democracy there. In Singapore the combination of monocratic politics with market economics is long-standing and seems secure.

Ironically, while the fall of the Berlin Wall and the democratization of formerly Marxist-Leninist states in Eastern Europe have appeared to doom authoritarian growth, versions of that strategy have been reinvigorated in the policy repertoires of would-be capitalist-Leninist regimes in Southeast Asia.

The chief difference is that in the USSR, Eastern Europe, and Vietnam authoritarian regimes *failed* to deliver on the promise of a better life. In these places it is possible to be a democrat for development's sake. In the ASEAN countries, where authoritarian rulers have by and large already accomplished, or at any rate presided over, economic growth, it is harder to argue the case for democratization on economic grounds.

Yet because no strategy is insensitive to changes in circumstance, none is permanently useful. Authoritarian development in Southeast Asia is no exception. The gradual democratization of Thailand and the still more limited moves in that direction in Indonesia show how the expansion of a middle class can generate pressures on the authorities to loosen control. The power of the Unity of Goodness is likely to be most evident in the long run. It takes time for economic growth to differentiate society and for the differentiation to engender the incentives and demands that can, circumstances permitting, pluralize politics as well.

I would like to be able to conclude that democracy invariably promotes development and vice versa. But the less inspiring lesson to be learned from the experience of the ASEAN region is that it is unwise to generalize about matters so complex and contingent without taking local conditions fully into account.

20. Southeast Asia: Developmental Tendencies and Prospects

ALEXANDER POPOV

The Cambodian conflict, which directly or indirectly affects practically all the countries of Southeast Asia, is currently the key factor determining the long-term political stability and prospects for economic development throughout the region. In analyzing the current state of the process aimed at its settlement, one recognizes that in spite of certain changes for the better related to the recent Australian proposal and the decisions taken in Paris by the five permanent members of the UN Security Council, this process is constantly running into serious difficulties because of the deep-seated contradictions among the warring factions. The principal issue, of course, is the question of power, the distribution of power among the Cambodian political groups. The present government in Phnom Penh supports the implementation of the Australian plan—the presence of UN bodies in the country and general elections under their supervision and control—because it seems a chance to consolidate their power by getting international recognition as a result of the elections and to end the protracted state of war in the country. But the Sihanouk-led factions support the Australian plan with one crucial condition—the present government in Phnom Penh must be dissolved. As for two of Hun Sen's proposals relating to a partial dismissal of the government or creation of a parallel administration, these, according to Sihanouk, are not acceptable to all elements of the opposition. True, in the new package of proposals Sihanouk advanced in April 1990, he nominally agreed to Hun Sen's demand to retain both governments for the period of transition, but with conditions that would actually mean the complete removal of the ruling regime from the administration of the country.¹

¹*The Nation*, April 10, 1990.

Clearly the opposition has in mind the liquidation of not only the existing central government of the State of Cambodia (SC), but also of the entire existing structure of power "in all villages and provinces." So, the deeper issue is the desire to gain a foothold in the bodies of power in the whole country, especially at the village level. Obviously, UN representatives cannot be substituted for the entire 200,000-person structure of the present administration.² Thus, it is only natural that the Cambodian government, seeing the power-seeking Khmer Rouge behind such demands, will not abdicate before the elections are held.

Elections Needed

In our opinion, general elections can break the deadlock. They should be conducted and supervised by the UN, which will dispel to the maximum extent possible opposition fears that local authorities might pressure the electorate. The recent example of Nicaragua shows that a free expression of voters' will may be secured even without direct UN supervision. It is worth noting that the Cambodian government has agreed to hold such elections, which, in our view, shows they want to play fair and are confident of the outcome of these elections. And if the elections in Cambodia are fair, that is, if voters are not subjected to either physical or psychological pressure, a major part of the electorate will probably prefer the present leadership as the only force capable of opposing the return of Pol Pot's followers. The fear of their possible return is too great to be outweighed by any love the populace may yet have for the ousted monarch who has stained his name by his long-standing ties with the Khmer Rouge. Also in their favor in a UN election is that the People's Revolutionary Party of Cambodia (PRPC) has lately turned to sounder, more realistic internal policies; these changes have consolidated its position and ensured the support of broad strata of society. These new policies abandon the propagation of communes, indeed, have abolished them and given the land back to the peasants as their private property. This action will allow the peasants to raise the rice output to a level satisfying all domestic requirements. Moreover, these actions will increase peasant support for the ruling party.

Private Enterprise

The majority of these decisions were made at the Second National Cadre Conference of Cambodia held in April 1989, which practically gave the green light to private enterprise in the country. Thus, the most important resolutions were those on the rules of land tenure, on private transportation, as well as on ways to stimulate the development of local industry and domestic crafts. Since peasants constitute 80 percent of the population, the transfer of land to peasant households with the right to sell, buy, or lease it will undoubtedly have a deep

²*Far Eastern Economic Review*, January 25, 1990, 9.

and fundamental effect on the country's economic and political life. First of all, rice output should increase considerably in the coming years. The government-imposed minimum landownership tax of 2–2.5 percent of the harvest and an expected threefold increase in the purchase price of rice will certainly promote greater output. In the last five years alone, the country's average rice yield has shown a considerable growth—from approximately 0.9 ton per hectare in the mid-1980s to 1.33 tons per hectare in 1988/89³—and aggregate rice production in the country during the years of PRPC rule increased from 565,000 tons in 1979 to 2.7 million tons in 1988.⁴

During the last year the private sector has been developing intensively in other branches of the Cambodian economy as well. The rapid development of small handicraft enterprises, the transfer to private hands of large but unprofitable industrial enterprises, the intensive development of private business undertakings in communal services, public catering, health care, and transport have all been registered. The private sector has been given access to all types of transportation except aviation.

These decisions have, no doubt, dramatically changed for the better the attitudes of much of the population toward the country's leadership. And the withdrawal of Vietnamese troops has worked in the same direction: The population felt its effect directly in the absence of Vietnamese servicemen at checkpoints. Also, the PRPC decision to introduce in the future a multiparty system in Cambodia has undoubtedly changed the attitude toward it of a considerable number of liberal intellectuals whose ideal is a bourgeois-democratic society.

The readiness of the present leadership to diversify its foreign economic ties, to develop contacts with its regional neighbors—Thailand, Indonesia, and others who are on the rise—has also contributed to these changes in attitude. So, whereas previously the opposition could count on the discontent of various social strata with the short-sighted leftist policies of the PRPC, this factor is now being gradually removed. But the Khmer Rouge, still well armed and the single strongest antigovernment faction, have not changed their ideological stance, and the danger of genocide by their forces remains. And whatever their leaders say about changing their policies, about disbanding the party and the like, one point is evident: People directly responsible for the annihilation of hundreds of thousands of Khmers remain in the leadership, and these people are longing for power, absolute power, to which recent developments testify. That is why the possible return of Pol Pot's followers to power and to their former methods of building a new society cannot be ruled out.

