

# East Asia in Transition

## LESSON 5: U.S. Interests in East Asia Update

The United States has many interests in East Asia. Economically, the United States and East Asia are tightly bound through trade and investment. On the security front, the United States continues to be heavily involved in the region. For example, over 70,000 U.S. troops are stationed in East Asia.<sup>1</sup>

### ECONOMIC INTERESTS

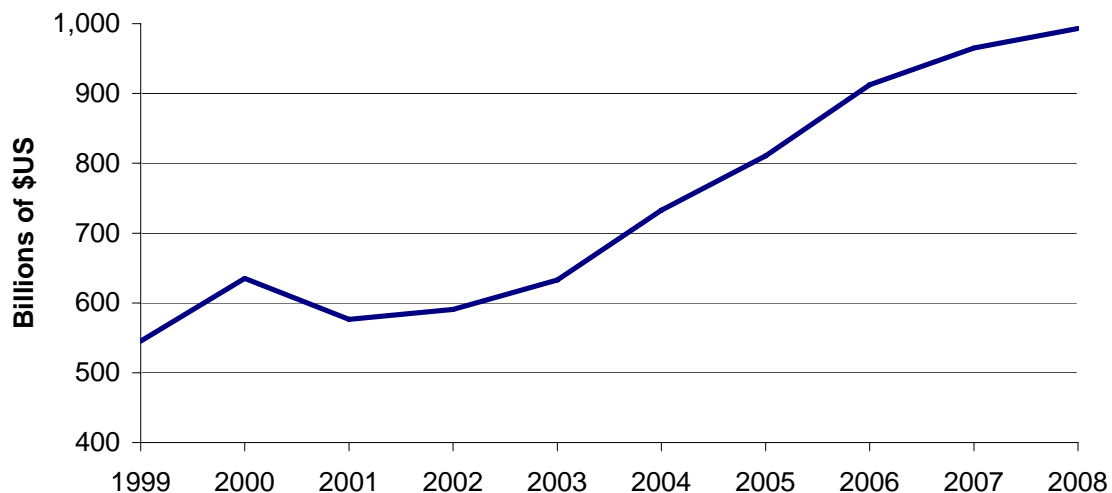
(insert on page 128 before “The U.S.-Japanese Economic Connection”)

Twenty percent of U.S. trade is with East Asia.<sup>2</sup> The U.S. trade across the Pacific is significantly greater than that with the European Union.<sup>3</sup> Millions of American jobs depend on this economic relationship.

After the 1997 East Asian economic crisis, several of the region’s countries accepted more foreign investment in their economies. As East Asia recovered, U.S. total trade with the region markedly increased (see Chart 1). However, the United States imports significantly more from the region than it exports to it (see Chart 2). This trade imbalance is one of the greatest economic challenges that remain between the two areas. Here, we concentrate on U.S.-Japanese and U.S.-Chinese economic relations.

### Chart 1

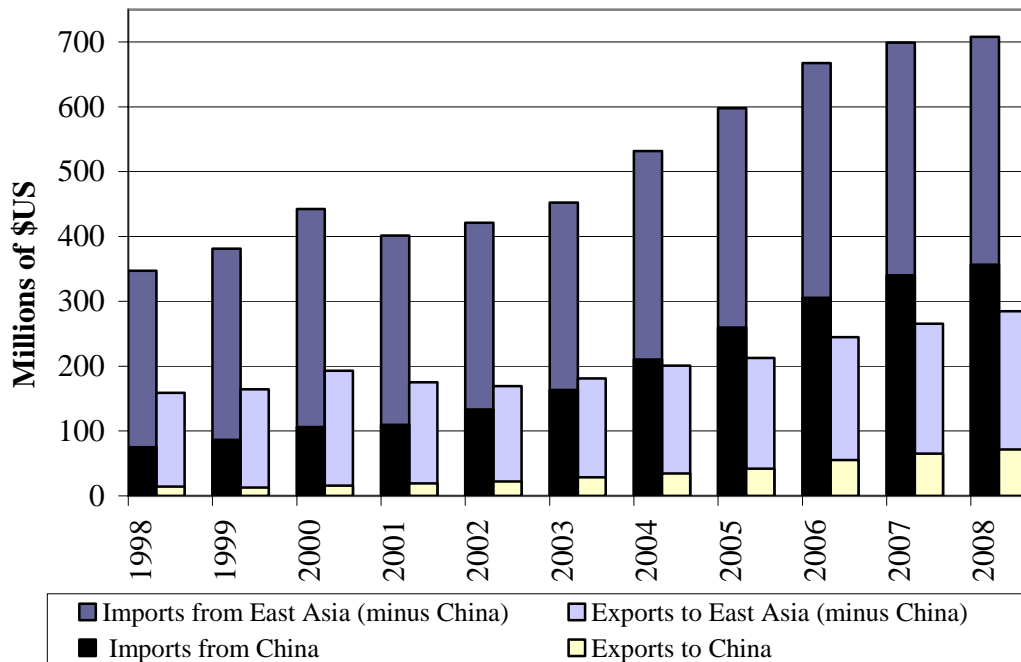
United States Total Trade with East Asia



Source: IMF, *Direction of Trade Statistics*, Yearbooks 2002 and 2006, and *Direction of Trade Statistics Quarterly*, June 2009.