That is exactly why the Cambodian government is reluctant to accept the idea of a four-part government that the Khmer Rouge would join as an

³*Indochina: Vietnam, Laos, Cambodia. Country Profile 1989–90* (London: 1989), 54.

⁴*Far Eastern Economic Review*, February 15, 1990, July 13, 1989.

independent force. Such a concession would mean the Khmer Rouge return to real power, however partial and temporary, with completely unpredictable consequences. And, evidently realizing that short of force they can only count on this way of returning to power, the Khmer Rouge stubbornly insists on just such a plan for a peaceful settlement (as, for example, Sihanouk's five-point peace plan).⁵

Prolonged Conflict

In this context, the conflict will drag on because neither the Cambodian government nor the Khmer Rouge will compromise on issues vital to them. The continuation of the conflict will be further stimulated by military deliveries to the opposition forces and by the Phnom Penh government's inability to solve the Khmer Rouge problem through military means. The opposition will apparently retain the areas it has occupied, where refugees are being hastily resettled from Thailand.⁶ To all appearances, the Cambodian government has no intention of attempting to liberate these sparsely populated areas (where disease outbreaks are frequent), but will concentrate its efforts on protecting the population of the major rice-producing areas. This assumption is confirmed by the ease with which the Hun Sen government proposed the creation of two governments and a temporary partitioning of the country on the basis of the existing status quo. But any further expansion of the territory controlled by the opposition, now halted near Battamabang, one of the granaries of Cambodia, seems unlikely because of the forthcoming monsoon season and the possibility of fast-spreading epidemics in these areas in this period.

Under these circumstances, any conflict settlement at the present stage seems possible only on the condition that a coalition government entrusts the UN with the conduct of general elections and the supervision of their fairness. At the same time, the Paris decisions of the Security Council permanent members on international verification of the complete withdrawal of foreign troops from Cambodia, the cessation of military aid to the conflicting parties, the cease-fire, the regrouping of forces and their withdrawal to the specially defined areas should also be implemented. Additionally, all four political groups should admit a priori their acceptance of the election results, and the permanent members of the Security Council should act as the guarantors of implementing these results.

A chance for major participants in the conflict to save face should become another mandatory condition for such a settlement. China may do so through the creation of the Supreme National Council of Cambodia with the Khmer Rouge participating if this Council has the authority to cosponsor general elections with the UN bodies.

⁵*Pravda*, August 4, 1989.

⁶*Far Eastern Economic Review*, February 15, 1990, 28.

Should the PRPC retain power through the general elections, the Western democracies, in our view, will not have lost any face. It is quite evident that after the conflict is settled the main emphasis in Cambodia's economic development will be the stimulation of market tendencies. Economic measures already in force support this conclusion. And Hun Sen himself in his book, *10 Years of the Development of Cambodia*, points out the market nature of his country's economy. Incidentally, market elements have been most intensively developed of late in Vietnam itself. Moreover, under the conditions of a gradual relaxation of military and political dependence on Vietnam, the Hun Sen government (in the absence of any genuine foreign military threat) will be most likely to emulate Thailand's model of economic development (which has been quite effective) rather than follow the economic experience of Vietnam.

Thailand, whose foreign economic policy is oriented toward turning "a zone of war into a zone of peace," is using its geographical and economic position to gain a dominant role in Indochina. A year ago, before the withdrawal of Vietnamese troops, active trade between Thailand and Cambodia was going on through the border towns of Aranyaprathet and Kah Kong. But it is evident that only a complete settlement of the Cambodian conflict will allow Thai capital to use to the maximum the possibilities inherent in the Cambodian market and its cheap labor. That is why Thailand, directly involved in this conflict, is vitally interested in its speedy termination. It can and must play a decisive role in breaking the present impasse. In reality, opposition forces have bases in Thailand, and get military and other foreign aid through that country. In this connection the stand of Chatichai is of interest—his opinion is that the conflict can be terminated by reducing or eliminating the military aid to the opposing sides. As Thailand and Chatichai personally are interested in the conflict being solved as soon as possible, and taking into consideration the special nature of Thailand's relations with China (who can bring the Khmer Rouge faction to make concessions), Thailand, in our view, should be accorded a considerably more active role in the settlement process.

After the failure of a Jakarta meeting in February 1990, Thailand seemed about to make decisions that were quite appropriate in the circumstances. We have in mind, in particular, the proposed decision to disallow in Thailand any delivery of military supplies to the armed units of the opposition, as well as to move the camps of Khmer refugees (and this is precisely the area where opposition combat groups get reinforced) from the Thai-Cambodian border deeper into Thailand and to suggest that the UN take control of the refugee camps. Clearly, such a decision would open the way to a gradual lessening of the military activity of the opposing sides. At the same time, it should seriously affect Khmer Rouge forces who, after several successful combat operations, seem once again to believe they can return to power through military means and hence, have no intentions of dealing with Cambodia's present-day political realities.

If these decisions were implemented (not a simple matter given China's evidently negative position on these issues and the extent of its influence on Thailand), the external initiative in untangling the Cambodian knot would pass to Thailand. This creates additional preconditions for close economic cooperation of the countries of Indochina with Thailand and other Association of Southeast Asia Nations (ASEAN) members in the "post-Kampuchean period."

Postconflict Orientation

There is every reason to believe that after the Cambodian conflict is resolved, both Cambodia and Laos, and probably Vietnam, will orient themselves toward the economic development model of Thailand and other ASEAN countries, which have reached (or come close to) the level of newly industrialized economies (NIEs) in rather short periods of time and continue to display high, stable rates of economic development.

Thus, the rates of economic development in Thailand in 1989 were nearly 11 percent. The economy of neighboring Malaysia has been developing equally well: GNP grew 7.5 percent in 1989 and is expected in the current year not to fall below 6.5 percent.⁷ In Singapore, the economic growth in the 1990s is expected to be at an annual rate of 5–7 percent, and only Singapore's small territory and population will limit it. Further, these countries have successfully consolidated their positions in the world market as suppliers of industrial products, which are not only labor-intensive but also increasingly high-technology intensive.

Indonesia is gradually catching up with these levels. By having rather successfully used large foreign investments and oil earnings, it has not only achieved self-sufficiency in food, but also entered the world market as a prominent exporter of various processed or industrial goods—plywood, fertilizers, cement, and so on. The situation in the Philippines is somewhat more complex because of an extremely unstable domestic political situation and a large external debt that have considerably slowed down its economic development. Nevertheless, in general, seen against the background of the economic disorder experienced in the states of Indochina and Burma, ASEAN countries are worth emulating especially because they began their independent economic development in the postcolonial period from approximately similar positions to the laggards'.

Despite their evident economic success, ASEAN countries exhibit some negative trends of a military-political nature. In the first place, the leadership of these countries tends to use the fruits of economic development to build up the military; this is especially characteristic of those member-states of the association that demonstrated the highest rates of economic growth in the 1980s. Thus,

⁷*BJKJ*, January 11, 1990.