## Chart 2

### U.S. Trade with East Asia: Imports and Exports



Source: Direction of Trade Statistics Yearbooks 2002 and 2006 and Direction of Trade Statistics Quarterly June 2009.

### The U.S.-Japanese Economic Connection

(insert on page 129 before “The U.S.-Chinese Economic Tensions”)

The economic connection between the United States and Japan remains strong. The United States is now Japan’s second-largest trading partner, after China.<sup>4</sup> Japan is the United States’ fourth-largest trading partner, after Canada, China, and Mexico.<sup>5</sup> Both countries also have substantial foreign direct investments in each other’s economies.

The relationship continues to have its frictions. For the United States, many of the issues concern Japanese government regulations over industries such as telecommunications, information technologies, and energy. From the U.S. point of view, these regulations impede fair trade and result in limited choice in the Japanese marketplace.

### U.S.-Chinese Economic Ties

(insert at bottom of page 129)

The United States and China also have strong economic ties. China is the United States’ second-largest trading partner, and the United States is China’s largest trading partner.<sup>6</sup> The United States is also a major source of foreign direct investment in China. American companies benefit from Chinese demand for their goods. American consumers benefit from Chinese manufacturing exports because they are produced so inexpensively largely because Chinese labor is very inexpensive. The minimum wage in many Chinese cities and provinces is less than \$100 per month.<sup>7</sup> For this reason, thousands of Chinese factories produce goods at a fraction of the cost that they can be produced in the United States or other developed countries. As a result, the

average price of clothing and shoes in the United States dropped 10 percent between 1995 and 2005.<sup>8</sup>

However, as with Japan, there are tensions in the U.S.-Chinese economic relationship because of a huge trade imbalance. In 2005, the U.S. imports from China were more than five times the amount of its exports to China.<sup>9</sup> Some Americans argue that an important reason for this imbalance is that the Chinese keep their goods cheap through unfair economic practices. For example, to strengthen its exports, China has kept the value of its currency, the *yuan*, low. By keeping the value of the *yuan* low, China has kept the prices of its exports down and raised the cost of foreign imports.

There are several other factors that challenge a closer U.S.-China economic relationship. For example, copyright laws on intellectual property have presented a very contentious issue. The United States wants China to enforce copyright laws and crack down on the pirating of such things as CDs, DVDs, and games. Sometimes pirated material is made available even before its release date. The human rights situation in China is another sensitive issue affecting relations between the two countries.

## **SECURITY INTERESTS**

(insert on page 130 before “Japanese-United States Security Relations”)

After the September 11, 2001 terrorist attacks, the United States strengthened its security ties to several countries in the region. Here, we concentrate on U.S. security relations with three countries: Japan, China, and North Korea. The U.S. security connection to Southeast Asia is also addressed.

### **Japan-U.S. Security Relations**

(insert on page 131 before “China and Its Intentions”)

Since the U.S. occupation of Japan after World War II, the United States has maintained its military presence, primarily stationed on the island of Okinawa. In its original conception, the primary purpose of the deployment was to bear the burden of defending Japan; however, in recent years, as Japan has assumed a larger self-defense role (see below), the United States has remained deployed in Japan to further its strategic goals in the Asian-Pacific region, particularly in regard to North Korea. The United States remains stationed in Japan with the permission of the Japanese government. However, the 2009 election victory of the DPJ could signal a change. Japanese Prime Minister Yukio Hatoyama campaigned on a platform to alter the status quo. As of 2009, roughly 43,000 U.S. troops remained stationed in Japan.<sup>10</sup>

Japan has developed Self Defense Forces (SDF) during the postwar years. Since the late 1980s, the SDF has grown in size and strength. The United States has supported Japan taking a bigger role in peacekeeping and other missions. Indeed, Japan has taken part in several peacekeeping initiatives since the early 1990s. After September 11, Washington became even more interested in the Japanese military developing an offensive capability and becoming more internationally involved. In 2004, the Japanese military sent personnel to help in the reconstruction of Iraq. This

was their first mission in a combat zone since 1945. Most recently, SDF deployed with a 2007 UN peacekeeping mission to Nepal.