Thailand has allotted 100 million bahts to modernize its armed forces in the 1990s. In the near future it plans new combat forces of about 500,000 men and the simultaneous technical modernization of its armed forces. Thus, in the late 1980s hundreds of Stingray M-8A5s and T-69-2 tanks as well as several hundred armored carriers were bought from the United States and China. In addition, tank production is being organized using foreign technology in Thailand itself. Eighteen F-16 fighter bombers have already been purchased for the air force, and three Lockheed C-130 planes will be bought in 1990. The air force will be equipped with long-range radar detection E-2C Hawkeye planes and several scores of helicopters. Four frigates were bought in China for the navy, and two more are to be purchased as well as patrol craft. Thailand is also hoping to acquire a helicopter carrier by the mid-1990s. Other military hardware, including heavy artillery guns, combat infantry cars, ground-to-sea and ground-to-air missiles are being purchased on a large scale, and modernization of existing equipment, particularly the F-5E and F-5F planes, is taking place.⁸

Singapore, too, continues to build up its military, spending 6 percent of its GNP on defense. Singapore pays special attention to strengthening its air force. This state was the first ASEAN country to buy F-16 fighter bombers (although it held off delivery until neighboring states had already received their F-16s so as not to make them suspicious about its intentions). It also has four Hawkeye E-2C planes, which Thailand is only now planning to acquire, and fifty light A4 Super Skyhawk bombers.

ASEAN Military Cooperation

Similar military preparations are under way in other ASEAN countries, which follow closely the activities of their neighbors and allies, striving not to lag behind in military buildup. The leadership in ASEAN countries is also pursuing the development of their own defense industries with the goal of attaining self-sufficiency in the field of armaments. In Thailand, for instance, besides the planned production of tanks, Sky-Cobra-5 missiles are already made, as well as some kinds of ammunition. In the near future, Singapore is not only going to equip its army with missiles made locally with Israeli help, but also to export them. Indonesia is also developing its defense industry with plans to produce at an aircraft plant in Bandung, components for the multipurpose Tornado and Hawk-200 planes. That plant already makes half of all components of the ground-to-air Foil missile. Malaysia, too, seeks a certain level of military self-sufficiency. According to its defense minister, Ahmad

⁸*Far Eastern Economic Review*, February 22, 1990, 22.

Rithauddin, a research and development program to produce cheap, strategically important weapons, in accordance with the indigenous potential, has already started.⁹

Such military buildups in ASEAN countries may well be facilitated by joint cooperation in arms development and production. Such cooperation has been suggested by Indonesia, which proposed to start joint defense production within the ASEAN framework with a first step of unifying manufacturing standards of existing weapons, thus making possible the production of standard weapons and ammunition and the coordination of their sale.

This proposal is a direct result of the development of ASEAN collaboration, especially visible in the last two or three years. While various political and scholarly circles abroad discussed the possibility of turning ASEAN into a military bloc, military coordination in the association accelerated, albeit primarily on a bilateral basis. The level of military coordination and interaction between ASEAN countries steadily advanced. Thus, in March 1989 Indonesia and Singapore signed a memorandum of cooperation of land forces, which opened up the possibility for Singapore's army to use Indonesian territory for exercises. Singapore also seeks to use the territories of other ASEAN countries for maintenance and training of its army. It uses, for example, a firing range at Sabah for gun firings; part of its helicopter fleet is kept in Brunei; eight F-4 fighters and 110 soldiers have been stationed in the Philippines since 1979 under a bilateral agreement, and two more planes and 20 men were added when the accord was prolonged to 1992. The military interaction between Indonesia and Malaysia also increased, with considerable intensification of their traditional joint Malindo exercises held in Kalimantan. Previously these exercises of land forces involved units of up to one battalion, but in August 1989 about 1500 men and a tank platoon took part in Malindo-19, held in the vicinity of Pontianak. In 1991 the exercises will be held with the participation of all three military branches.

ASEAN bilateral military collaboration has led to some military interaction on a multilateral basis. This is evidenced by the setting up of a joint Indonesian-Singapore firing range in Sumatra, which will be used, according to Tri Soetrisno, commander-in-chief of the Indonesian armed forces, by other ASEAN member-states.

Noting the quite evident intensification of military interaction within the ASEAN framework, one should, however, emphasize that under contemporary conditions, this interaction most probably will not take the shape of a military bloc. It is well understood in the ASEAN countries that formalizing such a structure would produce a negative response both at the global and regional levels, particularly in China and Vietnam. But given their accumulated political interactions and experiences over some twenty-five years,

⁹*Berwama News*, February 4, 1988.

military collaboration without formal establishment of a military bloc should still be possible. Tri Soetrisno has in fact said as much: ASEAN is capable of flexible cooperation in the military field, he remarked, without signing a military pact.

In the present general warming of international relations and the emerging move to settle the Cambodian conflict, intensive military collaboration among ASEAN countries, as well as substantial military buildups, seem paradoxical. What is the cause of the phenomenon? ASEAN countries are anxious about the situation in Southeast Asia and in the whole of the Asia-Pacific region because the Soviet and American military presence is waning, and they fear China, Japan, and India will gradually build up their military to fill the vacuum. These countries have traditionally regarded Southeast Asia as a sphere of their political, economic, and cultural influence, and the perceived military threat has, no doubt, prompted ASEAN members to increase their own military capacity and to combine their military potentials. Moreover, their economies can sustain such activities. In addition, the increased military capacity is politically profitable to the leadership of these states because a strong military, at the present stage of development in Southeast Asian societies, is still regarded as a symbol of political and economic power, and of the growth of a country's international standing.

Also, the policy of increased military collaboration in ASEAN is also aimed at promoting political consolidation in the Association, whose stability is likely to be tested in the not distant future.

Potential Inter-ASEAN Friction

It is no secret that the Cambodian conflict is the major unifying factor among ASEAN. After it is resolved, certain political frictions might develop between Association members, including ones caused by contradictions of a purely economic nature. Heretofore, such contradictions revolved around competition over world raw materials markets, but in the near future the growing economic might of each Association member and, correspondingly, of its claims to the leading position in Southeast Asia will cause them. Even now Thailand's claim to a predominant role in the economic development of the countries of Indochina after the Cambodian conflict is solved is regarded negatively by its ASEAN partners. Competition between ASEAN countries on world industrial and electronic markets will intensify.

At present serious political friction exists between and among ASEAN countries, and it should not be precluded that the present military buildup in each member-country is carried out with a view to that fact. Among these, political friction involving territorial disputes between individual ASEAN countries stand out. An ancient dispute continues between Malaysia and the Philippines over Sabah, as well as a newer dispute over six small islands 600 kilometers to the west of Mindanao, which Malaysia includes in its fishing

zone. There are also unresolved territorial disputes between Thailand and Malaysia concerning the development of the continental shelf, rich in oil and gas, and the establishment of fishing boundaries between those countries and a number of others.

Singapore, literally squeezed from all sides by the countries of the Malayan world, evidently feels greatly worried about a possible future confrontation with its present ASEAN friends. This fear is probably behind the Singapore leadership's intentions to allow deployment of American military facilities and weapons on its territory. And there are other manifestations of discontent among ASEAN members regarding the military growth of some of them. The Philippines is gravely concerned about the construction by Malaysia of a big naval base at Gemas, Sabah, which will serve as a strong point of the Malaysian Air Force in the South China Sea.

As to near-term military policy in ASEAN, the trends discussed should intensify, particularly if ASEAN members feel threatened by countries outside the Association. This certainly may happen if the current confrontation between China and Vietnam were to end in a close military-political alliance of the two socialist states.

If the existing communist regimes remain in power in these countries and they continue to perceive developments in Eastern Europe and the USSR as threatening, one can assume that any settlement of the Cambodian conflict would, most probably, be followed by a rather rapid amelioration of the Chinese-Vietnamese relations with a view to supporting the retention of power by the communist parties in both states. Their fundamental differences may be easily forgotten in the face of a perceived danger common to them both. One can cite pronouncements by the communist leaders of the two countries to support their thesis. Thus, according to Tsyang Tsichen, "China-Vietnam relations could improve after the settling of the situation around Kampuchea." Nguyen Van Linh put it even more frankly when he stated in early 1989 that differences in the stands of Vietnam and China are "temporary and insignificant in comparison with peace and development—fundamental long-range interests of the two states."¹⁰

It is highly significant that even in the context of the continuing confrontation of Vietnam and China in Cambodia, China offered Vietnam economic assistance in the amount of \$2 billion as compensation for a reduction in Soviet economic aid to Vietnam.

In sum, both political and military conditions in the Southeast Asian region in the 1990s are likely to be fluid and subject to important changes.

¹⁰*New Times*, 1989, no. 8. See also *The Economist*, February 10, 1990.

21. Indochina: Where Do We Stand?

DOUGLAS PIKE

This paper on the current Indochina scene concentrates on two separate but intricately related policy issues: U.S.-Vietnamese relations and the Cambodian peace process. Most of the paper is devoted to the latter and includes a discussion of the essential nature of the Cambodian peace process, specific requirements for progress, the lessons history can teach about war and peace in Cambodia, and recent developments. Recent developments include the International Meeting on Cambodia (IMC) in Jakarta in February, Australia's peace proposal, an enhanced role for the United Nations, and the reported return to Cambodia of Vietnamese troops.¹

¹Primary bibliographic source material for this article is the Indochina Archive at the University of California at Berkeley. File 7-A, Vietnam Foreign Relations (U.S.) contains approximately 15,000 pages of documentary material, of which about 10 percent deals directly with the subject of formal diplomatic relations; the remainder deals with issues between the two countries and a history of contacts since the end of the Vietnam War. The best single source of material on the subject probably is the U.S. Congress, "U.S. Aid to North Vietnam," House Subcommittee on Asian and Pacific Affairs, July 19, 1977, a Committee on International Relations Print. "Claims Against Vietnam," a U.S. Congress House of Representatives report dated April 30, 1980, outlines the legal issues involved with U.S. nationals' losses incurred through nationalization in Vietnam and also contains information on Hanoi assets frozen in the United States. "Indochina," a report released by the Senate Foreign Relations Subcommittee on East Asia and Pacific Affairs, August 21, 1978, contains a 150-page study by Douglas Pike entitled "Vietnam's Future Relations," which includes a chapter on U.S.-Vietnamese relations. "Adjudication of Claims Against Vietnam," by the House Subcommittee on Asian and Pacific Affairs, July 27 and October 25, 1979, also contains background material on losses by U.S. individuals and companies through nationalization of property in Vietnam and on Hanoi assets frozen in the United States. See also "Relations with the United States," a Congressional Research Service Vietnam Study, April 1982, pp. 63-69. The best general background material on the subject is Ronald J. Cima, ed., *Vietnam: A Country Study*, Library of Congress Country Studies Area Handbook Series (Washington, D.C.: Government Printing Office, 1989).

U.S.-Vietnamese Relations

The U.S. relationship with Hanoi, nominal as it is, has gone through several stages since the end of the Vietnam War in 1975. First came the dust-settling stage, the year or so after the war when the United States was traumatized by the war's outcome and Washington was reluctant even to think about Indochina policy. Then came the Carter administration with its various experiments with rapprochement, which came to naught. Vietnam had an opportunity for diplomatic relations at this time, but threw it away in what in retrospect was clearly a leadership blunder. Soon after taking office, President Carter dispatched the Woodcock Mission to Hanoi to explore the idea of diplomatic recognition. Hanoi leaders took a hardline approach with the visitors. They spoke of America's economic obligations to Vietnam, mentioned the figure \$3.25 billion. The term *war reparation* appeared in the Hanoi press. Leonard Woodcock explained the U.S. foreign aid process and suggested embassies be exchanged. Then he said the new Vietnamese ambassador in Washington could begin soliciting economic assistance. Hanoi stood by its precondition—aid before recognition.²

The Woodcock Mission's visit to Hanoi ended inconclusively. The Vietnamese position remained: money, then recognition. There the matter stood for the next year or so. However, this was a dynamic period. During 1978 Vietnamese-Chinese relations deteriorated, and Hanoi officials, fearful of the rising China threat, dropped their precondition on establishing relations with the United States. However, U.S.-Chinese relations were solidifying—this was the time of the “opening to China”—and the Carter administration came to see the issue as a choice between Vietnam and China, for the United States not a difficult choice.

Then came the present stage—with the Reagan and now the Bush administrations. U.S. policy has been termed one of benign neglect. It is a derivative

²With respect to the \$3.25 billion figure: As part of the Paris Agreements arrangements, representatives from the U.S. Agency for International Development and Hanoi held a series of technical level meetings in Paris in mid-1973. They discussed U.S. economic assistance to Vietnam to which the United States had agreed as part of the “binding up of the wounds of war” clause in the agreements. At one meeting Hanoi submitted a list of proposed U.S.-assisted reconstruction aid projects, the price for which totaled about \$3.25 billion. A U.S. document was submitted that acknowledged North Vietnam's economic need and implied U.S. assistance would be forthcoming. However, it stressed: (1) that the U.S. representatives at the meeting did not have the authority to commit the U.S. to granting \$3.25 billion since this was a power reserved for Congress and (2) that the United States considered that any economic assistance for North Vietnam was dependent on Hanoi's military restraint in the South. In strict interpretation of diplomatic protocol, Hanoi owes the United States at least an apology for violating the agreements signed with the United States in February and March 1973. The Paris Agreements, whatever else was their meaning, clearly stipulated no force augmentation, yet virtually the entire North Vietnamese army was in South Vietnam near the end of the war (April 1975). This represented a total breach of the agreement.

policy, the U.S. saying to the Association of Southeast Asian Nations (ASEAN) and China: You take the policy lead, we will follow. This has something to recommend it. But it is more of a holding operation than a policy. And it automatically abrogates American leadership, which means it cannot endure indefinitely.