## **China and the United States**

(insert on page 132 before “North Korea and Nuclear Weapons”)

President Bill Clinton’s trip to China in the summer of 1998, the first by a U.S. president since the Tiananmen Square massacre, helped warm relations and improve economic ties between the two countries. However, a series of incidents again heightened tensions. These included allegations of Chinese nuclear espionage in the United States; the May 1999 accidental NATO bombing of the Chinese embassy in Yugoslavia; the April 2001 standoff over the collision of a Chinese fighter jet and a U.S. surveillance plane; and the Bush administration’s efforts to develop a national missile defense system.

However, China has also been a strategic partner for the United States. It has sought peaceful resolutions to the North Korean nuclear crisis and the conflict between India and Pakistan. Also, the September 11, 2001 terrorist attacks on the United States helped improve U.S.-China relations as the two countries found a common enemy in terrorism. China soon expressed support for the U.S.-led war on terrorism and provided assistance, mainly by sharing intelligence. For its part, the United States labeled a small Muslim group fighting Chinese rule in the Xinjiang autonomous region as a terrorist organization. Subsequent concerns arose that the United States was turning a blind eye to harsh Chinese policies in the province because of the war on terrorism.

Taiwan remains a contentious issue in U.S.-China relations. The United States has long practiced “double deterrence.” It has worked to deter Taiwan from declaring independence, and to deter China from invading Taiwan. In line with this policy, the United States has refused to officially recognize Taiwan, and it has maintained forces in the region to caution China. While the United States has no mutual defense treaty with Taiwan, through the Taiwan Relations Act, the United States has agreed to assist Taiwan while Taiwan builds up its own defense. In 2005, China passed an anti-secession law declaring it would use force if Taiwan declares formal independence. The United States called the law “unhelpful.”

Many human rights campaigners in China argue that, as memories of Tiananmen Square fade, foreign concern with human rights in China is diminishing. Cited as a disqualifying factor in China’s unsuccessful bid for the 2000 Olympics, human rights did not play as prominent a factor in the 2008 bid. The 2008 Beijing Olympics were widely considered a success, despite complaints of human rights misconduct, including allegations that China violated its pledge to allow open media access and protest zones. More recently, U.S. Secretary of State Hillary Clinton garnered criticism for her decision to not publicly broach the issue of human rights in her first official trip to the country in February 2009. In October 2009, President Barack Obama did not receive the Dalai Lama during his visit to Washington DC, marking the first time a president has not welcomed the Tibetan spiritual leader since he began visiting Washington in 1991. Some allege the administration was unwilling to offend China in the lead-up to Obama’s first official visit to the PRC in November 2009. Despite China’s objection, Obama met with the Dalai Lama on February 18, 2010 at the White House. However the visit did not take place in the Oval Office, but rather in the Map Room, which is part of the White House residence. The setting of

the meeting was seen as a conciliatory gesture towards China by indicating that the White House does not view the Dalai Lama as a political leader of Tibet.<sup>11</sup>

## **North Korea and Nuclear Weapons**

(insert on page 133 before “A Pacific Community?”)

Over fifty years after the end of the Korean War, the United States has roughly 33,000 troops stationed in South Korea.<sup>12</sup> These troops are there to help defend against possible aggression from the North. Indeed, North Korea remains a repressive and impoverished communist state. Like his father before him, North Korea’s reclusive leader, Kim Jong Il, has often used confrontational rhetoric, broken promises, and a nuclear weapons program to frustrate U.S. leaders and diplomats.

By the turn of the century, the United States had engaged in several years of off-and-on talks with North Korea in an effort to find a way to halt or limit the country’s nuclear program. Then, on August 31, 1998, North Korea fired a long-range, three-stage missile over Japan. This test demonstrated for the first time that all of Japan, including American military facilities, was within range of North Korean missiles. The new missile capability was particularly worrisome because of North Korea’s nuclear program.

Concern over North Korea’s missile and nuclear programs led President Clinton to open negotiations with the country in 1999. Subsequent U.S.–North Korean negotiations led to an easing of fifty-year-old U.S. sanctions against North Korea in exchange for a North Korean agreement to refrain from missile testing. In 2000, a South Korean–North Korean summit and U.S. Secretary of State Madeleine Albright’s unprecedented visit to North Korea raised hopes of greatly improved relations. Still, many problems remained on the Korean Peninsula.

Upon coming into office in January 2001, the Bush administration cut off talks with North Korea and questioned South Korea’s “sunshine policy” of engagement. One year later, President Bush labeled North Korea as part of an “axis of evil,” and relations soured even more. In October 2002, faced with fresh evidence from U.S. intelligence, North Korea admitted to having a covert nuclear weapons program in violation of a 1994 agreement. The situation escalated further in December when North Korea restarted one of its nuclear reactors and evicted all International Atomic Energy Agency monitors. In January 2003, North Korea withdrew from the Nuclear Non-Proliferation Treaty (NPT). This move raised fears that North Korea might test weapons or sell missile and nuclear technology to terrorist organizations. In 2005, North Korea admitted it had manufactured nuclear weapons.