The specifics of present policy, in Washington's view, stem from Hanoi's behavior and actions: its intrusiveness into Cambodia, its intimacy with the USSR, its presumed hegemonistic dreams of an Indochina federation, its violation of human rights, and so on. Critics of this policy say the administration in Washington does not want relations with Hanoi, and uses these matters as excuses.³

Establishing a formal relationship would not mean a new ambiance between the two or that either has changed its opinion of the other. It would not necessarily mean the United States would provide Vietnam with economic aid, or Hanoi would be particularly forthcoming in opening up its prisoner of war/missing in action files.

Few Americans would argue the United States should never under any circumstances have formal relations with Vietnam. Such a position is irrational because it mindlessly precludes serving American national interest. Public opinion polling several years ago indicated about one-third of Americans favored relations, one-third opposed, and one-third did not know or had no opinion.⁴

Of course various political and diplomatic issues stand between Washington and Hanoi. These ought not to be barriers to a formal relationship—ought not to be, but are. Five such issues can be considered major.

First is Vietnam's perceived intrusiveness into the affairs of Cambodia and Laos, which some interpret as evidence of Hanoi's hegemonistic dream of a Federation of Indochina and as a threat to Thailand. Others interpret this intrusiveness as simply Hanoi generals attempting to serve legitimate national

³For representative arguments for and against establishment of U.S.-Vietnamese relations, see: John LeBoutillier, "Coming to Terms with Vietnam," *The New York Times Magazine*, May 1, 1989; Frederick Z. Brown, "Sending the Wrong Signal to Hanoi," *Asian Wall Street Journal Weekly*, April 18; Larry Pressler (U. S. Senator, R-S.D.), "We Can't Isolate Vietnam Forever," *New York Times*, May 23, 1989; George Black, "Republican Overtures to Hanoi," *The Nation*, June 4, 1989; and Nayan Chanda (Washington correspondent), "Straws in the Wind," *Far Eastern Economic Review*, June 9, 1989. See also Timothy McCully, ed., "The Future of U.S.-Indochina Relations: An International Symposium," proceedings of a September 1989 conference in Los Angeles sponsored by the Asia Society and the Los Angeles Times Mirror, and published as *Asian Update* (New York: Asia Society, 1989).

⁴Parenthetically, I would reject various moral, ethical, or philosophic arguments for diplomatic recognition of Vietnam, first, because diplomatic intercourse follows only from perceived national interest—on both sides—not from sentiment or abstraction; and second, because the United States has incurred no debt of obligation from its earlier presence in Vietnam or its conduct during the war.

security interests (Vietnam being a long, thin country and vulnerable on its flanks to hostile regimes in Phnom Penh and Vientiane).

Second is Vietnam's intimate embrace of the USSR, which was seen—until recently—as something of a strategic threat to the United States and its friends and allies in ASEAN and Japan. There exists what many consider to be a Moscow-Hanoi military alliance, although for how much longer it will exist is a moot point. A recent development in this respect that if true will alter U.S. security perception of Vietnam is the announced Soviet drawdown of its military presence in Vietnam. USSR Foreign Ministry official Vadim Perfiliev told a press conference in Moscow (January 18, 1990) that all MIG-23 and TU-16 planes had departed Vietnam in late December, leaving one squadron of 6–10 planes of “varied types.” He said Soviet naval presence at Cam Ranh “is being reduced.”⁵

Third is the resolution of casualties issue. This is seen as Vietnam's failure to account for American prisoners of war and missing in action of the Vietnam War—or if not failure, a willfulness about or indifference to the fate of these missing and unknowns, who now number about 2,300. This is a singular issue, normally not one that appears in official governmental intercourse. Traditionally, nations assume the assuaging of bereavement to be automatic, not something to be bargained over by diplomats. For complex reasons this issue has become a more or less permanent impediment standing between the two countries. It is one that cuts to the political bone in Washington, for it has taken on a deep psychological meaning.

Fourth are humanitarian problems involving divided families of Vietnamese emigres now in the United States, Amerasian children, the future of the reeducation camp inmates, and medical care for Vietnamese in Vietnam for whom Hanoi holds the United States responsible.

Fifth are economic problems: frozen assets, nationalized property, and demands for indemnification on both sides.

Based on my study and analysis of Hanoi leadership, I do not think there is going to be significant change in the foreseeable future in official U.S.-Vietnamese relations, for three reasons: (1) internal political infighting, (2) the leadership succession process now underway, and (3) preoccupation with what are considered more important domestic problems and foreign relations difficulties. This condition—of domestic politics, leadership changes, and greater concerns—exists in both capitals, but is more dominant at the moment in Hanoi. I conclude nothing much is going to change in the foreseeable future—

⁵*Tass*, January 18, 1990; Agence France Presse (AFP), January 18, 1990, and February 2, 1990; *Kyodo* (Tokyo) January 19 and February 7, 1990; *New York Times*, January 19, 1990; *Singapore Times*, February 18, 1990; *Pravda*, March 10, 1990 (history of Cam Ranh Bay). See also Susumu Awano-hara, “Withdrawal Symptoms: U.S. Mulls Soviet Plan to Reduce Vietnam Presence,” *Far Eastern Economic Review (FEER)*, February 1, 1990; and Jeremy Clift (Reuters), “Soviet Cutback in Vietnam Seen Strengthening Asia Stability,” *FEER*, January 19, 1990.

the next year or so—at the official diplomatic level. The result of the third factor—greater concerns—in Washington is essentially policy inaction. It is a case of Newton's Second Law of Physics applied to political science: Objects at rest tend to remain at rest. There is some change under way at the level of private relations, but this too is moving glacially. Any change here will be directly related to the Cambodian peace process.

Cambodian Peace Process

In examining the extraordinarily intractable subject of the Cambodian peace process,⁶ the proper place to begin is with the political scene *inside* Cambodia and to ask, What exactly is the balance of political power, or control, among the contending Khmer elements there? This has to do with the governance scene in Cambodia, not simply in Phnom Penh and in the Coalition Government of Democratic Kampuchea (CGDK) offices along the Thai border, but with the governing structure throughout Cambodia—at the provincial, district, and above all, village level, where 85 percent of the all the Khmer people still live.

This internal dimension is the central factor in the current peace process. It is pivotal. It is one half, but the most important half, of the peace process—the other half being the *external* dimension, that is, the role of outsiders: the Vietnamese, the Chinese, the ASEAN nations (especially Thailand), the United States, the USSR, and the rest. In any event, the Cambodian peace process has now shifted to *inside* Cambodia.

Competing Perceptions

Among outsiders viewing the present internal political scene, there are two basic perceptions that may not correlate highly with reality, but are official and unofficial views of the political scene among the contending Khmer political elements.⁷

⁶Research materials on the Cambodian peace process were drawn from the Indochina Archive, University of California at Berkeley, Unit VIII, Section I-Cambodia, which contains approximately 3,000 pages of documentation relevant to the Cambodian peace process during spring and summer 1989. See also Douglas Pike, "Cambodian Peace Process: Summer of 1989," *Asian Survey* (September 1989); Karl Jackson, *Cambodia 1975-78: Rendezvous with Death* (Princeton, N.J.: Princeton University Press, 1989); Michael Leifer, "Cambodia Conflict: The Final Phase?" *Conflict Studies* (London), no. 221 (May 1989); Thai Foreign Minister Siddhi Savetsila, "A Fair and Comprehensive Solution," *Vietnam Commentary*, March-April 1989 (as well as articles in the same issue by Ton That Thien and Nguyen Manh Hung); and Michael Vickery, "Cambodia 1988," *Asien* (Hamburg), no. 28 (April 1988).

⁷These perceptions were extracted from an extensive list of primary source materials, principally official statements by the State of Cambodia (SOC), the Coalition Government of Democratic Kampuchea (CGDK), and the governments of the SRV, PRC, USSR, and United States, which have been collected and published in *Indochina Chronology*, a quarterly publication of the Institute

The first perception is this:

“There is now a full and true government in Cambodia—it is the SOC, headquartered in Phnom Penh. Agreed it was installed by invading Vietnamese, but now the SRV (Socialist Republic of Vietnam) has cut it loose and it is on its own. Also it has moved politically back toward centrist Khmer politics (and away from Leninism, or Marxism-Leninism).”

The first perception continues: “Although it is true that the SOC does not have a particularly legitimate paternity, it is now fully in power and we are all obliged to do business with it. Further, it is not all that bad a government, certainly better than would be a returning Pol Pot or DK (Democratic Kampuchea) government. There could be some adjustments in the future composition of the SOC, Sihanouk as titular head for instance, but essentially what now exists is what would continue. Outsiders ought to support and help ensure survival of the SOC, if not for its own sake, in the name of peace and stability. As for its opposition, the CGDK—the so-called resistance movement—it is not a true government by any definition. It has no significant military strength inside Cambodia, nor does it command any appreciable political support there. In truth the CGDK is only a tattered remnant found chiefly in Thai refugee camps and along the Thai border. It has been vastly overrated by outsiders and is not to be taken seriously. The CGDK continues to exist only by courtesy of China and the Thai generals. While it does have certain sabotage abilities—can be a political spoiler—this will last only as long as outsiders prop it up. If support is denied—if Thailand seals the border, for instance, or the Chinese abandon their weapons shipments—the CGDK will dissolve, the war will fade, and peace and stability will quickly return to Cambodia.”

That briefly is the first perception of Cambodian governance. It is the SOC’s perception, of course, and that of Hun Sen and Hen Samrin—also of Hanoi, the USSR, and a number of observers in the United States and elsewhere. Some of these are left wing; some are practitioners of *realpolitik*; some simply regard themselves as pragmatic, saying we must bow to the inevitable. Essentially, it is representative of the USSR view.

Opposing this “situation irreversible” perception is a second perception. It has these characteristics:

“First and foremost, there is little government at all, of any sort, in Cambodia. In truth there is no one in charge; control is exercised by none or all. SOC claims to the contrary are absurd pretense. It may control the capital, Phnom Penh. But even that is a shaky and uncertain condition—witness the recently imposed dusk-to-dawn curfew in the capital. Witness bombings there. Witness also the recent capture of Pailin by the DK and creation of a ‘liberated area’ by the Son Sann forces. Witness the beginning of established enclave governments by the SOC’s enemies. What this condition amounts to, in

essence, is *anarchy*—in the standard dictionary meaning of the word: *absence of government*. If the SOC were a government it would have presence throughout the country, even if it were a challenged presence. But it does not. It does not have military and internal security elements stationed throughout the country. More fundamentally it does not have administrative presence, hence it can't do the things governments do at the village level—run hospitals and clinics, operate schools, build roads and canals—all those public services common to government. The SOC does not have the people—the bureaucrats, civil servants, cadres—on the scene, especially at the district and village levels—to perform this work. Equally pretentious is the SOC's claim of the loyalty of the Khmer people. In truth SOC leaders are seen by the average Khmer as country-selling lackeys, running dogs of the Vietnamese who installed them in power with tanks. The SOC is illegitimate in the worst sense—it has sold its birthright by becoming collaborationist. Outsiders should recognize the SOC regime for what it is and for what it represents in a broader international context. It was installed by an invading army using sheer military force: One country invaded another in full-scale warfare, fought and replaced the government. To endorse this action—even to acknowledge it legally—has *profound* meaning for international law and international relations. For years right-thinking people and governments around the world have worked to establish the principle of integrity of self-determination—that no country can claim as a legitimate right the overthrow of another government and installation of one of its own choosing. To accept the SOC then is to help establish precedence for such actions. If in Cambodia, why not the same in the Mideast, in Central America?

To this second perception is appended a differing view of the CGDK: “Admittedly the CGDK does not have great military strength, quite probably will never be able to install itself through military prowess. Even to attempt this probably will bring the Vietnamese army back into Cambodia as may have happened anyway (with the reported return of 5,000 PAVN [People's Army of Vietnam] soldiers to Cambodia). But the CGDK does have diplomatic, political, psychological, and moral strength. It is seen as legitimate by the Khmer people in a way that the SOC can never be seen. More importantly the CGDK has captured the banners of Khmer nationalism. And we all know what an enormous force for change/power is nationalism in Asia—has been since the days it drove colonialism out of the region.”

Thus, this second perception does two things. It takes the high moral ground, standing against evil international behavior, and it makes the pragmatic policy argument that to back the SOC is, in the long run, to back a loser.

Those then are the two major contending perceptions of the Cambodian peace process. We see evidence of them everywhere. The Paris ministerial conference in August 1989 was an almost classic example of the phenomenon at work: foreign ministers with differing perceptions talking past each other, each

with his own mental picture of the Cambodian political scene making policy recommendations on the basis of his view, unable to understand why others (holding a competing perception, of course) were unable to grasp the obvious truth. Significantly, these competing perceptions are an integral part of the problem. Indeed, it might be argued this is the chief problem as far as outsiders are concerned.