North Korea wants direct talks with the United States to diffuse the issue. The United States has instead seen the situation as a global problem relating to nuclear proliferation. It has insisted on regional talks that include South Korea, Japan, Russia, and China. In September 2005, after months of deadlock, the regional six-party talks produced a preliminary agreement. North Korea agreed to end its nuclear weapons program and rejoin the NPT in return for energy aid and normalized diplomatic relations. The six countries also agreed that North Korea would have the right to a peaceful nuclear energy program. The United States and North Korea pledged to respect each other’s sovereignty. However, the North Koreans again frustrated further negotiations, and, in October 2006, they tested a nuclear device.

Progress was again made in 2007, when a private meeting between U.S. and North Korean envoys in Berlin paved the way for another agreement at the six-party talks in Beijing. North Korea agreed to shut down its main nuclear site in exchange for fuel aid and diplomatic concessions. In 2008, the country turned over documentation of many of its nuclear activities and imploded part of the Yongbyon nuclear plant. Still, the United States and others remain wary of the weapons North Korea already has, Kim Jong-Il's history of stalling, renegeing, and breaking past deals, and the general unpredictability of the repressive and impoverished country. In 2009, the Obama administration condemned North Korea's firing of a test rocket 2,000 miles into the Pacific Ocean, twice the range of previous missile tests.

## **Southeast Asia**

(insert on page 133 before "A Pacific Community?")

After September 11, 2001, the United States became increasingly concerned about the rise of radical Islamist movements in Southeast Asia. The administration pointed to a few groups in particular, including Abu Sayyaf in the Philippines, and Jemaah Islamiyah and Laksar Jihad in Indonesia. Because of such groups, Southeast Asia was dubbed the "second front" in the war on terrorism.

In the early 2000s, a number of terrorist bombings shook the region. These bombings included the October 2002 bombings in Bali, Indonesia, which killed at least 200 people. Also in 2002, the United States sent nearly 1,300 soldiers to the Philippines to train and support Filipino soldiers in counterinsurgency warfare. Specifically, they were sent to help the Filipino government eradicate Abu Sayyaf.

Because of concerns over security in the region, the United States has increased its cooperation with Southeast Asian governments on a number of issues. For example, it has worked with the Association of Southeast Asian Nations (ASEAN) on areas such as border control, transportation security, information sharing, and antiterrorist financing. However, some still criticize the United States. They believe the United States has lifted military and economic sanctions, sent military aid, and reduced its criticism of human rights abuses in the area because it needs the support of the region's governments in the war on terrorism. Many believe that governments in the region have used the war on terrorism as an excuse to crack down on legitimate opposition. Critics say that this abuse increases anti-Western sentiment and helps radical Islamist groups gain influence and power.

Christopher L. Brown and Robert Powers  
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<sup>1</sup> Department of Defense, "Active Duty Military Personnel Strengths By Regional Area and By Country," June 30, 2008, (accessed November 5, 2009).

<sup>2</sup> International Monetary Fund, *Direction of Trade Statistics*, (Washington DC; International Monetary Fund), Quarterly June 2009, p. 401.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid, p. 208-209.

<sup>5</sup> Ibid, p. 401.

<sup>6</sup> International Monetary Fund, *Direction of Trade Statistics*, p. 510, 133-135, op. cit.

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<sup>7</sup> Thomas Fuller, "China Feels a Labor Pinch; Costs are Rising and Prices May Be Next," *The International Herald Tribune*, April 20, 2005. See also, Wage Indicator, "China's Minimum Wage- Today's Rate," <http://www.wageindicator.cn/main/minimumwagesinchina> (accessed November 11, 2009).

<sup>8</sup> "From T-shirts to T-bonds- China and the World Economy," *The Economist*, July 30, 2005.

<sup>9</sup> International Monetary Fund, *Direction of Trade Statistics*, p. 510.

<sup>10</sup> Department of Defense, "Active Duty Military Personnel Strengths by Regional Area and by Country," GlobalSecurity.org, <http://www.globalsecurity.org/military/library/report/2009/hst0906.pdf> (accessed November 11, 2009).

<sup>11</sup> Jonathan Weisman and Sky Canaves, "Dalai Lama Meets with Obama," *The Wall Street Journal*, February 18, 2010.

<sup>12</sup> Department of Defense, "Active Duty Military Personnel Strengths by Regional Area and by Country," GlobalSecurity.org, <http://www.globalsecurity.org/military/library/report/2008/hst0806.pdf> (accessed November 11, 2009).