Specific Peace Requirements

The peace process at this writing is in something of a hiatus, between international conferences as it were. But the requirements for a settlement, the necessary steps to be taken, remain, roughly in order of required progression:

1. Withdrawal of PAVN troops from Cambodia (if, in fact, some still remain or have returned there)
2. Arranging a cease-fire among the Khmer and ending resistance military activity
3. Determining the nature of (and the personnel for) the future governmental structure in Phnom Penh
4. Sequestering and eventually disarming the contending Khmer troops with a view to the eventual establishment of a single united armed force in Cambodia
5. Recruiting and installing an external monitoring and peacekeeping force in Cambodia, presumably the United Nations
6. Staging free, fair, and supervised elections either to choose a new national assembly or to elect delegates to a constituent assembly that would write a new constitution
7. Holding an international conference to legitimize and guarantee the settlement arranged

Such is the Cambodian peace process in its essence. These are the things that must be done, more or less in order, if peace and stability are to be returned to Cambodia. At this writing clearly they are not obtainable in the foreseeable future, that is the remainder of 1990—and beyond that the matter remains indeterminate.

The trend at this writing is in the direction of a de facto partitioning of Cambodia with several contending Khmer entities each with its own army and semigovernment, each with a separate outside backer. This arrangement could not be permanent but could endure for months, even years.

There is danger here of the pseudosolution, the sort experienced in 1954 at Geneva, in 1961 at Geneva (with respect to Laos), and in 1973 in Paris, that is, external powers come together and establish “a settlement” that sweeps all the knotty political issues under the rug, proclaims peace is at hand, and goes home—in actuality having done little more than plant the seeds of a future war. This does not appear too likely in the present instance because the center of

gravity in the Cambodian peace process has shifted from outside to inside Cambodia, into the hands of the contending Khmer. Outsiders, all outsiders, now count for far less than previously, and in my view do not have it within their power to enforce any settlement on the Khmer that one or more of the major elements would find unacceptable.

Lessons of History

As far as anyone can determine, the bringing of peace and stability to Cambodia at this moment remains an insoluble problem. This is not to say it cannot be solved, only that no one has produced a plausible scenario or even a promising approach that gives evidence of being workable.

History can be some guide here. Historians looking back at the long record of war and peace in Cambodia note that conflict generally results from one of three conditions.⁸ First, conflict is precipitated when outsiders see a threat to Cambodian sovereignty that endangers their own interests—Thailand (earlier Siam) if the threat comes from the Vietnamese, and Vietnam if the perceived threat is from the Thais; or, as is now the case, Vietnam and China. A second common cause of conflict is disintegration of the ruling Khmer leadership and its elite system. This usually involves bitter factional struggle in which contending factions seek the support of outside armies. The SOC-CGDK face off is a classic example of this. The third common cause is Khmer leadership abandonment of equidistance in foreign relations in favor of alignment/alliance with outsiders. Cambodia's historical experience has been that foreign relations devices that work well elsewhere, such as balance-of-power politics and military alliances, do not work well at all for Cambodia. Such has been the history of Cambodia since the 1970 Lon Nol coup d'état against Sihanouk.

History teaches, then, that peace and stability in Cambodia require (1) an absence of any foreign military presence that can polarize Khmer geopolitics and only nominal diplomatic presence by anyone, (2) a high level of elite and leadership unity, and (3) careful maintenance of equidistance (or nonalignment) in foreign relations, which is respected by all outsiders. Thus, these three conditions should be the ultimate goals pursued in the Cambodian peace process.

Recent Developments: Jakarta

Developments in the Cambodian peace process in 1990 that should be noted, although they appear to be more motion than movement, are (1) the International Meeting on Cambodia (IMC) in Jakarta in late February, (2) the attention given the Cambodian peace process by the UN Security Council, and (3) the apparent return of the Vietnamese combat troops to Cambodia.

⁸This thesis, on what history teaches us about the Cambodian peace process, is examined in detail in Peter Schier, "Fundamental Conditions and Elements of a Lasting Solution to the Cambodia Conflict and Its Current Prospect," *Sudostasien Aktuell* (Hamburg), July 1988.

The IMC meeting—not to be confused with the Paris International Conference on Cambodia (PICC) or the earlier Jakarta Informal Meetings (JIM)—was held February 26–28 in Jakarta with Indonesian Foreign Minister Ali Alatas in the chair.⁹ It was convened under the auspices, “in the framework” as it was put, of PICC, which had been “suspended” in August 1984. Attending were the CGDK representatives (Norodom Ranariddh, Son Sann, and Khieu Samphan); the SOC (Hun Sen); the SRV (Foreign Minister Nguyen Co Thach); Laos (Deputy Foreign Minister Soulivong Phasitthideth); the six ASEAN nations; France (Claude Martin); Australia (Foreign Minister Gareth Evans); the UN secretariat (Rafuddin Ahmed); but not China. The meeting’s purpose was to eliminate the problems that resulted in PICC’s failure and thus permit the resumption of the full international conference. The chief item on the agenda, which did not get anything like a full treatment, was an Australian proposal, the essence of which was an enhanced role for the UN in the peace process.

As with all Indochina international negotiations through the years, each of the Khmer parties approached the IMC seeking to maximize its own advantages and to minimize those of its opposition. Each regarded the sessions in terms of individual pursuit of broader policy goals and objectives. This meant that unless there was some fortuitous conjunction of nonconflicting interests, that is, unless it became a nonzero sum game, little would come of the meeting. And little did.

The Australian formula was to use the franchise to allow the contending Khmer to establish a new governing structure—that is, elections to be supervised and subsequent arrangement-making to be handled by the UN representatives. This would begin with a cease-fire. The UN would also run the country, pending installation of the new governing structure chosen in the elections.

Professional peacekeepers divide their work into three types: (1) peace monitoring (in the nature of an International Control Commission or ICC), which observes and reports back but does not participate in any way; (2) peacekeeping in which use of force is authorized (Korea being the classic example; but also the Congo in the 1960s and the Mideast later); and (3) peacekeeping in which use of force is not authorized (the so-called referee or Namibia formula in which all the contending elements agree to invite in the UN and to abide by its instructions). The Australian proposal is essentially of the third, or Namibia type, in that it would require the acceptance of all contending Khmer factions. The Australian 150-page Red Book circulated at Jakarta set forth the proposal in great detail. It offered a range of options on the size and cost of the peacekeeping force: (1) high-range 31,000-person force (9,000 civilians, 22,000 military) at an annual cost of U.S. \$2.1 billion; (2) midrange

⁹*New York Times*, February 27, 1990; Foreign Broadcast Information Service, *Daily Report—East Asia* (FBIS-EAS) 90-041, March 1, 1990; *New York Times*, March 1, 1990; Radio Hanoi, March 2, FBIS-EAS 90-043, March 5, 1990; *FEER*, March 8, 1990; *Asiaweek*, March 16, 1990; *Bangkok Post*, February 26, 27, 1990; and *The Nation* (Bangkok), February 27, 28, 1990.

7,700-person force (5,500 military and 2,000 civilians) at a cost of U.S. \$1 billion); and (3) low-range 2,500 troops and 10 civilian officials at a cost of U.S. \$700 million. (Namibia costs were about \$415 million.)

The strength of the Australian proposal was that it bypassed the major stumbling block at the PICC, namely the future of the Khmer Rouge (or DK). The Australian proposal in effect said the DK would have no political authority or power at all unless it could achieve it in legitimate fashion, through the franchise.

The SOC, backed by Hanoi, regarded the Australian/UN proposal as (1) a *de facto* assertion of the nonlegitimacy of the SOC (that is, it was to be replaced by another government—though it could *be* a new government) (2) that would greatly facilitate the accruing of political power in Cambodia by the CGDK elements, but would do little for the SOC in this respect; in other words, the SOC had much to lose and little to gain.

However, the greatest weakness in the Australian proposal was its imported quality, the idea of using the franchise as a means of deciding how to share political power. That is not the way it has been done traditionally in Cambodia; in fact, it has never been done in a transnational sense. The plain truth is that the Khmer have little faith in the notion that the proper way to divide up political power is to have everyone in the country go into a room to put a little piece of paper in a box. That is a Western notion and as such is both alien and untested in Cambodia. That thinking was starkly evident in the SOC position, which was, in effect, that the Khmer Rouge must be kept out of power regardless of how many votes it could garner.

Thus, the Australian proposal became a clash of cultures, and that is why it failed at Jakarta. Possibly, this cultural opposition can be overcome and the Khmer persuaded—or cajoled or pressured—into accepting the franchise mechanism. However, such is doubtful.

Recent Developments: The UN

A separate but intricately related aspect of the Australian proposal has to do with the *fact* of the UN and its possible presence in Cambodia.¹⁰ All contending Khmer factions appear now to have accepted in principle the need for some level of UN involvement (although the exact DK position on the matter remains unclear). All have raised the question of Cambodian sovereignty because all are sensitive to anything that could smack of colonialism, that is, outsiders taking over and running the country. Sihanouk has suggested establishment of a four-party Supreme National Council that would have a single function: to invite in a

¹⁰Text of Statement of Five-Power Consultations on Cambodia, Reuters, February 13, 1990; "Summary of Conclusions of the Five Permanent Members of the Security Council on the Cambodian Problem" (Paris, January 15–16), *Khmer Conscience*, Winter 1989–90; UN Press Release on Paris Conference, February 13; *New York Times*, January 10, 11, 19, 1990; *FEER*, January 25, 1990.

UN International Control Mechanism (ICM) and delegate to it the necessary authority to establish the new governing structure, administer civil affairs during the interim, and keep the peace with its military forces.

Parallel to this is the matter of defining the UN's role in legal terms, in particular addressing the question of whether there could be UN involvement without the authorization of the UN Security Council, which risks a veto by China.

The contending Khmer are divided on the extent or depth of UN activity. Sihanouk appears to favor top to bottom involvement, that is, from Phnom Penh to the village. The Son Sann position parallels this but appears to advocate a more limited UN role. Hun Sen and the SOC stand against UN involvement at the bottom, in the villages. The DK's stated position is generalized, citing past CGDK position papers on the matter and emphasizing the chief UN mission should be to ensure "on an equal footing basis" establishment of a four-party interim government.

The UN Security Council met and discussed the Cambodia peace process on January 15–16, 1990, in Paris, on February 13–14 in New York, and on March 12–13 in Paris. After the February meeting a spokesperson said the five powers reached agreement on four aspects of the problem: the modalities for verification of the withdrawal of foreign forces (meaning PAVN), the necessity to establish a military cease-fire, agreement that all outside military aid to the warring factions be halted, and approval of plans for regrouping (and presumably sequestering) the troops of the various contenders. It was obvious after the March 12–13 meeting that differences remained among the five, particularly between the USSR and China. A fourth meeting was scheduled for New York in May.

China's position on a UN role remains guarded. Beijing press treatment is confined to reporting published official statements and quoting foreign editorial comment. The attitude of other governments—the ASEAN countries, USSR, United States, European states, Japan, and so on—on an "enhanced" UN role appear to range from strongly positive to enthusiastic.

The UN (Perez de Cuellar) on February 12 ordered establishment of a UN task force to prepare for the staffing and logistical support of a UN administration, should it eventuate. There was a UN institutional structure created several years ago as a mechanism for dealing with Cambodia. It was called International Committee on Kampuchea (ICK) and was headed by Alois Mock. Presumably ICK remains in business—there are occasional press references to it—but how it will fit into this new UN organizational structure is not clear.

Recent Developments: Return of PAVN

The question of continued (or renewed) PAVN presence in Cambodia at this writing remains indeterminate.¹¹ Hanoi announced on September 26, 1989, that the last PAVN contingent had departed the country. That was challenged then and later by the CGDK and the Chinese who allege various Hanoi subterfuges to maintain continued military presence: troops hiding in the jungle, PAVN troops wearing SOC armed forces uniforms, Vietnamese civilians actually military advisers or technicians, and so on.

Generally, however, outsiders accepted that PAVN had been withdrawn. And it appeared Hanoi officials were generally disengaging from Cambodia—not only were they effecting a troop drawdown but they were also cutting the SOC loose from close ties and allowing it to move back toward centrist Khmer politics, away from strict Leninist construct.

Then in late January 1990 came scare headlines and other alarmist reports that the Khmer Rouge was on the march (some reports had it marching on Phnom Penh). The SOC apparently appealed to Hanoi for military assistance, and Hanoi apparently responded on February 23 by sending a contingent of troops back into Cambodia, chiefly to Battambang and Banteay Meanchey provinces. Sources for the journalistic reports were variously cited as Western and bloc diplomats in Hanoi and Phnom Penh; SRV and SOC officials speaking privately; and U.S., Thai, and Japanese intelligence agencies. Numbers of troops reported varied from a low of 3,000 to a high of about 20,000 with the most accepted figure being about 7,000. The CGDK produced at press conferences what it said were PAVN POWs captured in 1990 in Cambodia; these gave their names, ranks, and serial numbers to Western reporters. China circulated videotapes of the same at the UN, repeating its demand for verification of PAVN withdrawal. Hanoi denied it all, calling the allegations “mere slander.”

At this writing the matter remains unclear. It seems probable—at least such is the conventional wisdom of most Cambodia watchers—that some PAVN troops have returned to Cambodia. In this case, it seems obvious that the issue of PAVN in Cambodia—even if troops have not returned—represents a new or additional impediment to the Cambodian peace process.

¹¹“Evidences of Vietnamese Disguised Troops,” CGDK UN Mission Press Release, January 16, 1990; *Le Monde*, February 9, 1990; Jeremy Wagstaff (Reuters), “Vietnamese Troops in Cambodia—Fact or Fiction?” March 4, 1990; *The Nation*, February 22, 1990. See also Nayan Chanda, “A False Start on Cambodian Peace,” *New York Times*, January 19, 1990; and “The March of Foxes,” *Asiaweek*, March 23, 1990.

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